

November 10, 1988

To: The Utah PSC Commissioners

Here is some additional information showing the lies and misinformation that was given to your commission in the first hearings and is continuing now. Mr. Bolander stated that there were no additional benefits for the officers of UP&L over and above the 1987 retirement. That obviously is a lie as it states in the prospectus that over and above the retirement, that these officers and "selected employees" can get a bonus of up to 18 months pay and enter into contracts for employment.

It does not include any employees which have more years of service. Those employees that took early retirement in 1987 received no bonuses. These benefits, and there arrogance, are the reason that they will do anything to get this merger (take over) approved, even at the expense of the company, it's rate payers, stock holders, and employees.

1 of any -- of any licenses or ownership.

2 COM. CAMERON: Thank you.

3 MR. GALLOWAY: Mr. Cameron, I think maybe a bit of
4 legal clarification is in order. We have in the course of
5 the various assignments that have been required in connection
6 with the merger made petition jointly with Utah Power & Light
7 Company to transfer the outstanding hydroelectric licenses of
8 both PacifiCorp-Maine and Utah Power & Light Company to the
9 new corporation. That is not a matter of an operational
10 determination but, rather, there will only be one surviving
11 corporation and necessarily one licensee which will be the
12 surviving corporation.

13 COM. CAMERON: Thank you.

14 The next question relates in general to the golden
15 parachute concept. Are there any golden parachutes to Utah
16 Power & Light employees, officers and directors; are there
17 any deals or financial arrangements with officers, directors
18 of Utah Power & Light other than the premium for the stock
19 which they might own including options?

20 MR. BOLENDER: Not that I know of. In the merger
21 agreement document we left the possibility and left room for
22 certain employment contracts. Since that time we have--
23 there are to my knowledge no employment contracts in
24 PacifiCorp, and the reason I said to my knowledge is we may
25 have given some contract to some small owner of a company

1 that we purchased but generally there are not employment
2 contracts per se. We have since determined with the Utah
3 Power & Light Board and with the officers of Utah Power &
4 Light that there will not be employment contracts, so that I
5 would say there are no deals, there are no conditions other
6 than the one that I'm aware of is that there is an open early
7 retirement program that's still in effect for officers of
8 Utah Power & Light if they meet certain time, service and age
9 requirements.

10 COM. STEWART: Is it the same early retirement
11 program that the company has had for several months?

12 MR. BOLENDER: I believe it's identical.

13 COM. BYRNE: So, any specific reference, then, to
14 individuals at Utah Power & Light would be referring to
15 that -- to their prior rights under Utah Power & Light's
16 retirement programs?

17 MR. BOLENDER: Yes, sir.

18 COM. CAMERON: I'm aware that there are transition
19 teams in both companies, both here and in Portland. What is
20 their purpose and do they have written reports, can we see
21 the written reports, can we see the written reports before we
22 do an order?

23 MR. BOLENDER: We have at the present time eleven
24 groups that we call transition teams. One of the guidelines
25 and rules that we tried to set up in those transition teams

Department of Justice all notifications, including responses to requests for information, required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules promulgated thereunder (the "Antitrust Improvements Act"). UP&L and PacifiCorp will cooperate as required to prepare their separate filings, and the filings of Merging Corp., and to supply any additional information which may be submitted to the Federal Trade Commission or the Department of Justice relating to the status of the transaction contemplated hereby under the antitrust laws, whether or not such additional information is requested or required under the Antitrust Improvements Act.

3.1.4 Regulatory Approvals. UP&L and PacifiCorp will cooperate, and PacifiCorp will cause Merging Corp. to cooperate, in the preparation and filing of all materials necessary and desirable as promptly as practicable after the execution of this Agreement to obtain the approval of the transactions contemplated by this Agreement or the disclaimer of jurisdiction with respect thereto by any regulatory body that, in the opinion of UP&L or PacifiCorp, has jurisdiction over the transactions contemplated by this Agreement, including but not limited to the Federal Energy Regulatory Commission and the public utility regulatory bodies of the States of California, Idaho, Montana, Oregon, Utah, Washington and Wyoming. No document shall be filed with any regulatory body for purposes of obtaining the approval of the transactions contemplated hereby unless such document has been reviewed and approved by both UP&L and PacifiCorp.

3.1.5 Other Consents and Approvals. UP&L and PacifiCorp will cooperate and use their best efforts to secure, and PacifiCorp will cause Merging Corp. to cooperate and use its best efforts to secure, all consents, approvals, licenses or permits which may be required in connection with the Merger.

3.1.6 Periodic Reports. Until the Effective Time, UP&L and PacifiCorp will each furnish to the other all filings made with the SEC and all material mailed to their respective stockholders, in each case at least 24 hours prior to the time of such filings and the time of such mailings.

3.1.7 Best Efforts. Subject to the terms of this Agreement and fiduciary obligations under applicable law, UP&L and PacifiCorp each will use their reasonable best efforts, and PacifiCorp will cause Merging Corp. to use its reasonable best efforts, to effectuate the transactions contemplated hereby and to fulfill the conditions of their respective obligations under this Agreement described in Article IV.

3.1.8 Publicity. UP&L and PacifiCorp will consult with each other prior to issuing any press releases or otherwise making public statements with respect to the transactions contemplated hereby and prior to making any filings with any federal or state governmental or regulatory agency or with any securities exchange with respect thereto.

3.2 Covenants of UP&L. UP&L covenants and agrees with PacifiCorp as follows:

3.2.1 Conduct of Business. Prior to the Effective Time, UP&L and its subsidiaries will carry on their businesses in the ordinary and usual manner and maintain their existing relationships with suppliers, customers, employees and business associates, and will not, without the prior written consent of PacifiCorp,

(a) amend their respective Articles of Incorporation or Bylaws;

(b) enter into any new arrangements or increase any compensation or benefits payable to their officers or employees other than in accordance with past practice except for:

(i) employment contracts entered into with each executive officer of UP&L, as follows:

(1) A one-year contract that honors existing officer salary and benefit conditions; reopens the terms of the 1987 UP&L Early Retirement Program, and provides an incentive of one year's salary if that executive officer remains with UP&L for the duration of the contract, or alternatively,

(2) A three-year contract that honors existing officer salary, benefit and performance based on merit increases; extends the terms of the 1987 UP&L Early Retirement

Program such that it may be exercised by the executive officer at any time during the three-year contract, provides an incentive of 18 months' salary if that executive officer remains with UP&L for the three-year duration of the contract and then opts for early retirement, and if agreeable to both the officer and UP&L, allows for two, year-to-year contract extensions beyond the initial three-year term; and

(ii) Special letters of employment with the individuals of UP&L holding assistant vice president status or key employees mutually agreed upon by the President of the PP&L Division and UP&L. Such letters of employment will identify specific bonuses to be paid for their continuation of employment, and if eligible by virtue of age and years of service, the provisions of the 1987 Early Retirement Program will also be extended.

(c) split, combine, or reclassify any of the outstanding shares of capital stock of UP&L or its subsidiaries or otherwise change the authorized capitalization of UP&L or its subsidiaries;

(d) declare, set aside, or pay any dividends payable in cash, stock, or property with respect to the shares of capital stock of UP&L, except for regular quarterly cash dividends not in excess of \$.58 per share of UP&L Common Stock and the required per share quarterly cash dividend on each series of UP&L Preferred Stock;

(e) issue, sell, pledge, dispose of, or encumber any additional shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments, or rights of any kind to acquire, any shares of the capital stock of any class of UP&L or its subsidiaries;

(f) redeem, purchase or otherwise acquire any shares of its capital stock except in the ordinary course of business consistent with past practice (including under UP&L's employee benefit and dividend reinvestment plans), subject to 3.2.2, merge into or consolidate with any other corporation or permit any other corporation to merge into or consolidate with it, or liquidate or sell or dispose of all or a substantial part of its assets;

(g) except for short-term indebtedness incurred in the ordinary course of business, incur, assume or guarantee any indebtedness in excess of an aggregate of \$5,000,000, except for projects ongoing or already committed to, or repay any existing indebtedness except in the ordinary course of business or as required by the terms of such indebtedness; or

(h) enter into any material transaction or make any material commitment (whether or not subject to the approval of the Board of Directors of UP&L), except as otherwise contemplated or permitted by this Agreement or transactions with Nevada Power Company and Intermountain Power Agency which have previously been disclosed to PacifiCorp, or take or omit to take any action which could be reasonably anticipated to have a material adverse effect on the business, properties, financial condition, or results of operations of UP&L and its subsidiaries taken as a whole.

3.2.2 *Negotiations with Others.* Neither UP&L nor its subsidiaries will, and UP&L shall direct (and shall use its best efforts to cause) all of its and its subsidiaries' officers, directors, and employees and any investment banker, attorney, accountant, or other agent retained by UP&L or any of its subsidiaries not to, directly or indirectly, encourage, initiate or solicit any inquiries or the making of any proposal with respect to, or, except as required by applicable law, engage in negotiations concerning, or provide any confidential information or data to or have any discussions with, any person relating to, any acquisition, business combination, or purchase of all or part of the business or assets of, or any equity interest in, UP&L or any of its subsidiaries. UP&L will immediately cease any existing activities, discussions, or negotiations with any parties conducted heretofore with respect to any of the foregoing. UP&L will notify PacifiCorp immediately if any such inquiries or proposals are received by, any such information is requested from, or any such negotiations or discussions are sought to be initiated or continued with, UP&L.

3.2.3 *Public Utility Holding Company Act.* Neither UP&L nor any of its subsidiaries will own or operate any facilities for the generation, transmission, or distribution of electric energy for sale, or own