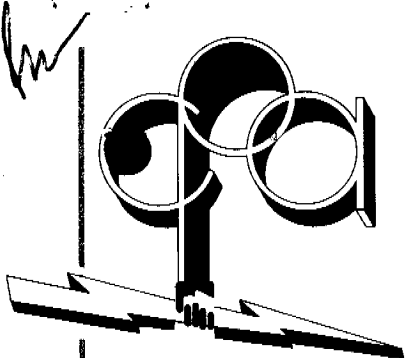


88-035-21



"The Power is Yours"

RECEIVED

JUN 22 1988

June 20, 1988

Utah Public Service Commission
Heber Wells Blvd.
P.O. Box 45802
Salt Lake City, UT 84145

Ladies and Gentlemen:

Utah Power and Light (UP&L) is trying to include another utility in the PacifiCorp (PaCorp) merger, that they may not hold peaceful title to. Additionally, it appears that UP&L management has fraudulently misrepresented their purchase price of this utility to utility shareholders, the Utah Public Service Commission (PSC), and possibly to the Federal Energy Regulatory Commission. It also appears that the boards of directors of UP&L and PaCorp have been excluded from the details and status of this matter. Here are the reasons for concern.

In 1979, 15 communities in Southwestern Utah being served by the CP National (CPN) electric utility organized to purchase the properties of that utility and form their own public power system.

Professional engineers hired by the communities appraised the CPN properties at a net book value of \$11,465,000. The communities and CPN were negotiating the purchase when UP&L stepped in and signed a letter of intent with CPN to purchase their Utah utility properties for \$20,000,000. We have recently learned that UP&L has never conducted an appraisal of these 50-year-old, fully depreciated utility properties, and thus; had intended to pay a maximum of \$21,000,000 until the Utah PSC ruled that the communities could purchase their own electric systems out of the CPN properties.

Because of this ruling, we have learned from UP&L sources that UP&L and CPN have been unable to settle this transaction...neither knowing what each will finally end up with. This is further confirmed since no final itemized settlement figures are on file with the regulatory authorities. No peaceful titles with title insurance have been filed. Under such questions of settlement, merging of these properties with PaCorp is questionable at best.

Please note the following exhibits and declarations by UP&L to ratepayers, the Utah PSC, and shareholders prior to, and immediately after, the Utah PSC ruling in this matter.

CARL PALMER & ASSOCIATES
Municipal Power Consultants
4735 BRON BRECK DRIVE
SALT LAKE CITY, UTAH 84117
(801) 272-5866

Dec. 12, 1979: \$20 million "letters of intent" signed by UP&L to purchase the CPN properties in Utah.

1 month later

Jan. 11, 1980: \$20 million UP&L's purchase price announced to CPN ratepayers in an individual letter to each household from UP&L President Harry Blundell, stating:

7 months later

"The price paid for CP National properties is a fair price based upon professional engineering evaluations of the value of the properties." (See Exhibit 10)

August 1980: \$20.9 million UP&L's purchase price announced to the Utah PSC, stating:

14 months later

"Some additional adjustments will be made at the time of closing; however, those adjustments will not result in a substantial or material change." (See Exhibit 11)

Oct. 1, 1981: \$20 million UP&L's purchase price announced to UP&L shareholders, stating:

"Under the contract, the purchase price is approximately \$20 million." (See Exhibit 12)

One month previous to this October 1, 1981 date (August 29, 1981), the Utah PSC made its final ruling in this matter. The ruling approved the UP&L purchase of the entire CPN utility properties in Utah, but unexpectedly ordered UP&L to provide "sell-back" options to any of the CPN served communities, who desired to purchase their own electric distribution systems out of the CPN properties.

On the same date as the notice to UP&L shareholders of this \$20,000,000 purchase figure (October 1, 1981)...and 30 days after the PSC ruling to "sell-back" to the communities...the Utah PSC received a letter from UP&L's legal department (October 1, 1981) justifying a \$31,000,000 purchase figure, with notification of "a cash tender to CP National of \$30,308,334"! (See Exhibit 13)

Oct. 1, 1981: \$31 million UP&L's new purchase price announced to the Utah PSC.

It appears that this unplanned 50% increase in purchase price between UP&L and CPN—just one month after the unexpected "sell-back" ruling by the Utah PSC—was an attempt by UP&L and CPN to use pricing to discourage the communities from requesting purchase options. This failed. Just 5 days later, 15 communities formally requested option agreements to purchase their own electric distribution systems out of the CPN properties.

Because of these option requests, condemnation actions, and formal resolutions to "build around UP&L" by the communities; UP&L has not been able to reach final settlement with CPN on what properties the two utilities would finally have left to be sold and purchased. Of the 15 communities, Kanab, Fredonia, and Washington have now received their own electric distribution systems out of the CPN properties. UP&L is still negotiating with others. Cedar City, the largest community, at approximately 50% of the CPN system load, has voted repeatedly—and now with a legal ordinance—for their own public power system. They are now in the process of selecting substation transformer bids to "build around" UP&L. (See Exhibit 14)

Under these circumstances, UP&L has not known what CPN properties they will end up with to pay (supposedly) \$31,000,000 for. CPN does not know to this day what they will be left with to sell to UP&L...but hoping for as much of the \$31,000,000 as possible. Hence, we learn from UP&L sources that the CPN /UP&L sale/purchase has never been settled. Peaceful title as to ownership of the CPN properties is clouded.

We believe the Federal Energy Regulatory Commission and state regulatory authorities should be deeply concerned, as well as the board of directors of UP&L, PaCorp, CPN and others as to the realities and status of this transaction. After 8 years, since UP&L's letter of intent to purchase CPN, please consider the current status of this CPN/UP&L transaction.

- (a) The Utah PSC has no final settlement or accounting figures on file from UP&L or CPN for this transaction other than the broad unitemized figures in UP&L correspondence to the PSC.
- (b) There have been no clear title deeds filed. There is no title insurance to explain the "subject to conditions of record" found on the Warranty Deeds.
- (c) There are no final itemized accounting figures of record as to the whereabouts, or allocation of the \$30,308,334 cash tender by UP&L to CPN.
- (d) There has been no renotification to UP&L shareholders of spending an additional \$10,000,000 of their money to "supposedly" purchase another utility.

THEREFORE, IT APPEARS THAT THE \$31,000,000 PURCHASE FIGURE WAS EITHER FRAUDULENT TO THE PSC, OR THE \$20,000,000 PURCHASE FIGURE WAS FRAUDULENT TO THE UP&L AND CPN SHAREHOLDERS.

- (e) UP&L has included CPN properties in rate base at "cost certain" figures, when in fact it appears that "cost certain" figures have never been reached.

We have additional testimony from UP&L during the recent Southwest Utah Transmission Line Hearings. UP&L has been moving to build a transmission line through the Southwest Utah CPN certificated area into the lucrative Southern California power markets. This line will be the final link in giving UP&L undisputed wheeling monopoly in and out of Utah from all directions of the compass. They have actively opposed and now prevented the Utah Association of Municipal Power Systems (UAMPS)—who first proposed to build this line—from building to provide needed power to their customers in Southwestern Utah.

From these Southwest Transmission Line Hearings we learn the following:

- (a) UP&L officials, under oath, declare that they based their purchase price of the CPN properties upon the net book value of those properties. (See Exhibit 15)

(Since much of the CPN property was over 50 years old, it had been fully depreciated. The only way a new net book value of the CPN properties could have been established was through a detailed "on site" evaluation of condition and appraisal by a professional independent engineering firm. The only appraisal ever done on the Utah CPN properties was completed for the communities by Ford, Bacon, and Davis, a nationally recognized engineering firm. That appraisal showed a net book value of \$11,465,050. Three years later, UP&L supposedly paid \$30,958,334).

- (b) The President of UP&L, James C. Taylor, and Thomas W. Forsgren, UP&L attorney (for UP&L's Helen Edwards), declared under oath that UP&L had never made an evaluation study (appraisal) of the Southern Utah CPN properties that they are aware of. (See Exhibit 16)

It appears that UP&L and CPN have used their financial resources to try to eliminate potential competitors (city-owned power systems) by placing an unrealistic value on utility properties, in an attempt to dampen the desire of communities to follow PSC orders and purchase CPN utility properties if they so desired. The communities have fought back via condemnation, duplication, and negotiation.

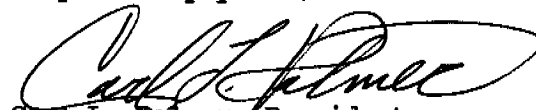
UP&L's initial offer for CPN's Southern Utah properties was \$19,457,034. That was 170% of the net book value (\$11,465,050). We have tried to show that it was never UP&L's intent to pay more than \$21,000,000 for these properties. After the Utah PSC ruling ordering "sell-back" options to the communities, the UP&L/CPN purchase price increased within 1 month of the ruling to 270% of the net book value to \$30,958,334! We have tried to show that no such increase was ever contemplated or indicated by UP&L in previous purchase price correspondence. And now we learn that UP&L has never made an appraisal of the properties.

At this writing, final settlement between CPN and UP&L has not been reached. Title to the properties is severely clouded as the communities continue to take their electric systems out of the CPN system. How can UP&L merge CPN properties with PaCorp under these conditions?

I would welcome the opportunity to provide you with more information and appear before you to testify of other findings.

cc: Federal Energy Regulatory Commission
Judge George P. Lewnes
Utah Public Service Commission
Utah Committee of Consumer Services
Utah Attorney General
Board of Directors, PacifiCorp
Board of Directors, UP&L
Board of Directors, CPN
CBS "60 Minutes"
ABC "20/20"
KUTV - Rick Shenkman

Respectfully yours,


Carl L. Palmer, President
CARL PALMER & ASSOCIATES

CP/do

UTAH POWER & LIGHT COMPANY

1407 WEST NORTH TEMPLE STREET
SALT LAKE CITY, UTAH 84116
801 - 535-4211

HARRY BLUNDELL

PRESIDENT
AND
CHIEF EXECUTIVE OFFICER

January 11, 1980

To: C. P. National Customers

As you may have heard, Utah Power & Light Co. has offered to buy, and C. P. National has agreed to sell, their electric service facilities in southern Utah and northern Arizona.

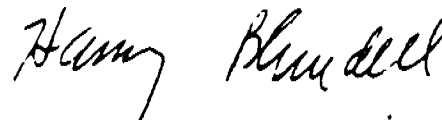
Utah Power personnel have been visiting with elected officials and members of the community in the area to get acquainted and to tell them how pleased we are to have an opportunity to provide your electric service. This is one of the beautiful areas of Utah we have not previously had the opportunity to serve, although we have had many discussions with your previous supplier seeking a way to bring our reliable service to you.

Our service will save you money because we have lower rates; and, as we upgrade facilities, we will give you better service. For years we have been generating much of the power you use, but up until now, our service has not been direct.

UP&L strives to be a good and considerate corporate citizen wherever it serves. We are especially happy to be able to extend this effort into southern Utah and appreciate very much the courtesies extended to us on our visits.

At meetings we have held, we encouraged questions from your city and county officials and others... "no holds barred." The attached sheets give our replies to the more frequently asked questions. If you have additional questions, please send them to the address shown below.

Cordially yours,



Harry Blundell, President
P. O. Box 899 - Dept. SU
Salt Lake City, Utah 84110

Isn't there more cheap Federal power that may be allocated to this area?

This is questionable. It is highly unlikely that those now receiving such subsidies will give them up willingly although new sources planned may have some capacity available (but are mostly "peaking units" which do not increase the amount of energy available).

Do you intend to improve the existing transmission capacity into the St. George area?

Yes.

Is \$20 million a fair market price or is it too much for the C. P. National system?

The price paid for C. P. National properties is a fair price based upon professional engineering evaluations of the value of the properties.

Can't a municipality build a power plant just as cheaply as UP&L?

Power plants are usually built by large construction firms specializing in such plant construction. The disadvantage of the municipal organization is that when much or all of their energy comes from one new plant, built at today's high costs and financed at today's high rates, their rates tend to be higher. UP&L customers have the advantage of plant costs and financing over many years in the past at much lower cost, and UP&L's service rate is based on the average of these lower costs over the years.

Can't municipalities issue bonds to finance an electric system at a rate below that available to UP&L?

The interest rate may be lower on tax-free bonds but the cost-of-interest on utility bonds, after the utility takes the tax deduction of interest, will be very close to the same—if not lower for the taxpaying utility. It should also be noted that a town's bonding capacity for other needs (sewers, etc.) may be reduced if municipal bonds are issued.

Southern Utah is growing rapidly. What do you expect to pay in local taxes to help pay for schools, water supplies, sewers and other public services?

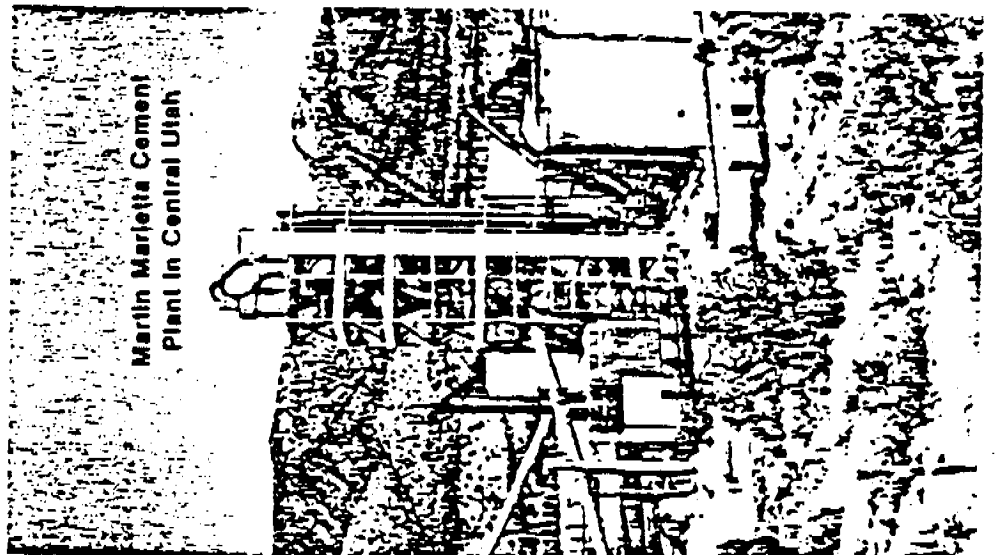
C. P. National was paying approximately \$100,000 per year in local taxes on their investment in the area. Since UP&L will be upgrading the C. P. National system, it is expected that taxes paid to local governments will go up.

Note: No taxes are paid by municipally-owned electric utilities.

UP&L says it uses coal for over 90% of its power generation. Where does it get the coal?

UP&L owns three mines in Emery County with reserves adequate to supply its plants there for the life of the plants (about 35 years). These mines also ship coal to UP&L plants in Carbon and Salt Lake counties. The company has a long-term contract for coal supplies for the life of its Wyoming plants. UP&L's fuel supply is one of the most favorable in the West.

**Interim Report
to Stockholders**
Utah Power & Light Co.
October 1, 1981



Marlin Marietta Cement
Plant in Central Utah

Emery County, Utah, in July. The leases cover 4,410 acres in the Meetinghouse Canyon and Cottonwood tracts which contain an estimated 35 1/2 million tons of recoverable coal.

UP&L bid \$3,150 per acre for the 3,347 acres in the Cottonwood tract and \$805 per acre for the 1,063 acres in the Meetinghouse Canyon tract.

UP&L produces four to five million tons of coal annually from company-owned mines adjacent to both the new tracts. Both of the newly acquired tracts can be mined from portals on the company's present properties. The company expects to begin mining its newly acquired properties as soon as it receives leases and the required government approvals.

Coal from new and existing property will fuel the company's two steam-electric plants in Emery County: the two-unit, 800,000-kilowatt Huntington Plant and the two-unit, 780,000-kilowatt Hunter Plant, as well as the 171,000-kilowatt Carbon Plant and the 45,000-kilowatt Hale Plant. UP&L is building a third, 400,000-kilowatt unit at Hunter Plant scheduled for completion in 1983.

CPN Purchase Approved

On August 28, the Federal Energy Regulatory Commission issued an order approving the sale of CP National's electric properties in southern Utah and Fredonia, Arizona, to UP&L.

The contract between UP&L and CP National now has the approval of all necessary state and federal regulatory authorities. Under the contract, the purchase price is approximately \$20 million.

The Utah commission's order approving the sale, requires UP&L to grant request-

ing municipalities in the newly acquired service area exclusive, non-assignable options to buy portions of the distribution system within their boundaries.

CP National serves some 10,000 customers in Utah's Kane, Washington and Iron counties and in a small portion of northern Arizona. UP&L presently furnishes over 90 percent of CPN's power supply to those areas. The company expects to begin service to customers in the present CPN service area of Utah on October 1, 1981.

Dividend Declared

For those not participating in the Dividend Reinvestment and Stock Purchase Plan, the common stock dividend is enclosed at 55 cents per share.

The preferred stock dividends on the various series are (in cents per share): A-32; B-29.5; C-28; D-44; E-49.5; F-58.5; G-70; H-51; I-59; and J-72.5.

Please refer to the Insert "Notice to Shareholders" for information pertaining to your calendar year 1981 Dividend Income Tax information. This notice also contains information on the company's dividend reinvestment plan as affected by the Economic Recovery Tax Act of 1981.

Respectfully,

Harry Blundell

Harry Blundell
President and
Chief Executive Officer

October 1, 1981

See date on next exhibit.

From Page 18(c) The evidence is that UP&L will not be acquiring any deferred taxes, and the proceeds to be retained by CPN as a result of the sale will be equal to the net book value of the system. Further, that the total sales price is currently

-19-

expected to be approximately \$20.9 million and that some additional adjustment will be made at the time of closing; however, those adjustments will not result in a substantial or material change. The adjustments to be made are common adjustments that pertain to the purchase of any on-going business necessitated by changes in inventory, accounts receivable, and additional system improvements as of the date of closing. The evidence is further that the sales price will have no material adverse impact on UP&L's shareholders or ratepayers, nor will it impact adversely on the current CPN customers. The evidence demonstrates that, as of the date of the hearing on this issue, 1) the acquisition will not change the current earnings per share; (2) the rate of return for the UP&L system as a whole will increase from 10.54% to 10.56%; (3) the financing will be obtained from the Company's investors and not from ratepayers, thus, there will be an insignificant financial impact on UP&L ratepayers; and (4) the purchase price amounts to approximately 1% of the Company's total capitalization or property investments, and this sum can be raised without affecting UP&L's capital structure or its ability to finance its on-going construction or operations. It is concluded, and the Commission finds, that the purchase price, including the acquisition adjustment, is rational, bona-fide and justifiable.

UTAH POWER & LIGHT COMPANY

P. O. BOX 899
SALT LAKE CITY, UTAH 84110

LEGAL OFFICES

SIDNEY G. BAUCOM
EXECUTIVE VICE PRESIDENT
AND
GENERAL COUNSEL

ROBERT GORDON
VICE PRESIDENT
633-4288

VERL R. TOPHAM
ASSOCIATE GENERAL COUNSEL
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THOMAS W. FORSOREN
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ROSEMARY RICHARDSON
633-4283

HELEN J. EDWARDS
633-4288

DAVID I. LLOYD
633-2393

MARY STIRK
LEGAL ASSISTANT
633-4228

STEVE D. WHITE
CLERK SPECIALIST
633-4037

October 1, 1981

(See date on previous exhibit)

Public Service
F 11
OCT 2 1981
Commissioners

Utah Public Service Commission
330 East Fourth South
Salt Lake City, Utah 84111

Re: Acquisition of CP National Properties

Dear Commissioners:

On September 30, 1981, the sales transaction between Utah Power and CP National was consummated. The purchase price determined as of the closing date amounted to \$30,958,334. Some off-sets for unpaid billings owed to Utah Power were applied to the purchase price, resulting in a cash tender to CP National of \$30,308,334.

As you may recall, the contract between the parties was for a price of \$20,000,000 as of March 31, 1979 (for both the Utah and Fredonia, Arizona portions) plus the following adjustments from March 31, 1979 up to and including the closing date of September 30, 1981:

- (a) Book value of utility plant added to the system, net of retirements and accumulated depreciation;
- (b) An estimate of investment tax credit and depreciation recapture taxes;
- (c) Book cost of materials and supplies;
- (d) Customer accounts receivable, net of reserve for uncollectible accounts; and
- (e) An estimate of the federal income tax on any gain realized by CP National as a result of the transaction.

That portion of the sales price as of March 31, 1979 which is attributable to Utah only amounts to \$19,457,034. The amounts to be added to the sales price of \$19,457,034 as required by paragraphs (a) through (e) above were calculated as of the day of closing and resulted in the following figures:

Purchase price as of March 31, 1979		\$19,457,034
Adjustments subsequent to March 31, 1979		
Net additions to		
Utility plant	\$7,136,000	
Taxes	1,356,156	
Materials & supplies	742,056	
Accounts Receivable	2,466,614	
Property tax, fran- chise fees and vacation accrual (Items to be paid and pro-rated)	<u>(199,526)</u>	
Total Adjustments:		<u>\$11,501,300</u>
TOTAL PURCHASE PRICE (Utah Portion)		<u>\$30,958,334</u>

It should be noted that the major portion of the adjustment was due to the construction of additional facilities. This construction was undertaken by CP National as a result of the Commission's Order issued on July 25, 1980 in Case No. 80-023-05. The new construction was for the addition of transmission facilities in the amount of \$5,500,000 and distribution facilities in the amount of \$2,900,000. The total of \$8,400,000 was offset by depreciation, resulting in a net plant addition of \$7,136,000.

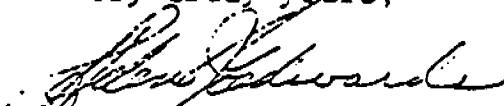
It should also be noted that the accounts receivable increased approximately \$1,000,000 due to the mass meter readings for approximately 10,000 customers which were taken on the closing date.

I hope this answers any questions you may have concerning

Utah Public Service Commission
Page Three
October 1, 1981

the total purchase price. If you need any additional information, please call me.

Very truly yours,



Helen J. Edwards

HJE/gk

Passed 1980

Cedar City voters choose municipal power over UP&L for local system

CEDAR CITY—Voters of Cedar City Tuesday favored establishing a municipal system in the city rather than being served by Utah Power & Light Company.

With 61 percent of the registered voters turning out, the municipal system received a total of 1,771 votes while voters favoring UP&L garnered 1,143 votes. The vote results had 53 percent in favor of a municipal system and 43 percent in favor of UP&L.

The election was called for by the city council in January after UP&L announced it had entered into an agreement with CP National, which now serves the area, to purchase its system in southern Utah and northern Arizona. The purchase price was announced as \$20 million plus other considerations.

The proposed sale is subject to approval by the state Public Service Commission. Although UP&L announced its intent to purchase the CPN system in December, the sales contract has not yet been filed with the PSC. UP&L officials in Cedar City Monday said they intended to file the contract with the PSC this week.

Cedar City represents approximately 40 percent of the total CPN system in southern Utah. Thirteen of the other 18 communities in the service district in Washington, Kane

and Iron Counties have adopted resolutions showing intent to build their own systems rather than accept service from UP&L. All of the communities have become members of the Southwest Utah Cooperative Power Federation, which has also been vying for the purchase of CPN. They had made an offer of \$13.3 million immediately prior to the sale by CPN to UP&L.

The federation is planning to try to block PSC approval of the sale.

Within the past week, the Utah Coalition of Senior Citizens announced its intent to file a protest against the sale with the PSC.

The federation had been negotiating for the purchase of CPN since April, 1979 after feasibility studies in both Cedar City and in the remainder of the CPN service area indicated residents of the city and outlying areas would save 20 percent on their present power bills by establishing their own systems and joining together to operate transmission and distribution systems.

CPN purchases 50 percent of its wholesale power from UP&L through a contract which expires in 1985. Federation proponents have maintained the contract would have to be

transferred with the sale and continued until the municipalities could establish other power sources.

Both UP&L and the federation have said the CPN system would have to be upgraded and the costs of the upgrading would amount to approximately \$6 to 7 million.

Councilwoman Barbara Starr, who has been the staunchest supporter of municipal power since she was elected to office two years ago and who headed up the Citizens for Locally Owned Power drive, vote said she thought the city officials would not have to follow the vote of the people.

"There is no doubt we win and will have a municipal system in Cedar City," she said.

She said it was now time to "put behind us all bitterness and the rhetoric and use the resources all that we have available in Cedar City to put together a municipal power system in the state of Utah.

Forrest Hunter, also a consistent municipal power system supporter, said if the PSC goes along with the people of Cedar City, this will be the beginning of a trend for Cedar City and he predicts we will have an abundance of industry in the community and that the people of the community will start working hard to build it and it will be.

forecast

Cedar City: Variable cloudiness changing to cloudy tonight and Thursday. Rain or snow possible Thursday afternoon. High near 51. Low about 32.

St. George: Partly cloudy changing to cloudy late tonight with a chance of rain showers Thursday. High about 60. Low near 35.

Spectrum

Vol. 17 No. 93

Wednesday, February 13, 1980

Serving the Color Country

City police considered

WASHINGTON—A proposal to terminate the contract with the county sheriff's department which provides police service to Washington received tentative support from city councilmen in a special meeting Tuesday night.

The proposal, along with recommendations for the establishment of a city police force will be brought before the next meeting of the city council for formal action.

The proposal was presented by councilman George Abel who told the meeting that although he wasn't sure if the city force would be created it is more desirable to have local control over law enforcement in the city.

The city is currently making a study for

coverage from the sheriff's department than other communities who were not paying an additional amount. "As far as I've been able to determine we're not getting much more service than Santa Clara," he said.

Abel emphasized that much of the planning for a city department is still in the planning stages and that citizen input on the matter would have to be gathered.

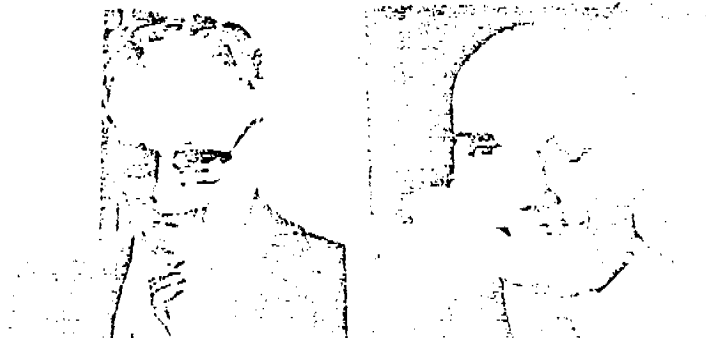
He said that the city has the alternatives of hiring a police chief and a deputy or creating a city marshall position. He said he prefers the concept of a city marshall because it would limit the temptation to easily expand the force.

Former police chief

Turner said that he agrees "wholeheartedly" that the city needs its own police department. "The kids need the association with local police," he said.

Mayor Frans Stahli reminded the council that the city would still have the same problem that originally persuaded it to enter into the contract with the sheriff. "My concern is that the city doesn't have the proper funding for staffing, equipment and widening," he said.

The council voted unanimously to bring the proposal to terminate the contract with the sheriff's office before the city council with specific plans for establishing the city force.



G. Murray Webb, left, Chairman of the Washington County Commission, and Utah Senator Jake Garn, right, will be the prime speakers at tomorrow night's Lincoln Day Banquet sponsored by the Washington County Republican Party. The banquet will begin at 7:30 pm in the Dixie College Student Union followed with a reception proceeding at 8:30 pm.

Garn, Webb to speak at Lincoln Day banquet

Official Ballot for the Municipality of

Cedar City, Utah

Special Bond Election, November 6, 1984

Jacqueline Bullock
City Recorder

**INITIATIVE PETITION
MUNICIPAL POWER ORDINANCE**

Cedar City shall immediately commence the acquisition of an electric power system to fulfill the needs of its inhabitants by purchase, lease, condemnation, construction, or combinations thereof, to be operated by the municipality or its assigns, and shall expeditiously negotiate in good faith to acquire the existing private distribution system at a fair market value, and if it cannot be timely acquired that other methods and sources be diligently pursued; the City is hereby authorized and directed to do all things reasonable and necessary to acquire, maintain, and operate a power distribution system, and a power supply.

FOR

AGAINST

To vote in favor of this Initiative Petition, place a cross (X) in the square after the word, "FOR." To vote against this Initiative Petition, place a cross (X) in the square after the word, "AGAINST."

Passed 1984

PROPOSITION 1

Shall the City Council of Cedar City, Utah, be authorized to issue General Obligation Electric Power Bonds in an amount not to exceed Six Million Two Hundred Fifty Thousand Dollars (\$6,250,000), and Electric Power Revenue Bonds in an amount not to exceed Eighteen Million Seven Hundred Fifty Thousand Dollars (\$18,750,000) for the purpose of defraying all or a portion of the cost of acquiring or constructing an electric utility system, including but not limited to electric generating facilities, transmission and distribution lines, transformers, substations, utility poles, operating equipment, and other related appurtenances; and for the payment of expenses reasonably incurred in connection with the acquisition or construction of said improvements and the authorization and issuance of said bonds and such additional amounts as may be necessary to provide moneys for the refunding of all or part of the bonds authorized hereunder at or prior to maturity thereof, including the cost of issuance of such refunding bonds; said bonds to be due and payable in not to exceed thirty (30) years from the date of said bonds, said General Obligation Bonds to be payable as to both principal and interest from ad valorem taxes and/or other revenues of the city; and said revenue bonds to be payable fully as to both principal and interest from the net revenues to be derived from said electric utility system and under no circumstances to be a general obligation indebtedness of the City within the meaning of any state constitutional provision or statutory limitation nor a charge against the general credit or taxing powers of said City?

For the Issuance of Bonds

Against the Issuance of Bonds

To vote in favor of this bond issue, place a cross (X) in the square after the words, "For the Issuance of Bonds." To vote against this issue, place a cross (X) in the square after the words, "Against the Issuance of Bonds."

1 in the purchase of that territory.

2 Q. Now, how -- how did the Company arrive at valuations
3 for the C-P National system?

4 A. Again, that's a financial matter that Verl can indicate
5 better than I, but basically book value.

6 Q. So, it was book value rather than a market value?

7 A. Yes.

8 Q. Are you familiar with the Salt Lake engineering firm
9 of Ford, Bacon & Davis?

10 A. I've heard of them, yes.

11 Q. Do you know if -- are you familiar with an evaluation
12 that they did of the C-P National system?

13 MR. FORSGREN: Mr. Chairman, I don't know where
14 all this is going. I don't see the relevance of that to this
15 case and if we're trying to expedite the hearing I would
16 object to this line of testimony.

17 COM. CAMERON: Give us some relevancy, Mr. Hagstrom,
18 because I also have a feeling that it doesn't have anything
19 to do with what we're doing here, but if it does tell me.

20 MR. HAGSTROM: Well, to put it into Mr. Forsgren's
21 earlier words, I don't want to spill the beans.

22 MR. GINSBERG: Maybe let's wait and see the beans.

23 COM. CAMERON: How long before we get to the beans?

24 MR. HAGSTROM: Probably five minutes.

25 COM. CAMERON: All right. You may proceed.

1 the C-P National system, and I don't know if I'm hearing
2 Mr. Taylor indicate that there are some others at this time
3 or not.

4 MR. FORSGREN: Mr. Hagstrom doesn't state the facts,
5 Mr. Chairman. If I might clarify, I indicated and I think
6 Ms. Edwards who was here and worked on this case indicated
7 that there had been no appraisals made with the exception of
8 the Fredonia appraisal which was recently done in connection
9 with the condemnation action of Fredonia in Arizona.

10 COM. CAMERON: Well, the appraisals that I thought
11 they were talking about at that time related to the specific
12 appraisals for geographic boundaries of the cities in question.
13 Maybe I'm wrong. Were you talking about an appraisal done by
14 Utah Power & Light prior to the C-P National sale which set an
15 evaluation on the property that they were attempting to pur-
16 chase?

17 MR. HAGSTROM: Right. In other words, back in
18 1980, '81 time period.

19 COM. CAMERON: Okay. Now --

20 MR. FORSGREN: She indicated there were none done.

21 COM. CAMERON: All right. So with this clarification,
22 what? Do you know something, Mr. Taylor, that they are not
23 talking about?

24 THE WITNESS: No. I -- my recall, I would say that
25 the -- whatever record was placed before the Commission is the

1 records of the Company in that case and certainly that's
2 better evidence than what I may or may not recall, ~~but I was~~
3 not part of an evaluation, that I recall.

4 COM. CAMERON: I don't mind you asking a question
5 about this if it's helpful to where we are moving here, but
6 explain what it is. After you go through this, I may have
7 to give you my impression of what occurred at the C-P National
8 hearing relating to this specific document, but go ahead.
9 I mean -- and I believe we had the entire thing.

10 MR. HAGSTROM: Well, I'm at a loss here because I
11 don't know if this particular document, AG-12, was part of
12 that C-P National case and --

13 COM. CAMERON: What my recollection -- and I'd have
14 to go back to the records specifically, but it was utilized
15 by the Southwest Power Federation in their argument, and
16 Mr. Barker of the Attorney General's staff was in effect
17 detached or something to serve as counsel for the mayors in
18 that proceeding, not as counsel for the Committee of Con-
19 sumer Services, but I do not recall specifically a principal
20 from Ford, Bacon & Davis coming on and testifying, but they
21 may have done so.

22 I will say that the Commission at that time had
23 great question as to the validity of the numbers that were
24 presented in the document and went more to other areas. I
25 think another clarification was I don't believe the sale was

1 shows that the book value of the assets listed there is approxi-
 2 mately \$13 million, the original cost was \$17 million and it
 3 shows a fair market value of a little over \$11 million; is
 4 that right?

5 A. That's what the sheet indicates.

6 COM. CAMERON: Excuse me. Where does it show
 7 book value?

8 MR. HAGSTROM: "C-PN Net Plant" column. Original
 9 cost minus accumulated depreciation, or, accrued depreciation.

10 COM. CAMERON: Okay.

11 MR. HAGSTROM: Q. Now, did -- was UP&L aware of
 12 the Ford, Bacon & Davis study at the time that the -- that
 13 UP&L was looking at the purchase of C-P National?

14 A. No. *Study Nov 7, 78. UP&L saw and evaluated study. UP&L made offer Dec 79. It was public knowledge.*

15 Q. And you've already indicated that as far as you know at
 16 the time of the C-P National system purchase there was no
 17 separate appraisal, did you not, by Utah Power & Light?

18 Is that correct?

19 A. I don't know of one, that is correct.

20 Q. Pardon me?

21 A. I don't know of one but the record would show -- whatever
 22 is in the record will be there I'm sure.

23 Q. Now, isn't it true that the C-P National System when
 24 purchased by UP&L was, I guess you might say, rundown, needed
 25 a lot of improvements?

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