RECEIVED LAW OFFICES OF

'88 JUN -7 A8:25

UTAH PUBLIC SERVICE COMMISSION

KIMBALL, PARR, CROCKETT & WADDOUPS
A PROFESSIONAL CORPORATION
SUITE 1300
185 SOUTH STATE STREET
POST OFFICE BOX 11019
SALT LAKE CITY, UTAH 84147
TELEPHONE (801) 532-7840

GARY A. DODGE

June 6, 1988

Public Service Commission
160 East 300 South
Salt Lake City, Utah 84111

RE: UP&L/PP&L Merger; Case No. 87-035-27

Dear Commissioners:

I enclose a three-page summary of the differences between Geneva witness Randy Goff's analysis of power cost savings and the Applicants' analysis. The enclosed Exhibit is set up in a format to which Mr. Goff understood the parties had agreed. On June 2, I received a copy of a joint exhibit submitted by Applicants and CCS, which was in a format other than as we had anticipated. We cannot follow the same format in explaining the differences between the Applicants and Mr. Goff. Accordingly, we are submitted the enclosed supplemental exhibit in the hope that it may be of some benefit to the Commission in understanding the differences in the analyses of Mr. Goff and the Applicants.

Sincerely,

Gary A. Dodge

Gary A. Dodge

GAD:pls
Enclosure

cc: Service List

RECEIVED

'88 JUN -7 A8:34

UTAH PUBLIC SERVICE COMMISSION

GENEVA STEEL SUPPLEMENTAL EXHIBIT
CASE NO. 87-035-27

Analysis of Differences in
Calculations of Net Power Cost Savings

INTRODUCTION

Geneva Steel witness Goff's Analysis shows that the only benefit from net power cost savings which could be attributed to synergies of the merged companies are those associated with centralized dispatch of the merged companies' resources. Other benefits claimed by the Applicants are associated with increased transmission interconnections between the two systems and could be achieved without the merger through bilateral contracts. The primary differences between Mr. Goff's analysis and the Applicants' analysis, using categories previously identified by the affected witnesses, are as follows:

I. Thermal Availability

No differences with Applicants.

II. Coal Prices

No differences with Applicants.

III. Modeling Treatment

No differences with Applicants.

gen-m01d.pls

IV. Other

1. Reduction in wheeling expenses is not a benefit of merged company operation. See Geneva Exhibit 3.0 (Goff), pp. 15, 16, 17 and Geneva Exhibit 12 (Goff), pp. 11, 12.

V. Purchase Power

1. The reduction in UP&L Block 4 purchases is not a benefit of merged company operation. See Geneva Exhibit 3.0 (Goff), pp. 26, 27 and Geneva Exhibit 12 (Goff), p. 17.

2. Other purchase power reductions could be achieved through contracts. Inclusion of these purchase power reductions overstate benefits from joint dispatch of the merged companies' system. See Geneva Exhibit 3.0 (Goff), p. 17 and pp, 27, 28 and Geneva Exhibit 10 (Goff), pp. 3, 4, 5.

VI. Off-System Sales

1. The additional off-system firm sale could be accomplished without the merger. See Geneva Exhibit 3.0 (Goff), pp. 12-15 and Geneva Exhibit 12 (Goff), pp. 10-11.

2. The 1-mill price premium for sales at Four Corners and Nevada will not be achieved by the merged company. See

Geneva Exhibit 3.0 (Goff), pp. 23-25 and Geneva Exhibit 12 (Goff), pp. 12-13.

3. UP&L's ability to make non-firm sales over the intertie is not a benefit of the merger. See Geneva Exhibit 3.0 (Goff), pp. 18-19 and Geneva Exhibit 12 (Goff), pp. 13-14.

4. The Applicants' claim that the merged company will have the ability to make additional non-firm sales is incorrect due to the way non-firm sales were modeled in the production cost program. See Geneva Exhibit 3.0 (Goff), pp. 19-23 and Geneva Exhibit 12 (Goff), pp. 14-17.