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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application)
of UTAH POWER & LIGHT COMPANY)
and PC/UP&L MERGING CORP. (to be)
renamed PACIFICORP) for an Order)
Authorizing the Merger of UTAH)
POWER & LIGHT COMPANY and)
PACIFICORP into PC/UP&L MERGING)
CORP. Authorizing the Issuance)
of Securities, Adoption of Tariffs)
and Transfer of Certificates of)
Public Convenience and Necessity)
and Authorities in Connection)
Therewith.)

Case No. 87-035-27

**RESPONSE OF NUCOR STEEL
TO COMMISSION'S AMENDED
NOTICE TO PARTIES OF
DECEMBER 30, 1988
REGARDING PETITIONS
FOR REHEARING**

Dated: January 3, 1989

Nucor Steel, a Division of Nucor Corporation ("Nucor"), hereby responds to the Commission's Amended Notice to Parties of December 30, 1988 Regarding Petitions for Rehearing. Nucor wishes to advise the Commission that its December 13 Order Vacating the Suspension Order appears to satisfactorily

resolve the issues pertaining to the increased risks associated with the FERC conditions imposed by that agency in Opinion No. 318.

In the Suspension Order phase of this proceeding, Nucor contended that the FERC-imposed requirement that the merged company avail outside entities of its valuable transmission network would result in increased risks to interruptible native load customers. Nucor further argued that the FERC-imposed conditions cast serious doubt upon the merged company's ability to realize the benefits that were alleged to be the legacy of Utah ratepayers. At oral argument, we urged that the Commission examine the incremental impact of FERC Opinion No. 318 and adopt protective conditions to insulate ratepayers from its consequences.

While the Commission did not per se adopt Nucor's conditions, the Order reflects Nucor's concerns and states plainly the Commission's intent to address these concerns in future rate cases and other proceedings pertaining to the merged company. In particular, the December 13 Order:

- states that the Commission will adopt a process for monitoring the impacts of the FERC conditions on interruptible customers along the lines proposed by Nucor. Order at 10.
- states the Commission's intention to protect the merged company's native load customers against any encroachments by firm wheeling customers. Id.

By virtue of these provisions, Nucor believes that interruptible customers will be insulated against the risk of increased economic and capacity-related interruptions associated with the merged company's making greater levels of off-system firm sales and carrying out its firm transmission obligations.

The Commission has also strongly declared its intention to protect Utah ratepayers against increased costs and revenue requirements owing to the

FERC conditions by laying down certain explicit rules governing future rate cases. The Order thus:

- creates a presumption in future rate cases that any additional costs incurred by the merged company as a result of the FERC conditions will not be recovered from Utah ratepayers. Order at 10.
- establishes a stringent standard of proof for overcoming the presumption, namely, that any increased costs brought on by the FERC conditions clearly and measurably benefit Utah ratepayers. Id.
- obligates the Applicants to propose a specific timetable and method for systemwide rolled-in rates. Id.
- requires that wheeling be identified as a separate revenue class. Id.

By requiring that wheeling be identified as a separate revenue class, the Order seemingly ensures that any wheeling rates established by the FERC will not prejudice the merged company's retail customers.

Based upon its reading of the December 13, 1988 Order, Nucor believes that its concerns are being addressed by the Commission and, accordingly, has elected not to seek rehearing.

Respectfully submitted,

HANSEN & ANDERSON

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