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UTAH PUBLIC
SERVICE COMMISSION

UTAH POWER & LIGHT COMPANY
LEGAL DEPARTMENT
1407 West North Temple
Salt Lake City, Utah 84140

Date: December 19, 1988

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FOR IMMEDIATE DELIVERY

TO: Commissioner Brian T. Stewart

FIRM NAME: Public Service Commission of Utah

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ATTN: JOHN DRANBAY

MOODY'S DOWNGRADES CREDIT RATINGS OF UTAH POWER and LIGHT COMPANY-- SENIOR DEBT TO A3

Approximately USDLRS 1.3 Billion of Securities Affected

NEW YORK, December 19, 1988 -- Effective today, Moody's Investors Service downgraded the credit ratings of Utah Power and Light Company (UP and L), based on its pending merger with Pacificorp. Moody's believes the combination will initially generate fixed-charge coverages and a capital structure that would rank below that of UP and L as it is presently structured. All approvals have now been received from necessary federal and state commissions for the pending merger with Pacificorp, whose largest business unit is the Pacific Power and Light Company (PP and L).

Ratings downgraded are as follows: UP and L's first mortgage bonds and secured pollution control bonds, to A3 from A1-- preferred stock, to 'baa1' from 'a1'-- and commercial paper to Prime-2 from Prime-1.

The surviving PacifiCorp will be the third-largest electric utility in the western United States and the tenth largest investor-owned utility in the nation. Its size will permit the company to play a major role in the rapidly developing firm and non-firm competitive power market. Essentially, Pacificorp will become a transmission utility for utilities in the region. Moody's expects that merger benefits will be passed along in part to UP and L's ratepayers in the form of a 2 percent rate decrease upon final consummation of the merger, with a total 5 percent-10 percent decrease occurring subsequently.

Moody's expects UP and L to continue operating essentially as it does now. Financially, however, the company will function as an operating division of PacifiCorp--a situation comparable with that of the Pacific Power and Light Division. Because PacifiCorp's utility operations are conducted without the benefit of a subsidiary, it is not subjected to registration requirements of the Public Utility Holding Company Act of 1935. The debt obligations of UP and L will be assumed by PacifiCorp, and a new indenture will be implemented. UP and L's preferred stock will be exchanged on a share-for-share basis.

Moody's said that numerous benefits and few negatives will accrue to both companies from the proposed merger, despite the regulatory conditions imposed. Administrative savings will be supplemented by power supply savings--the latter of which stems largely from the fact that UP and L is a summer-peaking company and PP and L is winter-peaking. The rating agency also pointed out that merged peak-capacity requirements should be reduced through shared reserves. Additionally, construction of new generating facilities can be postponed through the interlinking of the two companies.

Utah Power and Light Company is headquartered in Salt Lake City, Utah.

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