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UTAH PUBLIC
SERVICE COMMISSION

June 14, 1988

Mr. Steve Hewlett
Public Service Commission of Utah
160 East 300 South
Fourth Floor
Salt Lake City, Utah 84111

RE: Application of Utah Power & Light Company
and PC/UP&L Merging Corporation,
Case No. 87-035-27

Dear Steve:

Pursuant to the Commission's instructions at the June 8 oral argument in the above-referenced proceeding, I have enclosed for filing an original and nineteen copies of the Summary Statement of AMAX Magnesium Corporation. I have enclosed two additional copies to be time stamped and returned to me in the self-addressed envelope. In addition, copies are being served on all parties to the proceeding.

Thank you for your attention.

Very truly yours,


Charles M. Darling, IV

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Attorneys for Nucor Steel

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

**SUMMARY OF POSITION
OF NUCOR STEEL**

Nucor Steel, a division of Nucor Corporation ("Nucor") contends that the merger should not be approved unless various conditions are adopted by the Utah Public Service Commission (the "Commission").

First, Nucor contends that the Applicants should be ordered to file a definitive inter-divisional cost allocation plan for consideration by the Commission prior to the decision on the proposed merger or, alternatively, the Commission should deem all UP&L retail rates interim and subject to refund until such a plan is approved.

The Commission will be unable to determine whether the merger will create "some net positive benefit to the public in this State," according to Nucor, without knowing how costs will be allocated after the merger.

Nucor further argues that certain allocation methodologies could make Utah ratepayers worse off even if the merger yields overall savings. UP&L's net power costs could increase if its share of merger benefits is too small to offset beneficial off-system purchases and sales that would be foreclosed by the merger. UP&L's non-power supply costs could also increase if the UP&L Division incurs costs for the benefit of PP&L and a situs allocation rule is employed. Moreover, the allocation principles suggested by the Applicants will inherently deprive Utah ratepayers of the benefits of UP&L's strategically located transmission system without compensating benefits. While Utah ratepayers have paid and will pay for the costs of the UP&L transmission system, off-system sales revenues would be apportioned between the UP&L and PP&L divisions under the Applicants' suggested cost allocation method.

Nucor contends that the Applicants' proposal to use stand-alone modeling to set rates poses new and intractable regulatory problems for the Commission. Stand-alone modeling would be utilized to perform inter-divisional allocations of net power supply costs, to set the level of UP&L's energy balancing account, and to substantiate the Applicants' commitment that rates will not increase as a result of the merger. There is substantial evidence of record that stand-alone modeling is highly speculative and unverifiable. Rates established on this basis would be unjust and unreasonable.

Nucor's second condition would require the merged company to offer contract demand customers power for incremental loads at the same price and under similar conditions as it offers power for resale. This condition must be considered in this proceeding as opposed to later proceedings relating to individual

industrial customer contracts because it is inextricably intertwined with the Applicants' declared policy to maximize off-system sales. The proposed condition, according to Nucor, is designed to counterbalance the Applicants' policy with one that would ultimately maximize the benefits to Utah ratepayers. The record in this proceeding establishes that the sale of surplus energy to incremental industrial loads, like off-system surplus sales, would yield similar margin-sharing benefits to retail customers. Off-system sales, however, would export economic development while incremental sales to industrial customers under Nucor's proposal will foster economic development within Utah. There is substantial evidence that the availability of surplus power is reasonably predictable and, moreover, that industrial customers could adapt production processes to make use of such power on short notice.

Nucor's third recommended condition would ensure that economic interruptions not increase and the quality of service to industrial customers not deteriorate as a result of the merger. A potential decline in the quality of service to industrial customers, Nucor contends, must be weighed heavily against the asserted benefits of the merger unless a protective condition is adopted. Dr. Spann's testimony establishes that the Applicants' plans to dramatically increase off-system sales after the merger will increase the incremental cost of service to interruptible customers and, hence, heighten the risk of economic interruption. To counteract this phenomenon, Nucor recommends that incremental cost calculations for the purpose of economic interruptions should be performed prior to any off-system sale in excess of current levels. Alternatively, a condition should be adopted which requires that (1) incremental costs for purposes of economic interruption should be calculated before any non-firm off-system, but after firm off-system sales; (2) UP&L not interrupt interruptible customers for capacity reasons except under short-term emergency system

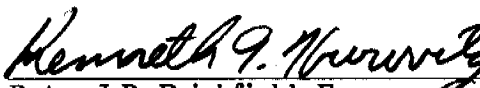
conditions; and (3) UP&L not make an economic interruption when it can sell non-firm energy at a higher rate off-system.

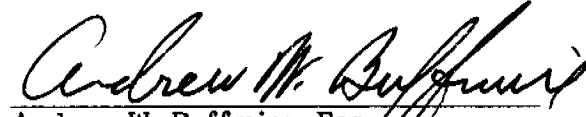
Finally, Nucor has proposed two distinct conditions requiring retail wheeling. The first wheeling condition would explicitly state that nothing in the Commission's Order precludes retail customers connected at the transmission or subtransmission level from seeking wheeling of power from other suppliers under the same general terms and conditions as any wheeling for wholesale customers required by the FERC. Nucor contends that, if the FERC orders wholesale wheeling to remedy the anti-competitive impacts of the merger, this Commission should not foreclose Nucor and other industrial customers from seeking similar relief. Nucor's second wheeling condition would require UP&L to offer contract demand customers wheeling of power from other suppliers under the same general terms and conditions as any wheeling for wholesale customers required by the FERC. Nucor believes that this condition is warranted to afford industrial customers a competitive remedy if the Commission does not adopt the above regulatory conditions, all of which are designed to ensure that industrial customers are not harmed as a direct result of the merger.

Respectfully submitted,

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Public Convenience and Necessity)
and Authorities in Connection)
Therewith.)

Case No. 87-035-27

CERTIFICATE OF SERVICE

On this 15th day of June, 1988, I hereby certify that I caused to be hand delivered a true and accurate copy of the SUMMARY OF POSITION OF NUCOR STEEL, to the parties listed below:

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On this 15th day of June, 1988, I hereby certify that I caused to be mailed, via United States first-class, postage prepaid mail, a true and accurate copy of the SUMMARY OF POSITION OF NUCOR STEEL, to the parties listed below:

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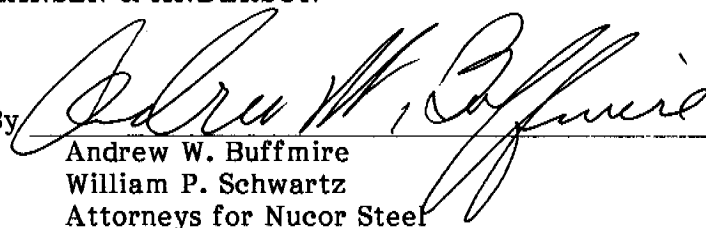
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