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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. AND AUTHORIZING THE ISSUANCE OF SECURITIES, ADOPTION OF TARIFFS, AND TRANSFER OF CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY AND AUTHORITIES IN CONNECTION THEREWITH.	PROPOSED LIST OF STIPULATED FACTS, AND ISSUES AND FACTS IN DISPUTE Case No. 87-035-27

Pursuant to the order of the Commission issued February 26, 1988, the Utility Shareholder Association of Utah, by and through its undersigned attorneys, hereby proposes the following facts to which the parties and the intervenors in

these proceedings may stipulate as being uncontroverted and established for purposes of this matter. The facts are listed under outline headings that parallel, in part, the issues in this case as delineated in the September 15, 1987, memorandum to the Commission from its Staff. Following this listing the Shareholders set forth Issues and Facts in Dispute insofar as those issues and facts presently appear.

The following listings are derived from present and anticipated filings before the Commission, and are, of course, for the purpose of initiating discussions among the parties and regulatory officials that may culminate in a final stipulation which could obviate the need to elicit evidence on certain issues. The listings are, consequently, to be taken for present purposes as proposals for discussion and not necessarily as complete, final statements of established fact.

Furthermore, the Shareholders note that the mere appearance of an outline heading below, with facts listed underneath it, does not constitute any acknowledgement that an issue is within the jurisdiction of the Commission or is otherwise properly presented in this case.

PROPOSED STIPULATED FACTS

I. ORGANIZATION

A. Existing Corporate Structure.

1. Utah Power & Light ("UP&L") is a Utah corporation qualified to transact business and operate as an electric public utility in Utah, Idaho and Wyoming.

2. UP&L is subject to the jurisdiction of the Federal Energy Regulatory Commission.

3. UP&L services 510,000 retail customers in Southeastern Idaho, Southwestern Wyoming, and major portions of Utah and its service territory extends over approximately 90,000 square miles.

4. PacifiCorp is a Maine corporation qualified to transact business and operate as a public utility in California, Idaho, Oregon, Montana, Washington, and Wyoming.

5. PacifiCorp is subject to the jurisdiction of the Federal Energy Regulatory Commission.

6. PacifiCorp provides electric service to more than 670,000 retail customers in California, Idaho, Montana, Oregon, Washington, and Wyoming. Its electric service territories total approximately 63,000 square miles.

7. Energy National Inc. ("ENI") is the only wholly owned subsidiary of UP&L.

8. ENI does not sell any goods, or services to UP&L.

9. UP&L has obtained approval from the Utah Public Service Commission for a leasing subsidiary but that subsidiary has not commenced operation at this time.

10. PacifiCorp is a diversified electric utility.

11. PacifiCorp owns approximately 90% of NERCO, Inc. and 87% of Pacific Telecom, Inc.

12. NERCO is engaged in the mining of coal and precious metals and the exploration and development of minerals, precious metals and oil and gas in several regions of the United States and Canada.

13. Telecom provides local and long-distance telephone and other communication services in Alaska and local service and access to the long-distance network in 7 other western states and Wisconsin.

14. PacifiCorp is the owner of PacifiCorp Credit, Inc. which is primarily in the business of leasing capital and business equipment and lending against receivables and inventories.

15. PacifiCorp owns PacifiCorp Finance which provides equity investments in leveraged lease transactions.

16. All four of PacifiCorp's major businesses have separate management and boards of directors which are ultimately accountable to the chairman, chief executive officer and president of PacifiCorp, the Corporate Policy Group and the PacifiCorp Board of Directors and shareholders.

17. PacifiCorp does not contemplate any new affiliated interest activities as a result of the merger. After the merger, PacifiCorp will reveal each of the existing affiliated interest activities to see if a uniform application to both electric divisions will result in lower costs for electric customers.

18. The PP&L Board of Directors consists of five members who are members of the PacifiCorp and four others.

19. The existing Board of Directors for PacifiCorp is elected by the shareholders.

20. The PP&L Board has been delegated authority over annual construction budgets, purchase and disposition of utility property, personnel policies and compensation, research and development, and policies and practices concerning customers. The PacifiCorp Board retains direct responsibilities for matters that affect the corporation as a whole such as auditing and financing.

B. Proposed Organizational Structure After the Merger.

21. UP&L and PacifiCorp have entered into an Agreement and Plan of Reorganization and Merger, attached as Exhibit "A" to the Application, which sets out generally the Applicants' proposed structure for the Merged Company.

22. The Merged Company was incorporated in Oregon on August 11, 1987. The name of the company will be changed to PacifiCorp on the effective date of the merger.

23. On the date of the merger UP&L and the existing PacifiCorp will cease to exist.

24. Upon the merger, UP&L's certificates of public convenience and necessity will be transferred to the Merged Company.

25. The Merged Company will assume all outstanding debt obligations of UP&L and PacifiCorp, and the Merged Company will adopt all tariff schedules and service contracts of UP&L on file with the Commission and in effect at the time of the merger for service within all territories served prior to the merger by UP&L.

26. The Merged Company will issue shares of common and preferred stock upon conversion of outstanding shares of common and preferred stock of UP&L and PacifiCorp.

27. UP&L's common shareholders will receive between .909 and .957 shares of the new PacifiCorp stock and will own more than 40 percent of the shares of the new corporation. Except for shares owned by dissenters, outstanding UP&L preferred stock will be converted to preferred stock of the new corporation.

28. The common stock of Utah Power will be converted into shares of the new corporation based on a formula derived from PacifiCorp's closing price during a ten-day computation period following final regulatory approval.

29. The Merged Company will be the surviving entity of the merger.

30. The Merged Company will provide electric service to more than 1,180,000 retail customers throughout California, Idaho, Montana, Oregon, Utah, Washington, and Wyoming.

31. The Merged Company's electric service territory will aggregate approximately 153,000 square miles.

32. The Merged Company will continue to do business in all territories previously served by UP&L and will operate the business formerly conducted by UP&L as a division of the Merged Company under the assumed business name of Utah Power & Light Company.

33. The Merged Company will continue to do business in all territories previously served by PacifiCorp under the assumed business name of Pacific Power & Light Company.

34. PP&L and UP&L will be operated separately as divisions of PacifiCorp, but it is expected that the two power systems will be operated and planned on a single utility basis.

35. Arrangements between the two divisions governing exchanges, economy interchange, and the movement of power for various purposes will be developed and implemented to achieve efficiency.

36. The company will establish an audit trail for intercompany transactions to isolate transactions by account, category, and type of activity so as to value properly and allocate transactions between the divisions.

37. Records of the divisions will be kept separately for the operation of the existing PP&L and UP&L generation, transmission and other systems. Audit records will be maintained to the joint operational benefits associated with the consolidated systems.

38. Benefits from combined systems will be identified and properly allocated among the customers of the two independent electric divisions.

39. There will be some consolidation of traditional staff functions (e.g., legal, audit, data processing, inventories, insurance, shareholder relations, power plant maintenance, purchasing, and employee services).

40. Consolidated financial statements will be prepared by combining the separate statements of the entities together.

41. Consolidation is expected to result in substantial savings.

42. The president of each electric division will serve on the board of the other division.

43. The directors and officers of UP&L at the effective date of the merger will become directors and officers of the Utah Power & Light Company division of the Merged Company.

44. The UP&L Board will be formed similar to the existing PP&L Board which is composed of a committee of PacifiCorp Board members and four others.

45. The UP&L board will have authority over such matters as annual construction budgets, purchase and disposition of utility property, and salaries and benefits.

46. After the merger, two former members of the UP&L Board of Directors and one person residing in UP&L service territory will be elected to the Board of Directors of the Merged Company. Thereafter the Merged Companies will seek further representation of persons in UP&L's service territory with the goal of having pro rata representation from UP&L's service territory.

47. Coordination between the two divisions will be fostered by the presence of each division's president on the board of the other division and the representation of both division presidents on the PacifiCorp Corporate Policy Group.

48. PP&L will continue to serve Oregon, Washington, Idaho, Wyoming, California and Montana.

49. UP&L subsidiaries such as ENI will continue under the present method of consolidation for the near future with earnings of ENI "below-the-line". The relationship will be evaluated in the future to determine whether ENI would appropriately fit into the entire corporate entity under some other arrangement.

50. There are no plans to transfer the management or ownership of UP&L's coal properties to NERCO, Inc.

51. The UP&L division of the Merged Company will maintain its headquarters in Salt Lake City, Utah.

52. Operation of the Company through separate operating divisions will help ensure that company policies are responsive to customers in each of the service areas.

53. Separate divisions will provide localized control and accountability and consequently, be more responsive to regional issues and concerns.

54. UP&L operations will continue in substantially their present form.

55. UP&L will be afforded the same benefits and treatment as PP&L in the family of companies.

56. Jurisdictional revenue requirements and operating results will be determined in the same manner in which such information has been developed for each of the operating divisions prior to the merger.

57. The Merged Company will have a single capital structure and combined weighted costs of debt and preferred stock. Financing will be by the surviving corporation, PacifiCorp, Oregon.

58. The benefits from combining the systems will be identified and allocated among the two divisions, subject to the review and approval of appropriate regulatory agencies.

59. The issue of overhead allocation is currently being studied by the Applicants in connection with allocating the savings that result from the merger.

C. <u>Benefits of Merger Not Obtainable by Maintaining Separate Companies</u>.

60. The benefits due to the merger cannot be realized by continued operation of the companies as separate entities because the legal, organizational, and regulatory impediments

to negotiations of arms-length contracts would be insurmountable.

61. The benefits from the efficiencies and economies related to resource planning and system operation within the Merged Company cannot be attained through separate companies.

62. Significant benefits can be derived from the ability of the Merged Company to adopt joint unit commitment (deciding which generation facilities to make available for use) and dispatch (deciding the extent to which available resources are actually utilized).

63. The Merged Company will be able to take greater advantage of purchased power supplies which will, in turn, contribute to lower system operating costs.

64. The merger will allow additional load following capability--that is, the ability of the generating system to instantaneously respond to changing resource requirements caused by system load fluctuations, generation equipment failures, transmission equipment failures, or a combination thereof.

65. The joint decisions as to unit commitment and dispatch will allow the Merged Company to take full advantage of its fuel cost diversities between the various divisions and improve overall generating unit operating efficiencies with the result that the Merged Company should realize significant total fuel cost savings.

66. The operation of separate power systems under the Merged Company would have the effect of wasting the benefits that could otherwise be derived from joint operation.

67. The merger will help the Merged Company compete with traditional rivals and new technologies and suppliers in their retail markets, including entities that have lower production costs and control transmission access to wholesale markets which the applicants do not, at present, command.

68. Consolidated operation benefits for the merged company are forecasted by the Applicants as follows: 1988: $48 million; 1989: $70 million; 1990: $101 million; 1991: $128 million; 1992: $158 million.

69. The Applicants' forecasted attrition benefits to the merged company are as follows: 1988: $2.9 million; 1989: $19.5 million; 1990: $30.3 million; 1991: $41.7 million; 1992: $53.3 million.

70. Incremental economic development benefits resulting from the merger as reflected in total margins after operating expenses is predicted by the Applicants as follows: 1988: $100,000; 1989: $1.8 million; 1990: $6.3 million; 1991: $11.4 million; 1992: $16.9 million.

71. PP&L economic development results reflected in total margins after operating expenses are forecasted by the Applicants as follows: 1988: $4,960,000; 1989: $7,838,000; 1990: $11,706,000; 1991: $18,021,000; 1992: $25,486,000.

72. Wholesale power revenues will be increased because of access to diverse markets.

73. There exists the potential for additional system benefits through additional off-system sales and displacement of higher cost system resources.

74. While it is theoretically possible to achieve some of the savings associated with the merger through contracts, it rarely happens in actual practice.

75. If the companies were to attempt to achieve the results of merger through contracts, negotiations would be protracted and result in fewer benefits.

76. It is expected that directors' and officers' liability insurance for UP&L can be merged in PacifiCorp's coverage resulting in a $3.6 million savings by the fourth year following the merger.

77. It is likely that operational risk is greatest in a centralized structure because there is less diversity of management perspective and in management approach to local circumstances.

78. Several large corporations, general managers, as well as experts on the subject, have concluded that decentralization is a highly-beneficial form of corporate organization.

II. JURISDICTIONAL ISSUES.

79. The merger would not decrease regulation by the state public utility commissions. PacifiCorp securities will be approved by the state commissions rather than FERC.

80. After the merger UP&L will be operated as a separate business unit and records kept separately for its operations. Audit records will be maintained relative to the joint operational benefits associated with the consolidated system; the benefits from combining the systems will be identified and allocated among customers for the UP&L and PP&L divisions.

81. For ratemaking purposes after the merger, jurisdictional revenue requirements and operating results will be determined in the same manner that such information was developed for each of the companies prior to the merger.

82. Each division of the Merged Company will allocate costs to its respective jurisdictions in the same manner as before the merger. Any benefits resulting from the merger will be allocated between the divisions and correspondingly to all jurisdictions.

83. In Utah, retail prices are presently intended to reflect actual power costs as measured through the Energy Balancing Account ("EBA").

84. The calculation of the Utah EBA should not be affected by the merger.

85. Commissions now regulating PP&L do not follow an energy balancing account approach. The Merged Company will study the concept and expects to work with the Utah Public Service Commission on the subject further after the merger. An EBA will be utilized for post-merger transactions until such time as the Utah Commission authorizes its modification or elimination.

86. In PP&L's five-state integrated power system, the power cost component of its retail power prices is determined using the results of production cost model studies as performed by PP&L and reviewed by interested parties in rate proceedings. Net power costs are calculated by adding fuel costs, purchased power expense, and wheeling costs, and then

subtracting wholesale power revenue. This determines the overall revenue requirement. Under this system if revenues and costs increase PP&L is allowed to retain the revenues but must absorb the costs. Conversely, if sales and costs decrease, PP&L will have to absorb the loss of revenues and change in costs. Accordingly PP&L has an incentive to improve efficiency while protecting its customers against inefficient system operation.

87. No post-merger change is proposed in UP&L's practice of treating FERC's jurisdictional customers separately for cost allocation purposes, and no change is proposed for PP&L's allocation methodology.

88. The practice of looking at the unique aspects of particular utility operations and determining authorized return is expected to continue as each regulatory commission exercises its authority to set a jurisdictional revenue requirement that allows an opportunity to earn a return similar to investments of comparable risk and maintain the ability to attract capital investment.

89. UP&L with its experience in both regulated and non-regulated operations, is fully aware of the requirement that those two type of operations be kept distinct. UP&L intends to abide by those requirements. UP&L will cooperate fully with all regulatory commissions to ensure that an appropriate and reasonable level of review is available to regulators. Commission audit staff and review staff have access to the books of accounts.

90. PacifiCorp is prepared to accede to a reasonable set of conditions governing such matters as treatment of expenses, allocations of cost, access to books and records, no uncompensated lending of creditworthiness, protection from risk, and the like, designed to assure this and other commissions that utility customers will not in any way subsidize the nonutility operations of PacifiCorp.

III. FINANCIAL ISSUES

A. Financial Matters in General.

91. In 1987 PacifiCorp earned approximately $230,000,000 on revenues of approximately $2,000,000,000.

92. In 1986, about 52% of PacifiCorp's operating revenues were derived from PP&L.

93. In 1986, PP&L's wholesale revenues were approximately 128 million dollars.

94. The current unrestricted level of retained earnings for UP&L as of June 30, 1987, is $30.8 million available to pay dividends. ($12 million following the dividend declaration on August 19, 1987). As of June 30, 1987, PacifiCorp had some $308.2 million of unrestricted retained earnings. The Merged Company's total unrestricted retained earnings will therefore be some $339.0 million (using June 30, 1987 balances).

95. UP&L's present financial stability, as measured in cash generation, is strong and would be expected to become stronger. Regardless of merger considerations, UP&L has always been able to attract capital in the financial markets. UP&L is seeking to achieve greater financial stability through the proposed merger.

96. The Merged Company will be both larger and financially stronger than either UP&L or PacifiCorp operating separately. The Merged Company will be in a stronger position to finance the acquisition or construction of facilities and may be able to obtain financing or advantageous terms.

97. The Merged Company will have assets of approximately $8.7 billion.

98. Upon the effective date of the merger, the Merged Company will assume all outstanding debt obligations of UP&L and PacifiCorp and thereafter will continue or create liens in connection with such obligations. The Merged Company will be required to execute appropriate supplmental indentures, or other agreements, to reflect these assumptions. Any existing liens on the property of UP&L or PacifiCorp will continue as liens on the properties of the Merged Company. The series of debt obligations to be assumed by the Merged Company are listed on Exhibit "E" to the Application. These debt obligations will be assumed for the purpose of acquiring the public utility properties of UP&L and PacifiCorp.

99. Historically PacifiCorp has maintained dividend policies characterized by stability and investors' current

income needs. Payout ratios have averaged nearly 70% of earnings.

100. PacifiCorp has maintained a dividend payout ratio approximately equal to the average for the diversified industries in which it is engaged. Increases in the common dividend were declared when substantial earnings justified an increase. As its business became diversified, PacifiCorp's dividend payout ratio has declined slightly, reflecting the growth that is on electric utility earnings.

101. Since 1980, UP&L's common dividend payout ratio has been as follows: 1980--83%; 1981--94%; 1982--96%; 1983--96%; 1984--131% (96% without Hunter 4 write-off); 1985--94%; 1986--150% (103% without coal settlement) and 12 months ended August 1987--151%. The dividend payout ratios were affected by various non-recurring charges to earnings that were not offset by rate increases such as the $55 million, Hunter No. 4 plant cancellation in December of 1984, the $8.3 million Utah Supreme Court reversal of the energy balancing accounting revenues in July 1986; the recent $86 million write-off in December 1986; and the EBA settlement of $17.7 million of June 1987.

102. UP&L's dividend policy has been directed at successfully raising large amounts of new equity capital at the lowest possible cost. Dividend increases were at or above the industry average in the 1970's when UP&L was issuing extraordinary amounts of new equity. In the 1980's, as construction and financing requirements started to decrease, UP&L's dividend increases slowed to a halt and have been much lower. UP&L has only increased its dividend three times since 1980.

103. After the merger, PacifiCorp expects to maintain its current $2.52 annual dividend, and as a result, the payout ratio will be increased. The dividend payout ratio will reflect the blended payout ratios of the various operating segments. After the merger, approximately 70 to 80% of PacifiCorp's earnings will be from electric utility operations thus bringing the payout ratio close to the electric utility industry average.

104. UP&L's Energy National Inc., Electric Mutual, Energy Mutual, Intermountain Mutual, and Electric Life, will be financially strong with or without the merger.

B. Sources and Application of Funds.

105. External financing needs of both UP&L and PP&L are not substantial. The merger will further reduce external funding requirements because of anticipated reductions in construction requirements and interest rate reductions of operating expenses due to consolidation and combination of certain administrative functions. PacifiCorp's utility operations are expected to generate sufficient internal funds to fund nearly all ongoing construction requirements.

106. Future external financing is expected to be primarily for the purpose of recapitalization or refinancing existing security issues, thus allowing PacifiCorp opportunities to maintain and improve its capital structure by exploiting capital market conditions to reduce total cost of capital and improve financial statistics.

107. The proposed merger will be accounted for as a pooling of interest. Thus, the merger will simply combine the funds of the two companies. In the near term, the source and use of the funds for the merged company will be the sum of the two separate companies. As merger-related savings and efficiencies are realized, the source and application of funds for the combined entities will also improve as compared to the sum of the present.

C. Effects of the Merger on Bond Ratings.

108. Without a merger, there would be no material change in the current bond ratings of PacifiCorp or UP&L.

109. On a without-merger basis, in its June, 1987 release, Standard & Poor's indicated that reduced financing pressures on UP&L should allow maintenance of bondholder protection at levels consistent with the "A" rating. No long-term improvement in UP&L's rating was seen absent improved performance, particularly in return on equity.

110. Bond ratings are subjective, thus no "hard" information on future ratings is available. The prospect of a merger creates uncertainty for rating agencies until they determine whether the regulators will impose burdensome preconditions on the merger and until they determine whether

the Merged Company is successful. The Merged Company expects that it will be a company that is at least as financially strong as the sum of its premerger parts and that bond ratings will reflect this strength. Thus, the merged company does not expect changes in either direction to be a significant factor concerning the economics of the merger.

111. Despite near-term uncertainty by rating agencies, in the longer term the savings produced by the merger will improve ratings over what either company could expect on its own.

112. Any "downgrade" with respect to the Merged Company's bonds might be softened by UP&L's plans to retire $81 million in high-coupon bonds for cash on April 1, 1988. This will lower the UP&L's debt ratio and consequently, the Merged Company's. In addition, the Merged Company will have improved earnings stability after the merger because of arithmetic averaging with UP&L and because of the substantial diversities created by the merger.

113. If the merger is consummated, lowering the ratings for UP&L bonds would be unlikely: Earnings coverage will increase, cash flow coverage will increase, the payout ratio will decrease, potential earnings growth will improve, and debt to total capital will decrease.

D. Effect of the Merger on Cost of Capital.

114. The merged company will have a single capital structure with one set of other financial measures.

115. In the near term, the merger will not affect the cost of capital because the embedded cost of capital will not change. It is expected that the rates on new securities will be lower than would be the case without the merger.

116. It is difficult to anticipate what will happen to the cost of capital after the merger. In all likelihood, the capital markets' response will parallel the behavior of financial indicators. In the long run the Merged Company is expected to show financial performance better than either company could achieve separately, and as that occurs, the capital markets would respond accordingly. With the effects of

the merger as explained, it is reasonable that cost of capital, after merger, will improve over time.

117. Market price is a very general indication of the cost of capital under the merger. For example, UP&L stock prices have been significantly influenced by the existence of the merger proposal and immediately prior to the merger announcement, UP&L stock traded in the $22 to $24 range but it quickly rose to over $30 upon public announcement of the merger proposal.

E. Tax Considerations.

118. During 1986, UP&L paid $116,775,000 in tax to various levels of government. This is broken down as follows: Federal government--$72,440,000; school districts--$19,338,000; and state and local governments--$24,998,000. These taxes have provided significant benefits in the public interest to the various constituent groups involved.

119. No significant tax considerations are envisioned from the merger. The Merger is expected to be treated as a consolidation and will be accounted for as a pooling of interest for accounting and financial reporting purposes. Thus, the assets of PacifiCorp and UP&L will be carried forward to the combined at the recorded amounts.

120. In accordance with the "consolidation" or pooling of interest accounting method, there will be no acquisition adjustment on the PacifiCorp balance sheet. The assets and liabilities of PacifiCorp and UP&L will be carried forward to the combined corporation of the recorded amounts.

121. The merger should have no effect on tax expense included in the utility rates because income taxes will be determined for rate-making purposes for each jurisdiction of each division on a stand-alone basis with the rate-making results of operations used to determine taxable income.

122. For cost of service purposes, the divisions of PacifiCorp compute their respective tax liabilities on a stand-alone basis although PacifiCorp files a consolidated tax return. Because the electric divisions are maintained as separate identities, the manner of calculating tax expenses is not expected to vary from the past.

123. Federal and state income tax returns will be prepared and filed at the corporate level (PacifiCorp). PacifiCorp's divisions will prepare and forward to PacifiCorp information required for the corporate tax returns.

124. The Alternative Minimum Tax ("AMT") payment can result in the company paying additional current federal tax if the AMT tax calculation is greater than the regular tax calculation. The AMT is, in effect, a "prepaid" tax since it can be credited against future regular income tax liabilities. In the case of UP&L and PacifiCorp, the merging of tax returns into a consolidated return could reduce or eliminate the AMT payment that would have to be paid if individual tax returns would have been prepared.

125. Concerning tax consequences to the shareholders, it is expected that the merger will constitute a tax-free reorganization under the IRS Code. No gain or loss will be recognized by UP&L by the transfer its assets to the merging corporation. No gain or loss will be recognized by the holders of UP&L common stock on their receipt of merging corporation common stock in exchange for the UP&L common stock. Alternative Minimum Tax (AMT) may be minimized or voided for non-regulated subsidiaries of PacifiCorp as a result of filing a consolidated tax return.

F. Financial Policies; UP&L's Access to Capital.

126. The UP&L division of PacifiCorp will have a separate board, be afforded the same benefits and treatment as other business units, and will take key roles in defining PacifiCorp's strategy through representation in a corporate policy group and the Merged Company board. Overall financial strategy will be determined by the PacifiCorp board, subject to regulatory approvals.

127. UP&L's construction budget is currently approved by the UP&L Board of Directors. After the merger, the construction budget will be established by the UP&L board with final oversight by PacifiCorp board.

128. The Merged Company should be able to generate internally all capital needed for utility operations and thus UP&L's operations should not be dependent on external financing

for capital improvements. The Commission will still have the ability, after the merger, to respond to any inadequate level of capital spending in the context of the ratemaking process.

129. After the merger, long-term capital needed to meet construction needs and other capital requirements of the UP&L division will be produced by PacifiCorp.

130. SEC forms 10-K, 10-Q and other SEC required filings will be prepared and filed for PacifiCorp at the corporate (PacifiCorp) level. It is anticipated that consolidation of financial statements will occur at the corporate level (PacifiCorp), although separate financial statements for UP&L and PP&L will continue to be maintained.

IV. CURRENT AND PROSPECTIVE LOADS AND LOAD SHAPES

A. Jurisdictional Loads and Forecasts.

1. Current and Historical Peak Load Levels and Total Energy Sales.

131. The historic peak load levels for PP&L are as follows: 1983, 4,380 MW; 1984, 4,245 MW; 1985, 4,253 MW; 1986, 3,841 MW. The historic total energy sales for PP&L were as follows: 1983, 24,403,998 MWh; 1984, 24,430,215 MWh; 1985, 27,117,787 MWh; 1986, 24,808,745 MWh.

132. The historic peak load levels for UP&L were as follows: 1983, 2,206 MW; 1984, 2,326 MW; 1985, 2,303 MW; 1986, 2,394 MW. The historic total energy sales for UP&L were as follows: 1983, 17,271,601 MWh; 1984, 18,532,279 MWh; 1985, 19,246,242 MWh; 1986, 17,682,414 MWh.

133. PP&L's peak load occurs in the winter months of November through February; for 1986, the peak occurred on December 9.

134. UP&L's peak load occurs in the summer months; for 1986, the peak occurred on July 14.

135. During the years 1983-1986, UP&L experienced an increase of 188 MW in firm peak load or 8.5% while PP&L experienced a decrease of 539 MW in peak load, or a minus

12.3%. UP&L's energy sales increased 2.4%, or 0.8% averaged annually, while PP&L had a 1.7% growth.

136. The estimated combined system historic jurisdictional energy sales would have been as follows: 1983, 32,142,038 MWh; 1984, 33,497,830 MWh; 1985, 34,497,197 MWh; 1986, 34,300,354 MWh. RMB Exhibit No. 3.2. The estimated combined system historic total energy sales would have been as follows: 1983, 41,675,599 MWh; 1984, 43,012,494 MWh; 1985, 46,364,029 MWh; 1986, 42,491,151 MWh.

137. The recent historic coincident peak loads would have been as follows: 1983, 6,499 MW; 1984, 6,398 MW; 1985, 6,371 MW; 1986, 5,926 MW.

2. Current and Recent Historic Customer Class Mix of UP&L and PP&L.

138. In 1986, the number of customers for PP&L totalled 709,759, 80% of which were residential, 18% of which were commercial, 1% of which were irrigation, and 1% of which were industrial. In 1986, the number of customers for UP&L totalled 511,269, 89% of which were residential, 9% of which were commercial, and 2% of which were industrial. The number of customers in 1986 for the combined system would have been 1,221,028, 84% of which would have been residential, 14% of which would have been commercial, 1% of which would have been irrigation, and 1% of which would have been industrial.

139. In 1986, the customer sales for PP&L totalled 19,849,119 MWh of which 33% were residential, 25% were commercial, 2% were irrigation, and 40% were industrial. In 1986, the customer sales for UP&L totalled 14,451,235 MWh of which 25% were residential, 26% were commercial, 3% were irrigation, and 46% were industrial. For the combined system, the customer sales in 1986 would have totalled 34,300,354 MWh, of which 29% would have been residential, 25% would have been commercial, 3% would have been irrigation, and 43% would have been industrial.

140. The class peak loads for UP&L in 1986 were as follows: residential, 892 MW; commercial, 1,138 MW; industrial, 782 MW.

141. The coincident peaks for UP&L were as follows: residential, 19%; commercial, 48%; industrial, 33%.

142. In 1986, the customer class mix would have been 84% residential, 14% commercial, 1% irrigation, and 1% industrial. The energy sales would have been 29% residential, 25% commercial, 3% irrigation, and 43% industrial.

3. Methods and Models Used to Project Jurisdictional Energy Sales and Peak Loads (Variables, Load Control/Load Management Considerations).

143. PP&L employs two methods to forecast annual MWh sales: It combines econometric/end-use methodology for the residential and commercial sectors and an econometric approach for the remaining customer classes. PP&L projects the growth of electricity demand based on the following factors: labor productivity trends, labor force expansion, real per capita income, housing, total national electricity consumption, and inflation.

144. PP&L forecasts loads for its residential sector on the basis of 11 end-uses (space heat, water heat, electric ranges, dishwashers, electric dryers, refrigerators, televisions, lighting, air conditioning, freezers, and residual uses) for each of three structural types (single family unit, multi-family, and mobile homes). The forecast appliance saturations are then multiplied by a specific housing stock. The figure is then multiplied by the annual average electricity useage for each appliance. The results are then added together to obtain the total residential demand. A "least-cost-mix" approach is also employed to determine the amount of conservation that would take place in response to such factors as electricity prices, first costs, total annual operating costs, incentives, and consumer discount rates.

145. PP&L forecasts sales in the commercial sector on the basis of six-end uses (space heating, space cooling, water heating, lighting, refrigeration, and other uses) for each of ten categories of economic activity (department stores, educational services, eating and drinking establishments, grocery stores, general trade, health services, lodging, office buildings, warehouses, outdoor area lighting and other

activities). Total commercial energy useage is computed by multiplying individual appliance use per square foot of floor space by the amount of commercial square footage for the buildings which contain particular appliances. The amount of conservation expected to take place in the commercial sector is also calculated through the use of a least-cost-mix procedure which selects the most cost-effective energy technologies and levels of building shell improvements.

146. The industrial sector is calculated according to manufacturing projections and mining projections. Industries' specific forecasts are multiplied by specific forecasts of electric sales per unit of output to arrive at total industrial demand.

147. The irrigation sector model is based on acres under irrigation and the amount of MWh consumption per irrigated acre. The megawatt consumption per acre is multiplied by the number of acres under the irrigation to arrive at a total irrigation demand.

148. The street and highway lighting forecasts are a function of residential, commercial customers and real industry price.

149. Long-term sales for resale are based on the most recent forecast received for Montana-Dakota utilities and Cheyenne Light, Fuel and Power in Wyoming.

150. PP&L also prepares monthly system input energy and peak load projections.

151. PP&L's original consumption is expected to expand at an annual rate of 0.8% between 1985 and 2005 as determined by the number of customers and useage per customer. PP&L has forecast growth in the commercial sector to average 1.5% per year until the year 2005. PP&L has forecast growth in the industrial sector to be 2.6% overall. PP&L has forecast growth in the irrigation sector to decline at a rate of 0.1% per year. PP&L has forecast the growth and demand for street and highway lighting as 0.7% per year.

152. In addition to a long-run forecast, PP&L has also developed two alternative forecasts to place reasonable upper and lower bounds around the base forecast. These are

optimistic and pessimistic projections respectively. The optimistic projection would indicate growth at 2.4% annually. The pessimistic projection would project 1.2% growth per year.

153. UP&L's forecast model employs econometric and statistic techniques to predict energy sales per customer for each rate schedule and within each of the six regions in which UP&L operates. This model multiplies the number of customers forecasted with energy sales per customer to derive the energy sales for the entire rate schedule for each class, which are then aggregated to form class forecasts. This model does not include the factors of employment, fossil fuel prices, and industry output as field personnel and upper management incorporate these variables into the forecasts. In addition, UP&L contacts all large customers (those with billing demands of 1,000 kW or greater) to ascertain their future changes so as to adjust the forecasts. UP&L employs a load research program in order to estimate the diversified load per customer for each rate schedule within each of the states in which it serves. The data base contains 5 to 7 years worth of load information. The total schedule coincident peak load is the product of the number of customers and the coincident load per customer (predicted for each month of the next five years). After adjusting the rate schedule loads for losses, they are aggregated to produce the total system firm peak load. Firm resale loads are handled as individual customers.

154. UP&L's approach to predict the contribution to the system firm peak load by rate schedules for each state estimates the diversified load per customer for each rate schedule within each of the states in which it serves. The historical data base contains 5-7 years of load information in the coincident peak load per customer for each rate schedule as predicted for each month of the five years. A total schedule coincident load is then the product of the number of customers in the coincident load per customer. Adjustments are made for losses to obtain system input loads. The potential load management from UP&L's load control and irrigation pumps is then predicted for each year of the forecast and subtracted from the total derived of the final firm system peak load. This methodology allows UP&L to aggregate loads by rate schedules within each operating region and/or jurisdiction.

B. Off-System Sales.

155. Energy sales to the California markets have represented approximately 77% of PP&L's total wholesale energy sales over the past four years. Energy sales to the California power markets represent approximately 30% of UP&L's total wholesale energy sales over the last four years.

156. UP&L's sales to the desert southwest utilities represent approximately 34% of its total energy sales. Energy sales to the desert southwest utilities represent only about 1% of PP&L's sales.

157. In the summer and fall of 1985, capacity was available on the Pacific Intertie through which PP&L was selling virtually all it could generate at prices averaging in the range of 24 to 25 $/MWh.

158. The off-system sales for PP&L were as follows: 1983: 795,049 MWh firm, 3,927,118 MWh nonfirm; 1984: 1,624,162 MWh firm, 2,486,876 MWh nonfirm; 1985: 491,539 MWh firm, 5,714,924 MWh nonfirm; 1986: 2,748,203 MWh firm, 1,346,122 MWh nonfirm.

159. The off-systems sales for UP&L were as follows: 1983: 1,316,078 MWh firm, 2,575,610 MWh nonfirm; 1984: 1,375,051 MWh firm, 3,057,053 MWh nonfirm; 1985: 1,209,716 MWh firm, 3,411,478 MWh nonfirm; 1986: 717,723 MWh firm, 2,330,960 MWh nonfirm.

160. The forecast, absent a merger, for PP&L's off-system energy system sales is as follows: 1988, 1,853,741 MWh; 1989, 2,728,159 MWh; 1990, 2,363,250 MWh; 1991, 2,029,869 MWh; 1992, 1,901,759 MWh.

161. Absent the merger, UP&L would continue to operate as it has in the past, taking advantage of situations where the demand for lower cost energy is high.

162. The forecast for UP&L's off-system energy sales, absent a merger, is as follows: 1988, 1,968,543 MWh; 1989, 1,925,916 MWh; 1990, 1,680,179 MWh; 1991, 1,583,251 MWh; 1992, 1,465,644 MWh.

163. PP&L incorporates its projection of off-system surplus sales into its production cost model--this model

simulates the interactions of PP&L, BPA and other northwest utilities, giving consideration to pooling and coordination agreements, Intertie constraints, resource operational limitations and pricing, and hydrologic uncertainty. PP&L's cost model calculates the extent of the regional surplus available for export, in accordance with BPA's Intertie access policy, compares this to the amount of capacity available through the Intertie, and then prorates PP&L's resources available for export as against those of the other utilities in the region to determine how much energy PP&L can sell through the Intertie. The statistics for this model are derived from 50 years worth of stream flow data.

164. UP&L projects nonfirm sales by first determining the amount of surplus energy available from UP&L's units once its projected loads have been served. From this amount, the energy that is not expected to be price competitive is subtracted. Taking into account factors such as the impact of new resources known to be scheduled on line, competition expected from low-cost hydro resources, water conditions in the northwest, availability of low-cost thermal units throughout the region, "take-or-pay" contracts, load growth, weather conditions, and coal production, UP&L is able to arrive at a final projection.

165. Projection of firm off-system sales are currently based on existing long-term contracts.

C. Load Diversity.

1. Specific Load Shape Diversity Opportunities Which Exist Between UP&L and PP&L.

166. UP&L has a summer peak while PP&L has a winter peak. In addition there is inter-seasonal diversity--where the two systems peak on different days within a month or on different hours in a given day.

167. The estimated 1988-89 annual non-coincident peak for PP&L is 4,442 MW and for UP&L it is 2,426 MW. The diversity between the non-coincident annual peak and the non-coincident winter peak is 249 MW. The coincident peak for the combined companies is 6,542 MW. The difference between the coincident peak and the non-coincident annual peak (6,868 MW) is 326 MW.

168. In 1986, the net diversity at the time of the combined peak is 393 MW. This net diversity is composed of 373 MW of seasonal diversity and 20 MW of hourly diversity (UP&L's loads tend to come earlier in the day because of the time zone difference).

169. The seasonal diversities in the peak month have been increasing in the past 4 years due to an increase in UP&L's summer load over its winter load in those years. The hourly diversities tend to vary widely from year to year, but there do not appear to be any significant yearly trends.

170. The forecasted annual peak load diversity for UP&L and PP&L for 1988-89 is as follows: UP&L July peak--2,426 MW capacity; PP&L winter peak--4,442 MW; non-coincident peak--6,868 MW; coincident annual peak--6,542 MW; annual peak load diversity--326 MW capacity. In 2,006-07, the annual peak load diversities forecast is: UP&L July peak--3,535 MW; PP&L winter peak--5,796 MW; non-coincident peak--9,331 MW; coincident annual peak--8,931 MW; annual peak load diversity--400 MW.

2. Merged Company's Opportunities

171. The combined system would peak in winter; however, this coincident peak would be substantially lower than the sum of the two systems' noncoincident annual peak loads. RMB at 10. This annual peak load diversity would be 436 MW, based on 1986 actual loads.

172. As merged utilities, the combined system peak load is reduced by the net diversity which was 393 MW in 1986, and is projected to be in excess of 350 MW in all of the future projected years.

173. The diversities in peak loads will lower the combined system's future capacity requirements by over 350 MW--based on projected peak load diversity combined with seasonal differences in resource availability.

174. The diversities in peak loads will postpone peak capacity purchases or generation investments that would otherwise have been needed as early as 1990 to meet peak loads. By 1990, UP&L may be short as much as 57 MW of its

summer peak demand; PP&L may be short as much as 64 MW of its winter peak demand.

D. Impact of Industrial/Commercial Self-Generation "Bypass".

175. Switches to co-generation will depend on whether general service electric rates are competitive with co-generation for specific customers and upon the availability of gas transportation. Although old customers, or existing customers, will probably not choose to switch to co-generation for a number of reasons, some of which are intangible, new construction plans may consider co-generation as an alternative.

176. UP&L has employed a screening model in order to determine if co-generation would be a profitable alternative for its customers.

177. PP&L believes it can offer customers a superior alternative to self-generation and it endeavors to do so.

178. To the extent the merger allows the Merged Company to lower its prices further, it will be in a better position to retain customers who may have considered self-generation.

V. RESOURCES

A. Current Generation Resources.

1. Current Complement of Generation Resources.

179. UP&L has a generating capability of 3,162 MW derived from thermal plants located in Wyoming and Utah and hydroelectric plants located in Idaho, Utah and Wyoming. Under average water conditions, approximately 3% of UP&L's energy is produced by hydroelectric plants and 86% is produced by coal-fired steam plants. The balance is obtained from geothermal resources, a gas turbine and purchases from other utilities and qualifying facilities.

180. Utah Power & Light's 1988 capacity resource mix consists of: System Hydro (118 MW), Carbon (171 MW), Naughton

(710 MW), Huntington (815 MW), Hunter (1,001 MW) and other resources (131 MW), for a total capacity of 2,946 MW. The Carbon, Naughton, Huntington, and Hunter resources are coal-fired thermal resources.

181. UP&L's thermal power plant ownership is as follows. Carbon: 171 MW; Naughton: 710 MW; Huntington: 815 MW; Hunter: 1,001 MW.

182. UP&L's current coal sources are sufficient to meet any anticipated energy requirements up to the year 2000.

183. PP&L's 1988 total system resource capability is approximately 5,859 MW, of which 3,073 MW or 52% is from coal-fired resources located in Wyoming (2,325 MW), Washington (608 MW), and Montana (140 MW).

184. PP&L's present capacity resource mix consists of: BPA Peaking (1,027 MW), Purchased Hydro (583 MW), System Hydro (868 MW), Colstrip (140 MW), Wyodak (248 MW), Centralia (608 MW), Dave Johnston (750 MW), Jim Bridger (1,327 MW), and other resources (308 MW), for a total capacity of 5,859 MW. The Colstrip, Wyodak, Centralia, Dave Johnston, and Jim Bridger resources are coal-fired thermal resources.

185. PP&L owns or has partial interests in generating plants with a rate of capacity of 4,043 MW, primarily comprised of thermal plants located in Wyoming, Montana, and Washington, and hydroelectric plants located in California, Montana, Oregon, and Washington. Under average water conditions, approximately 66% of PP&L's energy requirements are supplied by thermal plants and 16% by hydroelectric plants. The balance of approximately 18% is obtained under long-term purchase contracts (principally from hydroelectric facilities), interchange contracts, and other purchase arrangements.

186. The energy which BPA delivers to PP&L is exchanged for energy which PP&L returns using its coal-fired generating units; from an operational prospective, BPA capacity is similar to a pumped storage hydro facility.

187. PP&L's hydroelectric facilities are constrained by several factors, including equipment failures, preventative maintenance requirements, precipitation, storage capability, irrigation, recreation, fishery requirements, and the variability of stream flows.

188. PP&L's thermal power plant ownership is as follows. Dave Johnston: 750 MW; Jim Bridger: 1,327 MW; Centralia: 608 MW; Wyodak: 248 MW; and Colstrip: 140 MW.

189. 70% of PP&L's generation comes from coal-fired plants and approximately 30% comes from hydro-electric facilities. PP&L has terminated involvement in nuclear plants except for a 2.5% interest in the Trojan facility.

2. Each Company's Current Reserve Capacity and Desired Reserve Margins; Dealing With Excess Reserves.

190. Consistent with the Pacific Northwest Coordination Agreement's reserve requirements, PP&L currently plans for peak reserves, during its winter season, of 950 MW, or approximately 19.7 percent of firm system capacity requirements, and 908 MW during the rest of the year.

191. UP&L's reserve obligation, consistent with the Intercompany Pool Agreement, is approximately 20 percent of firm system capacity requirements. Accordingly, the operating year reserve requirement for UP&L is 532 MW, with a 484 MW summer peak reserves.

192. UP&L will have reserves close to desired levels for the 1988 and 1989 summer peak seasons, but will not have the desired level of summer reserves by as early as 1990. Gadsby and Hale will continue to be furloughed as firm seasonal purchases from the northwest will be more economical than starting up either in the near term.

193. PP&L will have less than the desired winter reserves as early as the 1989-1990 winter season, but will have more than adequate summer reserves.

194. PP&L presently meets its load following requirements through large base-load coal-fired generating units and, to a lesser extent, hydroelectric generating resources and resources purchased and scheduled from other northwest utilities. However, PP&L's coal-fired resources are not designed nor equipped to respond to large or rapid load changes encountered during actual system operation. Consequently, PP&L's controllable mid-Columbia hydro resources provide the primary system load following services.

195. UP&L's large coal-fired generating units are designed and equipped with automatic generating control devices and, thus, can provide system load following services.

3. Current Reserve Capacity for a Combined Company; Dealing With Excess Reserves.

196. The Merged Company would have adequate reserves until the 1991-92 winter season. Seasonal load diversity, then, will extend the period over which the Merged Company's resources would be adequate two years past the adequacy of either of the applicants alone.

4. UP&L's and PP&L's Historic Reliance on Off-System Generation Resources; Providing Reserve.

197. Historically, UP&L has looked, for the most part, to nonfirm off-system purchases in order to reduce operation of its own generation while, to a lessor extent, making off-system firm purchases.

198. PP&L has engaged, primarily, in off-system firm purchases because of the company's long-term purchase agreements for a percentage output share of several Columbia hydroelectric projects and because of contracts with BPA--from which the company may purchase in excess of 1,000 MW of firm peaking capacity until the contract's expiration in 1991. BPA peak capacity will continue to be a substantial and important part of the ultimate resource mix of the Merged Company. PP&L has also entered a number of small firm and nonfirm purchase arrangements including purchase arrangements under PURPA from qualifying facilities.

199. Normally, the seller provides operating reserves for firm transactions while the buyer provides operating reserves for nonfirm transactions.

B. Expected Future Generation Resources.

1. UP&L's and PP&L's Expected Capacity Expansions and Reliance on Off-System Resources Without Merger.

200. UP&L expects future capacity expansions to meet summer peak loads; this should first occur in the summer season of 1990. From 1990 until 1998, UP&L will be able to obtain this capacity from the northwest utilities. By 1998 transmission constraints on off-system purchases will require that new generation be installed; UP&L plans to construct a 62 MW combustion turbine with additional capacity coming from 150 MW coal units. These same coal units will satisfy the need for new energy resources beginning in 2000-1. These purchases and investments are subject to purchases from qualifying facilities under PURPA.

201. In the absence of the merger, PP&L's projected energy resource requirements would outpace its existing energy resources by 1993 or 1994.

202. PP&L's winter peak loads and energy needs require purchases of capacity beginning in 1990. That capacity may be purchased from BPA. Beginning in 1991, however, PP&L's contracts with BPA expire; PP&L, then, will need to replace its current capacity purchases from BPA. While PP&L is exploring a new contract with BPA, it is also exploring purchases from alternative sources. These sources may include: turbine improvements to existing thermal units, withdrawals of energy from firm sale to Southern California Edison Company, the exercise of options on co-generation of several of PP&L's industrial customers, optional conservation programs, purchases from BPA, and purchases of winter capacity from California utilities and the installation of combustion turbines.

2. Specific Changes in Future Capacity Expansions and Off-System Resource Use That the Merged Company Could Exploit for Cost Reductions.

203. The merger will postpone the energy needs of the combined system until 1997 or 1998.

204. The Merged Company's avoided costs should be lower than the current avoided costs for either of the separate systems because of the ability of the Merged Company to postpone the required capacity of energy resource additions and because of the increased availability of lower-cost resource options.

205. The reduction in net requirements for the Merged Company results from the peak load diversity between the systems and a reduction in reserve requirements. Specifically, the merger can reduce allocated reserves in the range of 200-500 MW.

206. As a result of the merger, PP&L will avoid purchase of new winter capacity and UP&L will avoid purchase of new summer capacity beginning in 1989-90; capacity purchases may be reduced by more than 300 MW; and UP&L's required investments for new generating capacity will also be avoided by expanded transmission interconnections. The merger would also postpone a need for new energy resources from 1993-94 until 1997-8. At the same time, UP&L's investments in coal units can be reduced or avoided to the extent that firm energy purchases from BPA or other sources are more cost effective.

207. UP&L's capacity resource needs will be reduced through greater reserve sharing through expanded interconnections. RMB at 11.

VI. IMPACT OF CHANGING RELATIVE ENERGY PRICES.

A. Countering Effect of Low Growth.

208. The policy of both PP&L and UP&L is to become an efficient, cost-cutting profitable producer with competitive prices.

209. PP&L is seeking higher growth through sales and marketing, economic development, new energy services, and mergers and acquisitions.

210. PP&L's economic development activities include: researching 20 economic areas and identifying industries with the best potential for development in each area; interesting companies in PP&L's service territory and then assisting customers with such things as permits, zoning, and financial

backing through non-utility sources. PP&L is also providing "new energy services" by providing tailor-made energy systems.

211. UP&L will acquire the experience both of PP&L's economic development program, which is ahead of UP&L's program and of PP&L's expertise in such areas of economic development. UP&L is now implementing a community partnership economic development program. PP&L has already referred three industrial prospects to UP&L's service area.

212. PP&L has helped attract or return more than 2,500 jobs in its service territory and has adopted a goal of creating 10,000 new basic industry jobs by 1990 to generate $1.4 million more of additional sales and $52 million of added revenue.

B. Impact of Increases in Oil and Gas Prices.

213. The surplus sales market is highly dependent on gas prices because surplus sales displace oil and gas. An increase in such prices will thus increase the surplus sales of UP&L and PP&L.

214. Increases in oil and gas prices could benefit UP&L by giving new life to industries such as coal, uranium and exploratory drilling, thus in turn giving rise to related growth.

215. Growth in energy industries would also lead to growth in commercial and residential classes of service.

216. Price increases and the cost advantages of the merger will reduce the amount of gas-fired qualifying facility ("QF") and self generation development, decreasing loss of load.

VII. BENEFITS AND COSTS OF MERGER.

A. Peak Capacity Expansion Plans, Future Operating Costs, Off-System Transactions, Customer Class Costs, Derived Prices, and Related Peak Capacity Expansion Plans.

217. Consolidated operating benefits resulting from the merger would include reduced construction, economic

development, administrative combinations, manpower efficiencies, and power supply. Other operating savings are as follows: the savings from insurance costs will result from combining two insurance programs into one; savings in legal costs.

B. Benefits to this State.

1. UP&L Ratepayers.

218. The merger will not result in any immediate change in tariff provisions, special service contracts or rates, rules or regulations for service to the customers of UP&L or PacifiCorp. Prior to the effective date of the merger, the Merged Company will file with the Commission its adoption of UP&L's then effective tariff schedules and service contracts as its own for service to customers theretofore served by UP&L.

219. Attached to UP&L's responses to information Request No. 10 and 11 of UMPA, dated November 24, 1987, are true and accurate copies of UP&L's current retail schedule for each jurisdiction, including all schedules and/or riders referenced by said retail schedules. In addition, attached also are UP&L's rate schedules filed with FERC.

220. The many and significant diversities that exist between the applicant systems provide a unique opportunity to realize substantial economic benefits for the ratepayers.

221. The merger between PacifiCorp and UP&L will result in a 5-10% decrease in rates over the next four years. Rate reductions will be possible because of cost saving measures already put in place by UP&L management and because of savings and efficiencies resulting from the merger.

222. Within sixty days of the effective date of the merger, the merged company will file revised tariffs in Utah, Wyoming and Idaho proposing an overall reduction of 2%. No later than the end of 1988 (after there is some experience as a merged company) a detailed plan will be submitted describing implementation of the total targeted price reduction.

223. After the four year period has passed and the rate reductions are in place, the merged company anticipates rate stability.

224. The merger will promote economic development because rates will be more competitive than under the separate companies and competitive rates will help maintain existing industries and attract new industries. Principal savings and benefits from the merger will accrue in the area of power supply and wholesale sales.

225. Independent of factors which are uncontrollable (such as inflation, interest rates, and oil and gas prices) the merger should result in lower prices to UP&L and PP&L customers.

226. The value of the indicated rate reductions (5% to 10% percent in the next four years) to ratepayers of UP&L is $299 dollars. In Utah alone, the value is $107 million. The estimated value for ratepayers if the rate reductions were to total 10% over the next four years would be $556 million; for ratepayers in Utah alone, the value of the savings would be in the vicinity of $384 million.

2. UP&L Shareholders.

227. The many and significant diversities that exist between the applicant systems provide opportunity to realize substantial economic benefits for shareholders.

228. If the merger is approved, PacifiCorp expects to maintain its current $2.52 annual dividend, and the dividend pay-out ratio will approximate the electric utility industry average as 70-80% of PacifiCorp's earnings will be from its utility operations.

229. The price to be paid for the common stock of UP&L is better than 50% above its book value and exceeds by nearly 30% its market value at the time merger negotiations were announced.

230. The shareholders of UP&L will be better off after the merger to the extent that they will enjoy an immediate appreciation of the market value of their investment and come due and own shares in a financially stronger and more competitive company which enjoys more stable earnings and cash flow.

231. The merger was approved by an overwhelming number of UP&L and PP&L shareholders.

232. Synergy describes the condition that the Merged Company will be more valuable than the sum of the extant values of UP&L and PacifiCorp. Synergy results when there are special economies of the Merged Company which would not exist prior to the merger. In the instant case, synergistic benefits include lower costs due to greater diversity and economies of scale and improved opportunities for power sales to other utilities, and others.

233. Since the merger announcement, the price of UP&L stock has increased: When the proposal was first made in late July, 1987, the price per share of UP&L stock was $24 1/2 per share. It was $30.00 per share on February 4, 1988, an increase of 22%. During approximately this same time period, the Dow Jones utility averages and average prices of western utilities (excluding UP&L and PacifiCorp) have dropped.

234. UP&L stock is now trading under the expectation that the merger will be completed. If the merger were to be not approved, UP&L stock would be expected to fall to levels below where it was last summer prior to the merger announcement. The aggregate loss of value for UP&L shareholders would be substantial.

235. Earnings per share of the Merged Company will increase relative to UP&L earnings prior to the Merger.

236. If the merger is not improved, the estimated aggregate loss is market value could be in the vicinity of $360 to $598 million for UP&L shareholders. If the merger takes place, earnings per share of the Merged Company will be greater by 26%, and expected future growth and dividends will also be higher.

237. Ignoring synergistics benefits of the merger, the increased value of UP&L ownership, post-merger, would be from dilution of PacifiCorp shares. That is, earnings per share for PacifiCorp would be reduced, and the value or wealth lost to PacifiCorp shareholders would be transferred to UP&L shareholders. However, with synergy, benefits for UP&L shareholders, post-merger, would be over and above mere increase in UP&L ownership from "dilution" of PacifiCorp shares.

238. If the merger is approved, UP&L shareholders will gain (or not lose) $362,598,000.00 in value. These numbers are

conservative because they do not reflect Cynergistic benefits of the merger. UP&L ratepayers will save, in the aggregate, some $300 to $550 million expressed in present value terms.

239. The value of the merger to Utah shareholders and rate payers of UP&L is in the range of $292 to $528 million.

3. <u>UP&L Employees</u>.

240. The merger will not adversely affect union relations because UP&L has union contracts which will remain in force unless changed by mutual agreement.

241. UP&L and PP&L employees will be better off after the merger to the extent they will have additional career opportunities and they will be employed by a financially stronger, more competitive company, and will have the chance to increase their knowledge of different utility system planning and operating procedures.

4. <u>Other Benefits</u>.

242. The merger will enhance economic development in UP&L's service area because rates will be more competitive than without the merger, and competitive rates will help maintain existing industries and attract new industries. UP&L expects to benefit from PP&L's experience and expertise with economic and industrial development programs, including PP&L's connection with the Pacific Rim. Such economic development programs as well as the continued involvement of UP&L and PP&L in the community will enhance federal, state and local tax benefits.

243. The merger will permit the applicants to remain competitive in wholesale power markets.

244. After the merger, UP&L will continue to receive bids from suppliers in accord with its policies and procedures consistent with the judgment of permanent injunction as and against UP&L entered in the matter of the Special Salt Lake County Grand Jury 1986 term.

245. A merger will have no effect on the coal refund in UP&L jurisdictions.

246. UAMPS is an organization comprised of various municipalities. It acts only as an agent on behalf of its municipal members and holds no certificates of convenience and necessity.

VIII. DOCUMENTS

247. The following exhibits, attachments and other documents are authentic, admissible as evidence, and true and accurate:

(1) Agreement and Plan of Reorganization and Merger between PacifiCorp Maine, Utah Power, and Merging Corp., dated August 12, 1987 is attached as Exhibit "A" to the Application.

(2) The names, titles and addresses of the principal officers of UP&L, PacifiCorp, and the Merged Company are attached as Exhibit "B" to the Application.

(3) A map of the territories served by UP&L is attached to the Application as Exhibit "C" to the Application.

(4) A map of the territories served by PacifiCorp is attached to the Application as Exhibit "D" to the Application.

(5) Debt to be Assumed by PacifiCorp Oregon as of July 31, 1987 is attached as Exhibit "E" to the Application.

(6) Lists of all Franchises Owned, Controlled or Operated by Utah Power and PacifiCorp Maine as Exhibit "F" to the Application.

(7) PacifiCorp's FERC Form 1 Annual Report as Exhibit "G" to the Application.

(8) Securities Proposed to be Issued upon Conversion of Utah Power and PacifiCorp Maine common and preferred stock are attached as Exhibit "H" to the Application.

(9) Copies of the articles of incorporation (with amendments to date) for UP&L, PacifiCorp, and the Merged Company are attached as Exhibit "I" to the Application.

(10) Copies of the by-laws (with amendments to date) for UP&L, PacifiCorp, and the Merged Company are attached as Exhibit "J" to the Application.

(11) Resolutions of Directors Authorizing the Merger are attached as Exhibit "K" to the Application.

(12) A brief description of the mortgages, trust deeds, and indentures securing the obligations of UP&L and PacifiCorp is attached as Exhibit "L" to the Application.

(13) Form 10K for UP&L and PacifiCorp is attached as Exhibit "M" to the Application.

(14) Balance sheets (as of June 30, 1987) and pro forma, in conformity with the forms set forth in the annual reports for UP&L and PacifiCorp, are attached as Exhibit "N" to the Application.

(15) Comparative income statements (for the twelve months ended June 30,1987) and pro forma, in conformity with the forms set forth in the annual reports for UP&L and PacifiCorp, are attached as Exhibit "O" to the Application.

(16) A statement of returned earnings (for the period covered by the income statements for the twelve months ended June 30, 1987) is attached as Exhibit "P" to the Application.

(17) A statement (as of July 31, 1987) is attached as Exhibit "Q" to the Application, showing for each class in series of capital stock: brief description, the amount authorized (face value and number of shares), the amount outstanding (exclusive of any amount held in the treasury), amount held as reacquired securities, amount pledged, amount owed by affiliated interests and amount held in any fund.

(18) A statement (as of July 31, 1987) is attached as Exhibit "R" to the Application, showing for each class in series of long-term debt notes: brief description (amount, interest rate and maturity), amount authorized, amount outstanding (exclusive of any amount held in the treasury), amount held as reacquired securities, amount pledged, amount held by affiliated interests, and amount in sinking and other funds.

(19) A statement by primary account of the cost of the facilities and applicable depreciation reserves involved in the merger is attached as Exhibit "S" to the Application.

(20) A copy of the proposed journal entries to be used to record the merger upon the books is attached as Exhibit "T" to the Application.

(21) Registration Statement which will be filed with the SEC is attached as Exhibit "U" to the Application.

(22) A statement of the amount of interest paid during the year ended December 31, 1986, and the rates thereof, is attached as Exhibit "V" to the Application.

(23) The rates and amounts of dividends paid upon each class of stock during each of the five calendar years preceding the Application is attached as Exhibit "W" to the Application.

(24) Form 10-Q's for UP&L and PacifiCorp are attached as Exhibit "X" to the Application.

(25) Form 8-K's for UP&L and PacifiCorp are attached as Exhibit "Y" to the Application.

(26) Exhibit 1.1 to the Substituted Testimony of Frank E. Davis is a list of footnotes to that testimony.

(27) Exhibit 1.2, Tab 1 to the Substituted Testimony of Frank E. Davis is a comparison of UP&L Book Value to Market Price of Common Stock.

(28) Exhibit 1.2, Tab 2 to the Substituted Testimony of Frank E. Davis is a Memorandum from Messrs. Griffiths and Davies to Dalley.

(29)Exhibit 1.2, Tab 3 to the Substituted Testimony of Frank E. Davis is Highlights of 1987 UP&L Budget.

(30)Exhibit 1.2, Tab 4 to the Substituted Testimony of Frank E. Davis is a chart of Merged Company Board of Directors.

(31) Exhibit 2.1 to the Substituted Testimony of David F. Bolender is a series of corporate organization charts.

(32) Exhibit 2.2 to the Substituted Testimony of David F. Bolender is a map of PacifiCorp operations.

(33) Exhibit 2.3 to the Substituted Testimony of David F. Bolender is a list of footnotes to his testimony.

(34) Exhibit 2.4, Tab 1 to the Substituted Testimony of David F. Bolender is a series of documents entitled Economic Development.

(35) Exhibit 2.4, Tab 2 to the Substituted Testimony of David F. Bolender is a series of documents entitled Decentralization.

(36) Exhibit 2.4, Tab 3 to the Substituted Testimony of David F. Bolender is a series of documents entitled Competition.

(37) Exhibit 2.4, Tab 4 to the Substituted Testimony of David F. Bolender is a series of documents entitled Strategic Plan.

(38) Exhibit 2.4, Tab 6 to the Substituted Testimony of David F. Bolender is a series of documents entitled Board of Directors Minutes.

(39) Exhibit 2.4, Tab 7 to the Substituted Testimony of David F. Bolender is a series of documents entitled Miscellaneous.

(40) Exhibit 2.4, Tab 8 to the Substituted Testimony of David F. Bolender is a series of documents entitled Miscellaneous.

(41) Exhibit 2.4, Tab 9 to the Substituted Testimony of David F. Bolender is a series of documents entitled Operating Benefits.

(42) Exhibit 3.1 to the Substituted Testimony of Rodney M. Boucher is a series of Charts of Pacific Power's Resource Mix.

(43) Exhibit 3.2 to the Substituted Testimony of Rodney M. Boucher is a chart of system jurisdictional peak load and energy sales information.

(44) Exhibit 3.3 to the Substituted Testimony of Rodney M. Boucher is a chart of the breakdown of power by type of customer.

(45) Exhibit 3.4 to the Substituted Testimony of Rodney M. Boucher is a breakdown of off-system sales for the years 1983 through 1986.

(46) Exhibit 3.5 to the Substituted Testimony of Rodney M. Boucher is a chart of existing sales for UP&L.

(47) Exhibit 3.6 to the Substituted Testimony of Rodney M. Boucher is the estimated 1988-1989 annual peak load diversity.

(48) Exhibit 3.7 to the Substituted Testimony of Rodney M. Boucher is the forecast of annual peak load diversity for UP&L and PP&L.

(49) Exhibit 3.8 to the Substituted Testimony of Rodney M. Boucher is a series of lists of UP&L and PP&L's generating resources.

(50) Exhibit 3.9 to the Substituted Testimony of Rodney M. Boucher is chart of peak reserves.

(51) Exhibit 3.10 to the Substituted Testimony of Rodney M. Boucher is a series of charts for UP&L and PP&L loads and resources summaries.

(52) Exhibit 3.11 to the Substituted Testimony of Rodney M. Boucher is a series of charts regarding PP&L's loads and resource summaries.

(53) Exhibit 3.12 to the Substituted Testimony of Rodney M. Boucher is a series of charts outlining combined UP&L and PP&L loads and resource summaries.

(54) Exhibit 3.13 to the Substituted Testimony of Rodney M. Boucher is a series of charts outlining PP&L and UP&L off-system purchased power.

(55) Exhibit 3.14 to the Substituted Testimony of Rodney M. Boucher is a series of charts outlining capacity resource additions.

(56) Exhibit 3.15 to the Substituted Testimony of Rodney M. Boucher is a series of charts outlining energy resource additions.

(57) Exhibit 3.16 to the Substituted Testimony of Rodney M. Boucher is a summary of alternative resources (1994) for PP&L.

(58) Exhibit 3.17 to the Substituted Testimony of Rodney M. Boucher is a series of charts entitled Merged System Capacity Resource Additions.

(59) Exhibit 3.18 to the Substituted Testimony of Rodney M. Boucher is a series of charts entitled Merged System Energy Resource Additions.

(60) Exhibit 3.19 to the Substituted Testimony of Rodney M. Boucher is a series of charts entitled Interchange Points for Area Controlled Termination.

(61) Exhibit 3.20.a to the Substituted Testimony of Rodney M. Boucher is a map showing transmission lines from the Dave Johnson Plant to the Jim Bridger Plant.

(62) Exhibit 3.20.b to the Substituted Testimony of Rodney M. Boucher is a map showing transmission lines between the Jim Bridger Plant and the Naughton Plant.

(63) Exhibit 3.21 to the Substituted Testimony of Rodney M. Boucher is a five year forecast construction expenditure summary.

(64) Exhibit 3.22 to the Substituted Testimony of Rodney M. Boucher is the footnotes to Mr. Boucher's testimony.

(65) Exhibit 3.23 to the Substituted Testimony of Rodney M. Boucher is an Index of Tabs.

(66) Exhibit 3.23, TAB 1, Pacific Power & Light, 1985 System Load Forecast, Volumes 1 through 4, April 1986.

(67) Exhibit 3.23, TAB 2, Pacific Northwest Coordination Agreement, Sep. 64, with Addendums no. 1 and 2, and Settlement Agreement.

(68) Exhibit 3.23, TAB 3, The Intercompany Pool Agreement, 1 Sep. 73, and Revisions.

(69) Exhibit 3.23, TAB 4:

a. Letter, IPC, 5 Aug. 87, Subject: 1987-88 ICP Forced Outage Reserve Allocations.

b. Letter, IPC, 10 Nov. 87, Subject: Revised 1987-88 ICP Forced Outage Reserve Allocations.

(70) Exhibit 3.23, TAB 5, PNCA Forced Outages Reserve Allocations Letter, dated 30 Jul. 87.

(71) Exhibit 3.23, TAB 6, Pacific's BPA Peaking Power Contract.

(72) Exhibit 3.23, TAB 7:

a. PP&L's Monthly Load and Resource Balance.

b. UP&L's Monthly Load and Resource Balance.

c. Merged System's Monthly Load and Resource Balance.

(73) Exhibit 3.23, TAB 8, List of PP&L's and UP&L's Purchased Power Contracts.

(74) Exhibit 3.23, TAB 9, Study of BPA peaking capability, Executive Summery.

(75) Exhibit 3.23, TAB 10, BPA Wholesale Rate Schedule.

(76) Exhibit 3.23, TAB 11, Long Term Power Sales Agreement Between PP&L and Southern California Edison Company.

(77) Exhibit 3.23, TAB 12, PP&L's power sales contract with BPA.

(78) Exhibit 3.23, TAB 13, Hydro runoff information (59 years) - 1985 highlighted.

(79) Exhibit 3.23, TAB 14, Financial analysis.

(80) Exhibit 3.23, TAB 15, PP&L Avoided Cost filing with the Oregon PUC, 29 May 87.

(81) Exhibit 3.23, TAB 16, System One Line.

(82) Exhibit 3.23, TAB 17, Five year Transmission Construction Forecast.

(83) Exhibit 3.23, TAB 18, WSCC Study of WAPA Phase Shifters.

(84) Exhibit 3.23, TAB 19, Chart, Title: Comparison of Competing Fuel Prices ($/BBL), dated Jul. 87.

(85) Exhibit 3.23, TAB 20, BPA Draft Environmental Impact Statement, Volume 2, Subject: Proposed Long Term Intertie Access Policy.

(86) Exhibit 3.23, TAB 21, FERC Notice of Inquiry, Docket No. RM85-17-000.

(87) Exhibit 3.23, TAB 22, Utah Power & Light's Memorandum, dated 10 Feb. 87.

(88) Exhibit 3.23, TAB 23, Same as Tab 19.

(89) Exhibit 3.23, TAB 24, Power Resource Statistics Department Report No. 009.

(90) Exhibit 3.23, TAB 25, Utah Division of Public Utilities, Information Request DPU 1-6.d.(10).

(91) Exhibit 3.23, TAB 26, Utah Division of Public Utilities, Information Request DPU 3-28.

(92) Exhibit 3.23, TAB 27, Utah Division of Public Utilities, Information Request DPU 3-29.

(93) Exhibit 3.23, TAB 28, BPA Contract No. 14-03-29136, Exhibit D.

(94) Exhibit 3.23, TAB 29, Streamflow, Columbia River, Banks Lake, Klamth River Depletions.

(95) Exhibit 3.23, TAB 30, Coordinated System Firm Resources, Existing July 1, 1985.

(96) Exhibit 3.23, TAB 31, Pacific Northwest Power Planning and Conservation Act.

(97) Exhibit 3.23, TAB 32, Jim Bridger High Tension Trouble and Interruption Report.

(98) Exhibit 3.23, TAB 33, Report: Least-Cost Utility Planning, Edison Electric Institute, Oct. 85.

(99) Exhibit 3.23, TAB 34, Letter from Washington Utilities and Transportation Commission, dated 19 Feb. 87, Subject: Least-Cost Planning.

(100) Exhibit 3.23, TAB 35, PP&L, UP&L and Merged System 1987 Loads and Resources Forecast.

(101) Exhibit 3.23, TAB 36, Letter, UP&L, dated 23 Sep. 87, Subject: UP&L Company Transfer Capability.

(102) Exhibit 3.23, TAB 37, PNUCC Northwest Regional Forecast, Table II-1.

(103) Exhibit 3.23, TAB 38, Western Systems Coordinating Council, Planned Facilities Through 1994

and Possible Transmission Beyond this Period, dated 1 Jan. 87.

(104) Exhibit 4.1 to the Substituted Testimony of O.T. Colby is the Exhibits to the Application.

(105) Exhibit 4.2 to the Substituted Testimony of O.T. Colby is a Chart of PacifiCorp's Organization.

(106) Exhibit 4.3 to the Substituted Testimony of O.T. Colby is the Rating Agency Reports on the Proposed Merger.

(107) Exhibit 4.4 to the Substituted Testimony of O.T. Colby is Comparative Information Between PP&L and UP&L for Year Ended 12/31/86.

(108) Exhibit 4.5 to the Substituted Testimony of O.T. Colby is a Pro Forma of UP&L and PacifiCorp.

(109) Exhibit 4.6 to the Substituted Testimony of O.T. Colby is the Footnotes to his Substituted Testimony.

(110) Exhibit 4.7, TAB 1, to the Substituted Testimony of O.T. Colby is Statement of Retained Earnings.

(111) Exhibit 4.7, TAB 2, to the Substituted Testimony of O. T. Colby is the Restricted Retained Earnings Sheet.

(112) Exhibit 4.7, TAB 3, to the Substituted Testimony of O. T. Colby is Possible Intercompany Cost Allocations.

(114) Exhibit 4.7, TAB 4, to the Substituted Testimony of O. T. Colby is a Chart of the Separate Board of Directors of the Merged Company.

(115) Exhibit 4.7, TAB 5, to the Substituted Testimony of O. T. Colby is a series of Charts regarding the Pro Forma Costs of Long-Term Bonds and preferred stock of PacifiCorp.

(116) Exhibit 4.7, TAB 6, to the Substituted Testimony of O. T. Colby is UP&L's Capitalization Ratios from 1984 through 1986.

(117) Exhibit 4.7, TAB 7, to the Substituted Testimony of O. T. Colby is a Salomon Brothers, Inc. Research Report on Electric Utility Dividends.

(118) Exhibit 5.1 to the Substituted Testimony of Frederic D. Reed is the Dividend Payout Ratio for PacifiCorp for Years 1980 through 1986.

(119) Exhibit 5.2 to the Substituted Testimony of Frederic D. Reed is the PP&L and UP&L Consolidated Operating Benefits.

(120) Exhibit 5.3 to the Substituted Testimony of Frederic D. Reed is the Footnotes to his Testimony.

(121) Exhibit 6.1 to the Substituted Testimony of B. N. Hutchinson is the Historical Peak Loads and Energy Sales of PP&L and UP&L.

(122) Exhibit 6.2 to the Substituted Testimony of B. N. Hutchinson is the Historical Coincidental Peak Load and Energy Sales for Combined Companies.

(123) Exhibit 6.3 to the Substituted Testimony of B. N. Hutchinson is the Class Mix of Separate and Combined Companies.

(124) Exhibit 6.4 to the Substituted Testimony of B. N. Hutchinson is the Forecasting Methodologies.

(125) Exhibit 6.5 to the Substituted Testimony of B. N. Hutchinson is a Chart of UP&L and PP&L Individual and Combined Loads.

(126) Exhibit 6.6 to the Substituted Testimony of B. N. Hutchinson is the Forecast of Annual Peak Load Diversity for UP&L and PP&L.

(127) Exhibit 6.7 to the Substituted Testimony of B. N. Hutchinson is the Historical Customer Class Information for UP&L.

(128) Exhibit 6.8 to the Substituted Testimony of B. N. Hutchinson is Components of Historical Peak Loads and Energy Sales for UP&L.

(129) Exhibit 8.1 to the Substituted Testimony of Dennis P. Steinberg is a List of Estimated Power Supply Savings From Merger.

(130) Exhibit 8.2 to the Substituted Testimony of Dennis P. Steinberg is a Chart of Total Cost Associated With Capacity, Energy and Transmission Additions.

(131) Exhibit 8.3 to the Substituted Testimony of Dennis P. Steinberg is a Chart of the Estimated Net Power Cost Savings From Merger.

(132) Exhibit 8.5 to the Substituted Testimony of Dennis P. Steinberg is a Chart of the Merged Model PP&L and UP&L Net Power Costs Analysis.

(133) Exhibit 8.6 to the Substituted Testimony of Dennis P. Steinberg is the Footnotes to His Testimony.

(134) Attached to Response to Request No. 80 of the Second Committee Consumer Services Request are copies of reports since 1985 in the possession of UP&L or PacifiCorp on either company or on the financial effects of the merger as published by investment bankers or other financial analysis. Response to Request No. 80 of the Second Committee of Consumer Services Request, Response dated January 14, 1988.

(135) Attachment to Response to UMPA's Request No. 1: load forecast for the interruptible customer class.

(136) Attachment to Response to UMPA's Request No. 1-4: 20 year forecast of energy sales and coincident peak loads.

(137) Attachment 1-7 and 1.8 to Response to UMPA Requests No. 1-7 and 1.8: details of each generation plant.

(138) Attachment to Response to CCS Request No. 5: UP&L's resource plans.

(139) Attachment to Response to Kennecott Request No. 11: 10-year construction budget for UP&L and PP&L.

(140) A list of direct corporate subsidiaries for PacifiCorp is provided as attachment 9.8 to UP&L's Response to Data Request No. 9 of the Division, dated October 9, 1987.

ISSUES AND FACTS IN DISPUTE

As far as the Shareholders have been able to ascertain from filings before the Commission to date from other intervenors, the following are facts that are or may be in dispute, or are factual or legal issues that are or may be asserted to be irrelevant to this case. The Shareholders do not concede that any of the following are proper issues. Some of the issues, for example, are within the jurisdiction of the Federal Energy Regultory Commission and are presently before that body.

1. CREDA and UMPA state that PacifiCorp's earnings can be expected to drop as a result of retail rate decreases. In the short term, this will adversely affect the price of the new company's common stock, and perhaps the price of its bonds as well. This coupled with the fact that UP&L is merging with a company which has a weaker credit rating implies that UP&L's financial condition could deteriorate to some extent as a result of the merger. CREDA's Statement at 4; UMPA's Statement at 5.

2. UMPA suggests that UP&L's financial condition will deteriorate, resulting in adverse pressure on its costs of

capital, as a result of a merger. This pressure could give rise to diversions of cash generated by electricity sales to captive rate payers into other non-utility businesses. UMPA's Statement at 5.

3. CREDA speculates that some of the burden of correcting any weakened financial position in which the merged company would find itself might fall on CREDA members in the form of rate increases concerning wholesale power supply or wheeling contracts. CREDA's Statement at 5.

4. CREDA contends that the Utah retail rate reduction proposed by PacifiCorp cannot be supported by any certain immediate savings resulting from the merger, and therefore will lead to a decrease in revenues with no commensurate decrease in costs. CREDA's Statement at 4.

5. UMPA states that the retail rates of UP&L are higher than those of PP&L and thus that the two systems were integrated for ratemaking purposes without any other changes, the rates of UP&L would decline while the rates of PP&L would increase. UMPA's Statement at 4-5.

6. UMPA claims that the promised 2% retail rate reduction is not justified by any certain savings resulting immediately from the merger; rather, it is predicted primarily on mere anticipation of substantial increases in surplus bulk power sales by the merged company. UMPA's Statement at 4-5.

DATED this 10th day of March, 1988.

JONES, WALDO, HOLBROOK & McDONOUGH

By L. R. Curtis, Jr. (GA)
L. R. Curtis, Jr.

By [signature]
Gregg I. Alvord

CERTIFICATE OF SERVICE

I hereby certify that on the 10th day of March, 1988, I served copies of the foregoing Proposed List of Stipulated Facts, and Issues and Facts in Dispute by causing the same to be deposited in the United States mail, first-class postage prepaid, addressed as follows:

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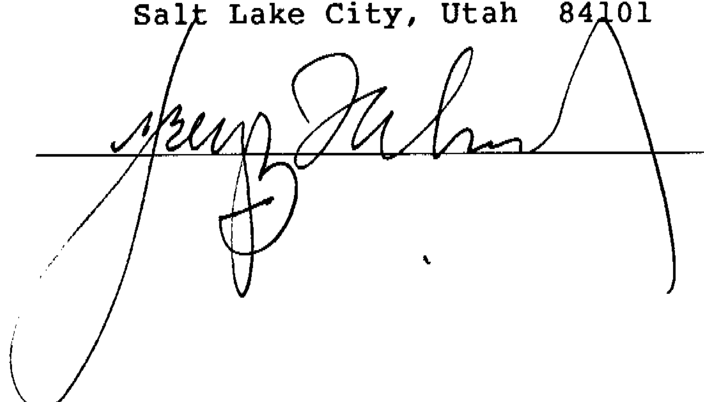

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