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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.	SUBMISSION Case No. 87-035-27

Submitted herewith are replacement pages for Mr. R. M. Boucher's second supplemental testimony. Changes on pages 11, 24, 27, 28 and 29 are typographical. The new material starting on page 33 provides a response to questions that were previously inadvertently omitted.

DATED this 16th day of November, 1987.

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Southern California Edison Co., the exercise of options on cogeneration at several of Pacific Power's industrial customers, optional conservation programs, and purchases from BPA as provided for in section 7(f) of PL 96-501 and in Pacific's Power Sales Contract with BPA. As Exhibit 3.16 indicates, these energy resources have relatively short lead times, and need not be committed to at this time. If more cost-effective purchases were to be identified, they would, of course, be employed before these resources.

QUESTION

How would you expect the merger to affect the expected future capacity expansions summarized in Exhibits 3.14 and 3.15?

ANSWER

The merger should affect both the type and timing of future resource purchases and investments depicted in Exhibits 3.14 and 3.15. An illustration of the effects is provided in Exhibits 3.17 and 3.18. Exhibit 3.17 summarizes the merged company's expected future capacity requirements, and the type and timing of resources that meet those requirements, for both summer and winter peak periods, through winter 2006-7. Similarly, Exhibit 3.18 summarizes the merged company's expected future new energy requirements and resources on an annual energy basis, through operating year 2006-

These lines sections and the necessary substations and terminations, combined with the 21-mile section of 345 kV line between Newcastle and Central that is currently under construction, will complete the interconnection between Utah and Nevada. Utah Power's cost for this project is $72.6 million. The transmission line will have a capacity of 400 MW into Southwestern Utah and 250 MW into Nevada Power.

QUESTION

What changes would be made to Pacific Power's and Utah Power's transmission plan with the merger?

ANSWER

A staged transmission plan has been identified to integrate the two companies together with a merger. The plan makes use of several elements previously identified as needed for other reasons, and outlines additional elements which could be added later at such time that additional integrating capability is required.

QUESTION

What elements are required for the first stages of the plan, what are their costs, and what capacity increases do they create between the Utah Power and Pacific Power control areas?

ANSWER

The first elements would involve completing west system. This could be a later stage addition, if the combined system studies identify a need for additional interconnection capability.

QUESTION

Are there other additions which may be required?

ANSWER

The 230 kV line additions discussed above provide substantial transfer capability increases. To control loadings on the new lines and to control the power split between the Bridger 345 kV system and these 230 kV lines, a phase shifter may be added in Pacific Power's Granger line (Exhibit 3.20.b). This would control the loadings on both transfer paths. The cost of this addition would be approximately $7 million.

QUESTION

How is the level of investment in transmission and interconnection facilities affected by the presence of a merger?

ANSWER

In that the first stage elements needed to integrate the two companies were already budgeted for other reasons, the level of investment initially will change very little. If additional interconnection capacity between the Pacific Power and Utah Power systems is required, the 230 kV additions described above are estimated to cost $22 million.

QUESTION

To what extent does the merger provide an opportunity to substitute new transmission facilities for new generation resources in the planning of peak capacity expansion?

ANSWER

The transmission facilities for the merged system I have just described could allow capacity requirements to be met without new generation investments over the planning horizon, as summarized in Exhibits 3.17 and 3.18. The transmission investments allow the load diversity and reserve reduction benefits of the merger to postpone or avoid new generation resources, and can also support seasonal capacity exchanges that could reduce future purchases beyond the savings shown in the exhibits.

QUESTION

With economic dispatch of the merged generation resources and resultant change in power flows on the transmission network, won't there also be a change in transmission losses?

ANSWER

Yes. In order to achieve the optimum economic benefits of the merged resources, generation schedules will change which will result in a change in the losses on the transmission network.

QUESTION

What would you expect will be the net effect of the change in transmission losses?

ANSWER

It is difficult to quantify system losses due to system variables such as the status of units available for operation, transmission facilities in and out of service, off-system economy sales and purchases, loopflow conditions, changes to the transmission network, load levels, and voltage regulation. While we have not thoroughly analyzed the impact on losses, one example is the case of summer loading patterns, where it is likely that Pacific's thermal facilities would be used to supply a portion of Utah's loads during the summer. When Pacific's resources are scheduled at a level equal to the improved transfer capability between the two systems, studies indicate a net reduction in losses as high as 9%. While there are many other loading patterns to be analyzed, it should be noted that in deriving the most economic operation of the system, the change in losses are included in such an evaluation. Thus, although for some changes in generation there may result an increase in transmission losses, the overall system effect is a net savings in energy production costs.

flationary pressure that will tip the scales out of balance. Therefore, extreme increases in oil prices are to be feared as much as drastic price reductions largely due to their restraining effect on the economy as a whole.

The effect of an increase in oil and gas prices on the merged company would not be significantly different than it is for Pacific Power. However, a larger, more diversified company should be able to better withstand the major economic shocks that result from significant changes in oil and gas prices.

QUESTION

Please discuss the opportunities for bulk power sales and transfers, including source and destination, that will be available to the merged company.

ANSWER

As previously discussed in my supplemental testimony (pages 5 and 6), the opportunities for bulk power sales will be most influenced by market access developments related to the California and Nevada markets. Utah Power's planned construction of the Nevada Power Company interconnection in 1990, possible access under BPA's proposed Long Term Intertie Access Policy and availability of Arizona-California and Intermountain Power Project transmission capability present the most likely opportunities to be available to the merged company for bulk power sales in addition to the sales estimates set forth in Exhibit 3.5 of my supplemental testimony. The source for such bulk power sales in the near term will likely be the energy identified in Exhibit 3.12 of my testimony which will be available to the merged company for off-system sales opportunities. Additionally, depending on the magnitude and timing of such opportunities, the source for a portion of such off-system bulk power sales could be from other Northwest and Rocky Mountain utilities.

As previously indicated in my testimony, the companies have not yet completed studies to determine the additional interconnection requirements necessary to realize the diversity and sales opportunities available to the merged systems. As such, it is not known at this time what transfer capabilities will be available in excess of the needs of the merged systems to facilitate third-party participation in such bulk power sales opportunities.

QUESTION

Please discuss the merged company's wheeling policy regarding access to transmission by other utilities.

ANSWER

As discussed above, we have not yet completed studies to determine the transmission capability that may be available for use by other utilities. The merged company intends to operate its transmission facilities consistent with reliability and operational requirements and in a way that assists us in providing electric service to our customers at the lowest reasonable cost. The merged system will analyze requests for transmission service from other parties on a case-by-case basis in order to insure that the use of those facilities will not adversely affect the merged system's electric customers. Because the merged system will be operated and planned on a single-utility basis, the merged system's use of its transmission facilities to achieve the lowest reasonable cost of service to its customers will have a priority over other uses.

QUESTION

Please discuss how the prices and terms of wheeling services of the merged company will be determined.

ANSWER

The prices and terms of service for transmission services provided by the merged company will be designed to minimize prices to our electric customers and will be consistent with the policies of the Federal Energy Regulatory Commission (FERC). FERC policies toward wheeling services clearly are evolving, and we are unable to predict how a number of issues currently under discussion will be ultimately resolved.

QUESTION

Do you believe that the FERC will treat the merged company any differetly than the separate companies?

ANSWER

No.

QUESTION

Does this conclude your further supplemental testimony?

ANSWER

Yes.