

Statement of Issues

Utah Division of Public Utilities
Scottish Power plc / PacifiCorp Acquisition
Docket 98-2035-04 - February 17, 1999

1. Standard of Review and Basic Qualifications

- a. Should the “positive benefit” merger standard that was adopted in the prior merger case apply in this case? How will these benefits be measured and for how long?
- b. Will the proposed parent company meet all the traditional legal and financial requirements for issuance of a certificate of public convenience and necessity?
- c. Are there any legal or policy considerations from a national or state perspective relating to a US electric utility being owned by a foreign corporation? How do the requirements of other regulatory agencies impact Utah?

2. Structure of the Firm

- a. How do the relative merits and detriments of the proposed corporate structure compare to the existing corporate structure? Will the proposed structure allow PacifiCorp to act independently? Will it have its own board and what will be its purpose and authority? How will conflicts of interest between PacifiCorp and the parent or other members of the Scottish Power group be resolved?
- b. Under what conditions might Scottish Power separate PacifiCorp into distinct distribution, transmission and generation entities within the next five to ten years?
- c. Does Scottish Power support a regional grid management organization?
- d. What will happen to PacifiCorp's existing subsidiaries?
- e. Will there be changes in the organization structure or personnel exchanges that impact the PacifiCorp's ability to provide quality service?
- f. What role will the SEC have in regulating Scottish Power and what will happen if PUHCA is repealed?

3. Financial Issues

- a. What impact will the merger have on dividend policies? Will the Utah PSC have jurisdiction over dividends and security issuances?
- b. How does the acquisition impact bond ratings of both companies, compared to anticipated bond ratings of PacifiCorp without the acquisition?
- c. How will the acquisition effect the capital structure and the cost of capital?
- d. What tax issues arise from the proposed acquisition?
- e. How can the Utah Commission be assured that Utah operations will have adequate access to capital to meet its service obligations? Will PacifiCorp retain any of its own earnings? Who will determine capital expenditures for PacifiCorp?
- f. How will currency risk be addressed and losses/gains allocated to subsidiaries?

4. Benefits and Costs of the Merger

- a. How will the Utah jurisdictional revenue requirement change? Will the cost of providing service be less with the merger? Can these benefits be achieved without the merger?
- b. How will the expected annual operating costs be impacted by the merger over the

- next five years for generation, transmission, and the distribution system? How will operating efficiencies be shared between shareholders and ratepayers?
- c. How will future capital costs of generation, transmission, distribution capacity be impacted by the merger?
 - d. How will the allocation of general and corporate overhead of PacifiCorp and Scottish Power be impacted? How will separation of non-utility costs be maintained? What costs of Scottish Power will be allocated to Utah and vice versa?
 - e. Will Scottish Power assume PacifiCorp's existing obligations such as intra-company loan agreements, prior merger conditions, labor contracts, employee benefits, pension plans and special industrial contracts and for how long?
 - f. How will the State of Utah, and local economies be impacted? Will Scottish Power continue support for community and economic development programs currently supported by PacifiCorp? Will Utah jobs be moved to another state or eliminated?
 - g. Who should pay for direct merger costs, and what do they include?
 - h. What are the benefits and costs to PacifiCorp shareholders?

5. Impact on Customer Service

- a. What will be the short and long term impact on service quality and reliability?
- b. How will customer service quality and reliability be measured before and after the acquisition? How can improved service and lower operational costs be achieved at the same time?
- c. What options will Scottish Power offer customers to enhance customer satisfaction?

6. Impact on Regulation

- a. How does the acquisition impact the Utah Commission's ability to regulate PacifiCorp? What conditions should be imposed on the acquisition?
- b. Will access to information be impeded? Will Scottish Power provide access to information and reimburse the State for costs associated with accessing out of state information?
- c. What will be the impact on the RAMPP process?
- d. What additional cost of regulation will the acquisition require?
- e. Will Scottish Power seek regulatory approval prior to transferring assets and/or business segments to affiliates? How will transferred assets be valued and accounted for? How will goods and services be procured and priced between affiliates?
- f. What relationship will Utah regulators have with Scottish Power headquarters in Glasgow?
- g. How will regulation of Scottish Power in the UK impact regulation of PacifiCorp in Utah?
- h. Since Utah regulators are not bound by regulatory policies in the United Kingdom, will Scottish Power assume the risk of unrecovered costs due to differences in regulatory policies or allocation methods?