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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF PACIFICORP AND SCOTTISH POWER PLC FOR AN ORDER APPROVING THE ISSUANCE OF PACIFICORP COMMON STOCK	**DOCKET NO. 98-2035-04** **POST-HEARING BRIEF OF THE UTAH FARM BUREAU FEDERATION**

The Utah Farm Bureau Federation hereby submits this Post-Hearing Brief to address those issues of particular importance to Utah Irrigation Pumpers in the State of Utah.

I.

STATEMENT OF INTEREST

Farmers across the nation, and throughout Utah in particular, are in the grips of a catastrophic profit squeeze caused by declining revenues due to plummeting commodity prices worldwide and rising operating costs. Utah irrigation pumpers in particular are affected by higher electricity costs, which are a large percentage of their total costs. The Utah Farm Bureau Federation ("Farm Bureau") appears in this matter to explore whether the proposed merger between Pacificorp and Scottish Power will have any possible positive or negative impact on the cost and reliability of service to rural Utah customers of Pacificorp, particularly farmers relying on irrigation pumping.

II.

THE EVIDENCE SUPPORTS A FINDING OF NET POSITIVE MERGER BENEFITS

The thrust of Scottish Power's case is that it will bring better management to Pacificorp, reducing costs and improving service. Good management is of course a concept that is difficult to define and quantify, yet no one will deny that good management can make a major difference in the results of a large corporation. We are encouraged by the evidence that Scottish Power is genuinely dedicated to improving the management and operating efficiency of Pacificorp. It has aggressively cut costs of its other large aquisitions. Coming from a background of deregulation, perhaps Scottish Power is in a better position to implement programs to improve services and decrease costs than would normally be the case for public utility operators.

Of course, as Pacificorp is not earning its allowed rate of return, the benefit of such anticipated cost reductions (absent the Stipulation with the DPU and CSS in this case) would flow through to stockholders by increasing profits. This is obviously one of the main reasons Scottish Power wants to acquire Pacificorp, along with tax and other benefits. This is no detriment to ratepayers. Since ratepayers must pay all the company's costs, rates long term will be lower to the extent costs are lower.

Is there any room for such projected improvement? The evidence indicates that there is. Public utilities, with some justification, are regarded generally as inefficient, being protected from competition and having less incentive than corporations operating within a competitive environment to invest and operate efficiently. Pacificorp in particular has been troubled by the company's excursions into other lines of business, poor profitability (including not presently earning its dividend), and management upheavals. The negative assessment of the investment community has been evident in the market performance of the company's stock. The company's cost of capital is obviously affected adversely by these developments. Hence, it is apparent that high level management performance of Pacificorp in the recent past has not been stellar.

Scottish Power has made a reasonably convincing case that it believes Pacificorp's performance can be improved upon, that it has a track record of accomplishing such improvements, and that it has a specific plan to accomplish such improvements within Pacificorp. The acquisition is within Scottish Power's core competence, and the evidence indicates that Scottish Power has a genuine desire to grow as a utility company rather than by branching into other lines of business. The Stipulation with the DPU and the CSS assures that there will be at least some monetary benefit from the merger, but one would hope for much more dramatic benefits than the Stipulation provides. Thus, the Farm Bureau does not oppose the merger, subject to the conditions of the Stipulation. It further recommends that the Commission adopt the additional conditions discussed in the following paragraphs.

III.

THE COMMISSION SHOULD DECLINE TO HEAR ANY RATE CASES UNTIL WELL AFTER THE MERGER.

Since the evidence points to Pacificorp's costs being high due to inefficiency, which the merger is intended to address, it follows that any rate case presented in the near future will seek rate increases to cover costs that may be trimmed by the merger. The Commission should approve the merger on condition that, barring emergencies, no rate case will be considered until the efficiency programs resulting from the merger have been implemented a sufficient length of time to assess their results. We suggest no earlier than January, 2001.

IV.

A CLEAR SEPARATION OF COMPANIES SHOULD BE MANDATED

One of the dangers of the merger is exemplified by the rate cases filed years ago by Mountain States Telephone when it was a subsidiary of AT&T. A large share of test year costs were allocated from the parent company, which were almost impossible to audit. One Commissioner recommended that trying to sort out those costs was like a "journey to the center of the earth." While the problem in this case would not be so complex, the issue of shared, allocated costs is always difficult and should be confined or eliminated at the outset.

CONCLUSIONS AND RECOMMENDATIONS

The Farm Bureau does not oppose the merger, subject to the conditions set forth in the DPU/CSS Stipulation. It further recommends that the Commission impose the additional conditions that (1) the Commission will consider no rate case filed by Pacificorp or Scottish Power until a designated period of time after the merger, and (2) limitations be placed on the rate making treatment of expenses shared with or allocated to Pacificorp by the parent company or other affiliates.

DATED this _____ day of September, 1999.

RANDLE, DEAMER, ZARR, McCONKIE
& LEE, P.C.

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CERTIFICATE OF MAILING

I hereby certify that I mailed a true and correct copy of the foregoing POST-HEARING BRIEF OF THE UTAH FARM BUREAU FEDERATION this _____ day of September, 1999, postage prepaid, to the following:

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