PRESS RELEASE

PUBLIC SERVICE COMMISSION ISSUES UTAH POWER RATE ORDER

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The Public Service Commission issued its decision today in the Utah Power (or "the Company") rate case. The Commission ordered an $85.3 million reduction in future rates and required the Company to refund $40.2 million to customers for overpayments that began March 14, 1997. As a result of this case, the rates for residential customers and most business customers will decrease 12%. As an example, the rates of a residential customer using 650 kwh in a month would go from $44.67 to $39.17, or $5.51 less each month. Annually, assuming the same monthly usage, that is a $66.12 reduction.

Customers will receive refunds as well. On average, residential customers will get a $32 refund as a credit on their bill. The refunds for customers will vary, however, because of the differences in the amount of electricity they used. The refund formula is based on 24 months of actual electricity usage.

Commission Chair Steve Mecham said, "This has been an extremely difficult case for the Commission. The issues are complex and many of them have significant dollar values."

The Division of Public Utilities and the Committee of Consumer Services initiated this proceeding in February 1997. The legislature suspended the case during the 1997 General Session in order to allow a legislative task force and the Company to focus on electric industry restructuring. The suspension ended in May 1998 and the case resumed.

As part of the suspension, the legislature made Utah Power's rates interim beginning March 14, 1997. That meant that rates the Commission set in this case would be treated as if they had been in effect starting on that date, resulting in a refund to customers. That was a very unusual aspect to this case because normally rates are established only prospectively.

The Commission offset part of the refund to eliminate future payments of the so-called "fairness adjustment." Briefly, when Utah Power and Pacific Power merged in 1989, Utah Power's costs were higher than Pacific Power's. Had the two companies been treated as one immediately, Pacific Power customers' rates would have increased and Utah Power customers' rates would have decreased simply because the two companies merged. The Commission established a fairness adjustment in Utah Power rates to allow for a reasonable transition period with the expectation that the adjustment would be phased out over time. Even with the fairness adjustment, Utah Power customers' rates have been lower than they would have been had the two companies not merged.

Last July, the Commission established a five-year phase out of the fairness adjustment. The size of the refund in this case created an opportunity to eliminate the future payments of the fairness adjustment and still keep Utah Power financially whole. That is the decision the Commission made which decreased the customer refund to $40.2 million and increased the rate reduction by $34.5 million to $85.3 million. Every party to the case except Utah Power supported the Commission's action.

Mecham stated, "This move is fair to both the Company and its customers. We believe we are in a much better position to consider the Scottish Power merger now that the effects of the last merger have been eliminated."

Concerning other issues, the Commission set the Company's allowed rate of return on equity at 10.5%. They did not adopt the proposed lifeline program but asked that a low-income task force created by the order study how to implement one. In addition to the low-income task force, the Commission established task forces to study cost allocation issues, economic incentive contracts, and efficiency and renewable resource issues.

Parties to the case have 30 days to petition the Commission to reconsider the decision. In the event that a party petitions the Commission, the Commission, in turn, has 20 days to grant or deny the petition. If the Commission takes no action, a petition is deemed denied.

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