

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

In the Matter of the Application of PacifiCorp
And Scottish Power for an Order Approving
The Issuance of PacifiCorp Common Stock

DOCKET NO. 98-2035-04
UTAH DIVISION OF
PUBLIC UTILITIES

TESTIMONY OF ROBERT J. MALONEY, WITNESS 6

SERVICE QUALITY AND ADDED VALUE --

FOR THE DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

June 18, 1999

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INTRODUCTION

Q PLEASE STATE YOUR NAME AND OCCUPATION.

A My name is Robert J. Maloney. I work within the Division of Public Utilities (Division). My title is Management Analyst.

Q WHAT ARE YOUR PURPOSES IN TESTIFYING IN THIS DOCKET?

A My purposes are: 1. Compare service standards and service targets currently in place with ScottishPower's proposed service package. 2. Identify services not addressed through ScottishPower's proposal. 3. Describe *possible* positive benefit attributable to a merger. 4. Recommend eleven conditions enabling the Commission to transfer some risks from customers to shareholders.

Q WHAT HAVE BEEN YOUR RESPONSIBILITIES OVER THE PAST SEVERAL YEARS RELATIVE TO YOUR TESTIMONY IN THIS DOCKET?

1 A During 1992 through 1995, I analyzed the service results of US West's reengineering
2 efforts. This involved reporting customers' most significant service requirements and
3 the Company's continuing failures to meet these requirements.

4

5 During 1995 through 1998, I analyzed PacifiCorp's and Questar's service results. I
6 examined internal service targets, performance results, and customer feedback
7 regarding performance. These efforts led to both Companies voluntarily providing
8 quarterly service quality monitoring reports to the Division of Public Utilities.

9

10 **Q PLEASE DESCRIBE YOUR EARLIER WORK EXPERIENCE RELATIVE**
11 **TO YOUR TESTIMONY IN THIS DOCKET.**

12

13 A I have analyzed regulated public utility operations and services for twenty-one years.
14 During 1978 through 1986, I worked for the Missouri Public Service Commission
15 as a Management Services Specialist. Since 1986 I have worked within the Division
16 as a Management Analyst. This has involved conducting management evaluations,
17 including customer service evaluations, of telephone, electric, and gas utilities. I
18 have also monitored the work of consultants conducting utility management audits.

19

20 **Q5 WHAT IS YOUR EDUCATIONAL BACKGROUND?**

21

22 A In 1970, I completed an Associates of Art Degree in Business Administration; in

1 1972, a Bachelor of Arts degree in Business Management; in 1974, a Master of
2 Business Administration degree. I am certified by The Institute of Internal
3 Auditors as Certified Internal Auditor and the American Society for Quality
4 Control, as a Certified Quality Auditor.
5

1 **SUMMARY**

2

3 **Q WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

4

5 **A** Yes, I will. I have identified a *possible* positive benefit associated with
6 ScottishPower’s proposed service package and funding of network improvements.
7 I have also identified service outcomes not addressed in the Company’s proposed
8 service package.

9

10 Service outcomes not addressed in the Company’s proposed package include call
11 handling during wide scale outages, outage levels on the weaker (not weakest)
12 circuits within Utah, and field responses for such services as meter sets and meter
13 tests in the districts. Deterioration in these service outcomes could offset a possible
14 positive benefit.

15

16 To enhance the probability that customers realize a positive benefit (or value), I
17 recommend the Company formally commit to eleven conditions. I recommend these
18 conditions because Title 54-7-25 subjects the Company to penalties unless it can
19 provide convincing reasons why it should not pay penalties for failing to meet the
20 conditions. The Commission will thereby have a means for enforcing service
21 adequacy.

22

23

1 The conditions require the Company to:

2

3 Achieve their proposed service package and fund such from as yet unidentified
4 efficiencies and internal sources.

5

6 Set internal targets for handling calls during wide-scale outages; provide quarterly
7 reports showing performance against the targets.

8

9 Set internal outage targets for districts, circuits, and individual customers; provide
10 quarterly reports showing performance against the targets.

11

12 Set internal field response targets for districts and individual customers; provide
13 quarterly reports showing performance against the targets.

14

15 What gets measured and reported generally improves, or at least does not deteriorate.

16 It is possible Scottish Power will not set internal targets, set unreasonably lax internal

17 targets, or let performance deteriorate for services not included in their service

18 package. Should any of these three outcomes occur, Title 54-4-18 empowers the

19 Commission to ascertain and fix reasonable service standards. However, we need

20 local service reports to determine when and where service is inadequate.

21

22

1 I believe Scottish Power should set reasonable internal service targets, achieve the
2 targets, and report quarterly progress. Doing so will allow the Division and the
3 Company to meet the requirements of Title 54-4a-6 (3), which states:

4

5 *Make the regulatory process as simple and understandable as possible so*
6 *that it is acceptable to the public; feasible, expeditious, and efficient to*
7 *apply; and designed to minimize controversies over interpretation and*
8 *application.*

9

10 Meeting the eleven commitments includes effectively implementing the service
11 standards package, adequately funding network and other service improvements from
12 as yet unidentified efficiencies and internal resources. Meeting the commitments
13 also includes setting internal targets, maintaining or improving performance for
14 services not included in their service package, and providing quarterly reports
15 showing performance against the targets.

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1 **A STANDARDS COMPARISON**

2

3 **Q DOES THE COMMISSION HAVE THE AUTHORITY TO ESTABLISH**
4 **SERVICE STANDARDS?**

5

6 Yes, Title 54-4-18 indicates the Commission has the power to ascertain and set
7 reasonable service standards. R746-100-15 explains the Commission's
8 rulemaking procedures.

9

10 **Q WHAT ARE THE DIVISION'S RESPONSIBILITIES RELATIVE TO**
11 **SERVICE ADEQUACY?**

12

13 **A** Title 54-4a-6 indicates the Division is responsible for providing objective and
14 comprehensive evidence and recommendations to the Commission consistent with
15 its objectives. One of the Division's objectives, as stated in Subsection (4) (c), is
16 to protect the long-range interest of consumers in obtaining continued quality and
17 adequate levels of service at the lowest cost consistent with the other provisions of
18 Subsection (4).

19

20 To provide the Commission with objective and comprehensive recommendations
21 concerning service quality and adequacy, the Division must have access to service
22 outcome data at the local level. By local level, I mean district, circuit, and, where

1 feasible, individual customer level.

2 **Q WHY HAVE YOU REVIEWED, IN ANSWERING THE TWO PREVIOUS**
3 **QUESTIONS, THE COMMISSION’S POWER’S AND THE DIVISION’S**
4 **RESPONSIBILITIES CONCERNING SERVICE STANDARDS?**

5

6 **A** I have reviewed the Commission’s powers and the Division’s responsibilities
7 concerning service standards because Utah has relatively few end-user service
8 standards in place. Captive customers suffer the unfavorable consequences if both
9 a utility and a regulatory agency take a lackadaisical approach to service quality.
10 It is critical that we have the data to determine where and when enforceable
11 standards are needed.

12

13 **Q WOULD YOU COMPARE SCOTTISHPOWER’S PROPOSED END USER**
14 **PERFORMANCE STANDARDS WITH CURRENT STANDARDS AND**
15 **TARGETS?**

16

17 **A** Yes, I will. Exhibit 6.1, which follows, shows ScottishPower’s proposed standards,
18 Utah’s associated standards, and PacifiCorp’s associated internal targets.

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Exhibit 6.1 – Proposed Performance Standards Compared

10 Service Standard availability Proposed by Scottish Power by Existing design, construct, PacificCorp Internal Target
11 of 99.999% (99.999% availability) based on 2007-2008 performance 8742-310-4 (C) facility shall achieve an identical or better
12 Sources: Scottish Power 5/27/99 handout; RSM's DPO 4-36 – Status of UP&E's efforts to define service adequacy; PC's reply to DK18.1; Utah Public

13 **Q WHAT ARE THE KEY BENEFITS OF SCOTTISHPOWER'S SEVEN**
14 **PROPOSED PERFORMANCE STANDARDS?**

16 A Key benefits may include:

18 Scottish Power has *voluntarily* committed to achieve a number of reliability
19 standards, service standards, and guarantees that are of high importance to
20 customers.

21 The Commission will have an ability to enforce *quantified* reliability standards,
22 service standards, and guarantees.

24 Eventual outage reductions will lead to a estimated \$60 million continuing annual
25 savings in customers' power outage costs.

27 The Company will accurately record and report outages.

29 **Q WOULD YOU COMPARE SCOTTISHPOWER'S PROPOSED INDIVIDUAL**
30 **CUSTOMER GUARANTEES WITH CURRENT STANDARDS AND**
31 **TARGETS?**

32

1 A Yes. Exhibit 6.2, which follows, includes ScottishPower’s proposed guarantees,
2 Utah’s associated standards, and PacifiCorp’s associated internal targets.

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Exhibit 6.2 – Proposed Guarantees Compared

14 **Customer Guarantees** -- Proposed by ScottishPower: Eight separate guarantees with associated payment to customers for

15	Service Standard	Proposed by Scottish Power	Utah Existing	PacifiCorp Internal Targets
16	CG1 – Restoring Supply	Restoration w/in 24 hrs due	R746-310-5: facilities to be	As expeditiously as possible
17	CG2 -- Keep appointments	Keep all mutually agreed to appointments. Beginning	None	See appointment target for new extensions (CG4
18	CG3 -- Switching on initial	Will activate within 24	None	If no construction, target is
19	power (connecting)	hours of customer request.		to switch on power within 24 hours. Where meter sets required, switch on 90% within five days, after receipt of government inspections.

1	CG4 New Extensions	Call customer w/in 2 days to schedule an estimator appointment. Provide estimate w/in: five days for work not requiring network change; w/in 15 days for work requiring network change.	None	Respond back to customer in days. Meet with customer w/in 5 days. No target for providing estimate.
2	CG5 – Bill Inquiries	Investigate and respond w/in 15 days of customer’s request.	R746-310-2.5 – provide phone number on bill for customers to call w/questions.	No specific target.
3	CG6 – Cust. Meter Problem	Investigate/respond within 15 bus. days of customer’s request.	R746-310-3.B.4 – upon written request, promptly test; report to customer.	Northern Utah only -- test meter within five business days of customer’s request.
4	CG7 Planned interruption	Give customer at least 48 hours notice.	R746-310-2.G.2 – provide reasonable notice of planned interruption	Provide reasonable notice – no specific targets.
5	CG8 Power quality	Explain in writing w/in 5 bus. days or investigate w/in 7 calendar days.	R746-310-2.F.1 – fully/promptly investigate a complaint.	No specific target.

8 **Sources:** Alan Richardson’s supplemental direct testimony; RJM’s DPU V36 – Status of UP&L’s efforts to define service
9 adequacy; PC’s reply to DR18.1.

10 **Q WHAT ARE THE KEY BENEFITS OF SCOTTISHPOWER’S EIGHT**
11 **PROPOSED INDIVIDUAL CUSTOMER GUARANTEES?**

12

13 Scottish Power acknowledges customer inconvenience. The Company has agreed to
14 credit a customer whenever it does not meet a guarantee.

15

16 Senior management will have a tool with which to hold employees accountable for
17 improving service quality.

18

19 Each guarantee is quantified. It is therefore possible to determine whether the
20 Company meets the guarantee requirement.

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A POSITIVE BENEFIT

Q DOES SCOTTISHPOWER’S INTERNALLY FUNDED SERVICE PACKAGE TOGETHER WITH ACCURATE, ACTIONABLE QUARTERLY REPORTING CONSTITUTE A POSITIVE BENEFIT IN THE PUBLIC INTEREST?

A Yes, if the Company can both cost effectively implement the service package and provide accurate reports showing that service outcomes not included in the package do not deteriorate.

1 ScottishPower can show they are accountable by formalizing their commitment.
2 Formalizing their commitment involves agreeing to eleven conditions. The first set
3 of conditions, conditions one and two, requires ScottishPower to implement the
4 service package without exceeding the network expenditure commitments described
5 in their testimony.

6
7 The second set, conditions three through ten requires ScottishPower to provide data
8 that accurately depicts actual service outcomes at useful/actionable levels of detail
9 for districts, circuits, and individual customers. Condition eleven requires
10 ScottishPower to establish/tariff a dispute resolution process.

11
12 With accurate actionable reports, and using its powers under Title 54-4-18, the
13 Commission will be able to order corrective action if service deteriorates in Utah or
14 in parts of Utah.

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ENFORCEABLE SERVICE QUALITY CONDITIONS

Q WHY DO YOU RECOMMEND THAT SCOTTISHPOWER FORMALLY COMMIT TO MEET EACH OF ELEVEN CONDITIONS?

A Formally agreeing to meet each of eleven conditions shifts some of the risk ScottishPower will not meet approved merger conditions from customers to shareholders. ScottishPower becomes subject to the penalties upon failure to meet Commission approved merger conditions.

Title 54-7-25 states that the Company becomes subject to a penalty of not less than

1 \$500 or more than \$2,000 for failing to comply with a Commission order. Each
2 violation is a separate and distinct offense. In the case of a continuing violation, each
3 day's continuance is a separate offense.

4
5 Possible financial penalties provide incentives to meet the conditions in a timely and
6 effective manner. The Commission may, after allowing the Company due process,
7 impose financial penalties if Scottish Power fails to meet any one of the eleven
8 conditions.

9
10 Together, Title 54-7-25 and the approved merger conditions enable the Commission
11 to shift some of the risk of failing to meet approved merger conditions from
12 customers to shareholders.

13 **EXPLANATIONS OF SERVICE QUALITY MERGER CONDITIONS**

14

15 **Q CONDITION #1. WHY DO YOU RECOMMEND THE COMPANY**
16 **CONTINUOUSLY MEET PERFORMANCE STANDARDS, PROVIDE**
17 **SERVICE GUARANTEES, AND NOT ALLOW UNDERLYING OUTAGES**
18 **TO INCREASE ABOVE CURRENT LEVELS?**

19

20 **A** Formally committing to meet performance standards and provide service guarantees
21 establishes accountability. It also provides the Commission with enforcement tools
22 it does not currently have.

1 Title 54-7-25 makes any utility violating a Commission order under title 54 subject
2 to a penalty of not less than \$500 nor more than \$2,000 for each offense. Each
3 violation is a separate offense. Each day's continuance is also a separate offense.

4

5 I therefore recommend the Commission require the Company to:

6

7 Formally agree to effectively implement their proposed service package.

8

9 File tariffs specifying the five network performance standards, two customer service
10 performance standards, and eight guarantees listed in their proposed package.

11 Formally agree to not allow "underlying" (exclusive of extreme events) outages to
12 increase above current levels during any of the next five years.

13

14 Formally agree to update the aforementioned standards and service guarantees during
15 2004 and each year thereafter.

16

17 **Q CONDITION #2. WHY DO YOU RECOMMEND THAT THE COMPANY**
18 **FUND NETWORK EXPENDITURES FROM EFFICIENCY SAVINGS AND**
19 **REDIRECTED INTERNAL FUNDING; REPORT FUNDING SOURCES AND**
20 **EXPENDITURES AGAINST THE \$55 MILLION ESTIMATE?**

21

22 **A** Doing so will help address the risk the Company will be ineffective in identifying

1 efficiencies and internal funding sources. On page one, lines 17 through 21 of Mr.
2 Alan Richardson's supplemental testimony, Mr. Richardson indicates:

3
4 *The \$55 million which we have estimated we will spend over the next five years to*
5 *implement the proposed service standards package is not an incremental cost, but*
6 *will be achieved through efficiencies within the existing spending plans of*
7 *PacifiCorp. Overall costs will therefore not increase as a result of these*
8 *expenditures, as they will be offset by efficiencies we will achieve in PacifiCorp's*
9 *operations.*

10

11 Formally conditioning the merger on funding network improvement expenditures
12 through identifying efficiencies or internal funding sources shows that Scottish
13 Power accepts accountability and provides the Commission with a means of
14 enforcing performance.

15

16 **Q CONDITION #3. WHY DO YOU RECOMMEND THE COMPANY**
17 **IMPLEMENT PROSPER, AN AUTOMATED REPORTING SYSTEM, NO**
18 **LATER THAN 12 MONTHS AFTER THE MERGER TRANSACTION – AND**
19 **ALSO OPERATE THE CURRENT OUTAGE REPORTING SYSTEM IN**
20 **PARALLEL UNTIL ACTUAL OUTAGE LEVELS ARE ACCURATELY AND**
21 **RELIABLY DETERMINED?**

22

1 A I recommend the Company commit to implement Prosper, an automated outage
2 reporting system, no later than 12 months after the transaction because:

3
4 Scottish Power has indicated they could implement Prosper in twelve to eighteen
5 months.

6
7 PacifiCorp's current outage reporting system understates outages. Scottish Power's
8 January 1999 audit of the PacifiCorp's current system showed outages were
9 underreported by 20% to 30%. PacifiCorp did not challenge the audit findings.
10 It is not presently possible to accurately determine outage baseline and measure
11 outage reductions against that baseline.

12 It is as possible for customers to lose \$60 million in outage costs as it is possible for
13 them to gain \$60 million in outage savings. On page four lines 22 through page
14 five line ten, in his supplemental direct testimony, Mr. Richardson discusses a
15 \$60 million annual savings in customers' power outage costs. Mr. Richardson
16 indicates the saving will be realized if the Company achieves the targeted outage
17 reductions. If, of the otherhand, outages begin to increase, even by only a few
18 percentage points, customers will begin to incur significant additional power
19 outage costs – in tens of millions of dollars.

20
21 We need accurate and reliable outage data at the earliest possible time to
22 determine actual outage levels. We also need the data to expeditiously enforce

1 penalties if outages begin to increase.

2

3 We need accurate outage data to identify where and when outages may increase due
4 to inadequate network investment and maintenance. With the \$55 million cap on
5 network investments, Scottish Power may be pressed to cut costs – especially in
6 high cost sparsely populated areas. This is certainly possible if ScottishPower is
7 unable to realize the as yet unidentified efficiencies and alternative internal
8 funding.

9

10

11

12 I recommend the Company operate the current outage reporting systems in parallel
13 because Prosper implementation is uncertain. Even highly inaccurate outage data is
14 better than no data.

15

16 **Q CONDITION #4. WHY DO YOU RECOMMEND THE COMPANY**
17 **MEASURE OUTAGE-REDUCTION PERFORMANCE AGAINST OUTAGE**
18 **LEVELS AGREED TO (BY MANAGEMENT AND DIVISION STAFF)**
19 **OUTAGE LEVELS AT THE TIME PROSPER IS IMPLEMENTED AND**
20 **AUDITED – OR DEFER TO A COMMISSION DECISION ON SUCH?**

21

22 **A** As previously indicated under condition #3, PacifiCorp’s current outage reporting

1 system is highly inaccurate. There is no way to determine actual outage levels until
2 the Company installs Prosper, an automated outage reporting system.

3
4 Based upon ScottishPower's estimates, accurate outage reports will not be available
5 for from 18 to 30 months after the merger transaction. This estimate includes 12 to
6 18 months to implement Prosper and another six to 12 months to ensure accuracy by
7 the employees responsible for recording outages.

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11
12 ScottishPower has concluded present reporting systems understate outages by 20%
13 to 30%. Scottish Power determined such by conducting an audit of the accuracy of
14 PacifiCorp's outage reporting system during January 1999. PacifiCorp has not
15 challenged these findings.

16
17 ScottishPower also indicates that annual variations greater than 5% in underlying
18 outages suggest problems in recording accuracy. PacifiCorp's outage reports show
19 annual variations significantly larger than 5%.

20
21 Eventually, Scottish Power expects reporting accuracy to be close to 100%.
22 However, in reply to data requests inquiring about expected reporting accuracy,

1 Scottish Power provided no dates.

2

3 The Commission can decide baseline outage levels for determining whether Scottish
4 Power meets its 60 month outage reduction targets. I recommend this occur if the
5 Division and Company do not agree on baseline outage levels within 18 months of
6 the transaction.

7

8 **Q CONDITION #5. WHY DO YOU RECOMMEND THE COMPANY DEFINE**
9 **“EXTREME EVENT” AS OUTSIDE THREE STANDARD DEVIATIONS OF**
10 **THE AVERAGE NUMBER OF DAILY INCIDENTS DURING THE**
11 **PREVIOUS CALENDAR YEAR?**

12

13 **A** The three standard deviations criterion can be audited and enforced. Also, in the
14 United Kingdom, ScottishPower and Manweb define extreme storm as any incident
15 outside three standard deviations of the daily average.

16

17 Unfortunately, ScottishPower has proposed both the three standard deviations
18 criterion as well as the Institute of Electrical and Electronic Engineers (IEEE)
19 definition of an extreme storm. The IEEE definition includes: 1. Exceeds the design
20 limits of the power system, and 2. Extensive damage to the electric power system.
21 Both these criteria require an engineering judgment. Reasonable engineers may
22 differ as to what exceeds design limits and what is extensive damage.

1 The three standard deviations criterion alone allows no exceptions, judgmental or
2 otherwise. Use of the criterion is consistent with title 54-4a-6 (3). This statute states
3 a Division objective of making the regulatory process as simple and understandable
4 as possible so that it is acceptable to the public; feasible, expeditious, and efficient
5 to apply; and designed to minimize controversies over interpretation and application.
6 The two aforementioned IEEE criteria are not consistent with this statute.

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11 **Q CONDITION #6. WHY DO YOU RECOMMEND THE COMPANY AUDIT,**
12 **UPON REQUEST, TO DETERMINE ACTUAL OUTAGE LEVELS – AFTER**
13 **CORRECTING FOR UNDER OR INACCURATE REPORTING?**

14

15 **A** Verifiable audits may provide a way to determine actual outage levels as
16 ScottishPower implements new outage recording and reporting systems. Customers
17 will realize an estimated \$60 million annual savings in outage costs only if the
18 Company reduces outages by the targeted amounts -- from actual current levels. We
19 need audits to determine when reported levels become the same as actual levels.

20

21 **Q CONDITION #7. WHY DO YOU RECOMMEND THE COMPANY REPORT,**
22 **EACH QUARTER, OUTAGE LEVELS AGAINST INTERNAL OUTAGE**

1	600 to 10,890 minutes	22 circuits	4,666 customers
2	361 to 584 minutes	40 circuits	13,039 customers
3	240 to 357 minutes	75 circuits	50,309 customers
4	151 to 237 minutes	74 circuits	50,165 customers
5	Totals	211 circuits	118,179 customers

7 **Notes:** 1. The numbers of minutes per customer in the left column are calculated by dividing total interruption
8 minutes by *all* customers. The numbers of interruption minutes per *affected* customer are larger than the
9 numbers of interruption minutes in the left column. 2. The 1998 statewide (underreported) interruption per
10 customer average was about 92 minutes.

11 **Source:** Revised response to DPU PC17.6

12

13 Tracking outage levels on district, circuit, and individual customer bases will help
14 show the extent customers, including those in rural service territories, receive reliable
15 service.

16 ScottishPower is familiar with the approach. In the United Kingdom, the Company
17 is considering internal targets wherein they “look at:”

18

19 Each individual situation wherein a customer experiences more than seven outages
20 per year.

21

22 Each community situation wherein a community experiences more than four outages
23 per year.

24

25 Once installed, ScottishPower’s Prosper system will have the ability to track
26 individual customer and district outage levels. I believe our regulatory agency should
27 use this capability to assure adequate reliability for all customers.

28

1 **Q** **CONDITION #8. WHY DO YOU RECOMMEND: THE COMPANY**
2 **CONTINUE WITH METER SET AND METER TEST INTERNAL FIELD**
3 **RESPONSE TARGETS IN NORTHERN UTAH? ESTABLISH INTERNAL**
4 **FIELD RESPONSE TARGETS WHERE NONE CURRENTLY EXIST?**
5 **REPORT PERFORMANCE AGAINST ALL INTERNAL FIELD RESPONSE**
6 **TARGETS ON A QUARTERLY BASIS?**

7
8 **A** Tracking field-response intervals on a district basis will allow the Commission to
9 address the risk some customers, especially rural customers, don't receive timely
10 responses to field requests.

11 ScottishPower's service standards package does not include field response
12 performance standards for setting meters, testing meters, reconnecting after
13 disconnecting for non-payments, or other field responses. Northern Utah Operations,
14 however, has set internal targets for setting and testing meters.

15
16 There is a risk ScottishPower will achieve its standards package at the expense of
17 services it did not consider important enough to include in its standard package.

18 This is so because the Company plans to fund their network improvement package
19 through identifying efficiencies within existing spending plans and internal funding
20 sources.

21
22 **Q** **CONDITION #9. WHY DO YOU RECOMMEND THE COMPANY REPORT,**

1 **DURING WIDE-SCALE OUTAGES, INTERNAL CALL-HANDLING**
2 **TARGETS AND RESULTS: AVERAGE ANSWER SPEED, HOLD TIMES,**
3 **AND BUSY INDICATIONS?**

4

5 Large numbers of customers are especially interested in accurate, up-to-date outage
6 information during wide-scale outages. They want to know the Company is aware
7 of the outage and when their service will be restored.

8

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12 During a November 6, 1998 wide-scale outage, PacifiCorp experienced a multitude
13 of system breakdowns in handling a large volume of incoming outage calls.

14 However, call-handling performance during a wide-scale outage on April 23, 1999
15 showed the average answer speed was ten seconds. With a disciplined focus, it is
16 possible to effectively manage call handling during wide scale outages.

17

18 PacifiCorp currently uses a 15-minute customer wait time as a threshold for
19 conducting a diagnostic of call-handling breakdowns during wide-scale outages. The
20 Company otherwise has no internal targets for diagnosing call-handling breakdowns.

21

22 I recommend conditioning the merger on management's establishing targets for

1 handling calls during wide-scale outages because:

2

3 Customers place a high value on useful outage information during wide-scale
4 outages.

5

6 PacifiCorp has had past breakdowns in handling calls during wide-scale outages.

7

8 PacifiCorp's current 15-minute customer wait time threshold is too lax from
9 customers' perspectives.

10

11 **Q** **CONDITION #10. WHY DO YOU RECOMMEND THE COMPANY**
12 **REPORT, EACH QUARTER, DISTRICT DATA SHOWING CREDITS TO**
13 **CUSTOMERS FOR FAILURES TO MEET GUARANTEED SERVICE**
14 **OUTCOMES?**

15

16 Reporting customer credits on a district basis enables our regulatory agency to
17 address the risk that rural customers in high cost service territories may experience
18 a disproportionately large percentage of inadequate services.

19

20 Unless Company management closely monitors service outcomes, customers residing
21 in high-cost rural service territories could experience deteriorating services. This is
22 possible because ScottishPower is committed to funding network improvements by

1 identifying as yet unidentified efficiencies and internal funding. Under such
2 circumstances, funding adequate services in high-cost rural service territories may
3 become an increasingly formidable challenge.

4

5 **Q CONDITION #11. WHY DO YOU RECOMMEND THE COMPANY**
6 **IMPLEMENT AND TARIFF A DISPUTE RESOLUTION PROCESS FOR**
7 **DEALING WITH GUARANTEED SERVICE OUTCOME FAILURES ON A**
8 **FAIR AND CONSISTENT BASIS?**

9

10

11

12 **A** As ScottishPower indicated on line ten, page 29 of the Moir-MacLaren-Rockney
13 Oregon rebuttal testimony, implementing a dispute resolution process matches
14 ScottishPower's intentions and is similar to the way ScottishPower operates its
15 guarantee program in the United Kingdom.

16

17 Also, management practices vary widely among PacifiCorp's Utah districts. Under
18 such circumstances, managers may have a variety of interpretations regarding
19 guarantee requirements.

20

21 Most importantly, an effective dispute resolution process would enable the Company
22 to treat customers fairly and consistently. Customers will continue to have the

1 prerogative of filing informal or formal complaints with the Commission.

2

3 **Q DOES THIS CONCLUDE YOUR TESTIMONY?**

4

5 **A** Yes, it does.

6

7

8

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EXHIBIT 6.4 SUMMARY OF ELEVEN SERVICE QUALITY ISSUES AND CONDITIONS

Issue

1. ScottishPower's informal assurances to provide a service package do not establish enforceable accountability for achieving service results.
2. ScottishPower's plans to fund a maximum of \$55 million in network expenditures from as yet unidentified efficiencies and internal funding sources are subject to a high degree of uncertainty.
3. It is not possible to accurately determine outage levels with the current outage reporting system.

4. Agreeing on outage levels using inaccurate and unreliable outage data can result in irresolvable differences between ScottishPower management and Division staff.
5. ScottishPower's proposed use of IEEE criteria in defining an extreme event requires engineering judgements about what "exceeds design limits" and what constitutes "extensive damage." Reasonable engineers may differ on these matters.

Condition

1. Continuously meet performance standards, provide service guarantees, and do not allow underlying outages to increase above current levels.
2. Fund network expenditures from efficiency savings and redirected internal funding; report funding sources and expenditures against the \$55 million estimate.
3. Implement Prosper, an automated reporting system, no later than 12 months after the merger transaction and also operate the current reporting system in parallel until actual outage levels are accurately and reliably determined.
4. Measure outage-reduction performance against agreed to (by management and Division Staff) outage levels at the time Prosper is installed and audited -- or defer to a Commission on such.
5. Define "extreme event" as outside three standard deviations of the average number of daily incidents during the previous calendar year.

6. It is not possible to accurately determine outage levels with the current outage reporting system. Whether ScottishPower can effectively implement an accurate reporting system is uncertain.

7. ScottishPower may more efficiently reduce statewide outage levels by focusing limited investments in highly populated areas. Already high outage levels in sparsely populated high-cost rural areas could rise.

8. ScottishPower's standards package does not include *performance standards* for field responses. The Company may achieve its standards package at the expense of services not considered important enough to include in its service package.

9. In the past, PacifiCorp has had a multitude of system breakdowns in handling calls during wide scale outages.

10. In pursuing efficiencies, ScottishPower may be especially pressed to adequately fund timely field responses in high – cost rural service territories.

11. Management practices vary widely among PacifiCorp's Utah districts. Under such circumstances, managers may have a variety of interpretations regarding guarantee requirements.

6. Audit, upon request, to determine actual outage levels – after correcting for under or inaccurate recording.

7. Report, each quarter, outage levels against internal outage targets on a district, circuit, and (where feasible) individual customer basis.

8. Continue with meter set and meter test internal field response targets in Northern Utah. Establish internal field response targets where none currently exist. Report performance against all internal field response targets on a quarterly basis.

9. Report, during wide-scale outages, internal call-handling targets and results: average answer speeds, hold times, and busy indications.

10. Commit to report, each quarter, district data showing credits to customers for failures to meet guaranteed service outcomes.

11. Implement and tariff a dispute resolution process for dealing with guaranteed service outcomes failures on a fair and consistent basis.