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**TESTIMONY OF BYRON NIELSEN**

**INTRODUCTION**

Q. Please state your name, business address, title and mission of the organization for whom you work.

A. My name is Byron Nielsen. My business address is 4551 South Atherton Drive, Salt Lake City, Utah 84123. I am the Business Manager of the International Brotherhood of Electrical Workers Local Union 57 (herein Local 57). Local 57 is the certified representative of employees of PacifiCorp in its Rocky Mountain Power Division (herein RMP) under a Power Delivery labor agreement; and in its PacifiCorp Energy Division (herein PE) under a Power Supply labor agreement. I negotiate, administer and enforce collective bargaining agreements with PacifiCorp, as well as with other employers in the electrical and telecommunication Industries. Local 57's jurisdiction is in Utah, and parts of Idaho and parts of Wyoming.

Q. Please summarize your employment experience.

A. I have been the Business Manager of Local 57 since 2002. It is an elected position. Prior to my current position, I was an Assistant Business Manager for Local 57, since 1978. Prior to that I was employed by Utah Power and Light for 15 years. My last job title with the utility was as a Relay Technician. I am also a Journeyman Lineman and Journeyman Electrician.

1 Q. What is your interest in this proceeding?

2 A Local 57 represents approximately 1850 operation, maintenance and support  
3 employees, such as warehouse, helper, clerical and customer service employees of  
4 RMP and PE., in Utah, parts of Wyoming and parts of Idaho. Their livelihood,  
5 safety, and community interests as employees, customers and responsible citizens,  
6 are affected by these proceedings. In performing its function, Local 57 is in a  
7 unique position to comment on matters of concern to the Public Service  
8 Commission in this proceeding going to the reasonableness of the rates for  
9 service, and the public interest.

10

11 Q. What is the purpose of your testimony?

12 A. Generally speaking, I wish to address to our review of costs associated with  
13 service quality, reliability and safety. More specifically we would like to address:

14 - Maintenance/Spending Commitments and Accountability.

15 - Service Quality and Performance Standards in Distribution.

16 - Maintenance, Staffing and Training Inadequacies in Generation.

17

18

19

1 **MAINTENANCE/SPENDING COMMITMENTS AND ACCOUNTABILITY.**

2 Q. What Maintenance and Capital Spending Commitments has the Company made?

3 A. In the last General Rate Case, 06-035-21, the Applicant agreed with the Division  
4 of Public Utilities (DPU), the Committee of Consumer Services (CCS) and other  
5 parties, in the stipulation resolving revenue issues, at Paragraph 15 to the  
6 following provisions:

7  
8 a. During the period from October 2006 to September 2007, PacifiCorp's  
9 expenditures for distribution maintenance set forth in Federal Regulatory  
10 Commission ("FERC") accounts 590 through 598 will be not less than  
11 93% of \$67.5 million;

12  
13 b. During the period from October 2006 to September 2007,  
14 PacifiCorp's capital costs for distribution pole replacements will be not  
15 less than \$5.1 million.

16  
17 c. That the net revenue requirement impact of expenditures below those  
18 agreed to in the above paragraphs would be deferred for treatment in a  
19 future rate case. This requirement provides an additional incentive to  
20 PacifiCorp to ensure that needed expenditures are made to upgrade the  
21 reliability of the Utah system."  
22

23 Q. Do you support imposing a similar maintenance commitment in this rate case?

24 A. Yes. Allocation of revenues to this area is essential to the assured delivery of safe  
25 and reliable, service. Lacking that commitment, revenues may be used  
26 imprudently, requiring more capital investment to replace equipment retired  
27 before its useful life. As Donna DeRonne stated in her pre-filed testimony in  
28 support of the stipulation in the last GRC, submitted in support of ¶15:

29 "Q. With regards to accountability, is the Committee concerned that  
30 the Company will not spend the money on projects or initiatives related to  
31 improving reliability as set forth in their filing?

32  
33 A. As pointed out in my Pre-filed Direct Test Year Testimony, the  
34 Committee's support of the future test year was contingent on appropriate

1 safeguards being put into place to ensure that the Company's forecasted  
2 costs are consistent with what actually occurs in the rate effective period.  
3 A potential safeguard addressed in that testimony was the establishment of  
4 a deferral mechanism to ensure that amounts included in rates to improve  
5 reliability are actually spent. Such a provision would hold PacifiCorp  
6 accountable for a portion of expenditures pertaining to reliability.

7  
8 Paragraph 15 of the Stipulation provides an "accountability" safeguard  
9 and specifically addresses system maintenance and capital expenditures in  
10 Utah."

11  
12 Such safeguards and expenditures are as important today as they were last fall. I  
13 believe this is one of the most cost effective mechanism for promoting service  
14 reliability and should be retained for the same reasons as it was instituted. As in  
15 the last GRC, costs are based a future test year is projected through 2008. As I  
16 discuss later, in regard to service reliability, there is a need to hold the Company  
17 to these costs from maintenance, not only in distribution, but also generation  
18 which has long been ignored, resulting in extremely high costs which are  
19 unreasonable and unnecessary.

20  
21 Q. What are these forecasted costs for the test year?

22 A. It appears RMP has forecasted the costs for FERC accounts 590-598 to be  
23 \$64,539,138 in Utah. See Applicant's Revised Protocol at page 2.11 of  
24 McDougal SRM-1 S. These accounts for the Distribution system only.

25  
26 If similar commitments for Generation maintenance costs were required, for  
27 FERC accounts 511-514 for Steam Utah, it appears RMP will be spending  
28 \$70,534,296. See RMP CCP-3S p.3. Local 57 will address generation needs later  
29 in separate testimony of Gary Cox, Assistant Business Manager.

1 **SERVICE QUALITY AND PERFORMANCE STANDARDS IN DISTRIBUTION.**

2 Q. What other commitments has the Company made in regard to service quality?

3 A. Key ones arising from the MEHC merger proceeding, are as follows:

4 1) MEHC and PacifiCorp affirm the continuation (through March 31, 2008)  
5 of the existing customer service guarantees and performance standards in each  
6 jurisdiction. MEHC and PacifiCorp will not propose modifications to the  
7 guarantees and standards prior to March 31, 2008. Refer to Commitment 45 for  
8 the extension of this commitment through 2011.  
9

10 2) Penalties for noncompliance with performance standards and customer  
11 guarantees shall be paid as designated by the Commission and shall be excluded  
12 from results of operations. PacifiCorp will abide by the Commission's decision  
13 regarding payments.  
14

15 35) Other Transmission and Distribution Matters: MEHC and PacifiCorp  
16 make the following commitments to improve system reliability:  
17

18 a) investment in the Asset Risk Program of \$75 million over the three  
19 years, 2007-2009,  
20

21 b) investment in local transmission risk projects across all states of  
22 \$69 million over eight years after the close of the transaction,  
23

24 c) O & M expense for the Accelerated Distribution Circuit Fusing  
25 Program across all states will be increased by \$1.5 million per year for  
26 five years after the close of the transaction, and  
27

28 d) extension of the O&M investment across all states for the Saving  
29 SAIDI Initiative for three additional years at an estimated cost of \$2  
30 million per year.  
31

32 e) MEHC and PacifiCorp will support the Bonneville Power  
33 Administration in its development of short-term products such as  
34 conditional firm. Based on the outcome from BPA's efforts, PacifiCorp  
35 will initiate a process to collaboratively design similar products at  
36 PacifiCorp. PacifiCorp will continue its Partial Interim Service product  
37 and its tariff provision that allows transmission customers to alter pre-  
38 scheduled transactions up to twenty minutes before any hour, and will  
39 notify parties to this proceeding if it proposes changes to these two  
40 elements of its OATT.  
41

42 45) Customer Service Standards: MEHC and PacifiCorp commit to continue  
43 customer service guarantees and performance standards as established in each

1 jurisdiction, provided that MEHC and PacifiCorp reserve the right to request  
2 modifications of the guarantees and standards after March 31, 2008, and the right  
3 to request termination (as well as modification) of one or more guarantees or  
4 standards after 2011. The guarantees and standards will not be eliminated or  
5 modified without Commission approval.

6

7 U 5. PacifiCorp and MEHC commit to maintaining sufficient operations and  
8 front line staffing to provide safe, adequate and reliable service in recognition of  
9 the level of load and customer growth in Utah.

10

11 U 9. PacifiCorp will provide semi annual reports to the Commission and  
12 members of the Service Quality Review Group describing PacifiCorp's  
13 performance in meeting service standard commitments, including both  
14 performance standards and customer guarantees.

15

16

17 Q. What other commitments has the Company made in this area?

18

19 A. All of the commitments have been in the Distribution area.

20

21 In Docket No. 04-035-70, The Company and the Petitioners stipulated, among

22

22 other things, the following Utah Power and Light commitment;

23 AFrom and after January 1, 2007, Utah Power agrees that it will be  
24 current on its three-year vegetation management cycle consistent with the  
25 Company=s adopted standards for its owned overhead distribution lines in  
26 Utah. In order to accomplish the three-year cycle, Utah Power agrees that  
27 25% to 41% of the distribution line miles in Utah will be reviewed  
28 annually. Utah Power further agrees that it will provide semiannual  
29 reports of the status of its compliance with this commitment to all  
30 members of the Service Quality Task Force. If any semiannual report for  
31 a period after January 1, 2007 demonstrates that Utah Power is not current  
32 on its three-year cycle in Utah, Utah Power agrees to become current not  
33 later than one year following the date of such report showing that it is not  
34 current. Utah Power=s current estimate of the cost for vegetation  
35 management on its distribution systems in Utah through December 31,  
36 2011 is \$68 million. Notwithstanding this estimate, the parties agree that  
37 Utah Power=s commitment in this subparagraph is for performance of  
38 vegetation management and is not an agreement to expend the estimated  
39 amount (or any other amount) of funds. Utah Power=s expenditure of  
40 funds for vegetation management shall be in amounts it determines, in its  
41 sole discretion, are reasonable and prudent, provided recovery of such  
42 expenditures in rates is allowed by the Commission.@

43

1           The Company also agreed that the above commitment be effective through  
2           December 31, 2011 and that it will not request any modifications of the terms of  
3           the commitment through March 31, 2008.

4  
5           The parties also agreed that the Company=s compliance with these commitments  
6           be monitored by the Task Force.

7  
8           Furthermore, in Docket No. 04-035-70, the Company and the Petitioners  
9           stipulated, among other things, the following Utah Power and light commitment

10  
11                         AFrom and after July 1, 2007, Utah Power agrees that it will repair  
12                         or correct all priority AA@ conditions identified on its Utah distribution  
13                         system that it is responsible to repair or correct within 120 days on  
14                         average of the date the condition was identified. Priority AA@ conditions  
15                         are conditions such as leaking electrical equipment, burning electrical  
16                         connections, broken insulators, trees in primary conductors, unsecured  
17                         primary conductors and broken guy wires. Utah Power further agrees that  
18                         it will provide semiannual reports of the status of its compliance with this  
19                         commitment to all members of the Service Quality Task Force. If any  
20                         semiannual report for a period after July 1, 2007 demonstrates that Utah  
21                         Power is not in compliance with this commitment, Utah Power agrees to  
22                         become compliant with this commitment within six months following the  
23                         date of the report showing that it is not in compliance. Utah Power=s  
24                         current estimate of the cost to inspect and maintain its distribution system  
25                         in Utah in compliance with this commitment through December 31, 2011  
26                         is \$111 million. Notwithstanding this estimate, the parties agree that Utah  
27                         Power=s commitment in this subparagraph is for performance of repair or  
28                         correction of priority AA@ conditions within 120 days of the date they are  
29                         identified on average and is not an agreement to expend the estimated  
30                         amount (or any other amount) of funds. Utah Power=s expenditure of  
31                         funds for inspection and maintenance of its distribution system in Utah  
32                         shall be in amounts it determines, in its sole discretion, are reasonable and  
33                         prudent, provided recovery of such expenditures in rates is allowed by the  
34                         Commission.@  
35

1           The Company also agreed that the above commitment be effective through  
2           December 31, 2011 and that it will not request any modifications of the terms of  
3           the commitment through March 31, 2008.

4

5    Q.     Which of the commitments from the merger and other dockets, have continuing  
6           force and effect.

7    A.     It appears the Company is committed to provided reports to the Service Quality  
8           Task Force of its performance in meeting its commitments and customer  
9           guarantees. Customer guarantees and corrective and preventive measurements in  
10           regard to Type A conditions, and vegetation management are still in force and  
11           effect.

12

13           Certain merger commitments are still in effect, including Utah 5. “PacifiCorp and  
14           MEHC commit to maintaining sufficient operations and front line staffing to  
15           provide safe, adequate and reliable service in recognition of the level of load and  
16           customer growth in Utah.” However it appears specific commitments, such as  
17           meeting previously set forth and the performance standards expired as of March  
18           31, 2008. The spending commitment on distribution maintenance for the last rate  
19           case has also expired as of September 2007.

20

21

22

23    Q.     Do you believe RMP has lived up to these commitments?

1 A. The Company reports largely meeting its commitments.

2 The DPU, based the Final Storm Response Report dated December 31, 2007, it  
3 commissioned by Williams Consulting, seems for the most part to concur.

4 However it has stated it is “concerned about the growing number of “B”  
5 conditions, and recommends continued review and report of this and the newly  
6 implemented five tier classification scheme, according to its Memorandum to the  
7 PSC, dated January 17, 2008

8

9 Local 57 is as well concerned about the growing number of B conditions and  
10 believes the SQTf should consider evaluating this and the proper classification of  
11 those conditions vis a vis the rather remarkable drop in A conditions. In this  
12 regard, it should consider interviewing journeyman linemen who inspect and  
13 correct Facility Points. Represented employees may otherwise be restricted from  
14 making disclosures of Company information without its sanction. Were inquiries  
15 made of sufficient journeyman lineman, these concerns could be more fully  
16 evaluated. As represented employees, Local 57 should be involved in such  
17 interviews.

18

19 In regard to performance standards, On April 1, 2008 RMP served interested  
20 person, including Local 57, its annual 2007 report. It shows SAIDI, the system  
21 average duration of interruption of services including major events, have been  
22 steadily increasing since 2005 from 204 to 261 minutes. Excluding major events  
23 in 2005 it was 196 minutes, 200 minutes in 2006 and fell back to 196 again in

1 2007, failing to meet its commitment of 191 minutes. See §2.3 of that report.  
2 According to the report of reliability history, the biggest reason for outages in the  
3 distribution system is equipment failure, being approximately 1/3 of the reason for  
4 all incidents and the duration of the outage. This is at least 3 times higher than  
5 any other category §2.4. Equipment failure is defined as:

6 “Structural deterioration due to age (incl. pole rot); electrical load above  
7 limits; failure for no apparent reason; conditions resulting in a pole/cross  
8 arm fire due to reduced insulation qualities; equipment affected by fault on  
9 nearby equipment (i.e. broken conductor hits another line).

10  
11 It also appears the company has not met goals in for 2006 and 2007 with regard to  
12 the 5 selected worst circuits. See §2.5.

13  
14 The Williams Consultants in §1.3, reports that PacifiCorp has moved up to the  
15 middle of the worst quartile of performers. It reports, perhaps erroneously for  
16 Utah, that the Company has committed to 2% annual improvement in these  
17 indices. Nevertheless, such improvements appear to be accepted and appropriate,  
18 and the PSC should require such improvement.

19  
20 Q. What was the mission of the Service Quality Task Force

21 A. The Service Quality Task Force was created in Docket No. 04-035-45, Stipulation  
22 Regarding Revenue Requirement, Rate Spread, and Rate Design, which the  
23 Commission adopted. In its Memo to the parties dated June 24, 2005, in the  
24 Matter of the Investigations of the Power Outage December 2003, Docket 04-035-  
25 01: the PSC said:

26 “Through these investigative proceedings and the course of our ongoing  
27 regulatory oversight, Utah Power and participants have identified certain issues or

1 matters which warrant further examination and discussion to determine whether  
2 they warrant implementation or change in utility operations. To that end, we have  
3 created a Service Quality Task Force to analyze maintenance and investment  
4 issues and to examine the condition of the Utah distribution system, hoping to  
5 identify other improvements which might be made to provide appropriate service  
6 quality while incurring reasonable costs. Along the course of the Task Force's  
7 work, these and likely other matters will be discussed and examined. We  
8 anticipate that these efforts will derive more detailed cost-benefit analyses  
9 examining increasing the design and operational limits in Utah Power's  
10 distribution network; including a focus on the various Utah service areas which  
11 experience more frequent and severe outages. The Task Force should also  
12 consider the 'major event' definition used in network performance reporting and  
13 the network's reliability statistics or measurements to determine whether the  
14 application and information provided is the most useful in assessing the provision  
15 of electric service consistent with regulatory policy and public interest goals.  
16 (Emphasis added)

17

18 Q. What is the Service Quality Task Force doing at this point.

19

20 A Local 57 participated in Task Force meetings evaluating matters referred to it by  
21 the PSC leading up to its report in September, 13, 2006. Local 57 has not been  
22 including or notified of any subsequent discussions and meeting, however has  
23 been furnished semi-annual reports of its performance. Presumably it is  
24 monitoring the Company's performance, as it. As it concluded in its September  
25 report, it did not have any recommendations "regarding possible improvements to  
26 the system except with respect to continued review of the system performance in  
27 anticipation of making recommendations, if any, to be in effect on and after  
28 March 31, 2008."

29 The Task Force has not been active in evaluating where we go beyond March 31,  
30 2008 with regard to performance standards or other commitments that might meet  
31 the Company merger commitment of providing safe, reliable service to the  
32 customer. It was Local 57's position in the previous discussions that a true  
33 evaluation of costs and benefits of such measures has never been performed, in  
34 accordance with the Commissions mandate.

1 Q. Do you believe the Service Quality Task Force should be directed to further study  
2 performance reliability measures?

3 A. Yes. It has been almost 2 years since it last met to consider specific  
4 recommendations. The Company reports that it is difficult to establish  
5 appropriate standards, benchmarks and metrics, and Local 57 appreciates this  
6 position. However, that doesn't mean the task should not be more proactive in  
7 dealing with these matters. It is a long term process, considering the issues  
8 involved and the limited resources and full agenda of interested parties. But as  
9 more reports are coming in, the effort should be more rewarding.

10 Its never been determined how meaningful the performance standards were in the  
11 first place. A standard doesn't mean anything if it is too low in the first place.

12 While evaluating these levels and identifying appropriate benchmarks is daunting,  
13 it is worthwhile and recognized as prudent in many jurisdictions across the  
14 country, such as New York and California, and FERC which is very active in  
15 establishing reliability standard through the North American Reliability  
16 Corporation (NERC). The Edison Electric Institute establishes benchmarks,  
17 although PacifiCorp does not subscribe to it, it participates in other surveys. This  
18 expertise should be continually monitored and evaluated to establish sound  
19 reliability standards.

20 By 2011 it appears all such commitments will expire across all states.

21 Considering the difficulty of the problems, the time is now to begin dealing with  
22 it.

23

1 **COSTS DUE TO GENERATION MAINTENANCE AND STAFFING**  
2 **INADEQUACIES.**

3 Q. Are there other areas of maintenance and study it has not evaluated?

4 A. Yes, in particular generation and outages. Local 57 feels this area has been  
5 woefully neglected by regulators. Imprudent maintenance practices, under  
6 staffing and lack of training of skilled workers, is jeopardizing the plants and  
7 creating unreasonable costs.

8 Q. Please explain?

9 A. This area will be covered by testimony of Gary Cox, Assistant Business Manager  
10 for Local 57. He is assigned to represent employees in Power Supply/Generation.  
11 He discusses the increased frequency of unplanned outages, as a result of  
12 scheduling fewer and less thorough planned plant overhauls. As a result the  
13 Company management is purchasing hundreds of millions of dollars of power,  
14 that could be avoided. This is a poor use of internal and outside manpower. It is  
15 an inefficient use of the plant, threatening its useful life, increasing pollution  
16 emissions, wasting natural resources and resulting in less reliable service.  
17 Furthermore, Mr. Cox discusses inadequate staffing and manpower and training  
18 budgets, and how this contributes to the inability of the Company to properly  
19 maintain the generation plants, and problems which is only getting worse due to  
20 an aging workforce.

21 **CONCLUDING RECOMMENDATIONS:**

22 Q. What concluding remarks and recommendations do you wish to make.

- 1 A. In order to meet the Company's commitment to provide sufficient front line  
2 staffing in skilled positions in generation, provide reliable service at reasonable  
3 costs:
- 4 1. The PSC should earmark the Company maintenance costs in Distribution and  
5 Generation, for FERC accounts 511-514 and 590-598, to safeguard rates paid and  
6 ensure these costs will be incurred.
  - 7 2. The Company should be required to train 100 craft employees in Generation  
8 in Local 57's jurisdiction to operate and maintain the plants.
  - 9 3. The PSC should direct the Service Quality Task Force to continue to evaluate  
10 appropriate performance and reliability standards and investigate/interview  
11 journeyman lineman, represented by Local 57, in regard to maintenance practices  
12 and Company reports that raise legitimate questions.
  - 13 4. The PSC should at a minimum require 2% improvement in SAIDI and SAIFI  
14 Utah goals until 2011.
- 15 Q. Does this conclude your testimony?
- 16 A. Yes.