

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In The Matter Of The Application of)
PacifiCorp and Scottish Power plc) Docket No. 98-2035-004
for an Order Approving the Issuance)
of PacifiCorp Common Stock)

SCOTTISH POWER

DIRECT TESTIMONY OF JACK KELLY

FEBRUARY 26, 1999

I. INTRODUCTION

- Q. Please state your name and business address.
A. My name is Jack Kelly and my business address is 500 N.E. Multnomah St., Suite 900, Portland, Oregon, 97232.
- Q. By whom are you employed and in what capacity?
A. I am employed by Scottish Power plc ("ScottishPower"), a Glasgow-based company in the United Kingdom ("U.K."). My title is Managing Director, ScottishPower Learning.
- Q. What are your responsibilities in your current position?
A. I have the responsibility for developing learning programs across the ScottishPower group and for taking the company's learning resources and expertise into the wider community. In this role, ScottishPower Learning is helping schools, communities and the unemployed.
- Q. Please summarize your education and previous business experience.
A. I spent the early years of my career as a technical and operations engineer in the South of Scotland Electricity Board. Later, I became responsible for several projects aimed at increasing staff awareness of business issues through increased participation in decision making processes. Following my MBA dissertation, I became involved in managing the company's Total Quality Management initiative, which, among other things, addressed the training and development needs of managers in the newly privatized business environment. More recently, as a Group Manager, I was responsible for training managers and staff to work under a partnership arrangement and for developing material for vocational qualifications. I was appointed to my current position in 1996.

SUMMARY OF TESTIMONY

- Q. Please summarize your direct testimony in this proceeding.

A. ScottishPower holds as one of its values a firm commitment to develop and maintain the respect and trust of all the communities it serves. We achieve this through building partnerships with local communities to support social and economic regeneration, and through contributing to a number of local initiatives. Our employees also participate in a range of community programs, which allow them to develop their full potential and which benefit their communities. ScottishPower community programs include support for education and employment initiatives, charities, and caring organizations representing youth, people with disabilities, the elderly and the disadvantaged. We also sponsor the performing arts, sport and recreation.

We are also actively involved in the social and economic regeneration of local communities and support a number of major projects aimed at developing the social and economic infrastructure of local areas. We also work in partnership with the public and private sector and local economic development agencies to offer high quality energy supply packages to attract foreign investors.

Through business activities and community support programs, the ScottishPower group has a significant effect on the U.K. economy, accounting for 5.6 billion of output in the economy, both directly and indirectly, and supporting a total of 153,150 jobs.

We recognize that many local areas in the U.S., as in the U.K., rely on limited resources to serve the needs of their community. Through a partnership program similar to the one successfully developed and implemented within the U.K., ScottishPower will work with PacifiCorp to become a partner in the local community, to earn and build upon the trust of those communities, and to increase the contributions we make in the areas of employee education, community learning, employee volunteerism and financial support of worthy causes.

My testimony will offer an overview of ScottishPower's current employee, community and low-income programs and outline the commitments ScottishPower will make in these areas:

- **Employee training and development:** ScottishPower will introduce high quality training facilities in Oregon and Utah for all PacifiCorp employees. The Company will also establish management development programs in partnership with local colleges and universities.
- **Community initiatives:** ScottishPower will promote and support access to life-long learning to both its employees and the local community, through its Open Learning network. ScottishPower will also seek to introduce a school to work initiative to assist young people in obtaining the necessary skills and experience to facilitate the transition from school to the work place. ScottishPower also commits to continuing PacifiCorp's existing programs in the areas of the arts and community development.
- **Customer Care initiatives:** ScottishPower will support PacifiCorp's existing programs and will work with representative groups to introduce new pilots and programs to assist low-income customers and special needs groups.

II. EMPLOYEE TRAINING AND DEVELOPMENT

Q. Please describe ScottishPower's current initiatives in this area.

A. ScottishPower has two principal aims in this area. First, to be innovators in developing educational and career opportunities for our employees and second, to provide enhanced employment opportunities or the skills to secure rewarding jobs. A major feature of ScottishPower's success in this area has been the introduction of Open Learning Centers. These Centers offer free vocational and non-vocational learning to all ScottishPower employees and their families. This program has led to the development of a life long learning culture within the organization that has allowed staff and their families to take control of their own learning and personal development. The success of this initiative is clearly demonstrated through the levels of participation and support across the workforce and within the community.

- Through a network of 51 Open Learning Centers, over 750 programs are available, many of which lead to qualifications such as vocational qualifications, university diplomas and degrees. To date over 60 percent of ScottishPower employees have enrolled in these programs.
- We have also helped establish 9 community learning centers that offer a range of Company Learning Programs. 3,900 family and community members have enrolled in these and our in-house centers.
- To date, 1200 Personal Development Plans have been crafted and 1600 employee families have enrolled.

Q. What commitments is ScottishPower willing to make to employee training and development in the U.S.?

A. ScottishPower will introduce, on a phased basis, high quality training facilities in Oregon and Utah for all PacifiCorp employees. Such training centers will be required to support company initiatives to improve the performance of PacifiCorp after the merger is completed. The scope of this training will be both broad and deep, ranging from customer service, information technology, safety and engineering, to professional qualifications.

ScottishPower recognizes that PacifiCorp employees will be required to learn new ways of working and new skills. To this end, ScottishPower will provide Open Learning Centers which will be accessible to a large proportion of PacifiCorp staff. These Learning Centers will provide a wide range of programs similar to those in the U.K., where our staff can access over 750 courses of their own choice, in their own time, free of charge. Learning, in our view, is a valuable pre-requisite to successful training. In time, we expect these Learning Centers to be made available to the families of employees and, ultimately, community groups.

Professional programs will include a Company-sponsored MBA program and other educational incentive programs leading to college degrees, which will be delivered in partnership with local business schools, colleges and universities.

Technical training programs will focus on safety and environmental issues.

ScottishPower also intends to develop and deliver an accredited craft apprentice training program. This program will provide the necessary flow through of skills required to support the future human resources needs of PacifiCorp, as well as

support the employment needs of local communities.

Q. What financial commitment will ScottishPower make as part of these commitments?

A. We estimate that the financial commitment necessary to develop these programs would be approximately \$3 million. They would cost approximately \$1 million per year to operate.

III.OCCUPATIONAL HEALTH

Q. Please describe ScottishPower s current initiatives in this area.

A. ScottishPower s in-house Occupational Health Service provides employees with a wide range of employee health enhancing services and facilities, such as:

- Confidential, open access to health services, including physiotherapy and, as appropriate, alternative therapies.
- Proactive occupational health monitoring and interventions for work-related conditions, as well as an advisory service to ScottishPower on issues such as occupational safety, ergonomic assessment and stress in the workplace.
- Health center facilities available to all employees, including outreach areas of operation.
- Fitness centers available for staff and families.

Q. What commitments will ScottishPower make in this area in the U.S.?

A. ScottishPower will examine what it can do to encourage a healthy lifestyle consistent with the company s values of creating a positive working environment for staff. This may involve introducing some of the successful programs already adopted in the U.K.

IV.COMMUNITY INITIATIVES

Q. Please describe ScottishPower s current initiatives in this area.

A. ScottishPower s community program represents an integrated, focused approach to address and support a range of national and local community causes and initiatives in the U.K. In addition to financial support, the Company provides professional services and advice to a variety of organizations. The Company s community initiatives are focused in the areas of education and employment, the arts, and community development.

The U.K. Government has recognized ScottishPower s prominent involvement in the area of community programs, as evidenced by positive public comment. In addition, Ian Robinson, Chief Executive Officer of ScottishPower, chairs the New Deal Advisory Task Force for Scotland. The New Deal program is aimed at improving employment prospects for the young and long-term unemployed. The Advisory Taskforce advises the government on key issues of unemployment program policy and design, markets the New Deal, stimulates action and commitment across industry, and advises the government on progress with implementation. Through the Pathfinders program, Ian Robinson also chairs a group advising the Secretary of State for Scotland on economic policy priorities.

Education and employment

ScottishPower Learning, established in July 1996, is a joint initiative with the Trades Unions in Scotland, England and Wales. Specific programs delivered by ScottishPower Learning include:

- Unemployed programs. More than 550 young people have received training in the areas of craft skills, information technology, call center and business administration. Of those who have completed training, 77 percent have move into full time employment or further education and training.
- Partnerships with other non-profit organizations. The Company has established 40 programs for over 400 young people in the areas of developing self esteem, social and life skills.
- School to work initiative. Coordinated with the Education Business partnership, Careers Service and other interested parties, this program has helped over 200 youths struggling with academic qualifications to obtain vocational training.
- Community Learning Centers. ScottishPower has assisted in establishing nine community learning centers that offer an array of learning programs. These centers, and the Company s in-house centers, have a combined enrollment of 3,900 family and community members.
- Understanding electricity. ScottishPower also publishes and distributes learning resources covering safety, energy conservation, environmental impact, energy sources and electricity production to schools.
- School safety initiatives. The Company, in partnership with the police and local fire companies, supports a variety of safety initiatives aimed at raising awareness of potential hazards and the avoidance of unsafe situations.
- Company visitor centers. ScottishPower owns and operates a number of centers that explain the Company s operations and community involvement. These centers attract visitors from across the U.K. and overseas.
- Scottish Knowledge. The Company contributes to this program, which promotes and markets Scottish Learning Institutions and their services worldwide.

The Arts

ScottishPower supports an integrated arts and education program that involves community performances, school programs, and outreach initiatives accessible to communities and special needs groups in both cities and rural communities.

ScottishPower has been recognized for its support of the arts by the Association of Business Sponsorship of the Arts (ABSA) at both a national and regional level in the U.K.

Examples of ScottishPower support programs include:

- National proms series and schools proms programs in North West England and Scotland, dance workshops at the Edinburgh International Festival, school theater workshops, opera performances in Scotland and Wales, and ScottishPower Pipe Band performances.
- Corporate support of the 20th Century Gallery at the National Museum of Scotland and the Beatles Heritage project in Liverpool.

- Support of a number of local theatres in Edinburgh, Crewe, Canterbury and Chester.
- Public concerts and performances, supported by ScottishPower, are held throughout the ScottishPower operating area, including the International Eisteddfodd in North Wales and the Bewl Fireworks display in Kent.

Community Development

ScottishPower is actively involved in the social and economic health of local communities and supports a number of major projects aimed at developing the social and economic infrastructure of local areas. Specific projects supported include:

- Partnership with the public sector and local development corporations to offer high quality, competitive supply packages of electricity and gas services to foreign investors.
- Innovative partnerships with organizations to improve infrastructures and service delivery channels. Through projects such as the Highlands & Islands Telecoms partnership, ScottishTelecom has made essential investment in the telecommunications infrastructure in remote areas of the Scottish highlands.
- The Company is also working with local government in a number of areas, including recognition of improvements in customer service through sponsorship of the Council for Scottish Local Authorities (CoSLA) Quality Awards.
- In Wales, ScottishPower has launched a Welsh Language Scheme that enables the Company to communicate with customers in the language they prefer. ScottishPower was the first privatized utility to have its Welsh Language scheme approved by the Welsh Language Board.

ScottishPower also enhances the health and welfare of its communities through support of active leisure programs, including:

- The learn to swim program, a partnership between Southern Water and the Amateur Swimming Association. This program has taught more than 250,000 children aged 4-12 to enjoy water sports safely.
- Youth rugby in Wales and amateur rowing in Scotland, England and Wales.
- Youth soccer in local communities throughout Scotland.

Q. What commitments will ScottishPower make in this area in the U.S.?

A. ScottishPower intends to continue to support PacifiCorp's community initiatives. The Company will also look to introduce on a phased basis a number of successful community programs from the U.K. The first of these will be the School to Work initiative. ScottishPower will consider the joint development of such an initiative with state educational authorities and the local business community. Skill development opportunities will be made available through the Company's Open Learning Centers, work experience mentoring, and work shadowing.

ScottishPower will also maintain the Community Advisory Boards. As a result of the Pacific Power/Utah Power merger, PacifiCorp agreed to fund Advisory Boards in the states of Utah and Wyoming, together with a single Advisory Board for the states of the Pacific Power & Light service territory. ScottishPower recognizes that these Boards can provide effective community input to management and that this input is essential.

ScottishPower commits to maintaining the key role these Boards provide to the Company and the community.

Q. What is financial commitment will ScottishPower make as part of these commitments?

A. The extent of the financial commitment at this stage is unclear. Further details will be provided once ScottishPower has had an opportunity to examine the potential to introduce into the U.S. some of its successful U.K. programs.

IV. LOW-INCOME CUSTOMER INITIATIVES

Q. Please describe ScottishPower's current initiatives in this area in the U.K.

A. The ScottishPower group supports a number of initiatives aimed at assisting low-income groups within the community. These programs are part of ScottishPower's commitment to the delivery of the highest standards of service to all customers.

Through our partnership with organizations such as EAGA (Energy Action Grants Association), we provide affordable warmth to low income families through a program of grants to reduce fuel costs, fixed energy payments, benefit advice, and access to competitively priced energy deals. We have also formed an alliance with the housing charity HACT (Housing Association Charitable Trust) to provide a unique, comprehensive energy product to the U.K.'s 1.5 million housing association tenants and the sector's 95,000 employees. Both programs provide affordable warmth to low income families through the introduction of easier and more affordable ways to pay and reduce energy use.

In addition, affinity agreements with the Trade Union Congress (TUC) and the National Farmers Union offer competitively priced domestic electricity and gas to their 135,000 members.

ScottishPower has built upon established links with a number of organizations such as Energy Action Scotland, Citizens Advice, Age Concern and Help the Aged, and many groups that represent ethnic communities and special needs customers, to deliver product and customer service packages. Through innovative programs such as the Carefree register, customers with special needs can register to receive specific product information and support as well as information and advice through a network of community liaison staff.

Q. What commitments will ScottishPower make in this area?

A. ScottishPower intends to continue PacifiCorp's existing low-income initiatives. The Company also seeks to take some of its most successful programs in the U. K. and gradually introduce them in the U.S. These programs include:

- Heat Assistance Funding. PacifiCorp is already a partner in non-profit heating assistance programs in all of its states and both donates company funds and solicits funds from customers. ScottishPower proposes to expand this program by reintroducing the matching concept with PacifiCorp matching customer donations annually. ScottishPower also proposes to double the number of customers it will assist.
- Debt Counseling. ScottishPower proposes to establish a debt counseling service for customers. This program was first introduced by ScottishPower and Manweb over five years ago and has been instrumental in reducing the number of customers disconnected for nonpayment of electricity bills. As part of the

program, debt counselors visit customers with payment problems to help develop an effective payment plan.

- Education on Energy Efficiency and Electricity Safety. ScottishPower will expand the commitment to educate customers regarding energy efficiency in order to help customers with payment difficulties. We will also actively promote electrical safety to all PacifiCorp s customers.

Q. What financial commitment will ScottishPower make as part of these commitments?

A. We estimate that the financial commitment necessary to develop and operate these programs would be approximately \$1.5 million per year.

Does this conclude your testimony?

A. Yes.