

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 BOB MOIR

FEBRUARY 26, 1999

I. INTRODUCTION

Q. Please state your name and position.

A. My name is Bob Moir and I am currently the General Manager of the Metering Business within ScottishPower's Power Systems Division.

Q. Please state your responsibilities and qualifications.

A. I am responsible for meter reading, meter installation, and maintenance of ScottishPower's electric meters. In my position, I am responsible for ensuring that the data obtained from meters is transmitted to the appropriate billing systems. Earlier in my career with ScottishPower, I was one of the general managers responsible for implementation of the company's service standards. I have been employed by the company for 31 years. I have a Higher National Certificate in Electrical and Electronic Engineering and have attended the Senior Management Programme at the Strathclyde Business School.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe the package of service standards ScottishPower will implement at PacifiCorp after completion of the transaction. We believe these standards will redefine the relationship between PacifiCorp and its customers and lead to substantial improvements in the quality of service delivery.

Q: Could you describe this package of service standards?

A: There are two types of service standards in the package. The first type deals with total company improvements and are general in nature. These standards are what our customers can expect with regard to the overall level of service provided by the company. We refer to these as Performance Standards. The second type of standards are the company's guarantees to individual customers regarding the quality of their interactions with the company. We refer to these as Customer Guarantees. When taken together, this package of service standards will be the most comprehensive offered by any electric utility in the United States. As such, the package represents an unprecedented

commitment on the part of ScottishPower to substantially improve the level of service PacifiCorp offers to its customers.

Furthermore, we are prepared to be measured on our record of service improvement and pay penalties in the event that we do not fulfill our commitments. ScottishPower's proposed service standards package is therefore truly "best in class." See Exhibit SP __ (BM-1) for a comparison between the service standards proposed by ScottishPower and those in place at other major utilities in the United States. See also Exhibit SP __ (BM-2) for comparisons between current state commission requirements and those offered by ScottishPower in its service standards package.

Q. Why does ScottishPower believe service standards are important?

A. ScottishPower believes successful businesses must satisfy the needs of their customers. Numerous surveys consistently identify system performance and customer service as the key determinants of service quality for electric service providers. The standards that ScottishPower is proposing address these key deliverables directly and define in detail the level of service improvement customers can expect from PacifiCorp. In short, ScottishPower believes that providing an enhanced level of service is good business.

There is another very important reason why ScottishPower is prepared to commit to such a comprehensive package of service standards. This reason is grounded in ScottishPower's philosophy of driving internal business performance improvement by using an externally-based measurement system. In our experience, this is one of the most effective vehicles for institutionalizing targeted changes in business process and galvanizing management action. Setting challenging external service targets will therefore help to spur on the improvements required in PacifiCorp's core business.

Q. What are the specific service standards contained in the package?

A. The service standard package contains the following specific commitments from ScottishPower:

Performance Standards:

The following Performance Standards relate to the network:

- 1) *System Availability.* By 2005 PacifiCorp will undertake to reduce the underlying System Average Interruption Duration Index (SAIDI) by 10%.
- 2) *System Reliability.* By 2005 PacifiCorp will undertake to reduce the underlying System Average Interruption Frequency Index (SAIFI) by 10%.
- 3) *Momentary Interruptions.* By 2005 PacifiCorp will undertake to reduce the underlying Momentary Average Interruption Frequency Index (MAIFI) by 5%.
- 4) *Worst Performing Circuits.* The 5 worst performing circuits in each state will be selected annually on the basis of the Circuit Performance Indicator (CPI) and corrective measures will be taken within 2 years of implementation of the performance targets to reduce the CPI by 20%.
- 5) *Supply Restoration.* For power outages because of a fault or damage on our system, we will restore supplies on average to 80% of customers within 3 hours.

The following Performance Standards relate to customer service:

- 1) *Telephone Service Levels.* Within 120 days after completion of the transaction, 80% of calls to PacifiCorp's Business Centers will be answered within 30 seconds. The long-term goal will be to move to a service level of 80% within 10 seconds.
- 2) *Commission Complaint Resolution.* PacifiCorp will investigate and provide a response to all complaints referred by the Commission within 3 working days. Complaints related to service disconnection will be responded to within 4 business hours. Ninety percent of complaints

referred to PacifiCorp by the Commission will be resolved within 30 days. These standards will be implemented within 90 days of completing the transaction.

B. Customer Guarantees:

The following Customer Guarantees will be backed by payments to customers when PacifiCorp does not meet its published standard.

1) *Restoring the Customer's Supply.* If the customer loses electricity supply because of a fault in our system, we will try to put the customer's supply back on within 24 hours.

2) *Appointments.* We will keep all mutually agreed appointments with the customer, whether over the phone or in writing. Beginning in the year 2001 we will offer the customer a morning appointment, between 8 AM and 1 PM, or an afternoon appointment, between 12 Noon and 5 PM.

3) *Switching On the Customer's Power.* Upon customer request we will activate the power supply within 24 hours provided no construction is required and all government requirements are met.

4) *Estimates for Providing a New Supply.* We will call the customer back within 2 business days of the customer's initial call and schedule a mutually agreed appointment with an estimator. If we need to change our network we will provide a written estimate to the customer within 15 business days of the customer's initial meeting with our estimator. If we do not need to change our network we will provide an estimate to the customer within 5 business days of the customer's initial meeting with our estimator.

5) *Response to Bill Inquiry.* If the customer has a question about their electric bill we will investigate and respond to the customer's inquiry within 15 business days.

6) *Problems with the Customer's Meter.* If the customer suspects there is a problem with their meter we will investigate and report back to the customer within 15 business days.

7) *Planned Interruptions.* If we need to turn the customer's power supply off for planned maintenance work or testing, we will give the customer at least 2 days notice.

8) *Power Quality Complaints.* If the customer notifies us about a problem with the quality of electric supply we will either initiate an investigation within 7 days or explain the problem in writing within 5 business days.

If we fail to meet these Customer Guarantees we will make payments to the affected customers. See Exhibit SP __ (BM-3) for an elaboration on the definitions of these standards.

Q. How is your testimony organized?

A. The first three sections of my testimony discuss the three areas addressed by the service standards package, i.e., Performance Standards relating to the network, Performance Standards relating to customer service, and Customer Guarantees, respectively. In the next section, I discuss how we will achieve improvements to these areas through investment and training of PacifiCorp's workforce. I then describe ScottishPower's track record in achieving similar objectives in the United Kingdom. In the final section, I discuss the reporting commitments that ScottishPower will undertake to inform PacifiCorp's customers and the Commission about its progress in achieving these objectives.

II.PERFORMANCE STANDARDS RELATING TO THE NETWORK

Q. Could you please describe the performance improvements to the network ScottishPower will implement after the transaction with PacifiCorp is complete?

A. ScottishPower has identified five discrete Performance Standards relating to the network that PacifiCorp will introduce following completion of the transaction. These standards are designed

to reduce the frequency and duration of outages to PacifiCorp's retail customers. These standards are quantifiable "stretch goals" designed to be achieved within the five year time period following the transaction, or by 2005.

Q. What are the Performance Standards relating to the network?

A. The five Performance Standards relating to the network are: targeted reductions in System Average Interruption Duration Index (SAIDI); System Average Interruption Frequency Index (SAIFI); Momentary Average Interruption Frequency Index (MAIFI); an improvement in the five worst performing circuits in each state; and average restoration of power outages within three hours to 80% of PacifiCorp's customers.

Q. What level of improvement will ScottishPower make to SAIDI, SAIFI and MAIFI?

A. We will commit to reduce SAIDI and SAIFI by 10% and MAIFI by 5% from an accurate baseline for PacifiCorp's system. We will achieve these reductions by 2005 or 5 years following completion of the transaction. The SAIDI, SAIFI and MAIFI indices will be calculated separately for each state jurisdiction. In this way, there will be comparable improvements in reliability for all states.

Q. How were the improvement targets established?

A. ScottishPower is committed to improving PacifiCorp's system performance as quickly as possible. The targets are designed to be achievable "stretch goals" for the company. They were established based on ScottishPower's review of PacifiCorp's historical performance and our experience with improving system reliability in the United Kingdom. ScottishPower used its best judgment to set these performance goals, but there are some uncertainties over the pace of improvement that can be reasonably expected given the information that is currently available.

Q. What are the constraints regarding the information that is currently available?

A. ScottishPower recognizes that base-line data may change from PacifiCorp's current, historical outage data because of uncertainty regarding the accuracy of the historical performance to date. Once ScottishPower implements new monitoring and reporting information systems for the PacifiCorp system, the accuracy of PacifiCorp's outage data will improve. This change in measurement and monitoring accuracy may by itself cause an increase in the reported (but not actual) reliability indices. In the event that improved measurement techniques cause meaningful changes in reliability indices, ScottishPower proposes to modify the historical base-line data to reflect the new measurement technique. Regardless of the base-line, however, ScottishPower is committed to the substantial improvements to network performance contained in the service standards package. To underline this commitment, ScottishPower will subject the reporting systems to quality assurance and audit so that the figures are as accurate as possible.

Q. Could you please describe ScottishPower's commitment regarding the improvement to the five worst performing circuits?

A. We propose to improve the five worst performing circuits in each state by twenty percent. PacifiCorp measures circuit performance on the basis of the Circuit Performance Indicator (CPI).o customer complaints in a positive manner and regularly seeks input from customers on how to improve service. ScottishPower won the Charter Mark in 1993, and was successful when reapplying in 1996. We are in the process of reapplying again for 1999. The key to this year's application will again be our service standards performance and how the number of failures continue to fall against a backdrop of targets which are regularly tightened.

Southern Water has also received the Charter Mark, but only after its acquisition by ScottishPower. Southern Water is one of the few major water and wastewater companies to receive the Charter Mark.

While Manweb received a Charter Mark prior to its acquisition by ScottishPower, the company received the award for a second time after its acquisition by ScottishPower. In order to successfully reapply, Manweb had to demonstrate continual improvement upon the standards in place when the honor was first awarded in 1993. See Exhibit SP __ (BM-7) for information concerning Charter Mark awards.

Q. Does ScottishPower have any experience with improving system performance standards for larger industrial customers?

A. Many of the problems experienced by these customers concern the issue of power quality. ScottishPower has considerable expertise with the development of power quality solutions for our customers in the United Kingdom. Over the past twenty-five years, the South of Scotland has seen a shift away from traditional heavy industries such as ship building to such endeavors as high tech engineering. With this shift, ScottishPower has seen a change in emphasis on what is demanded by these new customers. For many electronic companies, operating in marginal markets where productivity is a critical factor, quality of power supply is an important criterion when deciding the location of a new plant. ScottishPower, recognizing this and the important role the company plays in supporting inward investment in Scotland, has actively promoted its approach to developing customer solutions and improving power quality. We will bring this experience to PacifiCorp and work with large customers to address their power quality issues.

VI. SCOTTISHPOWER'S REPORTING COMMITMENTS

Q. Will ScottishPower provide information to both customers and the Commission on whether ScottishPower has achieved its objectives regarding system performance and customer service?

A. Yes. ScottishPower will provide annual reports to both customers and the Commission.

Q. Please describe these reports.

A. ScottishPower will issue a report to the customer by June 30 of each year regarding its record in improving Performance Standards and how well it has performed against its Customer Guarantees. Each report will contain an overview of ScottishPower's standards, targets and guarantees and describe the performance results for that year. This description will be simple and easy to understand and will include graphical information. The description will note any problem areas in fulfillment of our commitments and describe how we intend to fix such problems. The report will also discuss any new targets we will be applying in the coming year.

Q. How will the Commission know if ScottishPower is fulfilling its commitments?

A. ScottishPower will also provide an annual report to the Commission by May 31 of each year. PacifiCorp and ScottishPower will offer to the Commission a reporting plan that will discuss implementation of ScottishPower's programs and procedures for providing improved performance. The report will provide a general summary of how PacifiCorp performed according to the standards, targets and guarantees. The report will:

- provide performance results for each standard, target or guarantee;
- identify excluded exceptions;
- explain any historical and anticipated trends and events that affected or will affect the measure in the future;

- describe any technological advancements in data collection that will significantly change any performance indicator;
- discuss any "phase in" of new standards, targets or guarantees; and
- include the name and telephone numbers of contacts at PacifiCorp to whom inquiries should be addressed.

Data calculations to measure performance will be audited by the company and an outside auditor.

Q. Will this report address whether the company is not meeting its standards, targets or guarantees?

A. Yes. If the company is not meeting a standard, target or guarantee, the report will:

- provide an analysis of relevant patterns and trends;
- describe the cause or causes of the unacceptable performance;
- describe the corrective measures undertaken by the company;
- set a target date for completion of the corrective measures; and
- provide details of any penalty payments due.

Q. Does ScottishPower use any quality standards to monitor its improvements?

A. Yes. Recently, ScottishPower submitted the processes it uses for customer service standards for International Standards Organization (ISO) 9002 accreditation. This international standard for quality systems is recognized world-wide. One of the benefits of seeking ISO 9002 accreditation is that accreditation requires internal and external audits be completed across all businesses and company standards. These audits provide added credibility to the statistics we provide to OFFER. Likewise, ScottishPower will seek ISO 9002 or ANSI accreditation for PacifiCorp's program to offer Customer Guarantees.

Q. Could you please summarize your testimony?

A. By implementing this service standards package, ScottishPower will redefine the relationship between PacifiCorp and its customers. The breadth of the service standards package is unique in the United States and represents the measure of ScottishPower's commitment to PacifiCorp's customers to provide them with excellent service.

Q. Does this conclude your testimony?

A. Yes, it does.