

July 28, 1999 Stipulation - Attachment No. 1  
Scottish Power, Richardson (Supplemental Testimony)

**BENEFITS TO CUSTOMERS FROM THE TRANSACTION**

**I. CUSTOMER SERVICE**

**A. Network Performance**

1. System Availability. On the five-year anniversary of the completion of the transaction,<sup>1</sup> the underlying System Average Interruption Duration Index (SAIDI) for PacifiCorp customers in the State of Utah will have been reduced by 10%.

2. System Reliability. On the five-year anniversary of the completion of the transaction, the underlying System Average Interruption Frequency Index (SAIFI) for PacifiCorp customers in the State of Utah will have been reduced by 10%.

3. Momentary Interruptions. On the five-year anniversary of the completion of the transaction, the Momentary Average Interruption Frequency Index (MAIFI) for PacifiCorp customers in the State of Utah will have been reduced by 5%.

4. Worst Performing Circuits. The 5 worst performing circuits in the State of Utah will be selected annually on the basis of the Circuit Performance Indicator (CPI),<sup>2</sup> as calculated over a three-year average excluding extreme events. 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 PacifiCorp's system, PacifiCorp will restore supplies on average to 80% of customers within 3 hours.

6. Penalties. For each of the standards not achieved in the State of Utah at the end of the five-year period, ScottishPower will pay a financial penalty equal to \$1.00 for every customer served by PacifiCorp in Utah.

7. Implementation. Specific terms and conditions relating to the implementation of

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<sup>1</sup> Reference to "completion of the transaction" throughout this document means the closing of the transaction pursuant to the Amended Merger Agreement.

<sup>2</sup> The CPI is a weighted, composite index based on the following four factors: (1) MAIFI, (2) SAIDI, (3) SAIFI, and (4) number of lockouts.

the Network Performance Standards are set forth in Appendix A.<sup>3</sup>

## **B. Customer Service Performance**

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. This target will be increased to 80% in 20 seconds by January 1, 2001 and 80% in 10 seconds by January 1, 2002.

2. Complaint Resolution.

a. Non-Disconnect Complaints. Within 90 days after completion of the transaction, PacifiCorp will investigate and provide a response to all complaints referred by the Commission within 3 business days.<sup>4</sup>

b. Disconnect Complaints. Within 90 days after completion of the transaction, complaints related to service disconnection will be responded to within 4 business hours.<sup>5</sup>

c. Commission Complaints. Within 90 days after completion of the transaction, ninety percent of complaints referred to PacifiCorp by the Commission will be resolved within 30 days. This percentage will be increased to 95 percent by 2001.

3. Implementation. Specific terms and conditions relating to the implementation of the Customer Service Performance Standards are set forth in Appendix A.

## **C. Customer Service Guarantees**

1. Restoring the Customer's Supply.

a. Guarantee. If the customer loses electricity supply because of a fault in PacifiCorp's system, PacifiCorp will restore the customer's supply as soon as possible.

b. Penalty. If power is not restored in 24 hours, customers can claim \$50 for residential customers and \$100 for commercial and industrial customers. For each extra period of 12 hours the customer's supply has not been activated, the customer can claim \$25.

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<sup>3</sup> Initial benchmarks for SAIDI, SAIFI and MAIFI will be established based upon PacifiCorp's historical performance, adjusted as necessary where the change in measurement and monitoring accuracy results in a change in the reported (but not actual) reliability indices, as discussed in Mr. Moir's testimony at page 7.

<sup>4</sup> Business days are defined as Monday through Friday excluding company holidays.

<sup>5</sup> Business hours are defined as 8:00 a.m. to 5:00 p.m.

2. Appointments.

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

b. Penalty. If PacifiCorp fails to meet its guarantee, PacifiCorp will automatically pay the customer \$50.

3. Switching On the Customer's Power.

a. Guarantee. Upon customer request, PacifiCorp will activate the power supply within 24 hours provided no construction is required and all government requirements are met.

b. Penalty. If PacifiCorp fails to meet its guarantee, it will automatically pay the customer \$50. In addition, for each extra period of 12 hours the customer's power supply has not been activated, PacifiCorp will automatically pay-out \$25 to the customer.

4. Estimates for Providing a New Supply.

a. Guarantee. Upon request by a customer for new power supply, PacifiCorp 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 PacifiCorp needs to change its network, it will provide a written estimate to the customer within 15 business days of the customer's initial meeting with the estimator. If PacifiCorp does not need to change its network, it will provide an estimate to the customer within 5 business days of the customer's initial meeting with the estimator.

b. Penalty. If PacifiCorp fails to meet its guarantee, PacifiCorp will automatically pay the customer \$50 for each failure.

5. Response to Bill Inquiry.

a. Guarantee. PacifiCorp will investigate and respond within 15 business days of a customer's inquiry about its electric bill.

b. Penalty. If PacifiCorp fails to meet its guarantee, PacifiCorp will automatically pay the customer \$50 for each failure.

6. Problems with the Customer's Meter.

a. Guarantee. PacifiCorp will investigate and report back to the customer within 15 business days if the customer suspects a problem with its meter.

b. Penalty. If PacifiCorp fails to meet its guarantee, PacifiCorp will automatically pay the customer \$50 for each failure.

7. Planned Interruptions.

a. Guarantee. PacifiCorp will give the customer at least 2 days notice if it is necessary to turn the customer's power supply off for planned maintenance work or testing.

b. Penalty. If PacifiCorp fails to meet its guarantee, customers can claim \$50 for residential customers and \$100 for commercial and industrial customers.

8. Power Quality Complaints.

a. Guarantee. Upon notification from a customer about a problem with the quality of electric supply, PacifiCorp will either initiate an investigation within 7 days or explain the problem in writing within 5 business days.

b. Penalty. If PacifiCorp fails to meet its guarantee, it will automatically pay the customer \$50.

9. Implementation. Specific terms and conditions relating to the implementation of the Customer Service Guarantees are set forth in Appendix B. Data calculations to measure performance will be audited by the company and an outside auditor.

10. Reporting.

a. To Customers. PacifiCorp 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 standards, targets and guarantees and describe the performance results for that year. The report will also discuss any new targets PacifiCorp will be applying in the coming year.

b. To Commission. PacifiCorp will provide an annual report to the Commission by May 31 of each year 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: (i) provide performance results for each standard, target or guarantee; (ii) identify excluded exceptions; (iii) explain any historical and anticipated trends and events that affected or will affect the measure in the future; (iv) describe any technological advancements in data collection that will significantly change any performance indicator; (v) discuss any "phase in" of new standards, targets or guarantees; and (vi) include the name and telephone numbers of contacts at PacifiCorp to whom inquiries should be addressed. If the company is not meeting a standard, target or guarantee, the report will: (i) provide an analysis of relevant patterns and trends; (ii) describe the cause or causes of the unacceptable performance; (iii) describe the corrective measures undertaken by the company; (iv) set a target date for completion of the corrective

measures; and (v) provide details of any penalty payments due.

## **II. REGULATORY OVERSIGHT**

### **A. Access to Books and Records**

1. PacifiCorp will maintain its own accounting system, separate from ScottishPower's accounting system. All PacifiCorp financial books and records will be kept in Portland, Oregon, and will continue to be available to the Commission upon request at PacifiCorp's offices in Portland, Salt Lake City, Utah, and elsewhere in accordance with current practice.

### **B. Cost Allocation, Affiliated Interest Transactions**

1. By the end of the third year following the completion of the transaction, ScottishPower will have achieved a net reduction of \$10 million annually in PacifiCorp's corporate costs (\$15 million of annual cost savings in corporate costs which, when offset by \$5 million of cost increases, will produce a net reduction of \$10 million annually in corporate costs). ScottishPower will commit to reflecting this reduction in PacifiCorp's results of operations filed with the Commission.

2. ScottishPower will provide an analysis of its proposed allocation of corporate costs within ninety days after completion of the transaction.

3. To determine the reasonableness of allocation factors used by ScottishPower to assign costs to PacifiCorp and amounts subject to allocation or direct charges, the Commission or its agents may audit the records of ScottishPower which are the bases for charges to PacifiCorp. ScottishPower will cooperate fully with such Commission audits.

4. ScottishPower and PacifiCorp will provide the Commission access to all books of account, as well as all documents, data and records of their affiliated interest, which pertain to any transactions between PacifiCorp and its affiliated interests.

5. ScottishPower and PacifiCorp agree to comply with all existing Commission statutes and regulations regarding affiliated interest transactions, including timely filing of applications and reports.

6. ScottishPower will not subsidize its activities by allocating to or directly charging PacifiCorp expenses not authorized by the Commission to be so allocated or directly charged.

7. Neither ScottishPower nor PacifiCorp will assert in any future Commission proceeding that the provisions of the Public Utility Holding Company Act of 1935 preempt the Commission's jurisdiction over affiliated interest transactions.

### **C. Transaction Costs**

1. ScottishPower and PacifiCorp will exclude all costs of the transaction from PacifiCorp's utility accounts.

### **D. Financial Issues**

1. ScottishPower intends to achieve an actual capital structure equivalent to that of comparable, A-rated electric utilities in the U.S., with a common equity ratio for PacifiCorp of not less than 47%.

2. PacifiCorp will maintain separate debt and, if outstanding, preferred stock ratings.

3. ScottishPower and PacifiCorp will provide the Commission with unrestricted access to all written information provided to common stock, bond, or bond rating analysts, which directly or indirectly pertains to PacifiCorp.

## **III.COMMITMENT TO THE ENVIRONMENT**

### **A. Renewable Resources**

1. PacifiCorp will develop an additional 50 MW of renewable resources (wind, solar and/or geothermal) at an anticipated cost of approximately \$60 million within five years after completion of the transaction.

2. Within 60 days after completion of the transaction, PacifiCorp will file applications in each state for a "green resource" tariff.

3. PacifiCorp will contribute \$100,000 to the Bonneville Environmental Foundation for use in the development of new renewable resources and fish mitigation projects.

### **B. Environmental Management**

1. PacifiCorp will have environmental management systems in place that are self-certified to ISO 14001 standards at all PacifiCorp operated thermal generation by the end of 2000.

2. ScottishPower will include PacifiCorp operations in ScottishPower's comprehensive annual environmental report with appropriate specific goals.

3. ScottishPower will include a PacifiCorp officer on the Environmental Policy Advisory Committee.

4. ScottishPower will develop a process to gather outside input on environmental matters, such as the establishment of an Environmental Forum.

## **IV.COMMITMENT TO COMMUNITIES**

### **A. Financial Contribution**

1. ScottishPower will contribute \$5 million to the PacifiCorp Foundation upon completion of the transaction.

2. ScottishPower will maintain the existing level of PacifiCorp's other community-related contributions, both in terms of monetary and in-kind contributions.

### **B. Programs**

1. ScottishPower will develop, in consultation with the appropriate Utah state educational authorities and the local business community, a "School to Work" initiative. Skill development opportunities will be made available through the Open Learning Centers, work experience mentoring, and work shadowing.

2. ScottishPower will maintain the existing Regional Advisory Boards.

### **C. Low-Income Customers**

1. ScottishPower will commit \$1.5 million per year (in addition to PacifiCorp's existing commitment of \$1.5 million annually) to programs that encourage the economic well-being of communities, including the following:

a. ScottishPower will double the number of customers assisted by the heat assistance funding program for those customers who qualify under the Federal Low Income Energy Assistance Program and will reintroduce the matching concept with PacifiCorp matching customer donations to heat assistance programs annually.

b. ScottishPower will establish a debt counseling service for those customers who have difficulty in paying their monthly electric bills.

c. ScottishPower will expand the commitment to educate customers regarding energy efficiency in order to help customers with payment difficulties, and to promote electricity safety for all customers.

## **V.COMMITMENT TO EMPLOYEES**

### **A. Existing Labor Agreements**

1. ScottishPower will honor existing labor contracts with all levels of staff.

## **B. New Programs**

1. ScottishPower will introduce the following programs in the PacifiCorp service territory, upon completion of the transaction, at a start-up cost of approximately \$3 million and estimated annual expenditures of approximately \$1 million:

a. ScottishPower will develop one "best-in-class" training center in each of Oregon and Utah. These centers will provide employees with opportunities to improve their work-related skills.

b. ScottishPower will phase in the introduction of the ScottishPower Open Learning centers. At these Open Learning centers, employees will be able to supplement their work-related skills with other skills designed to enhance their overall knowledge.

c. ScottishPower will establish partnerships with local colleges and universities to develop management training programs.

## **C. Occupational Health**

1. ScottishPower will examine the appropriateness of introducing for PacifiCorp employees its successful programs already adopted in the U.K. to encourage a healthy lifestyle for employees.