

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In The Matter Of The Application of)
PacifiCorp and Scottish Power plc) Docket No. 98-2035-04
for an Order Approving the Issuance)
of PacifiCorp Common Stock)

SCOTTISH POWER

REBUTTAL TESTIMONY OF BOB MOIR

JULY 16, 1999

Q. Please state your name.

A. My name is Bob Moir.

Q. Have you testified previously in this docket?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. My testimony will confirm that ScottishPower's Customer Guarantees as offered by the Company will provide a positive benefit to customers and I will respond specifically to two of the conditions proposed by BPA witness in Mr. Maloney. I will also discuss points raised by Committee of Consumer Services witness Paul Chernick relating to Performance Standard 6 (telephone response time) and the report prepared by JBS Energy, Inc. regarding our customer service standards and guarantees. This report, entitled "Customer Service Standards and Guarantees: a Nationwide Survey and Comparison to the ScottishPower/PacifiCorp Offer," by Gayatri Schilberg (the "Schilberg Report") is included as Exhibit SP __ (BM-1) to my rebuttal testimony.

- Q. Mr. Maloney's proposed Condition No. 29 would require the Company to "continuously . . . provide service guarantees." Does the Company have concerns regarding the wording of that Condition?
- A. We have concerns regarding the wording of Condition No. 29, but not, we believe, with the intent of the Condition. Mr. MacLaren's rebuttal testimony explains the Company's concerns with reference to the Performance Standards. Since the same concerns exist with the application of Condition No. 29 to Customer Guarantees, Mr. MacLaren's rebuttal testimony provides the Company's response to this question.
- Q. If the Commission does not adopt Condition No. 29 will the Customer Guarantees provide positive benefits to the Customer?
- A. Yes. Exhibit 6.2 to Mr. Maloney's testimony demonstrates that the Customer Guarantees proposed by ScottishPower exceed both the Commission regulations and PacifiCorp's internal targets. After the merger, PacifiCorp's customers will know exactly what standard of service they should expect from the Company. In addition, Mr. Maloney agrees that there are key benefits associated with the Customer Guarantees. He recognizes that they have value because they acknowledge customer inconvenience and can be used by management as a tool to improve service quality. He also recognizes that, since each guarantee is quantified, it is possible to determine whether the Company is meeting its guarantee requirements. (Maloney, p. 9)

- Q. How do you respond to Mr. Maloney's concern that there is a risk ScottishPower/PacifiCorp will achieve its standards package at the expense of services it did not consider important enough to include in its standard package (Condition No. 36)?
- A. Mr. Maloney's concern can be addressed by ScottishPower/PacifiCorp's continued use of meter set and meter test internal field response targets in Northern Utah after the merger. PacifiCorp will establish internal field response targets where none currently exist, and will continue to report performance against all targets on a quarterly basis. ScottishPower is committed to providing standards that meet the needs of customers and views customer service as an evolving process. However, these additional targets would be for internal use only and would not be subject to publication or any penalty regime.
- Q. Is ScottishPower willing to implement and tariff a dispute resolution process to deal with customer guarantee failures (Condition No. 39)?
- A. Yes, PacifiCorp will implement and include in its tariff a dispute resolution process for dealing with claims regarding Customer Guarantee failures on a fair and consistent basis.
- Q. Deseret has recommended that ScottishPower extend the Customer Guarantees to the retail customers of distribution cooperatives (Stover, p. 22). Please respond.
- A. ScottishPower would not be willing to offer Customer Guarantees to the retail customers of distribution cooperatives. ScottishPower has no control over the service and reliability standards that PacifiCorp's wholesale customers provide to their own retail customers. It does make sense for ScottishPower/PacifiCorp to be held accountable for service other than to its own customers.

Q. Committee of Consumer Services witness Chernick addresses implementation of ScottishPower's/PacifiCorp's proposed Performance Standard 6, which commits to improving telephone service (p. 26), and the proposed Customer Guarantees (pp. 27-28). What is your response to his recommendation that the Commission impose these standards outside of the context of this merger?

A. Mr. Chernick recognizes the "significant improvement" over current practice that will result from Performance Standard 6 (p. 26), as well as the value created by the proposed Customer Guarantees (p. 27). He admits that the decline in payments under the Customer Guarantees in the U.K. suggests there is some incentive effect from these payments. That is, of course, one of the principal purposes of these payments and proof that they are effective in improving service. Mr. Chernick then recommends that the Commission order PacifiCorp to implement Performance Standard 6 and the Customer Guarantees, or similar standards, regardless of the outcome of this case (pp. 27-28).

Clearly, Mr. Chernick recognizes the benefits to customers of Performance Standard 6 and the Customer Guarantees. He seems to discount these benefits, however, by suggesting that the Commission should order that they be put into place without the merger. Mr. Chernick fails to appreciate the significance of voluntarily adopted standards as opposed to standards imposed by regulation. Voluntary standards can incorporate stretch goals, as we have done in this case, and are much more likely to be implemented enthusiastically.

Mr. Chernick also overlooks the point that ScottishPower has experience in implementing Performance Standards and Customer Guarantees and understands the planning,

investments and programs required to achieve the standards. With this experience, ScottishPower/PacifiCorp will be able to implement the necessary system and customer service improvements more quickly and more efficiently than PacifiCorp would be able to implement on a standalone basis.

Mr. O'Brien states in his rebuttal testimony that without the merger PacifiCorp could not implement Performance Standards and Customer Guarantees as extensively as the package proposed by ScottishPower, nor could PacifiCorp implement them on the schedule ScottishPower is proposing. Furthermore, PacifiCorp had no intention of implementing the service standard package that Scottish Power is proposing.

Q. Please respond to Mr. Chernick's criticisms of the Schilberg Report.

A. Mr. Chernick first criticizes the Schilberg Report because it does not address SAIFI, SAIDI or MAIFI (p. 41). There is a legitimate reason for not including these indices in a national study. These three performance measures do not readily lend themselves to meaningful comparisons among utilities. There are a number of factors that vary from utility to utility that affect each index:

- geography/topography: service territories may be mountainous, swampy, flat, prone to landslides, densely or sparsely populated;
- climate: some utilities regularly experience snow or ice storms, some are located in more temperate zones; and
- definitions: variations on what is or is not included as inputs to the calculation of the measures.

These factors undermine the relevance of comparing performance across utilities in these

areas. Notwithstanding this, ScottishPower's proposal to reduce SAIDI, SAIFI and MAIFI represents a meaningful and significant commitment to improve network reliability in PacifiCorp's service territory.

Q. Mr. Chernick dismisses five of the eleven elements addressed in the Schilberg Report because, as Customer Guarantees, they "are not related to the merger." (p. 41) Do you agree with this contention?

A. I strongly disagree. ScottishPower has proposed the introduction of Customer Guarantees as part of its merger commitments. As Mr. O'Brien's testimony shows, any contention that PacifiCorp could have made these service improvements as quickly, as fully or with as high a probability of success without the merger is incorrect. (O'Brien Direct Testimony, p. 7) Since the Customer Guarantees are a merger benefit which ScottishPower has proposed, a comparison of the five Customer Guarantees with other U.S. utilities' service offerings is wholly justified.

Q. Mr. Chernick also dismisses the validity of including the telephone response and complaint response Performance Standards because neither is "associated with any consequence for the utility." (p. 41) Please respond.

A. The purpose of these Performance Standards is to use external service targets to spur improvements in business practices and to define clearly the level of service customers have a right to expect. The result will be that service in the targeted areas will improve measurably. The value of these Performance Standards lies in the improved service that will result from well publicized targets and customer expectations, not in any penalty payments that might be applied.

Q. Mr. Chernick concludes his characterization of the Schilberg Report by asserting that “the praise in the report must be read as faint in many areas, if not outright damning.” (p. 42)
Do you agree?

A. Not at all. In fact, I am astonished that he can reach such a conclusion. The Schilberg Report states:

“In summary, the proposed customer service performance targets and guarantees can be held up as a leading or “best practices” set of customer service commitments. If adopted, they will provide benefits of manifest value to customers and should be recognized as a concrete and valuable benefit that customers will gain from the transaction.” (Schilberg Report, Summary.)

* * *

“The proposed ScottishPower customer commitments are clearly among the best customer service commitments offered by U.S. utilities. In fact, the proposal is arguably the most comprehensive set identified. No other U.S. utility’s customer service commitments addressed as complete a range of customer concerns or issues as the proposed set. The importance of comprehensiveness lies in the inherent trade-off between various customer service operations and issues. By including both a SAIFI standard and a customer supply restoration standard, the proposed standards focus the company on a balanced approach to maintaining the

overall system and responding quickly to outages. Similarly, by including a wide range of customer responsiveness guarantees as well as system performance targets, the company maintains incentives and measurability across the full range of customer service concerns.” (Schilberg Report, p. 7.)

* * *

“The proposed customer guarantees address a more complete range of customer service attributes than any major U.S. utility’s customer guarantees we have been able to identify. In several important measures, the proposed ScottishPower guarantees are the most rigorous offered by any U.S. utility.” (Schilberg Report, p. 8.)

It is difficult to see how this can constitute faint praise.

Q. Does this conclude your rebuttal testimony?

A. Yes.

[PA991900.089]