

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

**PACIFICORP AND SCOTTISH POWER PLC**

For an Order (1) Disclaiming Jurisdiction or, in the Alternative, Authorizing the Acquisition of Control of PacifiCorp by Scottish Power and (2) Affirming Compliance with RCW 80.08.040 for PacifiCorp's Issuance of Stock in Connection with the Transaction

Docket No. UE-981627

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DIRECT TESTIMONY OF BOB MOIR  
ON BEHALF OF JOINT APPLICANTS

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EXHIBIT NO. T-20  
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1  
2 **Joint Application of PacifiCorp and Scottish Power plc**

3 **Direct Testimony of Bob Moir**

4 **I. INTRODUCTION**

5 **Q. Please state your name and position.**

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

8 **Q. Please state your responsibilities and qualifications.**

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

16 **Q. What is the purpose of your testimony?**

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

21 **Q: Could you describe this package of service standards?**

22 A: There are two types of service standards in the package. The first type deals with total  
23 company improvements and are general in nature. These standards are what our  
24 customers can expect with regard to the overall level of service provided by the company.  
25 We refer to these as Performance Standards. The second type of standards are the  
26 company's guarantees to individual customers regarding the quality of their interactions

1 with the company. We refer to these as Customer Guarantees. When taken together, this  
2 package of service standards will be the most comprehensive offered by any electric utility  
3 in the United States. As such, the package represents an unprecedented commitment on  
4 the part of ScottishPower to substantially improve the level of service PacifiCorp offers to  
5 its customers.

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

13 **Q. Why does ScottishPower believe service standards are important?**

14 A. ScottishPower believes successful businesses must satisfy the needs of their customers.  
15 Numerous surveys consistently identify system performance and customer service as the  
16 key determinants of service quality for electric service providers. The standards that  
17 ScottishPower is proposing address these key deliverables directly and define in detail the  
18 level of service improvement customers can expect from PacifiCorp. In short,  
19 ScottishPower believes that providing an enhanced level of service is good business.  
20 There is another very important reason why ScottishPower is prepared to commit to such  
21 a comprehensive package of service standards. This reason is grounded in  
22 ScottishPower's philosophy of driving internal business performance improvement by  
23 using an externally-based measurement system. In our experience, this is one of the most  
24 effective vehicles for institutionalizing targeted changes in business process and  
25 galvanizing management action. Setting challenging external service targets will therefore  
26 help to spur on the improvements required in PacifiCorp's core business.

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

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

4 **A. Performance Standards:**

5 The following Performance Standards relate to the network:

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

18 The following Performance Standards relate to customer service:

- 19 1) *Telephone Service Levels.* Within 120 days after completion of the transaction,  
20 80% of calls to PacifiCorp's Business Centers will be answered within 30 seconds.  
21 The long-term goal will be to move to a service level of 80% within 10 seconds.
- 22 2) *Commission Complaint Resolution.* PacifiCorp will investigate and provide a  
23 response to all complaints referred by the Commission within 3 working days.  
24 Complaints related to service disconnection will be responded to within 4 business  
25 hours. Ninety percent of complaints referred to PacifiCorp by the Commission will  
26

1 be resolved within 30 days. These standards will be implemented within 90 days of  
2 completing the transaction.

3 **B. Customer Guarantees:**

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

- 6 1) *Restoring the Customer's Supply.* If the customer loses electricity supply because  
7 of a fault in our system, we will try to put the customer's supply back on within 24  
8 hours.
- 9 2) *Appointments.* We will keep all mutually agreed appointments with the customer,  
10 whether over the phone or in writing. Beginning in the year 2001 we will offer the  
11 customer a morning appointment, between 8 AM and 1 PM, or an afternoon  
12 appointment, between 12 Noon and 5 PM.
- 13 3) *Switching On the Customer's Power.* Upon customer request we will activate the  
14 power supply within 24 hours provided no construction is required and all  
15 government requirements are met.
- 16 4) *Estimates for Providing a New Supply.* We will call the customer back within 2  
17 business days of the customer's initial call and schedule a mutually agreed  
18 appointment with an estimator. If we need to change our network we will provide  
19 a written estimate to the customer within 15 business days of the customer's initial  
20 meeting with our estimator. If we do not need to change our network we will  
21 provide an estimate to the customer within 5 business days of the customer's initial  
22 meeting with our estimator.
- 23 5) *Response to Bill Inquiry.* If the customer has a question about their electric bill we  
24 will investigate and respond to the customer's inquiry within 15 business days.

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

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

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

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

13   **Q.    How is your testimony organized?**

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

1           **II.       PERFORMANCE STANDARDS RELATING TO THE NETWORK**

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

4           A.       ScottishPower has identified five discrete Performance Standards relating to the network  
5           that PacifiCorp will introduce following completion of the transaction. These standards  
6           are designed to reduce the frequency and duration of outages to PacifiCorp's retail  
7           customers. These standards are quantifiable "stretch goals" designed to be achieved  
8           within the five year time period following the transaction, or by 2005.

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

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

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

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

21          **Q.       How were the improvement targets established?**

22          A.       ScottishPower is committed to improving PacifiCorp's system performance as quickly as  
23          possible. The targets are designed to be achievable "stretch goals" for the company. They  
24          were established based on ScottishPower's review of PacifiCorp's historical performance  
25          and our experience with improving system reliability in the United Kingdom.

26          ScottishPower used its best judgment to set these performance goals, but there are some

1           uncertainties over the pace of improvement that can be reasonably expected given the  
2           information that is currently available.

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

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

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

18       A.    We propose to improve the five worst performing circuits in each state by twenty percent.  
19           PacifiCorp measures circuit performance on the basis of the Circuit Performance Indicator  
20           (CPI).<sup>1</sup>  The CPI excludes extreme events and is calculated over a three-year average to  
21           identify consistently poor performing circuits.  ScottishPower intends to reduce the CPI  
22           for the worst performing circuits by twenty percent within two years of implementation of  
23           the performance targets.  Improving the five worst performing circuits is designed to

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26           <sup>1</sup> The CPI is a weighted, composite index based on the following five factors: 1) MAIFI; 2)  
SAIDI; 3) SAIFI; 4) Number of lockouts; and 5) Load Factor.



1 address the immediate problems of those groups of customers that suffer the poorest  
2 quality of supply.

3 **Q. What is the basis for setting the CPI improvement target at twenty percent?**

4 A. Similar to the targeted improvement levels for SAIDI, SAIFI and MAIFI, the twenty  
5 percent improvement in CPI is designed to be a “stretch goal” for PacifiCorp. It was  
6 established based on ScottishPower's review of PacifiCorp's historical performance and  
7 our experience with improving system reliability in the U.K. on a per circuit basis.

8 **Q. Could you please explain the target being proposed for supply restoration?**

9 A. We propose to restore power to an average of 80% of our customers within three hours in  
10 instances where there has been a power outage because of a fault or damage to our  
11 system. We will institute new procedures and reporting systems to more accurately track  
12 this performance metric. Once the improved reporting systems are in place and  
13 ScottishPower has some experience with the supply restoration target, ScottishPower will  
14 be willing to consider the possibility of increasing the performance target above 80%.

15 **Q. Are there benefits to customers from implementing ScottishPower's Performance  
16 Standards relating to the network?**

17 A. Yes. There are significant customer benefits from such improvements. These benefits  
18 result primarily from improved customer service. It is clear from market research that  
19 customers value the improvements in reliability and service quality planned by  
20 ScottishPower. Industrial and commercial customers care about system performance  
21 because outages can be very costly. Outages result in reduced productivity of capital and  
22 labor, damage to foodstuffs and other products, and loss of customer goodwill resulting  
23 from missed deadlines. For residential customers, power outages can result in  
24 inconvenience, discomfort, damage to food and other perishable items and reduced  
25 personal security. The achievement of the network targets set by ScottishPower will  
26

1 therefore substantially reduce the cost and inconvenience of power outages for PacifiCorp  
2 customers.

3 **Q. Is ScottishPower willing to underwrite its commitments by agreeing to financial  
4 penalties?**

5 A. In principle we do not believe that large-scale financial penalties directed to the company  
6 are appropriate. Rather, we believe in a penalty regime that rewards the individual  
7 customers who suffer poor service (as embodied in our Customer Guarantees).  
8 Nevertheless, as an act of goodwill and in order to demonstrate our commitment to  
9 achieve the standards as set out, we propose financial penalties be payable by the company  
10 in the event we do not achieve the five Performance Standards relating to the network  
11 (SAIDI, SAIFI, MAIFI, five worst performing circuits and restoration of power) within  
12 the five-year period following approval of the transaction. For each of the standards not  
13 achieved in any jurisdiction at the end of the five-year period, we will pay a financial  
14 penalty equal to \$1.00 for every customer in such jurisdiction. In the event that  
15 ScottishPower fails to meet its Performance Standards relating to the network in all  
16 jurisdictions this would equate to a total penalty of some \$7 million.

17 **Q. How will the proceeds from these financial penalties be applied?**

18 A. The monies should be visibly returned to the community, and not diluted through the rate  
19 base or divided up amongst customers as a rebate. One possibility is to have the proceeds  
20 paid into the PacifiCorp Foundation.

### 21 **III. PERFORMANCE STANDARDS RELATING TO CUSTOMER SERVICE**

22 **Q. What Service Performance Standards does ScottishPower plan to implement?**

23 A. ScottishPower has targeted two areas for improvement regarding Service Performance.  
24 First, PacifiCorp will reduce the time it takes to answer telephone calls to its Business  
25 Centers. Second, PacifiCorp will reduce the time it takes for the Company to investigate  
26 and respond to all customer complaints referred to it by the Commission.

1 **Q. Please explain the commitment ScottishPower is making to improve telephone**  
2 **service levels.**

3 A. The target we have set for ourselves is that within 120 days after completion of the  
4 transaction, 80% of the calls to PacifiCorp's Business Centers will be answered within 30  
5 seconds. This target will be increased to 80% in 20 seconds by January 1, 2001 and 80%  
6 in 10 seconds by January 1, 2002. While these targets are very demanding (the current  
7 average speed of answer in the Business Centers, as perceived by customers, is over three  
8 minutes), ScottishPower has a significant degree of confidence in its ability to achieve  
9 these targets given the high performance of ScottishPower's call centers in the U.K.

10 **Q. Will improvements in PacifiCorp's call center performance result in significant**  
11 **improvements in customer satisfaction?**

12 A. Yes. Customers expect to be able to contact us quickly and easily. Customer research  
13 conducted by PacifiCorp shows that there are significant reductions in customer  
14 satisfaction the longer it takes PacifiCorp's Customer Service employees to answer  
15 customer calls. ScottishPower pledges to dramatically reduce the average speed of  
16 answer from its current level. In addition, by reducing the average speed of answer and  
17 implementing best practices from ScottishPower's Call Center operations, PacifiCorp will  
18 be able to make it easier for customers to reach the right person to answer their questions.  
19 As a result of the transaction, PacifiCorp will be able to make significant strides to  
20 improve performance in this area.

21 **Q. Could you please explain the benchmarks that ScottishPower will implement**  
22 **regarding prompt resolution of Commission complaints?**

23 A. There are three separate complaint resolution benchmarks that ScottishPower proposes to  
24 measure and improve. Benchmark 1 is the length of time it takes PacifiCorp to investigate  
25 and respond to non-disconnect complaints. ScottishPower proposes to reduce this  
26 response time from the current level of 5 business days to an average of 3 business days

1 within 90 days of completion of the transaction.<sup>2</sup> Benchmark 2 is the length of time it  
2 takes to investigate and respond to disconnect complaints. ScottishPower proposes to  
3 reduce this response time by 50% from the current average of 8 business hours to an  
4 average of 4, within 90 days of completion of the transaction.<sup>3</sup> Benchmark 3 is the  
5 percent of complaints referred to the Company by the Commission that are resolved within  
6 30 days. Currently, PacifiCorp closes 86 percent of all complaints within 30 days.  
7 ScottishPower proposes to increase this percentage to 90 percent within 30 days of  
8 completion of the transaction and to 95 percent by 2001. For any complaint referred to  
9 PacifiCorp by the Commission, PacifiCorp may request an extension of time to respond,  
10 which Commission staff can grant at its discretion.

11 **Q. How will customers benefit from these improvements in complaint response and**  
12 **resolution?**

13 A. First, customers will benefit by having their complaints responded to and resolved in a  
14 more expeditious manner. Second, the targets themselves will inform customers as to  
15 when they can expect a response. A standardized and more rigorous approach to  
16 complaint resolution will result in better customer service and consistency in the complaint  
17 resolution process. This will help reduce customer confusion, uncertainty and anxiety  
18 about their particular service problem. Third, it will help expedite resolution of the  
19 customer service problem and reduce the need for “follow-up” inquiries. The sooner  
20 PacifiCorp learns about customer problems, the sooner they can be fixed. Improved  
21 response times will allow for early identification of customers’ problems which will lead to  
22 the development of more timely solutions.

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25 <sup>2</sup> Business days are defined as Monday through Friday excluding company holidays.

26 <sup>3</sup> Business hours are defined as 8:00 a.m. to 5:00 p.m.

1 IV. CUSTOMER GUARANTEES

2 Q. What are the Customer Guarantees that ScottishPower will implement at  
3 PacifiCorp after the transaction is authorized?

4 A. PacifiCorp will provide Customer Guarantees in the following areas:

- 5 • Restoring Supply
- 6 • Keeping Appointments
- 7 • Switching on the Customer's Power
- 8 • Estimates for Providing a New Supply
- 9 • Response to Bill Inquiry
- 10 • Problems with the Customer's Meter
- 11 • Planned Interruptions
- 12 • Power Quality Complaints

13 Q. What benefits will customers receive from the improvements resulting from  
14 implementation of the Customer Guarantees?

15 A. Customers will have better, quicker, and more reliable interactions with the company. We  
16 know that keeping appointments is a leading indicator for customer satisfaction, that fewer  
17 follow-up inquiries are necessary and that Commissions expect commitment and follow-  
18 through by companies. There are also significant benefits to customers from quick  
19 restoration of service. In addition, quick response time demonstrates a commitment to  
20 customers. Responding quickly and professionally to complaints about power quality, to  
21 inquiries about bills or to requests for supply reduces customer frustration and leads to  
22 improved customer/company relations. Efficient resolution of meter problems produces  
23 significant benefits by reducing customer debt exposure. Providing sufficient notice to  
24 customers when their service has to be shut off for planned maintenance or testing  
25 demonstrates that the company is considerate of its customers and understands how  
26 important it is for customers to be able to rely on electric service. These are the types of  
benefits that Customer Guarantees provide. Each Customer Guarantee targets an area

1 that customers value. There is an enormous benefit that results from customers knowing a  
 2 company is committed to providing the level of service they demand in the areas about  
 3 which they care.

4 **Q. Are there financial penalties associated with these guarantees?**

5 A. Yes. Associated with each of these Customer Guarantees is a time period within which  
 6 PacifiCorp will respond. Failure to do so will result in a payment of \$50 to a residential  
 7 customer and \$100 to an industrial or commercial customer. The complete list of  
 8 Customer Guarantees is shown in the table below and includes details of the customer  
 9 payments to be made in the event of non-performance by the company.<sup>4</sup>

MEASURE	GUARANTEE DESCRIPTION	NONPERFORMANCE PAYMENT
<b>Customer Guarantee 1:</b> Restoring the Customer's Supply	If a customer loses their electricity supply because of a fault in the system, PacifiCorp will try to put supply back on as soon as possible.	If power is not restored in 24 hours, customers can claim: > \$50 for residential customers > \$100 for commercial and industrial customers  In addition for each extra period of 12 hours the customer's supply has not been activated, the customer can claim \$25
<b>Customer Guarantee 2:</b> Appointments	PacifiCorp will keep all mutually agreed to appointments with the customer, whether over the phone or in writing. Beginning in the year 2001, PacifiCorp will offer customers a morning appointment between 8 AM and 1 PM or an afternoon appointment between 12 noon and 5 PM.	If PacifiCorp fails to meet its guarantee, PacifiCorp will automatically pay the customer \$50.

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 4 The customer will realize these payments through a credit on their bill.

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<p><b>Customer Guarantee 3:</b> Switching on the Customer's Power</p>	<p>Upon customer request, PacifiCorp will activate the power supply within 24 hours provided no construction is required and all government requirements are met.</p>	<p>If PacifiCorp fails to meet its guarantee, it will automatically pay the customer \$50. In addition, for each extra period of 12 hours the customers power supply has not been activated, PacifiCorp will automatically pay-out \$25 to the customer.</p>
<p><b>Customer Guarantee 4:</b> Estimates for providing a New Supply</p>	<p>PacifiCorp will call customers back within 2 working days of their initial call and schedule a mutually agreed to appointment with an estimator. If it needs to change its network, PacifiCorp will provide a written estimate to the customer within 15 working days of the initial meeting with its estimator. If PacifiCorp does not need to change its network, it will provide an estimate within 5 working days of the initial meeting with its estimators.</p>	<p>If PacifiCorp fails to meet its guarantee, PacifiCorp will automatically pay the customer \$50 for each failure.</p>
<p><b>Customer Guarantee 5:</b> Response to Bill Inquiries</p>	<p>If a customer has a question about their electricity bill, PacifiCorp will investigate and respond the inquiry within 15 working days.</p>	<p>If PacifiCorp fails to meet its guarantee, PacifiCorp will automatically pay the customer \$50.</p>
<p><b>Customer Guarantee 6:</b> Problems with the Customer's Meter</p>	<p>If a customer tells PacifiCorp about a problem with their meter, PacifiCorp will investigate and report back to the customer within 15 working days.</p>	<p>If PacifiCorp fails to meet its guarantee, PacifiCorp will automatically pay the customer \$50.</p>
<p><b>Customer Guarantee 7:</b> Planned Interruptions</p>	<p>If PacifiCorp needs to turn off a customer's supply for planned maintenance work or testing, PacifiCorp will give the customer at least 2 days' notice.</p>	<p>If PacifiCorp fails to meet its guarantee, customers can claim:</p> <ul style="list-style-type: none"> <li>➤ \$50 for residential customers</li> <li>➤ \$100 for commercial and industrial customers</li> </ul>
<p><b>Customer Guarantee 8:</b> Power Quality Complaints</p>	<p>If a customer notifies PacifiCorp about a problem with their quality of electricity supply, PacifiCorp will either initiate an investigation within 7 working days or explain the problem in writing within 5 working days.</p>	<p>If PacifiCorp fails to meet its guarantee, it will automatically pay the customer \$50.</p>

1 **Q. How significant are the increases in service quality you are planning and when will**  
2 **they be delivered?**

3 A. In total, we believe the improvements in service quality represented by the Customer  
4 Guarantees are very significant indeed. As part of our commitment to customer service  
5 the company has set a timetable for implementing the Customer Guarantees. Most should  
6 be implemented within ninety days after approval of the transaction.

7 **Q. What will the pattern of improvement look like?**

8 A. We are planning substantial, steady improvement over time. PacifiCorp will track changes  
9 in customer service internally on a quarterly basis, so that improvements or problems can  
10 be identified quickly. We expect to see significant improvement over the five year period  
11 but a relatively high number of failures in the earlier years should be expected.

12 Improvement to customer service should become apparent in the second year in most  
13 areas with a significant decline in payout of Customer Guarantees.

14 **Q. For how long will these new Customer Guarantees remain in place?**

15 A. We propose to keep these service guarantees in place for at least five years.

16 **V. HOW SCOTTISHPOWER WILL ACHIEVE THESE**  
17 **IMPROVEMENTS**

18 **Q. How will ScottishPower achieve its targeted improvements in service standards?**

19 A. ScottishPower will achieve its planned improvements through directed capital investments,  
20 training, and changing PacifiCorp's corporate philosophy to emphasize customer  
21 satisfaction as the company's top priority.

22 **Q. What scale of expenditures will be required for ScottishPower to fulfill its**  
23 **commitment?**

24 A. ScottishPower will spend approximately \$55 million, or about \$11 million annually during  
25 the five-year implementation period, to implement the proposed service standards  
26



1 package.<sup>5</sup> These expenditures are in addition to the funding for which PacifiCorp had  
2 already planned for these activities without the transaction, and represent a refocusing of  
3 PacifiCorp's existing capital plans. Of this \$55 million, about \$30 million will be capital  
4 investment for new infrastructure (primarily investments in the distribution network  
5 required to achieve improvements in reliability). The remaining \$25 million will cover the  
6 costs of additional maintenance, payments for Customer Guarantee failures, employees  
7 and training. These investments and the related process changes will allow PacifiCorp to  
8 more accurately measure system performance and instigate directed improvements in  
9 electric service and customer interaction.

10 **Q. The Commission's Third Supplemental Order in this proceeding identifies an issue**  
11 **regarding the "source of funding" for these improvements. How will these**  
12 **improvements be funded?**

13 A. PacifiCorp's overall capital and revenue budgets will not increase as a result of these  
14 expenditures. This is because, first, ScottishPower will seek to make performance-  
15 improving investments which also lead to operational efficiencies. Second, a portion of  
16 the committed expenditure will come from modifying or accelerating existing projects  
17 contained within PacifiCorp's budget (e.g., capital projects to improve worst performing  
18 circuits). Third, ScottishPower will, in parallel, be seeking other efficiencies in both the  
19 capital expenditure program (while delivering the same or improved outputs) and  
20 operating expenditures (while delivering improved reliability and service). Thus the \$55  
21 million expenditure will not have an impact on the rates of Washington customers. Indeed  
22 it will help to mitigate upward cost pressures rather than adding to them.

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26 <sup>5</sup> This figure excludes cost increases associated with potential investments in new information  
technology systems. It also excludes the cost of needed customer education and communications activities.

1 **Q. Does ScottishPower have proprietary information technologies that it will provide**  
2 **PacifiCorp as a result of the transaction?**

3 A. Yes. As an example, ScottishPower has developed a fault reporting and customer  
4 monitoring system called Prosper that we plan to implement at PacifiCorp. Prosper acts  
5 as a data base for network information that will allow PacifiCorp to more accurately  
6 measure circuit performance and target investment at the worst performing circuits. It  
7 cost ScottishPower \$2 million to develop and implement Prosper in the United Kingdom.  
8 As a result of the transaction, PacifiCorp will gain access to this proprietary technology  
9 for only the incremental cost of integrating it with PacifiCorp's existing information.

10 **Q. Are investments in technology and infrastructure the only actions ScottishPower**  
11 **will take to improve system performance?**

12 A. No. ScottishPower will also train employees in how to satisfy customers. Training will  
13 also occur to familiarize employees with any new technologies obtained or developed as a  
14 result of this new emphasis on improved performance. ScottishPower intends to promote  
15 a shift in corporate culture at PacifiCorp so that all employees at all levels of the company  
16 understand and adopt the company's new emphasis on improved performance and  
17 customer satisfaction. Training is not a single event but a whole series which will be  
18 driven by the company's plans to deliver on its commitments. ScottishPower brings to this  
19 transaction a whole new way of doing business: making customer satisfaction the highest  
20 priority of the company and its employees.

## 21 V. SCOTTISHPOWER'S TRACK RECORD

22 **Q. What is ScottishPower's experience in improving network performance and**  
23 **implementing service guarantees?**

24 A. ScottishPower has the experience to improve system performance and is committed to  
25 making customer service PacifiCorp's highest priority following completion of the  
26 transaction. ScottishPower has almost eight years of experience with service standards in  
the United Kingdom and we have a proven track record of performance improvements.

1 From 1992/93 to 1997/98, for example, our performance on the Customer Guarantee  
2 standards improved by 93%.<sup>6</sup> ScottishPower has also achieved high levels of customer  
3 satisfaction for the customers of Manweb and Southern Water. For instance, our network  
4 performance as measured by customer minutes lost improved by 50% for Manweb from  
5 1991/92 to 1997/98. Indeed, we have maintained a steady year-on-year improvement  
6 across all our businesses in the main service measures of system availability, guaranteed  
7 standards, and customer complaints. We are confident we can also achieve significant  
8 levels of service improvement for the customers of PacifiCorp. See Exhibit \_\_ (BM-4) for  
9 details of network performance statistics for Manweb and ScottishPower.

10 **Q. How has ScottishPower used targeted service standards in the U.K.?**

11 A. Since 1991, ScottishPower has utilized service targets to improve and maintain system  
12 performance at high levels. Indeed, ScottishPower continues to achieve ever higher  
13 standards by setting targets and striving to exceed them. Furthermore, it does so in the  
14 absence of any penalty regime imposed by the U.K. regulators. As mentioned earlier in  
15 my testimony, we believe by committing to externally based targets we are better able to  
16 drive improvement in our internal business processes. Setting standards is also consistent  
17 with our management philosophy, which emphasizes accountability and delivery. For a  
18 summary of the system performance improvements made recently in the United Kingdom,  
19 see Quality of Supply Report, 1997/1998 for ScottishPower and Manweb, included in  
20 Exhibit \_\_ (BM-5). For a summary of the standards of service currently in effect at  
21 ScottishPower, see Exhibit \_\_ (BM-6).

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26 <sup>6</sup> As measured by a drop in failures to meet such targets.

1 **Q. How did ScottishPower arrive at the Customer Guarantee package offered in the**  
2 **United Kingdom?**

3 A. In 1990 and 1991, when the government in the U.K. privatized the electric companies in  
4 England, Wales and Scotland, the Office of Electricity Regulation (OFFER) was created  
5 to regulate the activities of the new companies. Following a long period of consultation  
6 involving OFFER, the companies and consumer committees, legislation was enacted that  
7 required each company to report its performance against a number of key customer  
8 service standards covering activities such as appointments, faults, metering and billing.  
9 Since privatization ScottishPower has looked critically at the attributes of customer  
10 service that are important to customers. We had the opportunity to do so when  
11 ScottishPower was privatized, and again when we acquired Manweb and Southern Water.  
12 ScottishPower has performed a significant amount of customer research and analysis to  
13 determine what customers care about. Through the use of surveys, and practical  
14 experience, ScottishPower has determined which service standards provide the greatest  
15 benefit to the customer, and deliver the highest level of customer satisfaction. Our current  
16 portfolio of standards in the U.K. reflects these customer priorities.

17 **Q. Apart from its U.K. experience, what else did ScottishPower consider when deciding**  
18 **upon the service standards package to offer to PacifiCorp customers?**

19 A. Ongoing analysis of customer complaints is one method ScottishPower uses to determine  
20 whether it is offering the service standards that customers value. We therefore examined  
21 PacifiCorp's complaint history. In addition, where PacifiCorp had customer survey  
22 information available, we incorporated it into our planning. For example, we know that  
23 PacifiCorp's customers are seeking improvement in the turnaround time for estimates for  
24 providing new supply. This has therefore been incorporated as a Customer Guarantee.  
25 We also looked at the service standards offered by other utilities in this country to  
26 determine what types are being offered. Some of the standards that ScottishPower plans  
to implement at PacifiCorp are offered by U.S. utilities, but none of the utilities we looked

1 at offered all of them. We have consciously designed the PacifiCorp service standards  
2 package to be the most comprehensive available in the U.S. This, we believe, helps to  
3 establish the measure of our commitment to customers and provides a clear signal in terms  
4 of what they can expect from the ScottishPower/PacifiCorp combination. For a more  
5 complete discussion, please see Exhibit \_\_\_ (BM-1).

6 **Q. Were there other objective standards that demonstrated ScottishPower's success at**  
7 **providing superior customer service?**

8 A. Two years after the service standards were introduced in the U.K., the British Government  
9 created an award that is given to companies that can demonstrate they are at the forefront  
10 of customer service. The award is called the Charter Mark. The company submits an  
11 application and a panel visits each applicant company to meticulously assess the merits of  
12 that company. The award is issued for a period of three years. The award indicates to  
13 customers that the holder is viewed as a provider of excellent customer service, handles  
14 and responds to customer complaints in a positive manner and regularly seeks input from  
15 customers on how to improve service. ScottishPower won the Charter Mark in 1993, and  
16 was successful when reapplying in 1996. We are in the process of reapplying again for  
17 1999. The key to this year's application will again be our service standards performance  
18 and how the number of failures continue to fall against a backdrop of targets which are  
19 regularly tightened.

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

23 While Manweb received a Charter Mark prior to its acquisition by ScottishPower, the  
24 company received the award for a second time after its acquisition by ScottishPower. In  
25 order to successfully reapply, Manweb had to demonstrate continual improvement upon  
26

1 the standards in place when the honor was first awarded in 1993. See Exhibit \_\_ (BM-7)  
2 for information concerning Charter Mark awards.

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

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

17 **VI. SCOTTISHPOWER'S REPORTING COMMITMENTS**

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

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

21 **Q. Please describe these reports.**

22 A. ScottishPower will issue a report to the customer by June 30 of each year regarding its  
23 record in improving Performance Standards and how well it has performed against its  
24 Customer Guarantees. Each report will contain an overview of ScottishPower's standards,  
25 targets and guarantees and describe the performance results for that year. This description  
26 will be simple and easy to understand and will include graphical information. The

1 description will note any problem areas in fulfillment of our commitments and describe  
2 how we intend to fix such problems. The report will also discuss any new targets we will  
3 be applying in the coming year.

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

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

- 10 • provide performance results for each standard, target or guarantee;
- 11 • identify excluded exceptions;
- 12 • explain any historical and anticipated trends and events that affected or will affect  
13 the measure in the future;
- 14 • describe any technological advancements in data collection that will significantly  
15 change any performance indicator;
- 16 • discuss any "phase in" of new standards, targets or guarantees; and
- 17 • include the name and telephone numbers of contacts at PacifiCorp to whom  
18 inquiries should be addressed.

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

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

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

- 24 • provide an analysis of relevant patterns and trends;
- 25 • describe the cause or causes of the unacceptable performance;
- 26 • describe the corrective measures undertaken by the company;

- 1 • set a target date for completion of the corrective measures; and
- 2 • provide details of any penalty payments due.

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

4 A. Yes. Recently, ScottishPower submitted the processes it uses for customer service  
5 standards for International Standards Organization (ISO) 9002 accreditation. This  
6 international standard for quality systems is recognized world-wide.<sup>7</sup> One of the benefits  
7 of seeking ISO 9002 accreditation is that accreditation requires internal and external audits  
8 be completed across all businesses and company standards. These audits provide added  
9 credibility to the statistics we provide to OFFER. Likewise, ScottishPower will seek ISO  
10 9002 or ANSI accreditation for PacifiCorp's program to offer Customer Guarantees.

11 **Q. Could you please summarize your testimony?**

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

16 **Q. Does this conclude your testimony?**

17 A. Yes, it does.

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<sup>7</sup> ISO, established in 1947, is a worldwide federation of national bodies representing approximately 90 member countries. ISO 9002 outlines a model for quality assurance that is accepted throughout the European Economic Community.