



1 Environmental Resources Engineering in 1982. In addition, I am a licensed professional  
2 mechanical engineer, having received my license from Washington State in 1990.

3 **Q: What is your experience at the Commission?**

4 A: Since joining the Commission Staff, in addition to my managerial duties, I have  
5 participated in the analysis of various electric utility filings before the Commission.  
6 Specifically, I have participated in the development, reporting and refinement of the  
7 Service Quality Indices as part of the Puget Sound Power and Light and Washington  
8 Natural Gas merger in Docket No. UE-960195. In addition, I worked on the drafting and  
9 review of two studies conducted by the Commission last year concerning service quality  
10 and electricity service reliability. These two studies were the “Washington State  
11 Electricity System Study” submitted to the legislature in compliance with Engrossed  
12 Substitute Senate Bill 6560, and the “Washington Electric Utility Service Quality,  
13 Reliability, Disclosure, and Cost Report” submitted in compliance with Engrossed  
14 Second Substitute House Bill 2831.

15 **Q: What is the purpose of your testimony in this proceeding?**

16 A: The purpose of my testimony is to present the Staff’s overall recommendation related to  
17 the proposed acquisition of PacifiCorp by Scottish Power (the Companies) and to discuss  
18 issues related to the Companies’ proposed Performance Standards for network reliability  
19 and customer service.

20 Staff recommends that the Commission approve the Application according to the terms of  
21 a Stipulation Staff entered with the Companies. The Stipulation is included as Exhibit

1           \_\_\_(DEK-1).

2       **Q:    How has Staff’s testimony been organized?**

3       A:    Staff has organized its testimony to address the public interest issues identified as  
4           relevant to this proceeding by the Commission in its Third Supplemental Order on  
5           Prehearing Conference. To that end Staff will provide testimony from two witnesses,  
6           myself and Mr. Tom Schooley.

7       Mr. Schooley will present testimony that covers the following points:

- 8       A.    Scottish Power’s qualifications to take over a jurisdictional public utility in  
9           Washington in terms of its financial and managerial fitness;
- 10       B.   The conditions of the merger, the costs of system improvements, and who will  
11       bear them;
- 12       C.   The impact of the merger on rates, now or in the future;
- 13       D.   Assurance that the Commission will have access to books and records in order to  
14       accomplish its regulatory oversight; and
- 15       E.   Required filings yet to be made by the Applicant.

16       My own testimony will cover:

- 17       A.    Scottish Power’s fitness in terms of its reliability and safety record in the UK; and
- 18       B.    A discussion of the company’s proposed standards for quality of service,  
19       including the customer service performance standards, the customer guarantees,  
20       and the proposed system reliability improvements.

21       Both Mr. Schooley and I will explain specific items of the Stipulation as they relate to the

1 particular areas of our testimony.

2 **Q: What criteria did Staff use to evaluate whether this acquisition was in the public**  
3 **interest?**

4 A: In its Third Supplemental Order on Prehearing Conference the Commission interpreted  
5 Chapter 480-143 WAC, Transfers of Property, and articulated the public interest  
6 standard by which it will judge PacifiCorp’s Agreement and Plan of Merger with Scottish  
7 Power.

8 The Commission stated:

9 “The standard in our rule does not require the Applicants to show that customers,  
10 or the public generally, will be made better off if the transaction is approved and  
11 goes forward. In our view, Applicant’s initial burden is satisfied if they at least  
12 demonstrate no harm to the public interest.”  
13

14 **Q: With this as the standard, what is Staff’s overall recommendation regarding the**  
15 **acquisition of PacifiCorp by Scottish Power?**

16 A: Using the guidance noted above in its review of the proposed transaction, Staff concludes  
17 that the merger of PacifiCorp with Scottish Power is in the public interest, conditioned  
18 upon the terms of the Stipulation.

19 **Q: Please explain the background of the Stipulation.**

20 A: Staff had several concerns regarding Scottish Power’s proposals as contained in its  
21 Application and prefiled testimony. To address these concerns we held a series of  
22 meetings with representatives of both Scottish Power and PacifiCorp aimed at clarifying  
23 various points specifically laid out in the proposed Standards of Performance. In those

1 meetings Staff explored the specific intent behind a number of the statements made in  
2 testimony and the Companies provided additional explanation about those statements.  
3 These explanations formed the basis for many of the items within the Stipulation. We  
4 acknowledge that several of the items contained in this Stipulation are already mentioned  
5 in testimony of the Applicant. However, we decided to include them in the document as  
6 positive statements to the Commission of Scottish Power's intentions and Staff's  
7 understanding of those intentions.

8 **Q: Does Staff have any particular points it would like to highlight about the**  
9 **Stipulation?**

10 A: Yes, items 1, 2, 3, 7, 16, 17, 21, 23, and 24 are positive restatements of the Company's  
11 testimony or were specifically included to express the Company's understanding and  
12 acknowledgment that the Commission has existing authority to make certain  
13 determinations about rates, establish rules, consider the appropriateness of affiliate  
14 charges, have full access to records, and participate in FERC proceedings. There was  
15 never a point where the Companies contested these issues, rather, Staff and the  
16 Companies felt it would be helpful to make positive showings in this regard.  
17 Explanations of other concerns or issues raised by Staff, and how the Stipulation  
18 addresses those concerns, are contained later in my testimony and in Mr. Schooley's  
19 testimony.

20 **Q: What did you consider in evaluating Scottish Power's managerial fitness regarding**  
21 **reliability and safety?**

1 A: I reviewed Scottish Power's historic performance in managing the reliability and safety at  
2 its Manweb operation in Wales since its acquisition in 1995. In making this evaluation I  
3 relied on the information contained in the supplemental testimony of Alan Richardson,  
4 the testimony of Bob Moir along with Exhibit \_\_\_\_ (BM-5), and Scottish Power's  
5 responses to data requests.

6

7 **Q: What did you discover?**

8 A: In its Manweb operation, Scottish Power has experience with the acquisition and  
9 improvement of an electrical distribution company serving approximately 1.3 million  
10 customers in rural and urban areas of northwest England and north Wales. In its Manweb  
11 quality of supply report for 1997/98 that is sent to both customers and UK regulators, the  
12 company details that between 1996/97 and 1997/98 it was able to reduce customer  
13 interruptions by 9 percent (Exhibit \_\_\_\_ (BM-5), page 13). In addition, between the period  
14 of 1994/95 and 1997/98, Manweb customers experienced an overall decline in  
15 underlying service interruption minutes of approximately 28 percent (Exhibit T-  
16 \_\_\_\_ (AVR-T), page 13, line 24; and page 14, lines 1-2). Finally, the company has  
17 developed a range of system monitoring methods to gather information about its  
18 transmission system in the UK so as to assess ongoing system performance. The  
19 company uses this system to, among other things, determine where protection needs to be  
20 upgraded to reduce associated faults and minimize power quality problems (Response to  
21 UIEC Merger Data Request No. 2.8).

1 **Q: What are your conclusions about this information?**

2 A: Scottish Power Company has maintained and improved service quality to its customers in  
3 rural villages within its Manweb service area since it acquired the operation in 1995. It's  
4 reasonable to assume that by using similar techniques Scottish Power can continue to  
5 provide PacifiCorp's customers in Washington with service levels as have been  
6 historically received, if not better. In fact, as I will state later in my testimony, based on  
7 the planned system reliability improvements and customer service guarantees,  
8 Washington customers should expect to receive improved service following the  
9 acquisition than otherwise would have been received from PacifiCorp, assuming Scottish  
10 Power is successful in implementing its Standards of Performance.

11 **Q: Please summarize the company's proposed standards for quality of service,  
12 including the proposed system reliability improvements and the customer  
13 guarantees.**

14 A: Scottish Power proposes five performance standards relating to network operations and  
15 two performance standards relating to customer service. Additionally, it proposes eight  
16 customer guarantees providing non-performance payments directly to customers in the  
17 event a guarantee is not met. Briefly summarizing from the testimony of Mr. Bob Moir  
18 of Scottish Power, the following are descriptions of each performance standard and the  
19 customer guarantees:

20 **Performance Standards related to the network:**

21 1. *System Availability.* PacifiCorp will reduce the established baseline System

1 Average Interruption Duration Index (SAIDI) by 10% by 2005.

2 2. *System Reliability.* PacifiCorp will reduce the established baseline System  
3 Average Interruption Frequency Index (SAIFI) by 10% by 2005.

4 3. *Momentary Interruptions.* PacifiCorp will reduce the established baseline  
5 Momentary Average Interruption Frequency Index (MAIFI) by 5% by 2005.

6 4. *Worst Performing Circuits.* The 5 worst performing circuits in each state will be  
7 selected annually on the basis of the Circuit Performance Indicator (CPI) and  
8 corrective measures will be taken within 2 years of implementation of the  
9 performance targets to reduce the CPI by 20%.

10 5. *Supply Restoration.* PacifiCorp will restore service, on average, to 80% of  
11 Washington customers within 3 hours for power outages caused by a fault or  
12 damage on their system,

13 **Performance Standards related to customer service:**

14 1. *Telephone Service Levels.* Within 120 days after the completion of the  
15 transaction, 80% of calls to PacifiCorp's Business Centers will be answered  
16 within 30 seconds. The long-term stated goal is to further improve this standard  
17 down to an answer time of 10 seconds.

18 2. *Commission Complaint Resolution.* PacifiCorp will investigate and provide a  
19 response to all complaints referred by the Commission within 3 working days.  
20 Complaints related to service disconnections will be responded to within 4  
21 business hours. Ninety percent of complaints referred to PacifiCorp by the



1 Commission will be resolved within 30 days. These complaint-related standards  
2 will be implemented within 90 days of completing the merger transaction.

3 **Customer Guarantees:**

- 4 1. *Restoring the Customers' Supply.* If a customer loses electricity supply due to a  
5 fault in PacifiCorp's system, PacifiCorp will attempt to restore service within 24  
6 hours.
- 7 2. *Appointments.* Beginning in 2001, PacifiCorp will offer their customer's morning  
8 or afternoon appointments. They guarantee to meet all mutually agreed  
9 appointments.
- 10 3. *Switching on the Customer's Power.* Upon customer request, PacifiCorp will  
11 activate power supply/service within 24 hours, provided that no construction is  
12 required and all government requirements are met.
- 13 4. *Estimates for providing a New Supply.* These guarantees provide for schedule  
14 commitments that will apply when estimates by PacifiCorp are necessary for  
15 initiation of new service.
- 16 5. *Response to Bill Inquiry.* PacifiCorp will investigate and respond to bill inquiries  
17 within 15 business days.
- 18 6. *Problems with the Customer's Meter.* When a customer suspects that a problem  
19 exists with a meter, PacifiCorp will investigate and respond within 15 business  
20 days.
- 21 7. *Planned Interruptions.* If a planned interruption of a customer's service is

1 necessary, PacifiCorp will give that customer no less than 2 days notice.

2 8. *Power Quality Complaints.* When a customer complaint is received related to the  
3 quality of electric supply, PacifiCorp will either initiate an investigation within 7  
4 days or explain the problem in writing within 5 business days.

5 **Q: Focusing first on the proposed network performance standards, do these proposals**  
6 **represent potential for real improvements in reliability?**

7 A: In theory, the first four performance standards, if accomplished, would represent real  
8 improvements in reliability. We cannot be sure that the last proposal (restoration of  
9 supply to 80 percent of customers within 3 hours) represents a real improvement, because  
10 PacifiCorp does not know the historical rate of restoration for its customers in  
11 Washington. In response to a Staff data request (WUTC Data Request No. 13)  
12 PacifiCorp indicated that it has not specifically tracked this index historically. However,  
13 the company estimated that between 1995 and 1998 the percentage of customers having  
14 their power restored within the three hour Supply Performance Standard ranged from 49  
15 percent in 1996 to 84 percent in 1997. In addition, should the 80 percent of customers  
16 receive improved restoration at the expense of the remaining 20 percent, this may not be  
17 considered a real improvement in reliability.

18 **Q: What is your opinion about the impact of the Performance Standards on the real**  
19 **numbers of interruptions experienced in the future?**

20 A: From a practical perspective, because these are all quantitative proposals, and because the  
21 quantities involved include estimates, the proposed reductions actually represent changes

1 in estimated interruptions, not in real interruptions. However, to the degree that estimates  
2 are accurate, they do represent reductions in real interruptions. Key estimates include  
3 baseline levels from which reductions are proposed, and future estimates -- or “targets” --  
4 that are proposed to be some percentage below the baseline.

5 **Q: What is your understanding regarding the accuracy of existing statistics that**  
6 **PacifiCorp maintains on customer interruptions and how these might impact the**  
7 **company’s implementation of the proposed standards?**

8 A: Existing interruption statistics at PacifiCorp are not especially precise. In 1998, as a  
9 participant in the Commission’s Washington State Electricity System Study, PacifiCorp  
10 estimated the accuracy of its interruption numbers to be greater than 25 percent, plus or  
11 minus. This is greater than the proposed improvements of 5 and 10 percent. With this  
12 level of imprecision, Scottish Power could achieve its proposed reduction in the baseline  
13 estimate of 10 percent, while actually experiencing a 15 percent or more increase in real  
14 interruptions.

15 **Q: How have you addressed this concern?**

16 A: In recognition of this problem, Scottish Power and Staff have agreed that Staff should be  
17 materially involved in establishing the methods and processes by which Scottish Power  
18 will develop the statistics upon which achievement of the proposals will be based. Public  
19 Counsel is welcome to participate in this process. This understanding is contained as  
20 item number 4 of the Stipulation. This provision will allow better targets to be set and, if  
21 achieved, they will represent real increases in reliability for the average customer.

1 **Q: Are there other conditions in the Stipulation that affect the company's proposals on**  
2 **network reliability?**

3 A: Yes, Scottish Power has proposed achieving reductions in the frequency and duration of  
4 interruptions on the five worst performing circuits in each state, selected annually. The  
5 Stipulation specifies that Scottish Power will select for improvement five different  
6 circuits each year, even if circuits chosen in previous years score lower on the Circuit  
7 Performance Indicator (CPI) than others not yet selected (Stipulation item number 5).  
8 The reasoning behind this is that some circuits may perennially rate lower on CPI for  
9 understandable reasons, such as geography, and the Company does not believe it would  
10 be wise to pour resources into the same circuit year after year at the expense of other  
11 more cost-effective improvements it could be making elsewhere. Staff concurs with this  
12 approach.

13 **Q: Are the network improvements contained in the proposed Performance Standards**  
14 **really needed in Washington?**

15 A: This is a difficult question to answer. Based on the only available statistics, reliability at  
16 PacifiCorp is not at such a low level that improvement is imperative, but reliability is not  
17 currently so high that improvement should be considered a waste of resources. Utilities  
18 report interruption statistics in two key indices: the System Average Interruption  
19 Frequency Index (SAIFI) and the System Average Interruption Duration Index (SAIDI).  
20 In 1997, PacifiCorp recorded for Washington a SAIFI of 0.81 interruptions per customer  
21 and a SAIDI of 63.19 minutes of duration per customer. This compares to national

1 averages of 1.26 and 117 respectively, though national numbers are for 1995 and are not  
2 directly comparable. Other utilities in Eastern Washington reported SAIFI and SAIDI as  
3 low as .20 and 40.7 respectively, but these numbers are not directly comparable either due  
4 to differences between companies such as customer density, geography, and construction  
5 techniques. Also there is no clear trend in PacifiCorp's reliability over the past decade.  
6 (SAIDI & SAIFI data from Washington State Electricity System Study, December 1998).  
7 Item number 6 of the Stipulation addresses Staff's general concerns regarding ongoing  
8 evaluation of network performance. It commits Scottish Power to present a report to the  
9 Commission, as soon as practicable, should network performance levels fall below the  
10 established baselines. This report, if required, will explain any reasons for such a decline  
11 and outline what action plan will be used to correct it.

12 **Q: How will Scottish Power finance the network improvements?**

13 A: Mr. Moir testifies that reliability improvements will be made through direct capital  
14 investments, and through changing PacifiCorp's corporate philosophy to emphasize  
15 customer satisfaction as the company's top priority. The company will spend  
16 approximately \$55 million over five years to achieve all its service quality improvements,  
17 of which reliability is a part. These expenditures are in addition to the funding PacifiCorp  
18 had already planned for these activities. Of this \$55 million, about \$30 million will be for  
19 capital investment for new infrastructure (primarily investments in the distribution  
20 network required to achieve the improvements in reliability).

21 **Q: What is Staff's understanding with regard to the \$30 million in capital investment?**

1 A: The additional capital will not reflect an increase in PacifiCorp's overall capital and  
2 revenue budgets, but result from efficiencies and the modification or acceleration of  
3 existing projects contained within PacifiCorp's existing budget. (Exhibit T-\_\_\_ (BM-T)  
4 pages 15-16)

5 **Q: Can Scottish Power achieve these improvements?**

6 A: Assuming average weather conditions, a substantial increase in distribution infrastructure  
7 investment can have a significant impact on reliability. Scottish Power has a record of  
8 achieving significant, incremental improvements in reliability on systems it has managed  
9 and operated. From 1993 to 1998, Scottish Power successfully reduced the duration of  
10 interruptions on the Scottish Power and Manweb utility systems annually, and reduced  
11 total duration times on each system approximately 18 percent and 49 percent respectively.

12 **Q. Next, focusing on the Performance Standards related to customer service, would you  
13 again please summarize what the company has proposed?**

14 A. There are two performance standards related to customer service. The first concerns  
15 telephone service levels, where the company commits to answering 80% of calls to  
16 PacifiCorp's Business Centers within 30 seconds. The second standard relates to  
17 investigating and providing a response to all complaints referred by the Commission  
18 within three working days.

1 **Q. How does the performance standard for telephone service levels compare to current**  
2 **performance?**

3 A. During 1998, PacifiCorp answered 55% of calls within 45 seconds for the Portland  
4 Business Center, where Washington customer calls are routed and answered. The  
5 company's commitment to 80% answered within 30 seconds represents a substantial  
6 improvement in service to customers calling the company. The long term goal of 80%  
7 within 10 seconds is, of course, an even greater level of customer service.  
8 By comparison, as a condition of its merger, Puget Sound Energy instituted a series of  
9 service quality indices, including one measurement of call center answering performance.  
10 PSE's benchmark is to answer 75 percent of all incoming calls within 30 seconds. In its  
11 most recent reporting period, ending September 30, 1998, PSE's call center staff averaged  
12 81 percent of all incoming calls answered within 30 seconds.

13 **Q: Does Staff have any concerns about the performance standard for complaint**  
14 **response?**

15 A: Staff was initially concerned about the company's commitment to investigate and provide  
16 a response to all Commission complaints within three working days. Washington  
17 Administrative Code (WAC) 480-100-096(5) states, in part, "When a complaint is  
18 referred to a utility by the commission, the utility shall, within 2 working days, report  
19 results of any investigation made regarding the complaint to the commission . . .". The  
20 rules clearly require the company to provide an initial response to Commission  
21 complaints within two working days.

1 **Q. How did you address this concern?**

2 A. Staff raised this point with the company. The result was that the company acknowledged  
3 the rule as requiring a shorter turn around than their proposed standard. This point is  
4 covered as item number 8 in the Stipulation.

5 **Q. Are there other specific data you reviewed to determine PacifiCorp's current level**  
6 **of customer service?**

7 A. I believe that any discussion about a regulated utility's customer service performance  
8 must include Commission complaint statistics. In evaluating how well a company serves  
9 its customers, it is important to consider the number of customers that come to the  
10 Commission with a complaint because they were not able to resolve their complaint  
11 directly with the company. This may be even more important in the case of PacifiCorp,  
12 where it appears the number of Commission complaints may be increasing.

13 **Q. What is the recent history regarding the number of commission complaints for**  
14 **PacifiCorp?**

15 A. Commission records indicate that we received 44 complaints in 1997 and 46 complaints  
16 in 1998 from PacifiCorp customers. In 1999, the commission received 33 complaints  
17 through May 31, 1999. Extrapolating this trend yields an estimated 79 complaints from  
18 PacifiCorp customers in 1999. This is a 72% increase over the prior year. We are  
19 concerned that an increase of this magnitude signals deteriorating customer service within  
20 the company.



1 **Q. How did Staff suggest Scottish Power address this concern?**

2 A. We believed the Company should commit to reducing the number of Commission  
3 complaints received annually from PacifiCorp customers. We agreed that Staff and the  
4 Company would review the trend in Commission complaints received after the new  
5 performance standards had been put in place and been given some time to become  
6 effective. This is covered in item 9 of the Stipulation.

7 **Q. Did you have any concerns with the Customer Guarantees as proposed?**

8 A. Yes. Staff had one general concern, and more specifically, particular concerns with  
9 Customer Guarantees 1, 5, 6, and 7. Our concerns are grouped, based on similarity, for  
10 Customer Guarantees 1 and 7; and for Customer Guarantees 5 and 6.

11 **Q. Let's take these one at a time. What was your general concern?**

12 A. My general concern was that customers will need to know what guarantees the company  
13 offers, and further, how they are expected to interact with the company in order to receive  
14 the remedies prescribed. In its response to Staff Data Request No. 14, the company states  
15 that, "On completion of the transaction, the Service Standards package will be published  
16 and advertised to all PacifiCorp customers . . .". (WUTC Data Request 14) While I  
17 believe this is a good start to informing customers about the guarantees and the remedies  
18 they offer, I also believe the company should commit to informing customers on an  
19 annual basis after the merger and any time a new customer establishes service. We  
20 envisioned this as possibly being accomplished through an article in the company's  
21 regular newsletter, by a special publication sent with the customers' bill, or a brochure

1 given out at the time a customer applies for new service. We have addressed our concern  
2 on this in item 10 of the Stipulation.

3 **Q. What were your specific concerns with Customer Guarantees 1 and 7?**

4 A. Customer Guarantee 1 states that if power is not restored within 24 hours after an outage,  
5 customers “can claim” compensation of \$50 for residential customers, or \$100 for  
6 commercial and industrial customers. In addition, customers “can claim” an additional  
7 \$25 for each 12 hour period service is not restored after the initial 24 hours. Similarly,  
8 Customer Guarantee 7 states that if the company fails to give the customer at least two  
9 days’ notice before temporarily disconnecting service for planned maintenance or testing,  
10 the customer “can claim” compensation of \$50 for residential customers, or \$100 for  
11 commercial and industrial customers.

12 Staff’s concern lay with the term “can claim” since this means the customer is not  
13 compensated automatically as they are with the other customer guarantees. In its  
14 response to Data Request No. 14, the company stated that a customer will be able to  
15 claim compensation for Customer Guarantee 1 “either in writing or by contacting the  
16 PacifiCorp Appeal Line.” Staff assumes the same applies to Customer Guarantee 7. I  
17 was concerned that requiring customers to submit their claim in writing, or to call the  
18 Appeal Line (which is different than the company’s general business office line) creates a  
19 barrier to easily filing a claim. We asked the Company to commit that its business office  
20 staff would either be empowered to take a claim when a customer called or, at the very  
21 least, business office staff would freely inform customers of the Appeal Line and the

1 remedy they may expect under these two guarantees. Staff's concern was acknowledged  
2 by the Company and the Stipulation covers this in item 11.

3 **Q. What were your specific concerns with Customer Guarantees 5 and 6?**

4 A. Both of these guarantees commit to reporting back to the customer within 15 working  
5 days regarding a question about the customer's electric bill or a problem with the  
6 customer's meter. This seems a reasonable amount of time in which to investigate and  
7 respond to a customer complaint or inquiry. My concern was that the customer should  
8 not be disadvantaged while the company investigates the complaint. Therefore, we  
9 required the Company to ensure that during an investigation, it would not affect the  
10 customer's account in any way (e.g., no late payment charges applied; and no collection  
11 or disconnection action taken). The Stipulation covers this in item 12.

12 **Q: Are there any other Stipulation items that you'd like to make comments on?**

13 A: My only further comment on the Stipulation is regarding item 13. Because any payment  
14 of penalties for non-performance by Scottish Power on its proposed performance  
15 standards would not occur until five years following approval of the merger, Staff and the  
16 Company agreed that we would work at that time, together with Public Counsel, to  
17 identify an appropriate organization to direct the funds. We concur with Scottish Power  
18 that any penalties paid as a result of non-performance by the Company in Washington  
19 should somehow benefit Washington customers.

1     **Q:     Please summarize your testimony in this case.**

2     A:     Staff has analyzed the Companies' proposal in light of the issues and public interest  
3           standard cited in the Commission's Third Supplemental Order. Based on this analysis,  
4           we recommend that the Commission approve the application of Scottish Power and  
5           PacifiCorp, subject to the conditions included in our Stipulation.

6     **Q:     Does this conclude your testimony?**

7     A:     Yes.