

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6939

Investigation into Vermont Gas Systems, Inc.'s)	Hearing at
Successor Service Quality and Reliability Performance,)	Montpelier, Vermont
Monitoring and Reporting Plan)	April 14, 2004

Order entered: 6/18/2004

PRESENT: David Farnsworth, Hearing Officer

APPEARANCES: Suzanne Monte, Esq.
Downs Rachlin & Martin, PLC
for Vermont Gas Systems, Inc.

Sarah Hoffman, Esq.
for Vermont Department of Public Service

I. INTRODUCTION

In this Proposal for Decision ("PFD"), I recommend that the Public Service Board ("Board") approve Vermont Gas System, Inc.'s ("VGS") Successor Service Quality and Reliability Plan ("Successor Plan"), as filed with the Board.¹

II. BACKGROUND AND PROCEDURAL HISTORY

On November 9, 2001, in Docket 6495, the Board approved a Final Service Quality and Reliability Performance Monitoring and Reporting Plan for VGS. In this PFD, I refer to that plan as VGS's "Current Plan," as it is the plan that is in effect today. The Current Plan contains standards for measurement of VGS's customer service and reliability performance, and was designed to be in effect for two years, from May 1, 2002, through April 30, 2004.

1. VGS' Successor Plan was submitted in several iterations. See notes 2 and 4, and accompanying discussion, below.

Also, as part of its decision in Docket 6495, the Board required the company to submit a successor plan at least 90 days before the Current Plan's expiration date. VGS made this filing on January 30, 2004 ("Successor Plan"). VGS amended this filing twice, on February 20, 2004, and on May 5, 2004.² In this PFD, all references to VGS' "Successor Plan" incorporate the parties' February 20 and May 5, 2004, amendments.

On April 14, 2004, I conducted a technical hearing at which VGS and the Vermont Department of Public Service ("Department") presented evidence supporting Board approval of the Amended Successor Plan.³ During the technical hearing I raised a question regarding the proposed work completion measure and its inclusion of service line installations. In response, VGS and the Department developed language that includes new service line installations in measure 4, "Work Completion Performance Measures." VGS filed this modification on May 5, 2004, and termed it the "Second Amended Successor Plan."⁴

In a memorandum of May 13, 2004, subsequent to the technical hearing in this Docket, I sought information from VGS and the Department regarding the level of the proposed service quality compensation dollar cap. By letter of May 20, 2004, VGS, with the agreement of the Department, submitted a letter for my consideration with information regarding the proportional size of the proposed service quality compensation dollar cap.⁵

III. FINDINGS

1. The Successor Plan includes specific indices and baseline levels for performance standards in seven broad areas of customer service: call answering; billing; meter reading; work completion; customer satisfaction; worker safety; and reliability:

a. Four call-answering performance measures:

Call answering service level
Abandon rate normal business hours

2. Although substantially the same proposal as that submitted on January 30, 2004, the February 20, 2004, amendment reflected VGS and the Department's discovery that measure 7a - Meter accuracy - was stated as how many meters meet the standard when, instead, it should have been stated as how many meters miss the standard.

3. See VGS Letter of February 20, 2004, at 1.

4. Second Amendment to the Successor Plan Filing, May 5, 2004.

5. VGS Letter of May 20, 2004.

Abandon rate after normal business hours, and
Blocked calls to the company

b. Three billing performance standards:

Percentage of bills not rendered monthly
Bills found inaccurate
Payment posting complaints

c. One meter reading performance measure:

Percentage of actual meter readings per month

d. Two work completion performance measures:

Percentage of customer requested work not completed on or before
promised delivery date
Average number of days after the missed delivery date

e. Three customer satisfaction measures:

Transactional customer satisfaction
Overall customer satisfaction
Rate of complaints to DPS/Consumer Affairs

f. Two worker safety performance measures:

Lost time incident rate
Lost time severity rate

g. Five reliability performance measures:

Meter accuracy
Emergency response during normal business hours
Emergency response outside normal business hours
Department of Transportation Annual Report of gas distribution systems
Underground damage prevention statistics.

Successor Plan at Section III, *generally*.

2. While the broad areas of customer service measured in the Successor Plan are the same as those measured in the Current Plan, the specific indices and baseline levels in the Successor Plan are not identical to those in the Current Plan because:

(1) the Current Plan was the first service quality plan approved by the Board for VGS, and lessons have been learned about the design of service quality plans for VGS and other utilities since then; and

(2) the starting point for the parties' discussions regarding the Successor Plan was the service quality plans now in effect for Central Vermont Public Service Corporation ("CVPS") and Green Mountain Power Corporation ("GMP"), because

these plans were written and approved by the Board subsequent to VGS's Current Plan and they incorporated some of the lessons learned about the design of service quality plans.

Tr. 4/14/04 at 6–7 (Frankel).

3. The baselines included in the Successor Plan fall within the range of baselines that have been approved for Vermont electric utilities. *Id.* at 7.

4. The specific performance standards and baselines in the Successor Plan will allow VGS's performance to be measured to determine whether it is providing "reasonably adequate service" as required by 30 V.S.A. § 219. *Id.* at 8; exh. DPS-1 at 2.

5. The Successor Plan includes service guarantees which require VGS to provide specified bill credits to individual customers if VGS fails to meet certain service commitments to those customers. Successor Plan at Section IV, *generally*.

6. The Successor Plan contains service guarantees for the following categories of service:
- Bills not rendered;
 - Bills found inaccurate;
 - Service initiation; and
 - Final meter reads.

Id.

7. The service guarantees in the Successor Plan include the guarantees contained in the Current Plan plus additional guarantees associated with bills not rendered and bills found inaccurate. *Id.*

8. The Successor Plan includes a "service quality compensation mechanism," a financial penalties mechanism not contained in the current plan. This added mechanism requires VGS to provide additional compensation to customers if certain performance standards are not met. The Successor Plan specifies how to calculate "service quality compensation points," and provides a sliding scale for determining the dollar value assigned to the service quality compensation points in each category. Successor Plan at Section V, *generally*.

9. Under the Successor Plan, the maximum service quality compensation dollars to be paid by VGS in one year is \$295,300, and any service quality compensation dollars to be paid by VGS will be offset by any monies paid to customers through the service guarantees included in the Successor Plan. Successor Plan at Section V, ¶¶ 3 and 6; *see also* findings 5 and 6, above.

10. \$295,300 is a reasonable cap on the maximum service quality compensation dollars to be paid by VGS in one year. This amount is approximately equal to 75 basis points of VGS's 2003 earnings. This scale is proportionate to past Board decisions regarding the appropriate level of service quality compensation dollars, and utility management issues. Letter of Eileen Simollardes, May 20, 2004 at 1; *see also*, Docket 6851, Order of 6/18/03 at 5; Dockets 5701/5724, Order of 10/31/94 at 165–166; Docket 4997, Order of 12/9/85 at 10.

11. Service quality compensation dollars will be calculated annually in the month following the anniversary of the effective date of the Successor Plan, and will be paid to active customers by a one-time credit. As far as practicable, service quality compensation dollars will be paid to those active customers who were affected by the service deterioration. Successor Plan at Section II, ¶ 5, and Section V, ¶ 5.

12. At the time VGS files its quarterly report (in the month following the anniversary of the effective date of the Successor Plan), VGS will file its:

- a. Calculation of the service quality compensation dollars;
- b. PFD for which of its customers will receive the service quality compensation dollars; and
- c. PFD for communicating to its customers about its service performance over the prior year.

Section V, ¶ 7. Under the terms of the Successor Plan, VGS's service quality compensation calculation shall be deemed accepted if the Department files no objection within 30 days after the Company's PFD is submitted, and the Board does not take action to examine the Company's filing within 15 days after the filing deadline for an objection by the Department. *Id.*

13. The Successor Plan will remain in effect from the beginning of the first quarter following Board approval until modified by subsequent Board order. Under the terms of the Successor Plan, VGS and the Department will review the Successor Plan after it has been in effect for one year and every two years thereafter to determine if any modifications of measurements or performance levels are needed. VGS or the Department may petition the Board for modifications of measurements or performance levels at any time during the life of the Successor Plan. Successor Plan at Section I, ¶ 4.

IV. DISCUSSION AND CONCLUSION

As the Board has found with similar plans in the past, Service Quality Plans benefit utility customers by helping ensure that they receive adequate and reliable service. I conclude that VGS's Successor Plan is in the public interest, and I recommend that the Board approve it.

The Successor Plan establishes baselines that fall within the range of baselines that have been approved for other Vermont utilities, and includes service guarantees that require VGS to continue to provide specified bill credits to individual customers if VGS fails to meet certain service commitments to those customers. I am persuaded by the parties' arguments that the changes to the performance standards and baselines from the Current Plan to the Successor Plan are reasonable, even in those few instances where the changes result in the standard in the Successor Plan being less stringent than in the Current Plan.⁶ When considered in the context of preserving "reasonably adequate" service, and, the successor plan's imposition of additional financial penalties, I conclude that the changes to the standards are in the public good. Furthermore, the service guarantees in the Successor Plan include the guarantees contained in the Current Plan plus additional guarantees associated with bills not rendered and bills found inaccurate.⁷

The Successor Plan includes a service quality compensation mechanism that requires VGS to provide additional compensation to customers if certain performance standards are not met. This PFD is similar in function and scope to service quality compensation mechanisms that have been approved for GMP.⁸ The Successor Plan specifies how to calculate compensation points, and establishes methods for determining the dollar value assigned to the compensation points in each category. The Successor Plan establishes a cap of \$295,300 on the maximum amount of compensation dollars to be paid by VGS in one year. This is a reasonable limit, and is approximately equal to 75 basis points of VGS's 2003 earnings, a scale proportionate to past Board decisions regarding the appropriate level service quality compensation dollars, and utility

6. *See, e.g.*, abandon rates after hours, or preventable motor vehicle rate, exh. VGS-1.

7. There are two new service guarantees, "bills not rendered" and "bills found inaccurate," which will result in a \$10 credit to any retail customer whose bill is, respectively, not rendered within seven days of the scheduled billing cycle, or is found to be inaccurate after it has been sent to the customer.

8. *See, e.g.*, Docket 6851, Order of 6/18/03 at 11–14.

management issues. Furthermore, the Successor Plan proposes that any service quality compensation dollars to be paid by VGS will be offset by any monies paid to customers through the service guarantees included in the Successor Plan.

The Board has previously found that service quality plans, such as the one submitted by VGS in this Docket, furnish a variety of benefits, including: providing pertinent information on the level of service a company is providing; supplying data which is comparable to that being reported by other utility companies in Vermont; and the further development of a database from which to assess the appropriateness of performance targets.⁹ I find that VGS's Successor Plan provides these benefits.

Both amendments offered by VGS and supported by the Department further improve the initial filing submitted by VGS on January 30, 2004. While the first amendment clarifies language,¹⁰ the second amendment serves to ensure that, as VGS builds out its system, the Company must meet a substantive standard that measures its performance of service line installations.¹¹ Both amendments are improvements and can reasonably be expected to benefit VGS's customers. For these reasons, I recommend that the Board approve VGS's Successor Plan as amended.

By letter submitted on June 11, 2004, the Department agreed to waive its opportunity to file exceptions, briefs, and oral argument with respect to this PFD, provided that it is consistent with the approval of VGS's Successor Plan.¹² In addition, this PFD is in no way adverse to the interests of VGS. Consequently, this PFD has not been served on the parties in accordance with 3 V.S.A. § 811.

The foregoing is hereby reported to the Board in accordance with the provisions of 30 V.S.A. § 8.

In conclusion, I find that VGS's Successor Plan offers significant benefits to VGS's customers. As a result, I recommend that the Board: (1) approve VGS's Successor Plan as filed with the Board on May 5, 2004; and (2) require VGS to file such tariff amendments as are

9. *See, e.g.*, Docket 6851, Order of 6/18/03 at 7; Dockets 6120/6460, Order of 6/26/01 at 45.

10. *See* Measure 7a, Meter Accuracy.

11. *I.e.*, the inclusion of service lines in its Work Completion Measures.

12. Department Letter of June 11, 2004.

necessary to implement the service guarantees contained in Section IV of the Successor Plan within 30 days of the date of this Order.

Dated at Montpelier, Vermont this 16th day of June, 2004.

s/David Farnsworth
David Farnsworth, Esq.
Hearing Officer

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings and conclusions of the Hearing Officer are adopted.
2. VGS's Successor Service Quality & Reliability Performance, Monitoring & Reporting Plan ("Successor Plan") is approved as filed on May 5, 2004.
3. VGS shall file such tariff amendments as are necessary to implement the service guarantees contained in Section IV of the Successor Plan within 30 days of the date of this Order.
4. This docket shall be closed.

Dated at Montpelier, Vermont, this 18th day of June, 2004.

<u>s/Michael H. Dworkin</u>)	PUBLIC SERVICE
)	
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: June 18, 2004

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.