

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 7255

Investigation into the Village of Northfield Electric )  
Department's proposed Successor Service Quality and )  
Reliability Performance, Monitoring and Reporting Plan )

Order entered: 1/22/2007

**ORDER APPROVING SUCCESSOR SERVICE QUALITY AND RELIABILITY PLAN**

**I. INTRODUCTION**

In this Order, we approve the proposed Successor Service Quality and Reliability Performance, Monitoring and Reporting Plan ("Service Quality Plan") that was filed by the Village of Northfield Electric Department ("Northfield") on December 19, 2006, with the clarification that Northfield's Trustees shall ensure that any service quality compensation dollars paid pursuant to the Service Quality Plan<sup>1</sup> benefit Northfield's electric customers.

**II. PROCEDURAL HISTORY**

On January 20, 2006, Northfield filed a proposed Successor Service Quality and Reliability Performance, Monitoring and Reporting Plan with the Public Service Board ("Board"). In the interest of minimizing litigation costs, the Board took no action on Northfield's proposed successor service quality plan while it considered a substantially similar plan for another municipal electric utility.

After the Board ruled on this plan for another municipal electric utility, 13 municipal electric utilities<sup>2</sup> asked the Board to hold a hearing, meeting or workshop to discuss the utilities'

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1. The Service Quality Plan includes a service quality compensation mechanism, which is a points-based mechanism that provides for additional payments to customers affected by poor service. Typically this mechanism is used for large-scale service-quality deficiencies (such as phone answering and reliability) where it is hard to identify specific individuals who were affected.

2. The 13 municipal electric utilities include: Barton Village Inc. Electric Department; Village of Enosburg Falls Water & Light Department; Town of Hardwick Electric Department; Village of Hyde Park Electric Department; Village of Jacksonville Electric Company; Village of Johnson Water & Light Department; Village of Ludlow Electric Light Department; Village of Lyndonville Electric Department; Village of Morrisville Water & Light

thoughts and ideas on the issue of including service guarantees and service quality compensation mechanisms in their service quality plans. The Board held a workshop to discuss these issues on July 19, 2006.

On September 8, 2006, the Board issued a memorandum following up on that workshop. In that memorandum, the Board provided the 13 municipal utilities with 60 days to file any modifications to the proposed plans they filed with the Board earlier in the year. The Board stated that after that time period, it would open dockets to review whatever proposed plans were then on file with the Board.

On October 31, 2006, Northfield filed a revised proposed successor service quality and reliability plan.

On December 1, 2006, the Vermont Department of Public Service ("DPS") filed a letter stating that it had reviewed Northfield's October 31 filing, and that Northfield had agreed to resubmit its proposed successor service quality plan with changes such that the DPS would support it.

On December 19, 2006, Northfield filed its Service Quality Plan, which Northfield stated includes the changes requested by the DPS.

On January 5, 2007, the DPS filed a letter recommending that the Board approve Northfield's proposed Service Quality Plan. The DPS also recommended that the DPS provide training to Northfield to ensure a clear understanding of the implementation of the Service Quality Plan. Finally, the DPS recommended that the Service Quality Plan be reviewed in one year to determine its effectiveness, and what changes should be considered.

### **III. FINDINGS**

1. The proposed Service Quality Plan establishes performance measures in six broad areas of service that have a substantial impact on consumers: call answering; billing; meter reading; work completion; customer satisfaction; and reliability. The proposed Service Quality Plan includes baseline levels for each performance standard. Service Quality Plan at 4-7.

2. The proposed Service Quality Plan establishes measurement and reporting protocols for the performance standards. Service Quality Plan at 2-3.

3. The proposed Service Quality Plan includes service guarantees<sup>3</sup> covering line crew appointments, meter work, and delay days. Service Quality Plan at 8.

4. The proposed Service Quality Plan includes a service quality compensation mechanism. Service Quality Plan at 9-10.

5. The proposed Service Quality Plan provides that it will be in effect from the beginning of the first quarter following approval by the Board until modified by subsequent Board order. The proposed Service Quality Plan states that Northfield and the DPS agree to review the Service Quality Plan after it has been in effect for one year, and every two years thereafter, to determine the need for any modifications of measurements or performance levels. Service Quality Plan at 1.

6. The proposed Service Quality Plan provides that Northfield will:

- notify all its ratepayers, in writing, that it has a Service Quality Plan in effect, and describe the purpose and general detail of the Service Quality Plan;
- present, for review and discussion, the service quality quarterly report that is filed with the DPS and the Board at the first meeting of Northfield's governing body that follows the filing of that report; and
- publish a section about service quality and reliability, including Northfield's annual service quality report that is filed with the DPS and the Board, in Northfield's Annual Report.

Service Quality Plan at 8.

#### **IV. DISCUSSION**

Our authority to approve service quality plans stems from 30 V.S.A. §§ 209(a)(1), 209(a)(3), and 219. As we stated in our order approving a service quality plan for Central Vermont Public Service Corporation:

Section 219 of Title 30 requires electric utilities (and other regulated companies) to "furnish reasonably adequate service, accommodation and facilities to the

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3. Service guarantees require a utility to provide specified bill credits to individual customers if the utility does not meet certain service commitments to those customers.

public." Vermont law gives this Board the authority to set standards regarding this utility obligation. Specifically, 30 V.S.A. § 209(a)(1) gives this Board jurisdiction over "[t]he . . . quality of any product furnished or sold by any company subject to supervision under this chapter," and 30 V.S.A. § 209(a)(3) provides jurisdiction over "[t]he manner of operating and conducting any business subject to supervision under this chapter, so as to be reasonable and expedient, and to promote the safety, convenience and accommodation of the public[.]" Taken together, these statutory provisions establish the basis for service quality and reliability standards by which the adequacy of service can be measured in order to determine whether a company is, in fact, providing "reasonably adequate service" and is operating its business in a "reasonable and expedient" manner that "promotes the safety, convenience, and accommodation of the public."<sup>4</sup>

After reviewing Northfield's proposed Service Quality Plan, we conclude that the service quality and reliability standards included in Northfield's Service Quality Plan do just that — they enable the Board to measure Northfield's performance in certain areas that are important to customers, and thus to ascertain whether Northfield is providing "reasonably adequate service." The standards included in Northfield's Service Quality Plan are substantially similar to those previously approved by the Board for other Vermont electric utilities, and we are persuaded that the differences are the result of lessons learned from Northfield's and other municipal utilities' experiences with service quality plans.

#### Service Quality Compensation Mechanism

The service quality compensation mechanism set forth in the Service Quality Plan is similar to that in effect for other utilities. The Service Quality Plan specifies how to calculate service quality compensation points, divides the service quality compensation points into two categories (reliability and other measures), and provides a sliding scale for determining the dollar value assigned to the service quality compensation points in each category. The Service Quality Plan also specifies the processes that will be followed for determining the amount of service quality compensation dollars that should be paid each year, and who should receive the dollars.

Paragraph V.6 of the Service Quality Plan states that "Service quality compensation dollars shall be paid to community service activities as approved by the Trustees." As we noted

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4. Dockets 6120/6460, Order of 6/26/01 at 44.

when considering a similar provision for another municipal electric utility,<sup>5</sup> the purpose of the service quality compensation mechanism is to compensate Northfield's ratepayers in the event Northfield provides them with poor service. Accordingly, we will require Northfield's Trustees to select "community service activities" that benefit Northfield's electric ratepayers. Because Northfield, like most municipal electric utilities, serves ratepayers outside the Village boundaries, the selected community service activities must benefit the larger community served by Northfield, not just Village residents.

Under the Service Quality Plan, the maximum amount that Northfield will pay to customers each year as a result of the service quality compensation mechanism will be 0.1% of Northfield's annual revenues for the 12-month reporting period.<sup>6</sup> This amount will be offset by any monies paid to customers through the Service Quality Plan's service guarantees. The cap on Northfield's service quality compensation is the same percentage that we previously approved for another municipal electric utility.<sup>7</sup> In light of the fact that Northfield's Service Quality Plan was the result of a settlement between two parties with opposing interests, we conclude that the annual cap on Northfield's service quality compensation is acceptable at the present time.

#### DPS Recommendations

The DPS recommended that it provide training to Northfield regarding the implementation of the Service Quality Plan. We are persuaded that such training could be helpful. We have heard many municipal utilities express concern regarding the administrative costs associated with implementing service quality plans. Training provided by the DPS could help minimize misunderstandings regarding how to implement the plans, and thereby help minimize costs associated with the plans' implementation. Accordingly, we require Northfield to coordinate with the DPS regarding such training.

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5. Docket 7126, Order of 7/12/2006 at 3.

6. For 2005, the estimated amount at risk would be \$3,163.91 for a maximum of 150 service quality compensation points.

7. The annual cap on service quality compensation for the Village of Morrisville Water and Light Department ("Morrisville") is 0.1% of Morrisville's annual revenues. Docket 7126, Order of 7/12/06 at 3-4.

The DPS also recommended that the service quality plan process be reviewed in a year. The Service Quality Plan itself provides that Northfield and the DPS will review the Service Quality Plan after it has been in effect for one year (and every two years thereafter) to determine the need for any modifications of measurements or performance levels. We approve the DPS's request to expand the one-year review to include the effectiveness of the service quality plan process, and consideration of possible modifications. If such review leads either party to propose modifications to the Service Quality Plan, we will consider them at that time.

#### Effective Date of Service Quality Plan

The Service Quality Plan states that it will take effect with the beginning of the first quarter following approval by the Board. While the Board had hoped to be able to rule on the Service Quality Plan in December (which would have enabled the Service Quality Plan to take effect January 1, 2007), it was unable to do so because it did not receive the DPS's recommendation regarding the Service Quality Plan until January. As a result, under the terms of the Service Quality Plan, it will not take effect until April 1, 2007.

However, the Board is aware that it may be administratively more efficient for a utility's service quality plan to take effect at the beginning of a calendar year. For example, the reliability performance standards are only required to be calculated on a calendar-year basis, and they may need to be calculated on a "service quality plan year" basis (if the service quality plan year is not a calendar year) in order to determine whether the utility owes any service quality compensation dollars. The Board does not wish to require a utility to perform any additional calculations. Therefore, the Board requires Northfield to notify the Board within 10 business days of this Order's issuance whether it elects to begin reporting under its Service Quality Plan as of January 1, 2007 (so that its reports would be on a calendar-year basis), or as of April 1, 2007 (which is the date provided for under the terms of the Service Quality Plan).

If Northfield chooses to begin reporting as of January 1, 2007, the effective date of the Service Guarantee section of the Service Quality Plan must be a later date. That is because implementing the service guarantees will require Northfield to modify its tariffs, and such modifications cannot be made retroactively. Therefore, if Northfield chooses to begin reporting

as of January 1, 2007, the Board requests that Northfield propose a prospective effective date for the Service Guarantee section of the Service Quality Plan (no later than April 1, 2007, which is the date the Service Guarantees would go into effect under the terms of the Service Quality Plan). The proposed effective date should be filed at the same time that Northfield informs the Board that it chooses to begin reporting as of January 1, 2007 (only if Northfield chooses to begin reporting on that date).

#### Attachment A

Finally, we note that Attachment A to the Service Quality Plan is not consistent with the service quality compensation mechanism described in Section V of the Service Quality Plan.<sup>8</sup> This appears to be inadvertent; Northfield changed Section V from that which it had proposed in its October 31, 2006, filing, but did not make corresponding changes to Attachment A. Accordingly, we will require Northfield to submit a revised Attachment A that is consistent with Section V of the Service Quality Plan.

#### V. CONCLUSION

For the reasons stated above, we approve the Service Quality Plan that was filed by Northfield on December 19, 2006, with the clarification that Northfield shall ensure that any service quality compensation dollars paid pursuant to the Service Quality Plan benefit Northfield's electric customers.

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8. For example, it shows a different method of calculating service quality compensation owed, as well as uses different standards in that calculation.

**VI. ORDER**

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

1. The Successor Service Quality and Reliability Performance, Monitoring and Reporting Plan ("Service Quality Plan") that was filed by the Village of Northfield Electric Department ("Northfield") on December 19, 2006, is hereby approved.

2. When selecting a community service activity to receive service quality compensation dollars, Northfield's Trustees shall ensure that any service quality compensation dollars paid pursuant to Paragraph V.6 of the Service Quality Plan benefit Northfield's electric customers (not just Village residents).

3. On or before February 5, 2007, Northfield shall notify the Board whether it elects to begin reporting under the Service Quality Plan on January 1, 2007, or April 1, 2007. If Northfield elects to begin reporting on January 1, 2007, Northfield shall also propose a prospective effective date, no later than April 1, 2007, for the Service Guarantees portion of the Service Quality Plan.

4. On or before February 5, 2007, Northfield shall file a revised Attachment A that is consistent with the text of Section V of the Service Quality Plan.

5. On or before February 9, Northfield shall file revised tariffs implementing the Service Guarantees provided for in the Service Quality Plan.

6. Northfield shall coordinate with the Vermont Department of Service ("DPS") regarding the training that the DPS has proposed related to the implementation of the Service Quality Plan.

Dated at Montpelier, Vermont, this 22<sup>nd</sup> day of January, 2007.

<u>s/James Volz</u>	)	
	)	PUBLIC SERVICE
	)	
<u>s/David C. Coen</u>	)	BOARD
	)	
	)	OF VERMONT
<u>s/John D. Burke</u>	)	

OFFICE OF THE CLERK

FILED: January 22, 2007

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: psb.clerk@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.*