

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7259

Investigation into Village of Johnson Water & Light)
Department's proposed Service Quality and Reliability)
Performance, Monitoring and Reporting Plan)

Order entered: 1/22/2007

ORDER APPROVING SERVICE QUALITY AND RELIABILITY PLAN

I. INTRODUCTION

In this Order, we approve the proposed Service Quality and Reliability Performance, Monitoring and Reporting Plan ("Service Quality Plan") that was filed by the Village of Johnson Water & Light Department ("Johnson") on December 26, 2006, with the clarification that any service quality compensation dollars used, pursuant to the Service Quality Plan,¹ for right-of-way vegetation clearing or other maintenance activities that directly improve the service quality and reliability of the system, must be in addition to funds already included in rates for those items.

II. PROCEDURAL HISTORY

On December 9, 2005, Johnson filed a proposed 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 Johnson's proposed 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 utilities² asked the Board to hold a hearing, meeting or workshop to discuss the utilities'

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, Johnson filed a revised proposed service quality and reliability plan.

On December 1, 2006, the Vermont Department of Public Service ("DPS") filed a letter stating that it had reviewed Johnson's October 31 filing, and that it had been unable to reach agreement with Johnson regarding this plan. As a result, the DPS recommended that the Board open an investigation into Johnson's October 31 filing.

On December 18, 2006, Johnson filed a letter stating that it would be filing a proposed service quality plan consistent with the language preferred by the DPS.

On December 26, 2006, Johnson filed its Service Quality Plan. In the cover letter accompanying the Service Quality Plan, Johnson asked that the Board consider allowing Performance Standard 2.c (Payment Posting Complaints) to be stricken from the Service Quality Plan. Johnson also provided an alternate proposal for a service quality compensation mechanism in its cover letter.

On January 5, 2007, the DPS filed a letter recommending that the Board approve Johnson's proposed Service Quality Plan. The DPS also recommended that the DPS provide training to Johnson 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 seven broad areas of service that have a substantial impact on consumers: call answering; billing; meter reading; work completion; customer satisfaction; worker safety; and reliability. The proposed Service Quality Plan includes baseline levels for each performance standard. Service Quality Plan at 4-8.

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 guarantees³ covering line crew appointments, meter work, and delay days. Service Quality Plan at 8-9.

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 Johnson 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 Johnson 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 Johnson's governing body that follows the filing of that report; and
- publish a section about service quality and reliability, including Johnson's annual service quality report that is filed with the DPS and the Board, in Johnson's Annual Report.

Service Quality Plan at 9.

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.

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 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."⁴

After reviewing Johnson's proposed Service Quality Plan, we conclude that the service quality and reliability standards included in Johnson's Service Quality Plan do just that — they enable the Board to measure Johnson's performance in certain areas that are important to customers, and thus to ascertain whether Johnson is providing "reasonably adequate service." The standards included in Johnson'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 other municipal utilities' experiences with service quality plans.

In Johnson's cover letter accompanying the Service Quality Plan, Johnson asked that the Board consider allowing Performance Standard 2.c (Payment Posting Complaints) to be stricken from the Service Quality Plan. The DPS did not address this request in its comments on Johnson's Service Quality Plan. We have considered Johnson's request and determine that it is appropriate to include Performance Standard 2.c in the Service Quality Plan at this time.

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

We are aware that, for a period of time, another municipal electric utility (not Johnson) did provide poor payment-posting service to its customers. That utility did not have a service quality plan in effect at the time. It is possible that, if a service quality plan had been in effect, the plan's reporting requirements would have brought the service quality deficiencies to our attention sooner than otherwise occurred. While we are unaware of similar payment-posting difficulties at any other municipal utility (including Johnson), we are unwilling to remove Performance Standard 2.c from the Service Quality Plan without a better understanding of the benefits and drawbacks of such an approach.⁵ Instead, we note that the value of including this performance standard could be one issue that is addressed by Johnson and the DPS during the discussions that will occur, pursuant to Paragraph I.4 of the Service Quality Plan, after the Service Quality Plan has been in effect for one year. If, after those discussions, Johnson or the DPS proposes the removal of Performance Standard 2.c from the Service Quality Plan, we will reconsider the issue at that time.

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 applied to "maintenance activities that directly improve the service quality and reliability of the system, such as tree trimming, [right-of-way] mowing, etc." We have previously stated

5. We recognize that Performance Standard 5 (Rate of Complaints to DPS/Consumer Affairs) tracks all customer complaints filed with the DPS that are ultimately classified as "escalations." It is possible that it is unnecessary to track payment-posting complaints separately because any significant payment-posting problems would affect the broader performance standard. However, neither party has commented on this issue, and we decline to reach any conclusion regarding it at this time.

that the purpose of the service quality compensation mechanism is to compensate a utility's ratepayers in the event that the utility provides them with poor service.

We have some reservations about whether using service quality compensation dollars for right-of-way clearing or other maintenance activities that directly improve the service quality and reliability of the system will adequately compensate a utility's ratepayers. Even with the caveat that the amounts spent must be in addition to funds already in rates for those items,⁶ it will be difficult to determine whether the utility would have chosen to spend additional funds on right-of-way clearing or other maintenance activities even if they had not owed any service quality compensation dollars. More importantly, using service quality compensation dollars for this purpose could provide a utility with an undesirable incentive to budget less for tree trimming or other maintenance activities than they otherwise would have.

Nevertheless, we conclude that we will allow Johnson to use its service quality compensation funds in the manner that it proposed, with the clarification that the service quality compensation funds be in addition to funds already in rates for the items. However, because of the concerns expressed above, we intend to monitor closely Johnson's use of any service quality compensation funds for tree trimming or other maintenance activities. In addition, we require Johnson and the DPS to address, during the discussions required by Paragraph I.4 of the Service Quality Plan, whether such use of service quality compensation dollars is effective at: (1) compensating ratepayers for past poor service quality; and (2) providing the correct incentives to utility management to improve the utility's service quality performance.

Under the Service Quality Plan, the maximum amount that Johnson will pay to customers each year as a result of the service quality compensation mechanism will be 0.1% of Johnson's annual revenues for the 12-month reporting period.⁷ This amount will be offset by any monies

6. The Board stated in its September 8, 2006, memorandum that it was willing to consider allowing municipal utilities to use service quality compensation funds for additional tree trimming or other system improvements that would improve service quality and reliability, provided that the amounts are in addition to funds already included in rates for those items. In other words, if a utility wanted to use service quality compensation funds for tree trimming, the utility's total tree-trimming expenses for the year should be at least equal to the amount of the tree-trimming expense included in the utility's current rates plus the service quality compensation funds.

7. For 2005, the estimated amount at risk would be \$1,553 for a maximum of 150 service quality compensation points.

paid to customers through the Service Quality Plan's service guarantees. The cap on Johnson's service quality compensation is the same percentage that we previously approved for another municipal electric utility.⁸ In light of the fact that Johnson's Service Quality Plan was the result of a settlement between two parties with opposing interests, we conclude that the annual cap on Johnson's service quality compensation is acceptable at the present time.

The cover letter accompanying Johnson's Service Quality Plan included language that described an alternative service quality compensation mechanism that Johnson originally proposed and discussed with the DPS. Johnson provided this alternative "for the Board's information and for comparison to what we have filed."⁹ Johnson stated that it continues to believe that this alternative service quality compensation mechanism is more suited to a utility of its size. Nevertheless, Johnson filed the Service Quality Plan as it is because, according to Johnson, the DPS could not support its alternative proposal.

We appreciate Johnson's willingness to work with the DPS to develop a service quality plan that both parties could agree to. Both Johnson and the DPS have expressed a desire to reexamine the SQRP process in one year, and to consider possible changes at that time. Improvements to the service quality compensation mechanism could be one topic that is discussed as part of this reexamination. If, as a result of those discussions, either party proposes changes to Johnson's Service Quality Plan, the Board will consider the proposed changes at that time.

DPS Recommendations

The DPS recommended that it provide training to Johnson 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

8. 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.

9. Letter from Duncan Hastings, Administrator, Johnson, to Susan Hudson, Clerk, Board, filed December 26, 2006, at 1.

misunderstandings regarding how to implement the plans, and thereby help minimize costs associated with the plans' implementation. Accordingly, we require Johnson to coordinate with the DPS regarding such training.

The DPS also recommended that the service quality plan process be reviewed in a year. The Service Quality Plan itself provides that Johnson 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 the Service Quality Plan was filed so close to the end of the year. 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 Johnson 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 Johnson 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 Johnson to modify its tariffs, and such modifications cannot be made retroactively. Therefore, if Johnson chooses to begin reporting as of January 1, 2007, the Board requests that Johnson 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 Johnson informs the Board that it chooses to begin reporting as of January 1, 2007 (only if Johnson chooses to begin reporting on that date).

V. CONCLUSION

For the reasons stated above, we approve the Service Quality Plan that was filed by Johnson on December 26, 2006, with the clarification that any service quality compensation dollars used for right-of-way vegetation clearing or other maintenance activities that directly improve the service quality and reliability of the system must be in addition to funds already included in rates for those items.

VI. ORDER

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

1. The Service Quality and Reliability Performance, Monitoring and Reporting Plan ("Service Quality Plan") that was filed by the Village of Johnson Water and Light Department ("Johnson") on December 26, 2006, is hereby approved.
2. Johnson shall ensure that any service quality compensation dollars used, pursuant to Paragraph V.6 of the Service Quality Plan, for right-of-way vegetation clearing or other maintenance activities that directly improve the service quality and reliability of the system are in addition to funds already included in rates for those items.

3. On or before February 5, 2007, Johnson shall notify the Board whether it elects to begin reporting under the Service Quality Plan on January 1, 2007, or April 1, 2007. If Johnson elects to begin reporting on January 1, 2007, Johnson 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 9, Johnson shall file revised tariffs implementing the Service Guarantees provided for in the Service Quality Plan.

5. Johnson 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.

6. The topics to be addressed by Johnson and the DPS in the discussions required by Paragraph I.4 of the Service Quality Plan shall include: (1) the effectiveness of the service quality plan process, and consideration of possible modifications to that process; and (2) whether the use of service quality compensation dollars for right-of-way vegetation clearing or other maintenance activities that directly improve the service quality and reliability of the system is effective at (a) compensating ratepayers for past poor service quality and (b) providing the correct incentives to utility management to improve the utility's service quality performance.

Dated at Montpelier, Vermont, this 22nd day of January, 2007.

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

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.