

**BEFORE THE RHODE ISLAND
PUBLIC UTILITIES COMMISSION
DOCKET NO. 3476**

**IN THE MATTER OF THE FILING OF
NEW ENGLAND GAS COMPANY
FOR APPROVAL OF A SERVICE QUALITY PROGRAM**

**DIRECT TESTIMONY OF
RICHARD W. LELASH
ON BEHALF OF THE
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

NOVEMBER, 2002

NEW ENGLAND GAS COMPANY
SERVICE QUALITY PROGRAM - DOCKET NO. 3476
TESTIMONY OF RICHARD W. LELASH

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1 I. STATEMENT OF QUALIFICATIONS

2

3 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE
4 RECORD.

5 A. My name is Richard W. LeLash and my business address is 18 Seventy Acre
6 Road, Redding, Connecticut.

7

8 Q. WHAT IS YOUR CURRENT BUSINESS AFFILIATION?

9 A. I am an independent financial and regulatory consultant working on behalf of state
10 public utility commissions, attorneys general, and consumer advocates.

11

12 Q. PRIOR TO YOUR WORK AS AN INDEPENDENT CONSULTANT, WHAT
13 WAS YOUR BUSINESS AFFILIATION, AND WHAT WAS YOUR
14 REGULATORY EXPERIENCE?

15 A. I was a principal with the Georgetown Consulting Group for twenty years. During
16 my affiliation with Georgetown, and continuing to date, I have testified on cost of
17 service, rate of return, and regulatory policy issues in more than 250 regulatory
18 proceedings. These testimonies were presented before the Philadelphia Gas
19 Commission, the Federal Energy Regulatory Commission and in the following
20 jurisdictions: Alabama, Arizona, Colorado, Delaware, District of Columbia,

1 Georgia, Illinois, Kansas, Maine, Maryland, Minnesota, Missouri, New Jersey,
2 New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Rhode Island,
3 U.S. Virgin Islands, and Vermont.
4

5 Q. MR. LELASH, WHAT IS YOUR EDUCATIONAL BACKGROUND?

6 A. I graduated from the Wharton School with a BS in Economics and from the
7 Wharton Graduate School with an MBA.
8

9 Q. DURING THE COURSE OF YOUR REGULATORY WORK, WHAT HAS
10 BEEN YOUR EXPERIENCE WITH GAS DISTRIBUTION COMPANIES?

11 A. Since 1980, I have worked extensively on gas policy issues. In my Appendix
12 there is a listing of the recent cases in which I have sponsored testimony. In
13 addition to these cases, I have reviewed and analyzed many other gas policy
14 filings which were resolved through stipulation. Among other issues, my
15 testimonies have involved gas revenue requirements, unbundling and
16 restructuring, performance based regulation, gas plant remediation costs, gas price
17 hedging, general gas procurement reviews, and least cost gas standards. In
18 addressing these issues, I have analyzed gas regulatory filings involving about 30
19 different local distribution companies.
20
21

1 II. SCOPE AND PURPOSE OF TESTIMONY

2

3 Q. WOULD YOU PLEASE STATE THE SCOPE AND PURPOSE OF YOUR
4 TESTIMONY IN THIS PROCEEDING?

5 A. I am appearing on behalf of the Division of Public Utilities and Carriers
6 (“Division”) to review and analyze the Service Quality Program (“SQP” or
7 “program”) proposed by the New England Gas Company (“NEG” or “Company”).
8 The purpose of this testimony is to provide findings and conclusions to the Public
9 Utilities Commission (“Commission”) concerning the proposed program for the
10 Company. The testimony will address appropriate service measures, performance
11 benchmarks, reporting requirements, and the penalty structure for the proposed
12 program.

13

14 Q. IN PERFORMING YOUR WORK, WHAT DATA SOURCES DID YOU USE?

15 A. The review and analysis encompassed the Company’s proposal, its associated
16 supporting exhibits, and other related information. The work also utilized
17 information provided by the Company during a discovery meeting in Docket No.
18 3401.

19

1 Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR
2 SUPERVISION?

3 A. This testimony was prepared by me.

4

1 III. SERVICE QUALITY PROGRAM (SQP) FRAMEWORK

2

3 Q. WOULD YOU PLEASE DISCUSS WHAT POLICY ISSUES ARE INVOLVED
4 WITH A SERVICE QUALITY PROGRAM?

5 A. While often not explicitly stated, the typical objective for such a program is to
6 ensure reasonable performance and to identify and fix any service deficiencies.
7 As such, there is a need to develop an overall framework for any such program.
8 As a starting point, the specified service measures have to be defined and
9 quantified. There then is a need to determine what constitutes a reasonable level
10 of performance under each specified measure. Such performance would be
11 considered to be the benchmark for on-going reporting and evaluation. Based on
12 performance relative to the benchmarks, there also need to be provisions for
13 remedial actions by the utility and, failing the correction of the deficiency, the
14 imposition of penalties.

15 Conceptually, most service measures will have some allowance associated
16 with the benchmark in order to address performance variation that is not material.
17 If performance falls below the resultant benchmark, then there should be required
18 actions on the part of the utility to fix the problem within a specified time period
19 or be subject to penalties. Such a framework would implicitly recognize that the
20 primary objective is to address service deficiencies rather than impose fines.

1

2 Q. FOR A TYPICAL SERVICE QUALITY PROGRAM, HOW WOULD
3 BENCHMARKS BE ESTABLISHED?

4 A. In most instances, a performance standard would be established based on the
5 utility's past level of performance and/or some established industry or functional
6 standard. For example, a utility with performance of 95% and an industry average
7 of 97% might result in a 96% benchmark. In that case, if the utility's performance
8 fell below 96%, it would be required to submit a filing explaining why there was a
9 service deficiency, what actions were to be taken, and an implementation
10 timetable for remedial action. Assuming that there is a penalty structure in place,
11 it would also be required that the utility's remedial actions would be fully
12 implemented and the performance would exceed the benchmark prior to some
13 specified deadline.

14

15 Q. HOW WOULD POTENTIAL FINES OR PENALTIES BE INCORPORATED
16 INTO SUCH AN SQP FRAMEWORK?

17 A. Any defined penalties would be imposed if the utility fails to meet a service
18 benchmark by the end of the following quarter. Thus, a service deficiency in the
19 first quarter of a year would have to be eliminated by June of the same year.

1 Under this framework, a service deficiency could occur if, in any month of the
2 quarter, the performance level was below the benchmark.

3
4 Q. WHY IS IT NECESSARY TO EVALUATE SERVICE MEASURES ON A
5 MONTHLY BASIS?

6 A. In order to fulfill service objectives, it is necessary to ensure that customers
7 receive reasonable service on a consistent basis. Using call center response times
8 as an example, it is not acceptable for calls to be answered in 20 seconds 80% of
9 the time during a quarter if in one of the months the standard was met only 60% of
10 the time. To a customer, day-by-day and even hour-by-hour performance is
11 relevant. Since calling volumes vary over periods of time, the longer the
12 measurement interval, the less likely it is that service deficiencies will be
13 identified. However, while they may not be identified within an annual SQP
14 program, it is quite likely they will result in increased complaints. In the end
15 analysis, call center staffing must be adequate to meet peak requirements, not just
16 average “acceptable” performance over extended periods of time.

17
18 Q. HOW ARE SHORT INTERVAL LAPSES IN SERVICE MONITORED AS
19 PART OF SUCH AN SQP?

1 A. A utility would report its SQP data on a monthly basis. This would enable
2 adequate, on-going review of results. To the degree there is a desire to monitor
3 shorter than monthly periods for certain service measures, this would be
4 accomplished by requiring the utility to maintain detailed records for potential
5 review as part of either quarterly or annual service evaluation activities.

6
7 Q. WITH RESPECT TO PENALTIES, ARE THERE ANY OVERALL ISSUES
8 CONCERNING THEIR APPLICATION?

9 A. In developing recommendations for service related penalties, any penalty should
10 be sufficient to provide a disincentive to the utility for deficient performance. In
11 addition, the level of the penalty should reflect the importance of the related
12 service area. Under this consideration, pipeline safety related areas would be
13 given the highest penalties, with direct customer related areas given the next
14 highest level. On this basis, pipeline safety areas should not be subject to the
15 delayed imposition of penalties. Thus, if there is a serious deficiency in such
16 service measures, the regulatory commission should have the discretion to impose
17 immediate penalties on the utility.

18 The nature and scope of any service quality standards would be determined
19 by several practical considerations. The first of these is the fact that standards
20 should be “actionable.” By this it is meant that the service quality standard should

1 measure a specific utility activity or function and the associated reporting should
2 provide sufficient data to determine when remedial action is required. For
3 example, a measurement of the number of complaints made to the regulatory
4 commission is a valid service measure, but it does not, taken in isolation, provide
5 data to sufficiently determine a service deficiency.

6
7 Q. WHAT OTHER CONSIDERATIONS ARE RELEVANT TO THE
8 DEVELOPMENT OF AN SQP?

9 A. A second consideration involves the availability of data to track the specific
10 service performance. Practically speaking, there are service areas which might
11 warrant monitoring but for which there is inadequate data or the collection of data
12 is not feasible. This consideration also involves service areas where there would
13 have to be an unreasonable level of effort to collect data and a commensurate level
14 of cost. In addressing this consideration, a relevant factor would be whether or not
15 other similar utilities monitor and report comparable SQP data.

16 And finally, there is a consideration of the nature of any SQP and whether
17 it represents a new and relatively extensive undertaking. If so, it is reasonable to
18 initially limit the number of SQP components with the understanding that the
19 program can and should evolve over time. An annual review proceeding should
20 be used to add, revise, or delete SQP components as well as altering individual

1 SQP benchmarks and penalties. To the degree the proposed service measures
2 potentially highlight areas of service deficiencies, the program should provide for
3 the addition of other related service measures as required.

4 Q. THE COMPANY HAS PROPOSED THAT ANNUAL AVERAGE
5 PERFORMANCE AND PENALTY DETERMINATIONS ARE APPROPRIATE
6 FOR ITS SQP. DO YOU AGREE?

7 A. No, the Company is recommending a procedure which would be ineffective in
8 measuring performance and imposing penalties for inadequate service levels. It
9 should not take a year for the Company to incur a penalty if, in fact, its
10 performance has been inadequate for several months. Likewise, if the Company's
11 performance is well below an established standard for several months, it should
12 not be permitted to avoid any potential penalty. In effect, adequate service is a
13 365 day a year requirement, and any material deficiency should not have to be
14 present for an entire year to warrant the imposition of penalties.

15 The need for monthly service reporting and monitoring also stems from the
16 fact that NEG's operation is seasonal in nature and annual benchmarks will mask
17 inadequate performance during peak periods. A monthly SQP also ensures that
18 deficiencies will be identified quickly and necessary remedial actions will be
19 implemented in a timely fashion. Under an annual mechanism this would not be
20 the case.

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Q. THE COMPANY HAS PROPOSED THE USE OF CREDITS AS WELL AS PENALTIES ASSOCIATED WITH THE SERVICE BENCHMARKS. WHAT IS YOUR POSITION CONCERNING SUCH CREDITS?

A. The Company has proposed credits and penalties based on various levels of performance relative to the established benchmark. Thus, it shows examples of various service performance levels with “satisfactory” defined by a deadband around its proposed benchmark and credits and penalties the further performance varies either above or below the benchmark.

I believe that with reasonable service benchmarks, and with a procedure to allow remedial action by the Company prior to assessing penalties for inadequate performance, there is no justification to have credits for performance that exceeds the benchmark’s requirement. Indeed, from a customer point of view, better than benchmark performance does not realistically cancel out service which is deficient. In any given time period, performance which is below the established benchmark is not rectified by the fact that, in other time periods, other service levels may have exceeded their benchmarks. Accordingly, neither a credit mechanism nor deadbands would be needed or appropriate for the SQP.

1 Q. DO YOU HAVE ANY RECOMMENDATION CONCERNING THE LEVEL OF
2 PENALTIES WHICH SHOULD BE ASSESSED IN THE EVENT OF AN
3 UNRESOLVED SERVICE DEFICIENCY?

4 A. The Company, under its annual SQP recommendations, proposed penalties
5 depending upon the nature of the service deficiency. As will be discussed later in
6 greater detail, the Company's proposed maximum level of penalties is reasonable,
7 although the allocation of the maximum amount should be modified.

8

9 Q. AND FINALLY, WHAT WOULD BE THE FACTORS THAT THE
10 COMMISSION COULD EVALUATE IN DETERMINING WHEN A PENALTY
11 SHOULD BE IMPOSED?

12 A. The Commission should take exogenous events into account if they had an impact
13 on any deficiency. Bad weather could distort the performance of field crews and
14 telephone equipment problems could hinder call center operations. Therefore, the
15 imposition of a penalty should take into account the circumstances of the
16 deficiency and to what degree it may have been beyond the Company's control.

17

18 Q. IS IT YOUR RECOMMENDATION THAT NEG'S SERVICE QUALITY
19 PROGRAM FOLLOW THE POLICIES AND PROCEDURES WHICH YOU
20 HAVE DISCUSSED ABOVE?

1 A. Yes, it is. The SQP framework which was discussed should be utilized for NEG
2 subject to several specific program modifications which will be discussed in the
3 following portions of this testimony.

4
5 Q. ARE THERE ANY OTHER GENERAL SQP POLICY ISSUES WHICH YOU
6 WISH TO DISCUSS?

7 A. Yes, based on the Company's testimony and its SQP attachment, there are two
8 policy issues which require discussion and clarification. The first of these
9 involves the Company's proposal to have its SQP have a three year duration.
10 Based on the fact that this is a new program, without extensive data on the
11 applicable service measures, and with certain benchmarks which require
12 refinement over time, the SQP should be subject to annual revision at least for its
13 first years of operation. After that time, the program could be put into effect for
14 longer intervals of time.

15 A second issue involves the treatment of force majeure or exogenous events
16 as discussed on pages 17 and 18 of the Company's filed testimony.

17 Notwithstanding the Narragansett Electric performance standards, the Company
18 should not be allowed to exclude or fail to report data that it believes to be the
19 result of a force majeure or exogenous event. The SQP reporting should include
20 all data and, if warranted, an explanation of how such data was affected by any

1 claimed exogenous event. In addition, the Commission should expressly reject the
2 exclusions as set forth in the Company's testimony. Accepting, as extraordinary
3 circumstance without limitation, various events which are not adequately defined
4 is unreasonable. It is unknown what constitutes extreme adverse weather or
5 natural gas prices. Nor is it clear what "failure of other company's services" is
6 meant to include.

7 As a matter of policy, any determination of events that might excuse
8 deficient performance should be made solely at the discretion of the Commission.
9 While "extreme natural gas prices" can affect the call center operation, for
10 example, they should not have any effect on meter reading, leak response, or other
11 SQP measures. Accordingly, while the SQP should recognize that force majeure
12 or exogenous events can excuse deficient performance, such a determination only
13 should be made by the Commission on an event by event basis.

14

1 IV. CUSTOMER RELATED MEASURES

2

3 Q. WOULD YOU BEGIN BY EXPLAINING THE NATURE OF CUSTOMER
4 RELATED MEASURES AND THEIR IMPORTANCE?

5 A. Customer related measures typically involve the major interactions between the
6 Company and its customers. On a day to day basis, these interactions involve calls
7 to the Company's call centers or the Company's activities associated with service
8 calls. These are the principal instances when customers seek Company help or
9 response.

10 To a large degree, these activities are labor intensive areas for a utility, and
11 they are areas which are directly dependent upon adequate staffing levels. When
12 there is deficient service in these areas, it is frequently indicative of inadequate
13 staffing after service consolidations that are associated with utility cost reduction
14 initiatives.

15 While cost reduction activities can benefit customers, there is a real need to
16 ensure that customer service levels are not permitted to degrade to unreasonable
17 levels. Thus, there is an inherent trade-off between customer service staffing and
18 the need to maintain acceptable levels of service. In order to monitor the effects of
19 such trade-offs, regulatory commissions increasingly are instituting quantitative
20 service measures and associated reporting and monitoring mechanisms.

1

2

- Call Center Responsiveness

3

4 Q. WHAT ARE THE TYPES OF MEASURES WHICH ARE USED TO MONITOR
5 AND EVALUATE THE OPERATION OF CUSTOMER CALL CENTERS?

6 A. Typically, utilities use average speed of answer (“ASA”) and/or an abandon call
7 percentage (“ACP”). The ASA measurement is based on data concerning the
8 interval of time between when a caller interacts with the answer system and when
9 the customer connects with a customer service representative. The Company
10 defines ASA to be “the percentage of calls answered within 60 seconds in a given
11 group or queue number excluding abandoned calls and de-queued calls that never
12 get answered” (Czaplewski and Meunier, Attachment SQP-1, page 2). As for the
13 abandon call percentage, it measures the level of calls which are terminated by the
14 caller prior to being answered. Such abandoned calls are typically indicative of
15 inadequate service (higher than acceptable ASA levels).

16

17 Q. FOR THE COMPANY’S CALL CENTER, WHAT HAS BEEN THE
18 ABANDON CALL PERCENTAGE AND THE AVERAGE SPEED OF
19 ANSWER?

1 A. The Company reports that its ACP has averaged 15.1% for the 2000 to 2002
2 period. However, this average is somewhat misleading since, for individual
3 months, it has been as high as 30.7%, and for one six month interval (May 2001
4 through October 2001) it was over 22.0%.

5 With respect to the ASA, over the July 2001 to June 2002 period NEG has
6 averaged 55.9% of its calls answered within 60 seconds. But again this average
7 time interval reflects performance over an annual period. Despite this average
8 level over the 12 months, the Company had some months when its compliance
9 percentage fell below 30.0%.

10

11 Q. WHAT CALL CENTER SERVICE MEASURES HAS NEG PROPOSED FOR
12 THE SQM PROGRAM?

13 A. NEG has proposed that its ACP benchmark be established at 15.1% and that its
14 ASA require that 55.9% of customer calls be answered within 60 seconds. For
15 both of these measures the Company has also proposed a deadband of 7.3%.
16 Thus, the ACP would show a service deficiency if it exceeds 22.4% and the ASA
17 measure would be deficient if less than 48.6% of customer calls were answered
18 within 60 seconds.

19

1 Q. DO YOU BELIEVE THAT THESE MEASURES AND BENCHMARKS ARE
2 REASONABLE?

3 A. An effective 22.4% ACP level should not be considered reasonable over time.
4 Such a result indicates that more than one in five customers have effectively
5 expressed dissatisfaction with the call center operation. As a starting point, it is
6 recommended that the service benchmark be set at 20% with no associated
7 deadband. This is an attainable, albeit unsatisfactory, level of service, and it
8 should be planned that this benchmark will be lowered in subsequent years. In
9 2002, the Company achieved a 13.8% ACP, and as such, the proposed benchmark
10 reflects actual 2002 performance plus, effectively, the Company's proposed
11 deadband. Based on the historical trend, and reasonable customer expectations,
12 the Company should be able to achieve about 2.0% improvements on an annual
13 basis for its ACP.

14
15 Q. TURNING TO THE ASA MEASURE, IS THE COMPANY'S PROPOSAL
16 APPROPRIATE AND REASONABLE?

17 A. The Company's proposed ASA compliance level of 48.6% is very low, but this, in
18 part, is related to the Company's chosen 60 second ASA level. The more common
19 ASA standards are 70% to 80% compliance with a 120 or 180 second answer
20 time. There is also an issue with the Company's definition of its ASA. According

1 to its definition, abandoned calls are excluded from the ASA measurement. Based
2 on a reasonable estimate, this means that the Company's ASA measurement is
3 excluding about 15% of its calls which effectively have an "answer time" of
4 between 180 and 300 seconds. Thus, the exclusion is overstating the Company's
5 actual ASA compliance percentage by a material amount.

6 Q. BASED ON THESE CONSIDERATIONS, WHAT DO YOU RECOMMEND
7 FOR THE ASA MEASUREMENT AND BENCHMARK?

8 A. Based on Valley Gas Company's historical performance, it is recommended that
9 80% of the calls should be answered within 120 seconds, and the ASA should be
10 an all inclusive measure which incorporates abandoned as well as answered calls.
11 The intention is to measure speed of answer and to exclude abandoned calls
12 unreasonably distorts the Company's actual performance. The abandoned calls
13 should therefore be included by measuring the time until the caller disconnects.

14 It must also be remembered that ASA performance is a function of staffing,
15 and therefore the Company should be able, and be expected, to adjust its staffing
16 to achieve the benchmark level. In the case of Valley, over the July 1999 through
17 June 2001 period it fell below 80% in 120 seconds only in three months and in
18 those instances its worst performance was 78% compliance.

19 Customers should certainly be satisfied with an ASA of 120 seconds or
20 less. However, as discussed earlier, the measure may not highlight short intervals

1 where the ASA might reach unacceptable levels. Additionally, the recommended
2 monthly measure will not provide data on the average ASA for the 20% of calls
3 that are not within the specified 120 second interval and the monthly data could
4 still fulfill the benchmark despite some days where the holding times could be
5 excessive.

6 Thus, while the adoption of an 80% ASA within 120 seconds is
7 recommended, it is also recommended that NEG be required to maintain detailed
8 records sufficient to allow review of the daily ASA data in order to ensure that the
9 monthly averages are representative and that there are not days when there are
10 excessive holding times for callers.

11
12 - Service Appointments Met

13
14 Q. WOULD YOU PLEASE DESCRIBE WHAT IS INVOLVED WITH THE
15 SERVICE APPOINTMENTS MET PERFORMANCE MEASURE?

16 A. As defined by the Company, it is “the percentage of annual general service
17 appointments met as scheduled” (Czaplewski and Meunier, Attachment SQP-1,
18 page 3). The Company goes on to explain that such appointments include meter
19 installations, removals, change-outs, starting and final meter reads, reconnections,
20 and high bill investigations.

1 While not specified by the Company, it is assumed that the benchmark
2 should ideally measure the Company's service performance for customer
3 appointments. Accordingly, the data should exclude instances where the
4 Company showed up for an appointment but the customer did not. This is
5 particularly relevant for meter installations and reconnections when the Company
6 must obtain access to the premises in order to relight pilot lights. On this basis,
7 the Company should better describe what criteria are to be used for both the
8 numerator and the denominator of the derived service percentage.

9
10 Q. DOES THE COMPANY'S BENCHMARK APPEAR TO BE REASONABLE?

11 A. The Company has proposed a 97.2% benchmark with a 0.8% deadband. In the
12 alternative, using a monthly benchmark it is recommended that 95.0% be used as
13 the benchmark without any deadband. The Company has met a 95.0% level ever
14 since January 2000, and in the majority of months, actually exceeded 96.0%.

1 V. METER RELATED MEASURES

2

3 Q. WHAT ARE THE METER RELATED SERVICE MEASURES WHICH HAVE
4 BEEN PROPOSED BY THE COMPANY?

5 A. There are three measures which are meter related: on cycle meter reads, meter
6 testing, and customer requested meter tests. As defined by the Company, the on
7 cycle meter reads percentage measures the ratio of actual meter reads to the
8 number of meters assigned to be read. The meter testing measure requires the
9 Company to test a specified number of meters in an annual period. This is the one
10 measure where the Company's proposed one year measurement criteria is
11 appropriate. And the final measure requires the Company to test meters in
12 response to a customer request.

13

14 - On Cycle Meter Reads

15

16 Q. BASED ON THE COMPANY'S PROPOSAL, ARE THERE ANY ISSUES
17 RELATED TO ON CYCLE METER READS WHICH YOU WISH TO
18 DISCUSS?

19 A. It is recommended that the Company's definition of this measure be modified
20 slightly. Instead of expressing the measure as a percentage of meters assigned to

1 be read, the denominator in the percentage calculation should be the number of
2 active meters. While not the intent of the Company, the number of meters
3 assigned to be read is an imprecise term which could be subject to manipulation.
4 It is believed that active meters is the appropriate definition when applied to the
5 cycle reads processed in each month.

6 Under such a definition, estimated usage, no consumption reads, reads that
7 are cancelled by the Company's testing programs, and reads which are missed
8 would constitute the portion of meter reads which would not be classified as on
9 cycle reads.

10
11 Q. WHAT HAS BEEN NEG'S HISTORICAL PERCENTAGE FOR ON CYCLE
12 READS, AND WHAT IS THE PROPOSED BENCHMARK?

13 A. During the past two years, the Company has averaged between 94.3% and 94.5%
14 for annual on cycle meter reads. Its lowest monthly percentage during this period
15 was 91.8% and its highest was 95.9%. On this basis, a monthly benchmark should
16 be set at 94.0% with no associated deadband.

17
18 - Meter Testing

1 Q. GIVEN THAT THE METER TESTING SERVICE MEASURE SHOULD BE
2 BASED ON AN ANNUAL PERFORMANCE MEASURE, DO YOU HAVE
3 ANY OTHER COMMENTS CONCERNING THE COMPANY'S PROPOSAL
4 ON METER TESTING?

5 A. It is my understanding that the Company's benchmark of testing 15,000 meters per
6 year is based upon a meter testing cycle of at least one test every 15 years for
7 small meters and at least one test every 10 years for large meters. While these
8 testing cycles are at the upper end of typical meter testing cycles, I have assumed
9 that they conform to any existing regulations. On that basis, I have no
10 modification to recommend other than an annual 15,000 benchmark with no
11 deadband.

12

13 - Customer Requested Meter Tests

14

15 Q. THE COMPANY'S PROPOSED BENCHMARK FOR COMPLETION OF
16 REQUESTED METER TESTS IS THAT 77.4% BE COMPLETED WITHIN 15
17 DAYS. IS THIS A REASONABLE SERVICE STANDARD?

18 A. Based on the Company's data that there were 190 such meter test requests in the
19 most recent year, the Company's compliance benchmark appears relatively low,

1 but at least for the initial benchmark, a monthly benchmark of 73.5% without a
2 deadband appears acceptable.

3

1 VI. SAFETY RELATED MEASURES

2

3 - Leak Call Responsiveness

4

5 Q. WOULD YOU FIRST PROVIDE DETAILS CONCERNING THE
6 COMPANY'S PROPOSED SERVICE MEASURES FOR LEAK CALL
7 RESPONSIVENESS.

8 A. It is my understanding that the Company's proposal provides benchmarks for leak
9 calls during normal business hours and for calls outside of normal business hours.
10 For the former, the benchmark is 83.2% within 30 minutes, while the benchmark
11 for the latter is 86.3% within 45 minutes. What is not apparent from the proposed
12 benchmark is how the Company defines a response. A response can be when
13 Company personnel arrive at the scene, or it can be when actual repair of the leak
14 begins. This difference in definitions arises because the initial response may be by
15 a Company employee who may not be qualified to make the necessary repair.
16 Accordingly, the Company should specify what constitutes a "response" under its
17 proposal.

18

19 Q. WHAT BENCHMARKS DO YOU RECOMMEND BE ADOPTED FOR THE
20 LEAK RESPONSE MEASURES?

1 A. I recommend that an 80% response within 30 minutes be adopted for business
2 hours and an 80% response within 45 minutes be adopted for outside business
3 hours. Both of these benchmarks should be measured monthly without any
4 deadband.

5 In addition, it is recommended that the Company be required to provide
6 reporting for any leak response which is not made within 60 minutes. By having
7 such a reporting mechanism, the Commission will be able to monitor the 20% of
8 responses which do not fall within the prescribed time interval. The envisioned
9 reporting should provide details on the actual response time, the nature of the leak,
10 and any factors which contributed to the delay in responding.

11

12 Q. DO YOU HAVE A SCHEDULE WHICH COMPARES THE COMPANY'S
13 PROPOSED BENCHMARKS WITH THOSE WHICH YOU ARE
14 RECOMMENDING?

15 A. Yes, such a comparison is shown on Schedule 1. It should be noted that the
16 Company's penalty benchmarks are shown net of its proposed deadband.

17

1 VII. PENALTY RELATED PROVISIONS

2

3 Q. THE COMPANY HAS PROPOSED A WEIGHTING OF THE VARIOUS
4 SERVICE MEASURES WITH A MAXIMUM OF \$500,000 PER YEAR. DO
5 YOU BELIEVE THAT SUCH A PENALTY STRUCTURE IS REASONABLE?

6 A. While I do not oppose the total annual maximum of \$500,000, there are two
7 changes which I would recommend. First, because all the measures except the
8 periodic testing of meters are recommended to be subject to quarterly penalty
9 assessments, the penalty levels should be reduced by 75%. Second, while the leak
10 response measure should be given the highest weighting, the Company's proposal
11 has almost 50% allocated to the leak response measure. In the alternative, I would
12 recommend that average speed of answer, abandon call percentage, on cycle meter
13 reads, meter testing, and customer requested meter tests all be assigned 10%
14 weightings. Additionally, service appointments met should be assigned 20% and
15 each of the leak response measures 15%. (See Schedule 2 for a comparison of the
16 Company's proposal and my recommendations concerning the weighting of
17 penalties for the measures.)

18 This would assign annual penalties of \$50,000 for the 10% measures,
19 \$75,000 for the 15% measures, and \$100,000 for the 20% measure. For all but the
20 periodic testing of meters, these penalties would be imposed quarterly, and the

1 quarterly penalty would be one-fourth of the proposed annual amounts. (See
2 Schedule 3 for a comparison of the Company's annual penalties and my
3 recommended quarterly penalties.)
4

5 Q. WHAT IS YOUR OVERALL PROCEDURE FOR THE IMPOSITION OF
6 QUARTERLY PENALTIES FOR NEG IF A SERVICE QUALITY STANDARD
7 IS NOT MET?

8 A. The penalty for failure to remedy a deficiency by the end of the remediation period
9 should be based on the quarterly penalties specified. If it is not remedied by the
10 end of that period, the Company should be required to pay the specified penalty.
11

12 Q. CAN YOU EXPLAIN IN GREATER DETAIL THE MECHANICS OF YOUR
13 RECOMMENDED PENALTY STRUCTURE?

14 A. Yes. The primary objective in establishing the proposed framework is to remedy
15 service deficiencies rather than to impose penalties. Therefore, the following
16 methodology should be used:
17

- 18 1. Within thirty days of the end of each month NEG would file with the
19 Commission the monthly data for each applicable service measure. As part
20 of the filing, NEG would highlight any performance that did not meet the

1 established benchmarks. In addition, if the Company believes that any
2 deficiency was the result of an exogenous event, it would provide details
3 and documentation for any such claim in its filing. This filing will
4 constitute the monthly service reporting.

5 2. If one or more of the service benchmarks has not been met, thirty days after
6 the monthly service report, NEG would file with the Commission a
7 remedial action plan. The plan should explain the deficiency, specify how
8 the deficiency would be remedied, and provide a timetable for remedial
9 activities.

10 3. If the deficiency was not eliminated within 90 days from the filing of the
11 remedial action plan, then NEG would be considered to be in violation of
12 the service standard and be subject to quarterly penalties commencing in
13 the quarter when performance was to be remedied.

14
15 For a period of one year after any deficiency is remedied, NEG would
16 remain subject to quarterly penalties in the event the deficiency reoccurs. The
17 basic mechanism, with the provision for remediation to avoid penalties, would
18 restart only after NEG has been in compliance with any benchmark for 12
19 consecutive months.

20

1 Q. COULD YOU PROVIDE A SPECIFIC EXAMPLE OF THE APPLICATION OF
2 THIS PENALTY MECHANISM?

3 A. A summary of the compliance mechanism is shown on Schedule 4. Assuming that
4 NEG had deficient performance in January. After filing its monthly service report
5 by the end of February and its remedial action plan by the end of March, NEG
6 would have to achieve monthly compliance by June. This, in effect, gives NEG
7 the March through May period in which to resolve its deficiency in order to meet
8 the benchmark in June. Assuming that performance met the benchmark in June, it
9 would avoid any penalty. However, in the event it fails to maintain adequate
10 performance through the following May, it would be subject to a penalty.

11 Likewise, if adequate performance was not achieved by June, NEG would be
12 subject to on-going quarterly penalties without any additional remedial provisions.
13 In either case, the remedial provision would not become operative again until
14 NEG has met the benchmark for 12 consecutive months.

15

16 Q. WHAT IS THE PROCEDURE FOR SEEKING A WAIVER OF ANY PENALTY
17 BASED ON A CLAIMED FORCE MAJEURE EVENT?

18 A. It is anticipated that NEG would document such a claim when it submits its
19 monthly service report. This would logically be the case because NEG would, in
20 the case of a force majeure claim, take the position that no remedial action plan

1 was necessary since the deficient performance would be eliminated when the force
2 majeure event ended. In cases where NEG claims a force majeure event, the
3 Commission would make a determination, and in the event the claim was not
4 approved, NEG would have two weeks from the Commission's determination to
5 file its remedial action plan.

6
7 Q. MR. LELASH, DOES THIS CONCLUDE YOUR TESTIMONY?

8 A. Yes, it does.

9

VIII. SUPPORTING SCHEDULES

New England Gas Company
Compliance Mechanism

- January - Month of deficient service performance
- February - January performance against benchmarks reported prior to month end
- If exogenous event, supporting documentation provided with reporting of January performance.
- March - Remedial Action Report submitted prior to end of month for any deficient measure
- Actions begun to remedy service deficiency
- April - Continued activities to remedy deficiency
- May - Continued activities to remedy deficiency
- June - Must fulfill benchmark in order to avoid penalty
- July - By the end of July, report June performance against benchmarks if deficient measure not remedied, penalty imposed for April to June quarter

New England Gas Company
Proposed Penalty Weighting

	<u>Company %</u>	<u>Recommended %</u>
<u>Call Center Responsiveness</u>		
Average Speed of Answer	12%	10%
Abandoned Call Rate	12	10
<u>Meter Reads</u>		
On Cycle Meter Reads	6	10
<u>Meter Testing</u>		
Periodic Testing	6	10
Customer Requested Meter Tests	4	10
<u>Service Appointments</u>		
Service Appointments Met	12	20
<u>Safety</u>		
Leak Calls: Business Hours	24	15
Leak Calls: Non-Business Hours	<u>24</u>	<u>15</u>
Totals	100%	100%

New England Gas Company
Penalty Thresholds

	<u>Company %</u>		<u>Recommended %</u>
<u>Call Center Responsiveness</u>			
Average Speed of Answer	48.6%	Note 1	80.0%
Abandoned Call Rate	24.4%		20.0%
<u>Meter Reads</u>			
On Cycle Meter Reads	93.4%		94.0%
<u>Meter Testing</u>			
Periodic Testing	14,250		15,000
Customer Requested Meter Tests	73.5%		73.5%
<u>Service Appointments</u>			
Service Appointments Met	96.4%		95.0%
<u>Safety</u>			
Leak Calls: Business Hours	79.8%		80.0%
Leak Calls: Non-Business Hours	82.1%	Note 2	80.0%

Note 1: Company percentage based on 60 second ASA, recommended based on 120 second ASA with inclusion of abandon calls.

Note 2: Response to a leak call is measured up to the time any leak repair or remedial action is initiated.

New England Gas Company
Proposed Penalty Amounts
(\$000's)

	<u>Company</u>	<u>Recommended</u>	
		<u>Annual</u>	<u>Quarterly</u>
<u>Call Center Responsiveness</u>			
Average Speed of Answer	\$ 60	\$ 50	\$12.5
Abandoned Call Rate	60	50	12.5
<u>Meter Reads</u>			
On Cycle Meter Reads	30	50	12.5
<u>Meter Testing</u>			
Periodic Testing	30	50	-
Customer Requested Meter Tests	20	50	12.5
<u>Service Appointments</u>			
Service Appointments Met	60	100	25
<u>Safety</u>			
Leak Calls: Business Hours	120	75	18.8
Leak Calls: Non-Business Hours	<u>120</u>	<u>75</u>	<u>18.8</u>
Totals	\$500	\$500	-

Note: All recommended penalties should be applied quarterly with the exception of the periodic testing which would remain on an annual basis.

IX. APPENDIX: PRIOR R.W. LELASH TESTIMONIES

R. W. LELASH'S REGULATORY TESTIMONIES
(1998 to Present)

205. Delaware, Delmarva Power & Light Company (Docket No. 97-293F) Gas Price Hedging Testimony for the Delaware Public Service Commission (January, 1998).
206. Delaware, Artesian Water Company (Docket No. 97-340) Rate of Return Testimony for the Delaware Public Service Commission (February, 1998).
207. Georgia, Atlanta Gas Light Company (Docket No. 8390-U) Regulatory Policy Testimony for the Energy Service Providers Association (March, 1998).
208. New Jersey, Public Service Electric & Gas Company (Docket No. GR97110839) Gas Procurement and Policy Direct Testimony for the New Jersey Division of the Ratepayer Advocate (April, 1998).
209. New Jersey, Public Service Electric & Gas Company (Docket No. GR97110839) Gas Procurement and Policy Surrebuttal Testimony for the New Jersey Division of the Ratepayer Advocate (April, 1998).
210. Philadelphia Gas Commission, Philadelphia Gas Works (1998 GCR Proceeding) Gas Price Hedging Position Statement for the Public Advocate (May, 1998).
211. Philadelphia Gas Commission, Philadelphia Gas Works (1999 GCR Proceeding) Gas Procurement and Policy Testimony for the Public Advocate (October, 1998).
212. Georgia, Cumberland Pipeline Investigation (Docket No. 10064-U) Regulatory Policy Testimony for East Tennessee Natural Gas Company (March, 1999).
213. New Jersey, Generic Unbundling Proceeding (Docket No. GX99030121) Gas Policy Testimony for the New Jersey Division of the Ratepayer Advocate (July, 1999).
214. New Jersey, Public Service Electric & Gas Company (Docket No. GO99030124) Gas Unbundling Testimony for the New Jersey Division of the Ratepayer Advocate (July, 1999).
215. Philadelphia Gas Commission, Philadelphia Gas Works (2000 GCR Proceeding) Gas Procurement and Policy Testimony for the Public Advocate (September, 1999).
216. New Jersey, Generic Unbundling Proceeding (Docket No. GX99030121) Gas Policy Surrebuttal Testimony for the New Jersey Division of the Ratepayer Advocate (September, 1999).
217. New Jersey, Public Service Electric & Gas Company (Docket No. GO99030124) Gas Unbundling Surrebuttal Testimony for the New Jersey Division of the Ratepayer Advocate (September, 1999).
218. Pennsylvania, Columbia Gas of Pennsylvania, Inc. (Docket No. R-00994781) Restructuring Testimony for the Pennsylvania Office of Consumer Advocate (October, 1999).
219. Pennsylvania, Columbia Gas of Pennsylvania, Inc. (Docket No. R-00994781) Restructuring Surrebuttal Testimony for the Pennsylvania Office of Consumer Advocate (October, 1999).

220. Rhode Island, Narragansett Electric Company et al. (Docket No. 2930) Merger Policy Testimony for the Rhode Island Department of Attorney General (November, 1999).
221. Delaware, Delmarva Power & Light Company (Docket No. 99-425F) Evaluation of Price Hedging Testimony for the Delaware Public Service Commission (December, 1999).
222. Rhode Island, Narragansett Electric Company et al. (Docket No. D-99-12) Merger Policy Testimony for the Rhode Island Department of Attorney General (December, 1999).
223. Pennsylvania, PECO Energy Company (Docket No. R-00994787) Restructuring Testimony for the Pennsylvania Office of Consumer Advocate (January, 2000).
224. Pennsylvania, PECO Energy Company (Docket No. R-00994787) Restructuring Surrebuttal Testimony for the Pennsylvania Office of Consumer Advocate (February, 2000).
225. Rhode Island, Providence Gas Company and Southern Union (Docket No. D-00-3) Merger Policy Testimony for the Rhode Island Division of Public Utilities and Department of Attorney General (May, 2000).
226. Philadelphia Gas Commission, Philadelphia Gas Works (2001 GCR Proceeding) Gas Procurement and Policy Testimony for the Public Advocate (August, 2000).
227. Rhode Island, Providence Gas Company (Docket No. 1673) Price Stability Plan Testimony for the Rhode Island Division of Public Utilities (September, 2000).
228. Pennsylvania, Philadelphia Gas Works (Docket No. R-00005654) Interim Base Rate Testimony for the Pennsylvania Office of Consumer Advocate (September, 2000).
229. Pennsylvania, Philadelphia Gas Works (Docket No. R-00005619) Gas Procurement and Policy Testimony for the Pennsylvania Office of Consumer Advocate (September, 2000).
230. New Jersey, Public Service Electric & Gas Company (Docket No. GR00070491) Levelized Gas Adjustment Clause Testimony for the New Jersey Division of the Ratepayer Advocate (November, 2000).
231. New Jersey, Generic Provisional Rate Proceeding (Docket Nos. GR00070491, et al.) Provisional Rate, Flexible Pricing, and Price Hedging Testimony for the New Jersey Division of the Ratepayer Advocate (December, 2000).
232. Rhode Island, Providence and Valley Gas Companies (Docket Nos. 1673 and 1736) Gas Price Mitigation Testimony for the Rhode Island Division of Public Utilities (January, 2001).
233. Delaware, Delmarva Power & Light Company (Docket No. 00-463F) Gas Price Hedging Testimony for the Delaware Public Service Commission (February, 2001).
234. Pennsylvania, Philadelphia Gas Works (Docket No. R-00006042) Base Rate and Policy Testimony for the Pennsylvania Office of Consumer Advocate (April, 2001).
235. Pennsylvania, Philadelphia Gas Works (Docket No. R-00006042) Base Rate and Policy Surrebuttal Testimony for the Pennsylvania Office of Consumer Advocate (May, 2001).

236. New Jersey, Public Service Electric & Gas Company (Docket No. GM00080564) Capacity Contract Transfer Testimony for the New Jersey Division of the Ratepayer Advocate (June, 2001).
237. Vermont, Vermont Gas Systems (Docket No. 6495) Rate Stabilization Plan Testimony for the Vermont Department of Public Service (June, 2001).
238. Pennsylvania, Philadelphia Gas Works (Docket No. R-00016378) Gas Cost Rate Testimony for the Pennsylvania Office of Consumer Advocate (July, 2001).
239. Pennsylvania, PECO Energy Company (Docket No. R-00016366) Gas Cost Rate Testimony for the Pennsylvania Office of Consumer Advocate (July, 2001).
240. Pennsylvania, Philadelphia Gas Works (Docket No. R-00016378) Gas Cost Rate Surrebuttal Testimony for the Pennsylvania Office of Consumer Advocate (August, 2001).
241. Vermont, Vermont Gas Systems (Docket No. 6495) Rate Stabilization Plan Rebuttal Testimony for the Vermont Department of Public Service (August, 2001)
242. Georgia, Atlanta Gas Light Company (Docket No. 14060-U) Procurement and Capacity Plan Testimony for the Georgia Public Service Commission (August, 2001).
243. Rhode Island, New England Gas Company (Docket No. 3401) Earnings Sharing and Gas Policy Testimony for the Rhode Island Division of Public Utilities (March, 2002).
244. Pennsylvania, Philadelphia Gas Works (Docket No. R00017034F002) Extraordinary Rate Relief Testimony for the Pennsylvania Office of Consumer Advocate (March, 2002).
245. New Jersey, Public Service Electric & Gas Company (Docket No. GR01110773) Remediation Adjustment Clause Testimony for the New Jersey Division of the Ratepayer Advocate (April, 2002).
246. Rhode Island, New England Gas Company (Docket No. 3401) Earnings Sharing and Gas Policy Surrebuttal Testimony for the Rhode Island Division of Public Utilities (April, 2002).
247. Pennsylvania, Philadelphia Gas Works (Docket No. R-00027133) Gas Cost Rate Testimony for the Pennsylvania Office of Consumer Advocate (April, 2002).
248. Pennsylvania, Philadelphia Gas Works (Docket No. R-00017034) Base Rate Testimony for the Pennsylvania Office of Consumer Advocate (May, 2002).
249. Georgia, Atlanta Gas Light Company (Docket No. 15527-U) Lost and Unaccounted For Gas Testimony for the Georgia Public Service Commission (July, 2002).
250. Pennsylvania, PECO Energy Company (Docket No. R-00027391) Gas Procurement and Policy Testimony for the Pennsylvania Office of Consumer Advocate (July, 2002).
251. Georgia, Atlanta Gas Light Company (Docket No. 15527-U) Lost and Unaccounted For Gas Rebuttal Testimony for the Georgia Public Service Commission (August, 2002).

252. Pennsylvania, Philadelphia Gas Works (Docket No. M-00021612) Gas Restructuring Testimony for the Pennsylvania Office of Consumer Advocate (September, 2002).

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253. Georgia, EDC Generic Rulemaking (Docket No. 15295-U) Service Quality Standards Testimony for the Georgia Public Service Commission (October, 2002).

254. Georgia, Marketer Generic Rulemaking (Docket No. 15296-U) Service Quality Standards Testimony for the Georgia Public Service Commission (October, 2002).

255. Pennsylvania, Philadelphia Gas Works (Docket No. M-00021612) Gas Restructuring Rebuttal Testimony for the Pennsylvania Office of Consumer Advocate (October, 2002).

256. Pennsylvania, Philadelphia Gas Works (Docket No. M-00021612) Gas Restructuring Surrebuttal Testimony for the Pennsylvania Office of Consumer Advocate (November, 2002).

257. Georgia, EDC Generic Rulemaking (Docket No. 15295-U) Service Quality Standards Rebuttal Testimony for the Georgia Public Service Commission (November, 2002).

258. Georgia, Marketer Generic Rulemaking (Docket No. 15296-U) Service Quality Standards Rebuttal Testimony for the Georgia Public Service Commission (November, 2002).