

**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**

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

FEBRUARY 7, 2003

NEW ENGLAND GAS COMPANY - DOCKET NO. 3476
SURREBUTTAL TESTIMONY OF R.W. LELASH

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1 I. INTRODUCTION

2

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

5 A. My name is Richard W. LeLash, and my business address is 18 Seventy Acre
6 Road, Redding, Connecticut 06896.

7

8 Q. ARE YOU THE SAME RICHARD W. LELASH WHO FILED DIRECT
9 TESTIMONY IN THIS MATTER IN NOVEMBER 2002?

10 A. Yes, I am.

11

12 Q. WOULD YOU PLEASE BRIEFLY DESCRIBE THE SCOPE AND PURPOSE
13 OF YOUR SURREBUTTAL TESTIMONY?

14 A. The scope and purpose of this surrebuttal testimony is to respond to the rebuttal
15 testimonies of Dr. Kaufmann and Ms. Czaplewski concerning an appropriate
16 service quality plan (“SQP”) for the New England Gas Company (“NEG” or
17 “Company”).

18

1 II. SERVICE QUALITY PLAN OBJECTIVES

2

3 Q. AT PAGE 4 OF MS. CZAPLEWSKI'S REBUTTAL TESTIMONY SHE
4 STATES THAT "THE KEY OBJECTIVE OF THE SERVICE QUALITY PLAN
5 THAT WILL RESULT FROM THIS PROCEEDING IS TO ENSURE THAT
6 SERVICE QUALITY DOES NOT DIMINISH AS THE COMPANY MOVES
7 FORWARD WITH ITS POST-MERGER CONSOLIDATION EFFORTS." DO
8 YOU AGREE WITH HER STATEMENT?

9 A. As a general matter, I do. However, while this is the basic reason why an SQP is
10 being developed, it is not the sole objective for the resultant program. The
11 Company is under a regulatory obligation to provide safe and adequate service to
12 its customers, and as such, any SQP which is implemented should also provide
13 benchmarks which will ensure that the service performance being monitored and
14 evaluated is adequate and reasonable. As such, the Commission should not limit
15 the scope of any SQP to just the maintenance of the status quo. This is
16 particularly true if there is evidence that in certain areas the Company's service
17 has been deficient.

18

19 Q. MS. CZAPLEWSKI GOES ON TO STATE, AT PAGE 6 OF HER REBUTTAL
20 TESTIMONY, THAT "IT IS THE COMPANY'S OVERALL LEVEL OF

1 SERVICE ON SPECIFIC PERFORMANCE MEASURES THROUGHOUT THE
2 YEAR THAT IS BEING MEASURED.” DO YOU BELIEVE THIS IS
3 CORRECT?

4 A. Again, as a general matter, I do. However, what is not established is how the
5 Commission can best measure the Company’s overall level of service. As was
6 stated in direct testimony, service from the customer point of view is an on-going
7 obligation. Good service for several months does not excuse, nor does it negate,
8 inadequate service for two or three subsequent months. A utility’s customers
9 should have the reasonable expectation that adequate service means good service
10 throughout the year.

11 On this basis, a monthly rather than an annual benchmark better matches
12 customer requirements and the Commission’s on-going service monitoring
13 objectives. An annual service benchmark does not ensure consistently good
14 service, while monthly benchmarks do ensure that the Company’s overall level of
15 service will be adequate and consistent.

16
17 Q. DOES THE NATURE OF THE GAS DISTRIBUTION BUSINESS MAKE
18 MONTHLY BENCHMARKS IMPRACTICAL?

19 A. No, it does not. Ms. Czaplewski states “There are many factors outside the
20 Company’s control” including “external factors that may cause differences from

1 month to month”, and she goes on to say that I did not address how these factors
2 would be accounted for in my SQP. Her testimony in this regard ignores the fact
3 that there were specific SQP provisions for the recognition of force majeure or
4 exogenous events which would be outside of the Company’s control.

5 Thus, if there were months in which an exogenous event took place,
6 deficient performance could be excused. However, the Company would have to
7 show that such exogenous events were the basic cause of the inadequate
8 performance. The Company cannot staff a customer service area for periods when
9 activity is low and then claim that any monthly failure to meet a service measure
10 is, by definition, an exogenous event. It is the very month to month variations in
11 activities and the associated service performance which highlight the inadequacy
12 of annual service benchmarks and measurement.

13
14 Q. THE COMPANY ALSO RAISED THE ISSUE OF CREDITS AND OFFSETS
15 WITHIN ITS REBUTTAL TESTIMONY. DO YOU BELIEVE THAT EITHER
16 CREDITS OR OFFSETS ARE APPROPRIATE IN AN SQP?

17 A. This issue involves two separate aspects. The first is whether or not the program
18 needs to have symmetrical rewards and penalties. The second involves any
19 provision which would allow better than benchmark performance to offset
20 deficient performance in other program measures. As for the first, it was not

1 contemplated that this SQP would make provision for a rewards mechanism. As
2 Mr. Kaufmann's testimony notes, the majority of service quality plans provide for
3 only penalty provisions. Moreover, many of the SQPs which have penalty and
4 reward mechanisms are tied into performance based regulation ("PBR") or
5 incentive mechanisms that are not at issue in this proceeding.

6 As for the second aspect of allowing better than benchmark performance to
7 cancel or offset deficient performance, by utilizing an annual or quarterly
8 benchmark, the SQP already allows such offsetting for monthly performance in
9 any specific service measure. For example, one month's deficient performance in
10 a quarter can be offset by two other months when performance might be better
11 than required by a benchmark. This concept has already been discussed, and it is
12 submitted that good performance does not cancel out deficient service from the
13 customers' perspective.

14 As for the potential of allowing better than benchmark performance to
15 credit or offset deficient performance for separate measures, there really is no
16 practical reason for such a mechanism. In the first place, if various service
17 measures are given different penalty weighting in the SQP, then such credits or
18 offsets are difficult to apply. Second, no program, which I know of, allows any
19 offsets which are applicable to safety measures like those involving leak response.
20 And finally, if the program's objective is to ensure adequate service, each of the

1 performance measures should be mutually exclusive and be evaluated and subject
2 to penalties, if required, on a stand alone basis.

3

1 III. CALL CENTER EXAMPLE

2

3 Q. IN ORDER TO ILLUSTRATE SEVERAL OF THE CONCEPTS WHICH ARE
4 INVOLVED IN THE DEVELOPMENT OF AN SQP FOR THE COMPANY,
5 COULD YOU PROVIDE THE COMMISSION WITH A SPECIFIC EXAMPLE?

6 Q. Perhaps the best measure to use for an illustration is the Company's call center
7 which, after safety related measures, is probably the most important to customers.
8 On Schedule 1, various data are shown for the Company's call center for the past
9 three years.

10 The first page of the schedule provides data on the abandon call percentage
11 by month. As can be seen, the Company's average annual percentage has declined
12 during the past two years. For this measure, the Company is proposing a
13 benchmark of 15.1% and a penalty threshold of 16.8%. To put these percentages
14 into perspective, the typical abandoned call percentage is in the 4% to 6% range.

15

16 Q. IS THERE ANYTHING SPECIFIC WHICH THIS DATA SHOWS RELATIVE
17 TO THE DEVELOPMENT OF MEASURES FOR THE COMPANY?

18 A. Yes, there are two aspects of the data which are instructive. First, the Company's
19 relative level of performance is well below a level which could be considered to be
20 adequate. Accordingly, this service measure brings into focus the issue of whether

1 historical performance vs. acceptable performance should properly be the
2 benchmark for the Company. While a 16.8% benchmark might currently be
3 acceptable, it will be necessary to lower such a benchmark over the next few years
4 on the basis that it does not require adequate service by the Company.

5 The second aspect involves the issue of annual vs. monthly service
6 monitoring and evaluation. As illustrated by the data, in 2001/2002 the
7 Company's annual performance of 12.2% was well below a 16.8% benchmark.
8 Under the Company's service measurement framework, its performance would be
9 considered "good" and no penalty would be indicated. In reality, the Company's
10 service was not acceptable given that it failed to achieve the benchmark level for
11 the first five months of the year. Over these five months, on average 23.4% of the
12 calls were abandoned by customers. Stated differently, one out of five customers
13 were unwilling to wait for the time required to reach a customer service
14 representative.

15
16 Q. TO WHAT DEGREE DOES THE LEVEL OF CALLS, WHICH IS OUTSIDE
17 OF THE COMPANY'S CONTROL TO SOME DEGREE, AFFECT THE
18 COMPANY'S CALL CENTER PERFORMANCE?

19 A. Calling volumes have a major impact on the performance level. On page 2 of
20 Schedule 1 the call volumes are shown by month since July 1999. With the

1 exception of the May and October call levels, the Company's calling volumes
2 have been relatively stable over time. The May levels are typically elevated
3 because the Company appears to initiate collection and disconnections during this
4 period after the winter season. Likewise, October has elevated levels since it is in
5 the "light up" period when there are numerous requests for service or
6 reconnections.

7 Accordingly, while the Company should be required to meet its call center
8 benchmarks throughout the year, there is considerable evidence that at volumes
9 above a certain level the Company, in effect, faces a force majeure event. It is not
10 expected that the Company would meet its benchmark when volumes increase as
11 much as 50% above the monthly average in a given month.

12 As shown on page 2 of the Schedule, the average during the past 41 months
13 has been about 43,000 calls per month. Based on this data, the Commission may
14 wish to consider an exemption from the benchmark in circumstances when a
15 month's calling volumes exceed some percentage of their average level. Such a
16 provision would require the Company to manage on-going volume fluctuations but
17 not to be held to a benchmark when volumes far exceed average in a given month.

18 The other call center measure involves a benchmark of percentage
19 compliance with a specified average speed of answer ("ASA"). As shown on page
20 3 of Schedule 1, the Company averaged 59.8% of its calls answered within 60

1 seconds during fiscal year 2001/2002. This measure confirms the low level of call
2 center performance which was indicated by the Company's abandoned call rates.
3 The typical industry benchmark is 80% of calls answered within 20 to 30 seconds.
4 While the Company's performance was clearly deficient during the first five
5 months of 2001/2002, again the Company would have fulfilled its annual
6 benchmark of 54.2% within 60 seconds.

7 For the Company to suggest that it can answer 28.8% of its calls during the
8 five month period, between July 2001 and November 2001, within 60 seconds and
9 not be subject to penalties shows the inadequacy of an annual performance
10 measure. The data also shows that basing service benchmarks solely on historical
11 performance would, in this case, not result in customers receiving adequate
12 service.

1 IV. PROPOSED ALTERNATIVE BENCHMARKS

2

3 Q. BASED UPON THE ISSUES RAISED IN THE COMPANY’S REBUTTAL
4 TESTIMONY, IS THERE AN ALTERNATIVE SQP FRAMEWORK WHICH
5 YOU BELIEVE THE COMMISSION COULD ADOPT?

6 A. Yes, there is. Such an alternative would simplify the SQP administratively and yet
7 would not unreasonably affect the so-called “command and control regulation”
8 which is still appropriate for a utility providing monopoly services.

9 As a starting point, the remedial mechanism could be eliminated. This
10 provision was incorporated to allow the Company an effective mechanism to
11 remedy deficiencies without the imposition of penalties. While it was not
12 envisioned that remediation reports would require Commission review, the
13 elimination of the remedial mechanism will simplify the overall SQP.

14 Second, an alternative SQP could be structured on a quarterly rather than a
15 monthly basis. New Hampshire utilizes a monthly SQP mechanism, and Georgia
16 is in the process of evaluating such a program for Atlanta Gas Light and all
17 marketers providing gas supply service in the state. However, a quarterly
18 framework can avoid most of the problems associated with an annual mechanism
19 and still ensure reasonable on-going service monitoring and evaluation.

1 And third, an alternative SQP could be structured for a three year duration
2 although two factors would argue against such a position. With the effect of the
3 merger, historical data on the Company's actual performance is limited and annual
4 SQP reviews would allow the Commission to update performance benchmarks.
5 Additionally, annual reviews could allow benchmark adjustments in order to bring
6 deficient service performance up to adequate levels. The envisioned alternative
7 would therefore initially have to specify annual benchmarks for each year of the
8 three year period.

9
10 Q. IN ORDER TO FULLY DESCRIBE YOUR ALTERNATIVE SQP PROPOSAL,
11 WOULD YOU DISCUSS EACH OF THE SERVICE MEASURES, ANY
12 ASSOCIATED DEFINITIONS, AND HOW A SPECIFIC QUARTERLY
13 BENCHMARK SHOULD BE ESTABLISHED?

14 A. In the following sections I will address the measures concerning the call center,
15 meter reading and testing, service appointments, and leak calls. For each of these
16 areas I will respond to various issues raised in the Company's rebuttal testimonies.

1 - Call Center Measures

2
3 Q. WOULD YOU BEGIN BY DISCUSSING THE CALL CENTER'S AVERAGE
4 SPEED OF RESPONSE MEASURE?

5 A. Based on the Company's rebuttal, it appears that the Company's benchmark was
6 intended to include abandoned calls within the calculation of the percentage of
7 calls answered within a specified time period. As for the measured time period,
8 the Company proposes that a 60 second interval be used. Such a defined
9 performance measure is reasonable, and its use would simplify the measurement
10 process by setting a benchmark that is based on the metric currently being tracked
11 by the Company.

12 As for the appropriate level of percentage compliance, it appears that the
13 Company cannot currently meet the typical 80% compliance level. Accordingly,
14 the alternative SQP should utilize an initial compliance level of 60% of calls
15 answered within 60 seconds. This level should be obtainable for the Company on
16 a quarterly basis at the current time.

17
18 Q. HOW DOES SUCH A BENCHMARK COMPARE WITH THE COMPANY'S
19 REPORTED HISTORICAL PERFORMANCE?

1 A. The Company, on a monthly basis, has met this standard for all of 2002. On
2 Schedule 2 data is provided for the Company's performance for the past five
3 quarters. On the basis of this data, it appears that the various actions described in
4 Ms. Czaplewski's rebuttal testimony at pages 13 and 14 have significantly
5 improved the Company's operation of its call center. Indeed, for the past three
6 quarters the Company has exceeded an 80% in 60 second benchmark. In
7 recognition of this, it is recommended that while the first year benchmark would
8 be 60%, the Commission should consider requiring 70% in year two and 80% in
9 year three of the contemplated three year SQP.

10
11 Q. WHAT ABOUT THE MEASUREMENT IN PERIODS WHERE THERE ARE
12 ATYPICALLY HIGH CALLING VOLUMES?

13 A. The Commission should specify that atypically high calling volumes would be a
14 basis for excluding a particular month as being exogenous. For the call center,
15 such a volume threshold would currently appear to be in the range of 50,000 to
16 55,000 calls per month. In a quarter with such an event, that month's performance
17 might be excluded from the measure's evaluation for the quarter.

18
19 Q. TURNING TO THE ABANDONED CALL PERCENTAGE, WHAT LEVEL
20 SHOULD BE THE BENCHMARK FOR THE FIRST YEAR?

1 A. Based on the data shown on Schedule 2, a first year threshold of 20% is
2 reasonable, with 15% for the second year and 10% for the third year. The
3 Company's performance during 2002 would indicate that the abandon call
4 performance, like the ASA, has been materially improved. However, in
5 recognition of the past problems, a high initial benchmark with year to year
6 revisions downward appears reasonable. Again, this benchmark would also be
7 subject to reasonably monthly exclusions for exogenous volume levels.

8
9 - Meter Related Measures

10
11 Q. WOULD YOU NOW PLEASE ADDRESS THE THREE PROPOSED SERVICE
12 MEASURES WHICH RELATE TO PERIODIC TESTING, CUSTOMER
13 REQUESTED METER TESTS, AND READING OF GAS METERS?

14 A. According to the Company's direct testimony, it has committed to the testing of
15 15,000 meters per year. Since this is an annual commitment, the benchmark and
16 the imposition of any potential penalty is not appropriately done on a quarterly
17 basis. Accordingly, the alternative SQP should utilize a 15,000 annual benchmark
18 in conformity with Dr. Kaufmann's testimony.

19 The second meter related service measure involves the reading of meters
20 within 15 days based on a customer request. Previously, in the Company's direct

1 testimony, the only data provided was for the fiscal year 2001/2002 during which
2 time the Company tested 147 meters out of a total of 190 requests. Subsequently,
3 in a supplemental data response, the Company has shown 100% compliance with
4 the 15 day requirement for the period July through November 2002. On this basis,
5 given about 50 test requests per quarter, a 90% benchmark level appears
6 reasonable absent additional information provided by the Company. With a
7 frequency of one request every other day and the allowed interval of 15 days to
8 perform a test, a 90% benchmark should not be unduly burdensome.

9
10 Q. TURNING NOW TO THE SERVICE MEASURE FOR SCHEDULED METER
11 READS, WHAT SHOULD BE THE BASIS FOR THIS BENCHMARK?

12 A. Based on Ms. Czaplewski's rebuttal testimony at pages 22 and 23, it appears that
13 the Company does not read every meter each month. Assuming that the
14 Commission has accepted such a practice, then the Company's definition of
15 "meters assigned to be read" rather than "active meters" is an appropriate metric
16 for the on-cycle meter read measure.

17 The Company's current proposed annual benchmark for this measure is
18 94.3%. As shown on Schedule 2, on a quarterly basis the Company has met a
19 94% benchmark in every quarter since the fall of 2000. Accordingly, a 94%

1 quarterly benchmark appears to be a reasonable reflection of the Company's
2 recent performance, and it should be used in the alternative SQP.

3
4 - Service Appointments

5
6 Q. THERE APPEARS TO BE A DISAGREEMENT CONCERNING THE
7 DEFINITION FOR THE SERVICE APPOINTMENT MEASURE. WOULD
8 YOU PLEASE DISCUSS THE COMPANY'S POSITION ON THE
9 DEFINITION OF A "SERVICE APPOINTMENT MET"?

10 A. The objective of my previous recommendation to exclude instances when the
11 Company but not the customer met an appointment was to not unfairly classify
12 such an event as a service failure. This was based on the fact that such a service
13 metric typically measures the percentage of service appointments which complete
14 the required work. Apparently, the Company defines service appointments met to
15 include instances where the Company personnel show up but are not able to
16 perform the required work. On that basis, the Company's definition appears to
17 fulfill my envisioned measure and no modification is required.

18

1 Q. WHAT IS THE COMPANY'S PROPOSED ANNUAL BENCHMARK AND
2 WHAT LEVEL OF PERFORMANCE ARE YOU RECOMMENDING FOR A
3 QUARTERLY BENCHMARK?

4 A. The Company is proposing that 96.6% of service appointments be met on an
5 annual basis. Again, on Schedule 2, data is provided which shows the Company's
6 quarterly performance since the second quarter of 2000. For the nine quarters
7 where historical data is available, the Company has had a 97.4% compliance with
8 the lowest quarterly performance being 96.1%. Based on this historical
9 performance, a quarterly benchmark of 96% would be reasonable.

10

11

12

13

14

15 - Leak Call Response

16 Q. THIS IS ANOTHER SERVICE MEASURE AREA WHERE THERE APPEARS
17 TO BE AN ISSUE CONCERNING THE DEFINITION OF PERFORMANCE.
18 WOULD YOU FIRST DISCUSS THE DEFINITION OF "RESPONSE"?

19 A. At page 23 of her rebuttal testimony, Ms. Czaplewski defines the measured
20 performance as "the time that elapses from the time a call is received until the

1 point that qualified Company personnel arrive at the scene . . .” This definition
2 may or may not be comparable to the typical “make safe” requirement which is
3 used by many utilities. The issue arises because some gas utilities will dispatch
4 customer service personnel to leaks and those individuals can address above
5 ground leaks associated with the meter and its associated piping. However, such
6 personnel generally cannot address below ground leaks in the services or mains
7 and must typically seek to have a distribution crew dispatched to the scene. As
8 stated in my direct testimony, the Company should clearly specify what constitutes
9 a response under its measurement procedures.

10
11 Q. WITH RESPECT TO THE PROPOSED BENCHMARK, WHAT HAS THE
12 COMPANY PROPOSED AND WHAT WOULD YOU RECOMMEND?

13 A. The Company has proposed two separate benchmarks: a 30 minute response for
14 leaks during normal business hours and a 45 minute response for leaks outside of
15 normal business hours. As a general guideline, most utilities do not differentiate
16 between business and non-business hours, and they typically require 95% of
17 responses within one hour.

18 Since the Company seeks to have its service measures compatible with its
19 existing performance metric, the Company time standards should presumably be
20 continued. Based on industry practice, it would also appear reasonable to perhaps

1 consolidate the two measures under a single 45 minute response time measure.
2 However, based on the Company's existing practice, the two differentiated time
3 intervals were used in developing the alternative benchmarks.

4
5 Q. WOULD YOU NOW ADDRESS THE PERFORMANCE BENCHMARKS
6 WHICH ARE ASSOCIATED WITH THE LEAK RESPONSE MEASURE?

7 A. The Company has proposed that the annual percentage of compliance should be
8 79.8% for calls during business hours and 82.1% for calls during non-business
9 hours. On Schedule 3, data is presented which shows the quarterly average calls
10 per month for both business hours and non-business hours. For business hours,
11 calls averaged 458 per month with an associated 84.4% compliance. For non-
12 business hours, calls averaged 321 per month with a 87.2% compliance.

13 It is also apparent from the data that the Company experiences higher than
14 average leak calls during the last quarter of the year. While this factor might
15 indicate the potential for a claim of an exogenous event, the associated
16 performance percentage shows that such higher volumes do necessarily adversely
17 affect the performance percentage. During the period for which data is available,
18 the highest monthly leak call volumes during business hours occurred in October
19 2002 when the volumes were 926 and the performance was 88.3%. Conversely, in

1 February 2002, the volumes were the lowest at 310 and the performance was
2 82.3%.

3
4 Q. WHAT PERFORMANCE BENCHMARKS ARE RECOMMENDED FOR THE
5 ALTERNATIVE SQP?

6 A. It is recommended that both leak response benchmarks be initially set at 80%. For
7 both of the measures, the Company's performance would have exceeded this
8 benchmark in each of the last five quarters. However, given the nature of this
9 service level, the benchmark should be raised to 85% in the second year and to
10 90% in the third year. These percentages still would be below the 95% level
11 which is required in other SQPs.

12 In addition, it is recommended that the Commission require incident reports
13 from the Company, under the proposed benchmarks, for any response which is not
14 made within a one hour period. Such incident reports would provide details on the
15 nature of the leak and the reasons why the response was not within a one hour
16 interval.

17

1 V. OPERATION OF THE ALTERNATIVE SQP

2

3 Q. WOULD YOU PLEASE SUMMARIZE THE MECHANICS FOR THE
4 ALTERNATIVE SQP?

5 A. Under the alternative SQP, the Company would report its monthly performance
6 within 30 days from the end of each month. Within 30 days from the end of each
7 quarter, the Company would also document any claim it might have concerning
8 the impact of exogenous events on its reported monthly performance for the
9 quarter. Such claims would be reviewed by the Division and any dispute
10 concerning an exogenous claim, or any performance which would warrant the
11 imposition of a penalty, would be addressed by the Commission.
12 Administratively, this proceeding (Docket No. 3476) could remain open for the
13 SQP's three year duration, and it could accommodate a hearing in the event that
14 the Company's performance fell below the benchmarks for any given quarter.

15

16 Q. WHAT LEVEL OF BENCHMARKS AND PENALTIES WOULD BE
17 APPLICABLE DURING THE THREE YEAR DURATION OF THE
18 ALTERNATIVE SQP?

19 A. The SQP's quarterly benchmarks along with the Company's proposed annual
20 benchmarks are shown on page 1 of Schedule 4. Of the eight service measures to

1 be utilized, only those related to the Company's call center and its leak response
2 would be subject to adjustment over the duration of the SQP. The other
3 benchmarks would remain constant over the three year period.

4 As for the quarterly penalties, they are shown on page 2 of Schedule 4.
5 Each of these penalties would be imposed for any quarter in which the simple
6 average of the monthly performance levels were deficient relative to the
7 benchmark. The one exception involves the periodic testing of meters which has
8 an annual benchmark and would be subject to a \$40,000 annual penalty. These
9 proposed penalties are comparable to those recommended in my direct testimony
10 and have only been modified to round off the amounts to increments of \$5,000.

11
12 Q. ARE THESE PENALTY AMOUNTS INTENDED TO BE AMOUNTS WHICH
13 WOULD BE IMPOSED REGARDLESS OF THE NATURE OF ANY
14 DEFICIENT PERFORMANCE?

15 A. No, the amounts are intended to serve as penalty guidelines subject to the
16 discretion of the Commission. Thus, the penalties could be modified by the
17 Commission based on the severity of the performance deficiency, the duration of
18 the deficiency, and the potential impact of exogenous events. Accordingly, it is
19 envisioned that the Commission would address penalties and any related factors

1 only after a quarter in which performance was deficient against the defined
2 benchmarks.

3 Q. ON A RELATED MATTER, MS. CZAPLEWSKI STATED AT PAGE 27 OF
4 HER REBUTTAL TESTIMONY THAT YOUR PROPOSED PENALTY
5 WEIGHTINGS “ARE ENTIRELY INCONSISTENT WITH CONCERNS . . .
6 RAISED ON BEHALF OF THE DIVISION . . . NOR ARE THESE PROPOSED
7 ADJUSTMENTS DESIGNED . . . TO ACHIEVE SOME IDENTIFIED
8 OBJECTIVE.” WOULD YOU COMMENT ON HER STATEMENTS?

9 A. On page 8 of my direct testimony I stated that “any penalty should be sufficient to
10 provide a disincentive to the utility for deficient performance” and “the level of
11 payment should reflect the importance of the related service area.” On this basis, I
12 am somewhat confused by Ms. Czaplewski’s statements. First, both my initial and
13 my alternative penalty allocations placed the greatest weight on the safety
14 measures. The remaining areas of call center, meter related, and service
15 appointments were then given approximately equal weighting. Unlike Ms.
16 Czaplewski, I do not believe that lower relative penalty levels should be assigned
17 to measures where the Company has performed well in the past. Rather, my
18 allocations were intended to reflect the relative importance which, I believe,
19 customers place on the underlying service.

1 However, in the end analysis, the alternative penalties weightings that are
2 presented in this testimony are quite compatible with those recommended by the
3 Company. The major departures are the 20% for service appointments met vs. the
4 Company's 12% and the 32% vs. the Company's 48% for safety measures. In my
5 opinion, service appointments met performance is very close in importance to the
6 call center performance and both measures were given commensurate weights. As
7 for the safety measures, I believe that 32% is an adequate weighting for these
8 measures given their importance and the objective of providing a sufficient
9 deterrent for inadequate service levels.

10 If any criticism is warranted concerning my recommended penalties, it
11 would be that they are too low to sufficiently motivate the Company to provide
12 adequate service. While this criticism is potentially valid, it arises as a result of
13 my restricting penalties to the level proposed by the Company, at least for the
14 initial phase of the SQP.

15
16 Q. AND FINALLY, ON PAGE 29 OF MS. CZAPLEWSKI'S REBUTTAL
17 TESTIMONY, SHE CITES THE RATE SETTLEMENT AGREEMENT IN
18 DOCKET NO. 3401 AS THE BASIS FOR AN SQP PROVISION THAT "THE
19 INCLUSION OF PENALTY OFFSETS IS REQUIRED . . ." HAS YOUR
20 ALTERNATIVE SQP MADE PROVISION FOR ANY SUCH OFFSETS?

1 A. As discussed previously, the adoption of a quarterly SQP framework implicitly
2 provides penalty offsets by virtue of the fact that deficient performance in one
3 month that should otherwise be penalized is potentially offset by better than
4 benchmark performance in the other months of a quarter. Therefore, in my
5 opinion, there is a provision for penalty offsets within the alternative SQP.

6

7 Q. MR. LELASH, DOES THAT COMPLETE YOUR SURREBUTTAL
8 TESTIMONY IN THIS PROCEEDING?

9 A. Yes, it does.

10

VI. SUPPORTING SCHEDULES

New England Gas Company
Abandoned Call Percentage

	<u>1999/2000</u>	<u>2000/2001</u>	<u>2001/2002</u>	<u>2002/2003</u>
July	14.8%	16.9%	20.5%	3.4%
August	19.9	21.4	23.7	5.6
September	17.3	15.4	23.8	5.8
October	21.8	21.2	30.7	10.5
November	17.6	15.3	18.3	7.7
December	9.5	11.0	12.6	-
January	11.9	11.9	5.5	-
February	14.2	6.6	2.5	-
March	15.0	7.4	1.9	-
April	12.9	9.1	2.1	-
May	21.0	22.5	2.4	-
June	23.6	12.6	2.4	-
Average Annual	16.6%	14.3%	12.2%	

SOURCE: Company's Direct Testimony, Attachment SQP-3, pages 2-4.

New England Gas Company
Call Center Volumes
(000's)

	<u>1999/2000</u>	<u>2000/2001</u>	<u>2001/2002</u>	<u>2002/2003</u>
July	37	38	48	41
August	39	43	52	39
September	40	45	49	40
October	48	52	65	58
November	38	44	43	39
December	35	38	34	-
January	40	50	40	-
February	38	38	36	-
March	43	44	37	-
April	39	43	43	-
May	50	60	41	-
June	46	46	38	-
Average Annual	41	45	44	

SOURCE: Company's Direct Testimony, Attachment SQP-3, pages 2-4.

New England Gas Company
Call Center Statistic 2001/2002

	<u>Total Calls</u> <u>(000's)</u>	<u>Abandoned</u> <u>Calls</u>	<u>Answered in</u> <u>60 Seconds</u>
July	48	20.5%	36.0%
August	52	23.7	27.7
September	49	23.8	25.9
October	65	30.7	18.8
November	43	18.3	35.4
December	34	12.6	51.4
January	40	5.5	75.7
February	36	2.5	87.6
March	37	1.9	90.3
April	43	2.1	90.2
May	41	2.4	89.0
June	38	2.4	89.8
Average Annual	44	12.2%	59.8%

SOURCE: Company's Direct Testimony, Attachment SQP-3, pages 2-4.

New England Gas Company
Historical Quarterly Performance

<u>Quarter</u>	<u>60 Sec. ASA</u>	<u>Abandoned Calls</u>	<u>Meter Reads</u>	<u>Service Appointments</u>
July-September 1999	- %	17.3%	- %	- %
October-December	-	16.3	-	-
January-March 2000	-	13.7	92.8	-
April-June	-	19.2	87.4	-
July-September	-	17.9	93.4	96.4
October-December	-	15.8	94.0	96.1
January-March 2001	-	8.6	94.2	97.1
April-June	-	14.7	95.3	97.7
July-September	29.9	22.7	94.3	98.1
October-December	35.2	20.5	94.5	96.6
January-March 2002	84.5	3.3	94.8	97.4
April-June	89.7	2.3	94.7	97.9
July-September	84.0	4.9	95.0	98.9
Average	64.7%	13.6%	93.7%	97.4%
Benchmark	60.0%	20.0%	94.0%	95.0%

SOURCE: Company's Direct Testimony, Attachment SQP-3, pages 2-4 and supplemental data concerning July through November 2002 performance.

New England Gas Company
Leak Response Data

	<u>Business Hours</u>		<u>Non-Business Hours</u>	
	<u>Calls</u>	<u>Percentage</u>	<u>Calls</u>	<u>Percentage</u>
July-September 2001	430	82.0%	275	83.5%
October-December	579	84.5	398	89.8
January-March 2002	416	80.3	379	84.2
April-June	423	85.4	256	87.5
July-September	439	89.8	299	91.2
Averages	458	84.4%	321	87.2%
Benchmark		80.0%		80.0%

SOURCE: Company's Direct Testimony, Attachment SQP-3, page 4 and supplemental data concerning July through November 2002 performance.

New England Gas Company
Quarterly Service Benchmarks

	<u>Company</u> <u>Annual</u>	<u>Alternative Quarterly</u>		
		<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>
Average Speed of Answer	54.2%	60%	70%	80%
Abandoned Call Rate	16.8%	20%	15%	10%
On Cycle Meter Reads	94.3%	94%	94%	94%
Periodic Meter Testing	-	15,000 annual benchmark		
Customer Requested Tests	73.5%	90%	90%	90%
Service Appointments – Met	96.6%	95%	95%	95%
Leak Calls – Business	79.8%	80%	85%	90%
Leak Calls – Non-Business	82.1%	80%	85%	90%

SOURCE: Company's Direct Testimony, Attachment SQP-3, pages 2-4, supplemental data concerning July through November 2002 performance, and Kaufmann Testimony, page 32.

New England Gas Company
Proposed Penalty Weighting

	<u>Weighting</u>	<u>Penalties</u> (000's)
Speed of Answer	12%	\$ 15
Abandoned Calls	<u>12</u>	<u>15</u>
Total Call Center	24%	\$ 30
On Cycle Meter Reads	8%	\$ 10
Periodic Testing*	8	10
Customer Meter Tests	<u>8%</u>	<u>10</u>
Total Meter Related	24%	\$ 30
Service Appointments	20%	\$ 25
Leak Calls – Business	16%	\$ 20
Leak Calls – Non-Business	<u>16</u>	<u>20</u>
Total Safety	32%	\$ 40
Totals	100%	\$125

*Note that periodic testing would be only imposed as an annual penalty of \$40,000.