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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
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NEW ENGLAND GAS COMPANY  
A DIVISION OF SOUTHERN UNION COMPANY

DOCKET No. \_\_\_\_\_

DIRECT TESTIMONY

OF

KAREN CZAPLEWSKI AND CHARLES MEUNIER

September 30, 2002

PUBLIC UTILITIES COMMISSION	
DOCKET NO.	3478
FILE NO.	NEGAS
PAGE NO.	2
FILED	5/5/03
REC.	SF

TESTIMONY OF KAREN CZAPLEWSKI AND CHARLES MEUNIER

DOCKET No. \_\_\_\_\_

**I. INTRODUCTION**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

2 A. Czaplewski

3 My name is Karen M. Czaplewski. My business address is 100 Weybosset Street,  
4 Providence, RI 02903.

5 A. Meunier

6 My name is Charles K. Meunier. My business address is 100 Weybosset Street,  
7 Providence, RI 02903.

8 **Q. WHAT IS YOUR POSITION AND RESPONSIBILITIES**

9 A. Czaplewski

10 I am Vice President of Customer Service and Information Technology for New  
11 England Gas Company (the "Company"), a division of Southern Union Company.  
12 Since 1977, my primary responsibilities have included various departments that come  
13 under the umbrella of customer service. These include billing, accounts receivable,  
14 credit and collections, call center and business office operations.

15 I joined Southern Union Company in December 1995, and my first responsibility was  
16 to construct a new call center facility to centralize the customer service calls for our

1 service territory in Texas. On July 1, 1997, I assumed responsibility for the various  
2 areas that were included under the customer service umbrella in Missouri, as well as  
3 keeping my responsibilities in Texas. In August 2001, I assumed responsibility for the  
4 various areas that are included under the customer service umbrella in the Company.  
5 Missouri and Texas are no longer in my area of responsibility.

6 A. Meunier

7 I am Senior Vice President of Operations for the Company. My primary  
8 responsibilities include various departments that come under the umbrella of Field  
9 Operations. These include: Engineering Systems Planning and Environmental  
10 Services; Construction and Maintenance; Gas Control; Fleet; Customer Field Service;  
11 Meter Reading and Meter Shop; and Purchasing, Facilities, and Security.

12 **Q. WHAT IS YOUR PROFESSIONAL AND EDUCATIONAL BACKGROUND?**

13 A. Czaplewski

14 Prior to joining Southern Union Company, I was employed from 1977 until 1995 by  
15 Vision Energy Company and Power Fuels, Inc. as Vice President of Administration  
16 and Controller, and then Vice President of Finance. Vision Energy Company was a  
17 six-state propane sales company, while Power Fuels, Inc., was a forty-eight-state  
18 liquids-in-bulk truck transporter. During the last year of my employment, the  
19 companies were acquired by Ferrellgas Propane.

1 I received a degree in Business Administration with an emphasis in accounting from  
2 Minot State University.

3 A. Meunier

4 Prior to my current position, I was most recently Vice President of Operations of the  
5 Company. Before that position, I was Vice President of Operations of Valley  
6 Resources, where I was responsible for all gas distribution, measurement, control,  
7 facilities, fleet, appliance and equipment service and repair operations for the utility's  
8 subsidiaries, Valley Gas and Bristol & Warren Gas. I have been employed by the  
9 Company and its predecessors for 38 years and currently am the 2001-2002 Chairman  
10 of the Operating Division Board of Directors of the New England Gas Association and  
11 am affiliated with the New England Regional Utility Group. I am a past president and  
12 current member of the Rotary Club of Cumberland-Lincoln, and served on the  
13 Business and Education Partnership Development Committee of the Northern Rhode  
14 Island Chamber of Commerce. I received a Bachelor of Science Degree in Business  
15 Administration from Bryant College.

16 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

17 A. Czaplewski

18 The purpose of this testimony is to address the comprehensive service quality program  
19 ("Service Quality Program") that the Company is proposing for its Rhode Island

1 operations. Consistent with Commission Order in Docket 3401, the Company is filing  
2 a comprehensive service quality measurement and monitoring program to ensure that a  
3 high level of service is provided to its customers. Specifically, the testimony will:

- 4 (i) Discuss the measures by which service quality is being monitored  
5 (“Service Quality Measures”) and the criteria being used for each of  
6 the measures (“Performance Criteria”) of service quality;
- 7 (ii) Explain how benchmarks have been designed to measure service  
8 quality performance;
- 9 (iii) Address the mechanism by which the Company's service quality  
10 performance will be evaluated (“Performance Mechanism”); and
- 11 (iv) Explain the data reporting process associated with the Service Quality  
12 Program.

13 **Q. HOW IS THE TESTIMONY ORGANIZED?**

14 A. Czaplewski

15 The testimony is organized into three general sections. The first section introduces the  
16 witnesses and provides our qualifications and sets forth our purpose for testifying.  
17 The second section provides background to our proposal. The third section provides  
18 details on the Service Quality Plan.

19 **Q. ARE YOU SPONSORING ANY EXHIBITS RELATED TO YOUR**  
20 **TESTIMONY?**

21 A. Czaplewski

22 Yes. I am sponsoring the following exhibits, which are attached hereto:

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1	Exhibit SQP-1:	Service Quality Plan
2	Exhibit SQP-2:	Summary of Benchmarks and Performance Mechanism
3	Exhibit SQP-3:	Historical Service Quality

## **II. BACKGROUND**

### **4 Q. WHY IS THE COMPANY PROPOSING THE SERVICE QUALITY PLAN?**

5 A. Meunier

6 On July 24, 2000, the Rhode Island Division of Public Utilities and Carriers (the  
7 "Division") approved a settlement agreement in Docket Nos. D-00-2 and D-00-3  
8 entered into among the Advocacy Section of the Division, the Attorney General, the  
9 Energy Council of Rhode Island, Southern Union Company, Providence Gas  
10 Company, Valley Gas Company and Bristol and Warren Gas Company (collectively  
11 the "Settling Parties") addressing various issues surrounding the acquisition and  
12 merger, including service quality. The Settling Parties agreed that the quality of  
13 service provided to customers of the merged companies would not be diminished as a  
14 result of the acquisition and merger. In order to ensure that the quality of service  
15 would not be diminished, the Settling Parties agreed that the Company would  
16 implement a comprehensive service quality measurement and monitoring program.  
17 Since the approval, the Company has had various discussions and meetings with the  
18 Division regarding the establishment of a service quality measurement and monitoring  
19 program. In the Public Utilities Commission ("Commission" or "PUC") approved

1 Docket No. 3401 Settlement Agreement, the Company and Division agreed to  
2 continue discussions regarding the development and implementation of a Service  
3 Quality Program, with the intention of submitting a joint proposal to the Commission  
4 no later than September 30, 2002. If a joint proposal cannot be agreed to, the  
5 Company must submit its own Service Quality Program proposal by September 30,  
6 2002.

7 PROPOSAL

**SERVICE QUALITY MEASURES AND PERFORMANCE CRITERIA**

8 **Q. WHAT SERVICE QUALITY MEASURES WILL BE USED TO MONITOR**  
9 **THE COMPANY'S SERVICE QUALITY GOING FORWARD?**

10 A. Meunier

11 There are eight Service Quality Measures that are proposed to be used to monitor  
12 service quality: abandoned call rate; average speed of answer; on-cycle meter reads;  
13 testing of meters; customer requested meter tests completed; service appointments met  
14 as scheduled; leak call responsiveness – normal business hours; and leak call  
15 responsiveness – after normal business hours. These Service Quality Measures fall  
16 into five general service quality categories: call center responsiveness; meter reads;  
17 meter testing; service appointments; and safety. These measures represent a broad  
18 range of the services provided to the Company's Rhode Island customers and are a

1 reasonable way to monitor and measure service quality performance. The Service  
2 Quality Measures that the Company proposes are detailed in Exhibit SQP-1.

3 **Q. PLEASE EXPAND ON THE SERVICE QUALITY MEASURES BEING**  
4 **PROPOSED TO MEASURE CALL CENTER RESPONSIVENESS?**

5 A. Czaplewski

6 The call center responsiveness will be measured using two Service Quality Measures:  
7 (i) abandoned call rate; and (ii) average speed of answer. The Performance Criteria  
8 used to measure the level of abandoned calls coming into the call center is an  
9 abandoned call percentage. The abandoned call percentage is the annual number of  
10 abandoned calls as a percentage of the total number of calls into the call center.  
11 Abandoned calls are defined as incoming calls to the call center where the caller hangs  
12 up before the call is answered. Abandoned calls include those calls terminated while  
13 in the queue or while ringing after initial connection with the Company's telephone  
14 system.

15 For average speed of answer, both Providence operations and Cumberland operations  
16 have historically collected data to monitor this measure. Both based their tracking on  
17 the percentage of calls that were answered in a given group or queue number  
18 excluding abandoned calls and de-queued calls (i.e., calls in multiple queues) which  
19 never get answered. Providence operations historically tracked the percentage of calls  
20 answered by the call center within 20 seconds, while Cumberland operations tracked

1 the percentage of calls answered within 120 seconds. As set forth in Exhibit SQP-1,  
2 the annual percentage of calls answered within 60 seconds is the proposed  
3 Performance Criteria for the combined Rhode Island operations, and tracking on the  
4 basis of this criteria has been implemented as of August 1, 2001.

5 **Q. WHAT SERVICE QUALITY MEASURES ARE BEING PROPOSED TO**  
6 **MEASURE METER READS?**

7 A. Meunier

8 The Company proposes to monitor on-cycle meter reads, using the Performance  
9 Criteria of actual meter reads as a percentage of the number of meters assigned to be  
10 read. Providence operations has installed Automated Meter Reading ("AMR") devices  
11 throughout its system, and therefore, typically there are more than 99% actual meter  
12 reads as compared to the number of meters that were assigned to be read. Conversely,  
13 Cumberland operations has not implemented AMR technology on its systems to date  
14 and generates actual reads for approximately 75% of the meters assigned to be read.

15 **Q. WHAT SERVICE QUALITY MEASURES ARE BEING PROPOSED TO**  
16 **MEASURE METER TESTING PERFORMANCE?**

17 A. Meunier

1 As set forth in Exhibit SQP-1, that the Company proposes to test 15,000 total meters  
2 annually. This testing will include meters rated by the manufacturer up to and  
3 including 300 cubic feet per hour ("cfh") and meters rated greater than 300 cfh.

4 The second Service Quality Measure related to meter testing is customer requested  
5 meter tests completed. This is measured as the annual number of customer requested  
6 meter tests completed within 15 days from the request as a percentage of the total  
7 number of customer requested meter tests.

8 **Q. WHAT SERVICE QUALITY MEASURE IS BEING PROPOSED TO**  
9 **MEASURE THE COMPANY'S SERVICE APPOINTMENTS**  
10 **PERFORMANCE?**

11 **A. Meunier**

12 As set forth in Exhibit SQP-1, the Company proposes to monitor service appointments  
13 by using the Service Quality Measure of service appointments met. The Performance  
14 Criteria for service appointments met is defined as the annual percentage of general  
15 service appointments met as scheduled. These appointments include meter  
16 installations, meter removals, meter change-outs, starting and final meter reads,  
17 reconnections for non-payment and high bill investigations. The Company has agreed  
18 to offer both morning and afternoon service appointment times, whereby morning  
19 appointments are between 8 AM and Noon, and afternoon appointments are between

1 Noon and 4 PM. An all-day appointment (8 AM to 8 PM) will also be offered for  
2 those customers that do not specifically need a morning or afternoon time slot.

3 **Q. WHAT SERVICE QUALITY MEASURES ARE BEING PROPOSED TO**  
4 **MEASURE THE COMPANY'S SERVICE QUALITY FOR SAFETY?**

5 A. Meunier

6 The Company, as set forth in SQP-1, proposes to monitor customer safety using two  
7 measures related to Leak Call Responsiveness. The First Service Quality Measure is  
8 the annual percentage of leak calls responded to within 30 minutes during normal  
9 business hours (defined as 8AM to 4PM). The second measure is the annual  
10 percentage of leak calls responded to within 45 minutes during non-business hours.

### **TIMING**

11 **Q. WHAT IS THE TIMING BEING PROPOSED BY THE COMPANY FOR**  
12 **IMPLEMENTATION OF THE SERVICE QUALITY PROGRAM?**

13 A. Czaplewski

14 The Company has commenced tracking service performance against the above  
15 described measures and is proposing that the Service Quality Program initially be a 3-  
16 year plan running concurrent with the 3-year base rate freeze approved in Docket No.  
17 3401. Accordingly, the proposed Service Quality Program includes establishment of

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1 Performance Benchmarks calculated and based on up to 3-years' worth of historical  
2 data and will remain fixed through June 30, 2005.

3 **Q. PLEASE EXPLAIN THE PERFORMANCE PERIOD.**

4 A. Czaplewski

5 The Performance Period is the period during which the Company's actual service  
6 quality performance will be compared to the Performance Benchmarks, and the  
7 Company will be subject to a financial adjustment based on its service quality  
8 performance relative to the Performance Benchmarks. The first Performance Period is  
9 the Company's current fiscal year running from July 1, 2002 through June 30, 2003.  
10 The Company's actual performance over this period relative to the Performance  
11 Benchmarks will determine the amount of adjustment, if any, to which the Company  
12 will be subject pursuant to the Performance Mechanism.

### **PERFORMANCE BENCHMARKS**

13 **Q. WHAT ARE THE BENCHMARKS FOR THE CALL CENTER SERVICE**  
14 **QUALITY MEASURES?**

15 A. Czaplewski

16 The annual Abandoned Call Rate Service Quality Benchmark is 15.1 percent. This  
17 benchmark is calculated on the basis of 3 years of combined historical service for the

1 legacy Companies. Attachment SQP-2 summarizes the proposed benchmarks and  
2 Attachment SQP-3 provides historic service quality tracking data.

3 For the Average Speed of Answer, both legacy operations have historically collected  
4 data to monitor this measure. However, Providence operations historically tracked the  
5 percentage of calls answered by the call center within 20 seconds, while the Valley  
6 operations tracked the percentage of calls answered within 120 seconds. As of July 1,  
7 2001, the Company began to collect data on the percentage of telephone calls handled  
8 within 60 seconds for the combined operations. Based on data from the combined  
9 operations, the annual performance benchmark for the Average Speed of Answer is  
10 established at 55.9%.

11 **Q. WHAT ARE THE ON-CYCLE METER READS AND METER TESTING**  
12 **BENCHMARKS?**

13 A. Meunier

14 The Company has compiled and combined two years of historical performance data  
15 for On-Cycle Meter Readings. Based on the historical data, the benchmark has been  
16 established at 94.4%. The benchmark for Periodic Meter Testing is set at a combined  
17 15,000 total meters annually as described earlier. For Customer Requested Meter  
18 Tests, the Company has not historically tracked performance. Based on data collected  
19 since September 2001, a benchmark is being established at the level of 77.4%.

20 **Q. WHAT ABOUT SERVICE APPOINTMENTS?**

1 A. Meunier

2 The Company has compiled and combined two years of historical performance data to  
3 establish an annual Performance Benchmark for Service Appointments met as  
4 scheduled at 97.2%.

5 **Q. WHAT ARE THE LEAK RESPONSE BENCHMARKS?**

6 A. Meunier

7 Historic performance data under the two Leak Responsiveness measurements criteria  
8 described above are only available on a Company-wide basis starting July 2001. Prior  
9 to July 2001, the legacy Providence Company tracked leak-call responsiveness on the  
10 basis of average time to respond. Based on the twelve months ending June 30, 2002,  
11 the annual performance benchmark for Leak Call Responsiveness during Normal  
12 Business Hours and After Normal Business Hours is 83.2% and 86.3% respectively.

#### **PERFORMANCE MECHANISM**

13 **Q. PLEASE DESCRIBE THE PERFORMANCE MECHANISM STRUCTURE.**

14 A. Czaplewski

15 A critical element of any service quality plan is the system of adjustments, which help  
16 ensure that service quality is not degraded and encourage quality improvements. The  
17 Company believes that the best way to achieve this is through a matrix of financial  
18 adjustments depending on the Company's performance relative to the Performance

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1 Criteria. The Company believes that it is reasonable and appropriate to establish a  
2 Performance Mechanism with adjustments to create an incentive structure that is  
3 positive for our customers. Specifically, with this Performance Mechanism, the  
4 Company will have an incentive to continually enhance its customer service  
5 performance beyond the levels established based on historical performance.

6 **Q. PLEASE EXPLAIN HOW THE PERFORMANCE MECHANISM WILL**  
7 **WORK?**

8 A. Czaplewski

9 Performance for each of the Service Quality Measures will be tracked and compared  
10 with the established Performance Benchmark. Annual Financial Adjustments will be  
11 calculated if actual performance is not within a deadband around the benchmark. The  
12 deadband is established by calculating the standard deviation from historical  
13 information for those measures where the performance benchmark is calculated using  
14 more than one year worth of data. For measures with less than or only one year of  
15 historic data, the deadband is a percentage of the performance benchmark,  
16 (“Performance Variance”).

17 **Q. PLEASE DESCRIBE THE PENALTY CALCULATION?**

18 A. Czaplewski

1 If the Company's annual performance for a Performance Measure falls within or is  
2 equal to one standard deviation from the benchmark or the established Performance  
3 Variance, no revenue penalty will be imposed for that measure. If the Company's  
4 annual performance for a measure negatively exceeds the established Performance  
5 Variance or one standard deviation up to two standard deviations of the benchmark, it  
6 will be subject to the revenue penalty. To the extent that unforeseen exogenous events  
7 which are beyond the Company's reasonable control may cause the Company to be  
8 outside the deadband, such as a major pipeline disruption resulting in the call center  
9 being inundated with calls severely affecting Average Speed of Answer, the Company  
10 will be able to identify and quantify such impact and exclude it from the annual  
11 performance calculation. The burden of proof lies with the Company to demonstrate  
12 that the event was exogenous and had a significant impact on the Company's annual  
13 performance results.

14 **Q. WHAT ABOUT CALCULATION OF INCENTIVE OFFSETS?**

15 **A.** Czaplewski

16 Incentive offsets are calculated in a similar fashion to revenue penalties. If the  
17 Company's annual performance for a Performance Measure falls within the  
18 established deadband, no incentive offset is achieved. If the Company's annual  
19 performance positively exceeds the established deadband, the Company is eligible for  
20 an incentive offset to any penalty incurred within the same performance year with the

1 exception of any safety penalty. Safety measures are not subject to the incentive offset  
 2 mechanism. If the Company falls outside two standard deviations in performance, the  
 3 incentive offset is capped at the maximum level. The cumulative balance of penalties  
 4 and incentive offsets would be included as a negative or no adjustment in the annual  
 5 DAC, with a maximum penalty adjustment of \$500,000 for the year. This maximum  
 6 penalty amount is the result of negotiations with the Division.

7 **Q. ARE THERE ANY PERFORMANCE MEASURES WHICH CANNOT BE**  
 8 **USED AS OFFSETS?**

9 A. Czaplewski

10 Yes. The Safety measures will be used for penalty adjustments only. That is, if  
 11 performance exceeds the established deadband, no offset would be available to reduce  
 12 or offset the penalty.

13 **Q. HOW WOULD REVENUE ADJUSTMENTS BE APPORTIONED?**

14 A. Czaplewski

15 Revenue adjustments will be apportioned among the various Performance Measures as  
 16 follows:

17 Call Center Responsiveness

18 Average Speed of Answer 12 percent

19 Abandoned Call Rate 12 percent

20 Meter Reads

21 On Cycle Meter Reads 6 percent



1 work stoppage or other unforeseen events or force majeure beyond the Company's  
2 control; and (2) the failure of other company's services to the Company customers that  
3 affects the Performance Mechanism. This is consistent with Narragansett Electric's  
4 in-force performance standards.

### **DATA COLLECTION AND REPORTING**

5 **Q. HOW DOES THE COMPANY PROPOSE TO REPORT THE RESULTS OF**  
6 **ITS SERVICE QUALITY PERFORMANCE?**

7 **A.** Czaplewski

8 The Company will provide the Division and Commission with quarterly reports on the  
9 service quality statistics collected within 30 days of the end of each quarter. At the  
10 end of the fiscal year, the Company will make an Annual Service Quality Plan Filing  
11 to provide details regarding service quality performance over the prior year. This will  
12 be an in-depth compilation of the quarterly filed reports plus the calculation of any  
13 financial adjustment. Such filing shall occur no later than August 1<sup>st</sup> of each year and  
14 the results incorporated in the Distribution Adjustment Charge filing. Explanations  
15 and documentation of extraordinary circumstances, if any, will be furnished in the  
16 annual filing.

1 **Q. WHAT TYPE OF DATA WILL BE INCLUDED IN THE ANNUAL SERVICE**  
2 **PLAN FILING?**

3 **A.** Czaplewski

4 The Annual Service Quality Plan Filing will include a summary of the Company's  
5 performance for each of the Service Quality Measures for that Performance Period, a  
6 calculation of the adjustment pursuant to the Performance Mechanism, and copies of  
7 all of the relevant data that was used to calculate performance for each Service Quality  
8 Measure. In addition, if the performance for any Service Quality Measure is subject to  
9 a negative adjustment under the Performance Mechanism, the Company will provide  
10 an explanation for the deviation in performance and the actions to be undertaken.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 **A.** Yes, it does.

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## NEW ENGLAND GAS COMPANY

### SERVICE QUALITY PROGRAM

#### OVERVIEW

The Service Quality Program is a 3-year program, designed to not only ensure service quality is not degraded, but to encourage service quality improvements as well. One of the primary goals of the plan is to maintain or improve service quality, safety and reliability for customers. The Service Quality Program includes eight measures by which service quality will be measured ("Performance Measures") and the criteria to be used to monitor each measure ("Performance Criteria").

To achieve the objectives, the plan includes a matrix of financial adjustments based on actual annual performance relative to the service-quality benchmarks, ("Performance Benchmarks") and incorporates a system of penalties and incentive offsets, (the "Performance Mechanism"). This mechanism creates a penalty and incentive offset structure that is positive for our customers. If performance deteriorates from the Performance Benchmarks, customers will receive a credit through the annual Distribution Adjustment Charge ("DAC") filing.

The program establishes Performance Benchmarks for the combined RI operations based on a standard set of criteria. The Performance Benchmarks are calculated and based on up to 3 years' worth of historical data. The benchmarks will remain fixed for the term of the Service-Quality Plan, which is July 1, 2002 through June 30, 2005, ("Performance Period"). The Performance Criteria will remain in effect during the Performance Period. On a quarterly basis, a service quality report will be filed with the Commission and the Division with an annual report filed each August 1st.

#### PERFORMANCE CRITERIA

##### Call Center Responsiveness

###### *Abandoned Call Rate*

The Performance Criteria for abandoned calls is the annual ratio of the number of abandoned calls as compared to the total number of calls into the call center.

Abandoned calls are defined as incoming calls to the call center where the caller hangs up before being answered. Abandoned calls include those calls terminated while in the queue or while ringing after initial connection with the Company's telephone system.

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The Company has combined 3 years of historical service quality data to serve as a basis for the benchmark calculation. The annual performance benchmark for the Abandoned Call Rate is 15.1%.

### *Average Speed of Answer*

The Performance Criteria for average speed of answer is the percentage of calls answered within 60 seconds in a given group or queue number excluding abandoned calls and de-queued calls that never get answered.

For the average speed of answer, both legacy operations have historically collected data to monitor this measure. Providence operations historically tracked the percentage of calls answered by the call center within 20 seconds, while the Valley operations tracked the percentage of calls answered within 120 seconds. As of July 1, 2001, the Company began to collect data on the percentage of telephone calls handled within 60 seconds for the combined operations. The annual performance benchmark for the Average Speed of Answer is established at 55.9%.

### Meter Reads

#### *On-Cycle Meter Readings*

This is measured as the percentage of actual meter reads as compared to the number of meters assigned to be read.

The Company has combined and compiled two years of historical performance data to serve as a basis for this benchmark calculation. The annual performance benchmark for On-Cycle Meter Readings is 94.4%.

### Meter Testing

#### *Periodic Testing of Meters 1*

The Company has committed to the periodic testing of 15,000 meters a year during the Performance Period. The number of meters tested will be separately tracked and reported based on meters rated by the manufacturer as up to and including 300 cubic feet per hour (cfh) and those meters rated greater than 300 cfh.

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<sup>1</sup> The testing of 15,000 meters per year is an increase in the number of meters currently being tested, it allows the Company to eliminate the current backlog, and is about the level that will be required to remain current in the several following years. The requirement for testing of meters  $\leq 300$  Cfh is not less than once in each fifteen year service period and for meters  $> 300$  Cfh, each ten years.

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**Customer Requested Meter Tests Completed**

This is measured as the annual percentage of customer requested meter tests completed within 15 days as compared to the total number of customer requested tests.

The Company did not historically track performance on this measure. As of September 2001, the Company began collecting data on the percentage of customer requested meter tests handled within 15 days. The annual performance benchmark for Customer Requested Meter Tests Completed is 77.4%.

**Service Appointments Met As Scheduled****Service Appointments Met As Scheduled**

This is measured as the percentage of annual general service appointments met as scheduled. These appointments include meter installations, meter removals, meter change-outs, starting and final meter reads, reconnections, and high bill investigations. Appointments will be offered in these blocks:

1. morning service appointment (8:00 a.m. to 12:00 p.m.);
2. afternoon appointments (12:00 p.m. to 4:00 p.m.); and
3. all day appointments (8:00 a.m. to 8:00 p.m.).

The Company has combined and compiled two years of historical performance data to serve as a basis for this benchmark calculation. The annual performance benchmark for Service Appointments met as scheduled is 97.2%.

**Safety****Leak Call Responsiveness during Normal Business Hours**

This is measured as the percentage of leak calls responded to within 30 minutes during normal business hours (8:00 a.m. to 4:00 p.m.)

**Leak Call Responsiveness after Normal Business Hours**

This is measured as the percentage of leak calls responded to within 45 minutes after normal business hours (after 4:00 p.m. Monday-Friday, all day weekends and holidays).

Historic performance data under these measurement criteria are only available back to July 2001. Prior to July 2001, the legacy Providence Company tracked leak-call responsiveness on the basis of average time to respond. The annual performance benchmark for Leak Call Responsiveness during Normal Business Hours and After Normal Business Hours is 83.2% and 86.3% respectively.

## FINANCIAL ADJUSTMENTS: REVENUE PENALTIES AND INCENTIVE OFFSETS

### Benchmarking & Deadbands

As discussed above, Performance Benchmarks are calculated using available data for the time period July 1, 1999 through June 30, 2002.

Annual Financial Adjustments will be calculated if actual performance is not within a specified deadband. If a performance benchmark is calculated using more than one year worth of data the deadband is established by calculating the standard deviation from historical information. For measures with less than or only one year of historic data, the deadband is a percentage of the performance benchmark, ("Performance Variance").

### Applicability

If the Company's annual performance for a Performance Measure falls within or is equal to one standard deviation from the benchmark or the established Performance Variance, no revenue penalty will be imposed for that measure. If the Company's annual performance for a measure negatively exceeds the established Performance Variance or one standard deviation up to two standard deviations of the benchmark, it will be subject to the revenue penalty. To the extent that unforeseen exogenous events which are beyond the Company's reasonable control may cause the Company to be outside the deadband, such as a major pipeline disruption resulting in the call center being inundated with calls severely affecting Average Speed of Answer, the Company will be able to identify and quantify such impact and exclude it from the annual performance calculation. The burden of proof lies with the Company to demonstrate that the event was exogenous and had a significant impact on the Company's annual performance results.

Incentive offsets are calculated in a similar fashion to revenue penalties. If the Company's annual performance for a Performance Measure falls within the established deadband, no incentive offset is achieved. If the Company's annual performance positively exceeds the established deadband, the Company is eligible for an incentive offset in the performance year. If the Company falls outside two standard

deviations in performance, the incentive offset is capped at the maximum level. Note, the safety service quality measures are not included in the incentive offset calculation and any safety penalty is not subject to any incentive offset.

The cumulative balance of penalties and incentives would be included as a negative or positive adjustment in the annual DAC, with a maximum adjustment of \$500,000 for the year.

### Apportionment of Financial Adjustments Among Performance Measures

Revenue adjustments will be apportioned among the various Performance Measures as follows:

#### Call Center Responsiveness

Average Speed of Answer	12 percent
Abandoned Call Rate	12 percent

#### Meter Reads

On Cycle Meter Reads	6 percent
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#### Meter Testing

Periodic Testing of Meters	6 percent
Customer Requested Meter Tests	4 percent

#### Service Appointments

Service Appointments Met	12 percent
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#### Safety (Penalty only, not offset)

Leak Call Responsiveness Normal Business Hours	24 percent
Leak Call Responsiveness After Business Hours	24 percent

**SUMMARY OF PERFORAMNCE MEASURES & FINANCIAL ADJUSTMENTS**

Maximum Annual (Penalty) / Incentive Offset = \$500,000

Measure	Tracking Data For Fiscal Year:			Benchmark	Dead-Band	Maximum (Penalty) / Incentive Offset
	2000	2001	2002			
Abandoned Call Rate	17.0%	14.7%	13.8%	15.1%	7.3%	\$60,000
Average Speed of Answer	N/A	N/A	55.9%	55.9%	7.3%	\$60,000
On-Cycle Meter Readings		94.3%	94.5%	94.4%	1.1%	\$30,000
Periodic Testing of Meters	N/A	N/A	N/A	15,000	750	\$30,000
Customer Requested Meter Tests Completed	N/A	N/A	N/A	77.4%	3.9%	\$20,000
Service Appointments Met as Scheduled		96.8%	97.7%	97.2%	.08%	\$60,000
Leak Call Responsiveness during Normal Business Hours (penalty only)	N/A	N/A	83.2%	83.2%	3.4%	\$120,000
Leak Call Responsiveness after Normal Business Hours (penalty only)	N/A	N/A	86.3%	86.3%	4.2%	\$120,000
Total Maximum Penalty/ Incentive						\$500,000

**Penalty and Incentive Offset Formulas**

Annual Performance Evaluation

(Penalty)/Incentive Offset

When:

Performance = Benchmark

Not Applicable

When:

(Benchmark+Deadband) < Performance < (Benchmark-Deadband)

Not Applicable

When:

(Performance) > (Benchmark+Deadband)

Apportioned Liability\*Maximum Penalty

When:

(Performance) < (Benchmark-Deadband)

Apportioned Liability\*Maximum Incentive

# NEW ENGLAND GAS COMPANY - RHODE ISLAND

## SERVICE QUALITY MEASUREMENTS - Benchmarks

MEASUREMENT	FY 99 - FY 00	FY 00 - FY 01	FY 01 - FY 02	Benchmark	Performance Variance / SD	Penalty / Incentive Deadband	Notes
<b>CALL CENTER RESPONSIVENESS</b>							
Total Calls Answered	34,181	38,356	37,717				
Abandoned Calls	6,984	6,602	6,033				
Total Calls Offered	41,164	44,958	43,749				
% Abandoned Calls	17.0%	14.7%	13.8%	15.1%	7.3%	22.4% - 7.9%	Deadband based on 36 month SD of historic data points.
Calls Answered in 60 Sec.	1 NA	1 NA	1 55.9%	55.9%	7.3%	63.1% - 48.6%	Deadband based on SD calculated for % Abandoned Calls.
<b>METER READS</b>							
SCHEDULED METERS	NA	222,986	229,778				
METERS READ	NA	210,359	217,159				
% On-Cycle Meter Reads	NA	2 94.3%	2 94.5%	94.4%	1.1%	95.5% - 93.4%	Deadband based on 24 month SD of historic data points.
<b>METER TESTING</b>							
< 300 Cfh	NA	2 NA	2 6,710				
> 300 Cfh	NA	2 NA	2 314	15,000	750	15,750 - 14,250	Deadband based on 5% of the benchmark.
Total			7,024				
Customer requested tests	NA	NA	190				
Tests Completed in 15 days	NA	NA	147				
% Completed in 15 days	NA	2 NA	2 77.4%	77.4%	3.9%	81.2% - 73.5%	Deadband based on 5% of the benchmark.
<b>SERVICE APPOINTMENTS</b>							
Scheduled service appointments	NA	8,643	7,802				
Completed service appointments	NA	8,368	7,622				
% Service Appointments Met	NA	2 96.8%	2 97.7%	97.2%	0.8%	98.1% - 96.4%	Deadband based on 24 month SD of historic data points.
<b>SAFETY</b>							
<b>Leak-Call Response</b>							
Normal Business Hours	NA	NA	462				
- Total calls	NA	NA	385				
- response in 30 min or less	NA	2 NA	3 83.2%	83.2%	3.4%	86.7% - 79.8%	Deadband based on 12 month SD of historic data points.
After Business Hours	NA	NA	327				
- Total calls	NA	NA	282				
- response in 45 min or less	NA	2 NA	3 86.3%	86.3%	4.2%	90.5% - 82.1%	Deadband based on 12 month SD of historic data points.

1 Tracking for Providence was based on a 20 second standard, whereas Valley was 120 seconds.  
 2 Historical tracking was not based on current performance criteria.  
 3 Tracking for Providence was based average response time whereas Valley was based on % responded to X min.

# NEW ENGLAND GAS COMPANY - RHODE ISLAND

## SERVICE QUALITY MEASUREMENTS

MEASUREMENT	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	ANNUAL AVERAGE
TOTAL CALLS ANSWERED	31,210	31,434	32,233	37,918	31,547	32,065	35,186	32,688	36,588	34,069	39,748	35,463	34,181
ABANDONED CALLS	5,419	7,820	6,720	10,553	6,758	3,378	4,743	5,390	6,481	5,051	10,554	10,936	6,984
TOTAL CALLS	36,629	39,254	38,953	48,471	38,305	35,443	39,929	38,078	43,069	39,140	50,302	46,399	41,164
% ABANDONED CALLS	14.8%	19.9%	17.3%	21.8%	17.6%	9.5%	11.9%	14.2%	15.0%	12.9%	21.0%	23.6%	17.0%
<b>CALLS ANSWERED</b>													
IN 20 SECONDS (ProvGas)	31.18%	10.19%	14.17%	4.80%	19.99%	40.40%	32.65%	26.80%	25.57%	29.37%	13.85%	12.36%	21.76%
IN 120 SECONDS (Valley)	87.00%	79.00%	84.00%	78.00%	87.00%	87.00%	89.00%	84.00%	90.00%	82.00%	85.00%	87.00%	84.92%
IN-SERVICE METERS	Valley Only	207,825	301,634	210,798	231,208	229,691	155,235	143,322					
METERS READ	52,510	58,643	33,757	144,910	35,616	58,036	197,513	269,731	198,426	213,843	216,738	116,929	124,605
% ON-CYCLE METER READS	71.2%	70.1%	78.8%	72.5%	74.8%	78.0%	95.0%	89.4%	94.1%	92.5%	94.4%	75.3%	86.9%
<b>LEAK-CALL RESPONSE</b>													
ProvGas													
Weekday													
- calls	0	0	0	0	0	0	0	0	0	0	0	0	0
- response time	0	0	0	0	0	0	0	0	0	0	0	0	0
Average time	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Weekend													
- calls	0	0	0	0	0	0	0	0	0	0	0	0	0
- response time	0	0	0	0	0	0	0	0	0	0	0	0	0
Average time	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Valley													
Normal Business Hours													
- Total calls	0	0	0	0	0	0	0	0	0	0	0	0	0
- response in 30 min or less	0	0	0	0	0	0	0	0	0	0	0	0	0
% in 30 min or less	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
After Business Hours													
- Total calls	0	0	0	0	0	0	0	0	0	0	0	0	0
- response in 45 min or less	0	0	0	0	0	0	0	0	0	0	0	0	0
% in 45 min or less	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Scheduled appointments	0	0	0	0	4,576	4,634	5,533	5,199	6,188	5,341	7,244	7,906	3,885
Completed appointments	0	0	0	0	4,300	4,309	5,335	5,016	6,011	5,164	7,008	7,665	3,734
% SERVICE APPOINTMENTS ME	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	94.0%	93.0%	96.4%	96.5%	97.1%	96.7%	96.7%	97.0%	96.1%

# NEW ENGLAND GAS COMPANY - RHODE ISLAND

## SERVICE QUALITY MEASUREMENTS

MEASUREMENT	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	ANNUAL AVERAGE
TOTAL CALLS ANSWERED	31,282	33,930	38,268	41,332	36,894	33,398	43,828	35,166	40,652	38,687	46,509	40,331	38,356
ABANDONED CALLS	6,375	9,213	6,991	11,092	6,660	4,110	5,902	2,503	3,264	3,858	13,465	5,791	6,602
TOTAL CALLS	37,657	43,143	45,259	52,424	43,554	37,508	49,730	37,669	43,916	42,545	59,974	46,122	44,958
% ABANDONED CALLS	16.9%	21.4%	15.4%	21.2%	15.3%	11.0%	11.9%	6.6%	7.4%	9.1%	22.5%	12.6%	14.7%
<b>CALLS ANSWERED</b>													
IN 20 SECONDS (ProvGas)	20.31%	12.82%	22.11%	13.17%	22.49%	37.22%	33.49%	57.99%	56.17%	53.68%	15.85%	28.57%	31.16%
IN 120 SECONDS (Valley)	85.00%	85.00%	83.00%	79.00%	82.00%	81.00%	80.00%	87.00%	86.00%	89.00%	91.00%	90.00%	84.83%
IN-SERVICE METERS	215,081	232,726	207,961	206,859	216,625	247,467	213,952	216,534	237,366	218,272	214,854	248,136	222,986
METERS READ	202,590	213,732	199,480	197,270	204,220	228,723	202,798	203,106	223,102	208,262	205,824	235,201	210,359
% ON-CYCLE METER READS	94.2%	91.8%	95.9%	95.4%	94.3%	92.4%	94.8%	93.8%	94.0%	95.4%	95.8%	94.8%	94.3%
<b>LEAK-CALL RESPONSE</b>													
ProvGas													
Weekday													
- calls	417	358	408	536	736	727	697	555	440	415	390	343	502
- response time	11,826	9,724	9,714	10,994	21,125	22,335	20,599	17,076	12,220	11,920	11,175	10,827	14,128
Average time	28	27	24	21	29	31	30	31	28	29	29	32	23
Weekend													
- calls	90	94	111	140	214	280	179	159	134	126	92	105	144
- response time	2,564	3,183	3,396	3,150	9,766	18,689	7,335	6,640	5,022	4,740	3,473	3,507	5,955
Average time	28	34	31	23	46	67	41	42	37	38	38	33	41
Valley													
Normal Business Hours													
- Total calls	114	101	106	127	158	127	122	105	98	116	116	101	116
- response in 30 min or less	109	97	102	121	151	123	119	103	97	112	108	99	112
% in 30 min or less	95.6%	96.0%	96.2%	95.3%	95.6%	96.9%	97.5%	98.1%	99.0%	96.6%	93.1%	98.0%	96.4%
After Business Hours													
- Total calls	63	77	70	88	102	116	91	83	74	74	58	43	78
- response in 45 min or less	63	76	70	88	101	115	91	80	74	74	58	42	78
% in 45 min or less	100.0%	98.7%	100.0%	100.0%	99.0%	99.1%	100.0%	96.4%	100.0%	100.0%	100.0%	97.7%	99.3%
Scheduled appointments	9,394	9,914	10,288	10,642	8,527	6,735	7,329	6,626	6,116	6,734	9,698	11,713	8,643
Completed appointments	9,089	9,542	9,911	10,183	8,140	6,536	7,137	6,418	5,928	6,506	9,513	11,510	8,368
% SERVICE APPOINTMENTS ME	96.8%	96.2%	96.3%	95.7%	95.5%	97.0%	97.4%	96.9%	96.9%	96.6%	98.1%	98.3%	96.8%

# NEW ENGLAND GAS COMPANY - RHODE ISLAND

## SERVICE QUALITY MEASUREMENTS

MEASUREMENT	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	ANNUAL AVERAGE
<b>CALL CENTER RESPONSIVENESS</b>													
Total Calls Answered	37,915	39,668	37,234	44,886	35,274	29,871	37,397	35,050	36,217	42,534	39,828	36,725	37,717
Abandoned Calls	9,756	12,292	11,639	19,931	7,903	4,322	2,175	897	684	910	966	919	6,033
Total Calls Offered	47,671	51,960	48,873	64,817	43,177	34,193	39,572	35,947	36,901	43,444	40,794	37,644	43,749
% Abandoned Calls	20.5%	23.7%	23.8%	30.7%	18.3%	12.6%	5.5%	2.5%	1.9%	2.1%	2.4%	2.4%	13.8%
Calls Answered in 60 Sec.	36.0%	27.7%	25.9%	18.8%	35.4%	51.4%	75.7%	87.6%	90.3%	90.2%	89.0%	89.8%	55.9%
<b>METER READS</b>													
SCHEDULED METERS	225,592	227,214	239,453	208,619	223,758	245,755	224,847	219,011	253,984	220,718	219,909	248,475	229,778
METERS READ	212,935	214,787	224,941	200,069	210,994	229,298	214,260	209,310	237,197	211,192	209,898	231,027	217,159
% On-Cycle Meter Reads	94.4%	94.5%	93.9%	95.9%	94.3%	93.3%	95.3%	95.6%	93.4%	95.7%	95.4%	93.0%	94.5%
<b>SERVICE APPOINTMENTS</b>													
Scheduled service appointments	14,286	14,596	14,596	7,389	5,616	5,154	5,236	4,164	4,501	4,702	4,759	8,628	7,802
Completed service appointments	14,028	14,281	14,337	7,103	5,417	5,011	5,088	4,075	4,370	4,566	4,658	8,524	7,622
% Service Appointments Met	98.2%	97.8%	98.2%	96.1%	96.5%	97.2%	97.2%	97.9%	97.1%	97.1%	97.9%	98.8%	97.7%
<b>SAFTEY</b>													
<b>Leak-Call Response</b>													
<b>Normal Business Hours</b>													
- Total calls	470	372	449	635	587	516	538	310	401	400	441	428	462
- response in 30 min or less	365	306	386	550	514	414	418	255	325	329	381	374	385
% in 30 min or less	77.7%	82.3%	86.0%	86.6%	87.6%	80.2%	77.7%	82.3%	81.0%	82.3%	86.4%	87.4%	83.2%
<b>After Business Hours</b>													
- Total calls	264	234	326	387	380	427	424	387	325	260	244	264	327
- response in 45 min or less	213	201	274	351	362	356	363	307	285	228	218	226	282
% in 45 min or less	80.5%	85.9%	84.0%	90.7%	95.3%	83.4%	85.6%	79.3%	87.7%	87.7%	89.3%	85.6%	86.3%