

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT	:	
ELECTRIC COMPANY, d/b/a	:	
NATIONAL GRID	:	DOCKET NO. 3476
SERVICE QUALITY PLAN	:	

ORDER

WHEREAS, in Docket No. 3476, the Rhode Island Public Utilities Commission (hereinafter “the Commission”) implemented National Grid’s (hereinafter “NGrid” or “the Company”) Service Quality Plan (“Plan”), the purpose of which was to ensure no diminishment in service quality would result to Rhode Island natural gas customers subsequent to the merger of Providence Gas Company and Valley Gas Company with Southern Union Company; and

WHEREAS, the Plan established eight performance measures relating to major aspects of the Company’s operations that directly affect customers and that the Company was required to meet; and

WHEREAS, the Plan requires that failure by the Company to meet the established thresholds results in the Company being subject to a penalty if its performance falls below the benchmark and being subject to the maximum penalty if its performance falls two standard deviations from the benchmark; and

WHEREAS, annual performance target levels are re-set annually based on the prior three years’ performance levels; and

WHEREAS, on September 28, 2012, the Company and the Division of Public Utilities and Carriers (hereinafter “the Division”) entered into a Settlement Agreement¹ to modify the benchmarks for the After-Hours Response category and the Meter Testing category; and

WHEREAS, NGrid represents that during the time that the Plan has been in place, the penalty threshold for the After-Hours Response category, that requires a 45 minute response by the Company to an emergency report, has risen to 95.27 percent which, in comparison with industry standards, is stringent; and

WHEREAS, since the inception of the Plan, the threshold has risen from an 86.9 percent threshold with an 89.67 percent benchmark to the current 95.27 percent threshold with a 96.32 percent benchmark; and

WHEREAS, the Settlement Agreement provides for a reduction of the benchmark from 96.32 percent to 95.27 percent and a reduction of the penalty threshold from 95.27 percent to 94.38 percent; and

WHEREAS, the Company represented that the proposed modification to the After-Hours Response category will continue to protect service quality; and

WHEREAS, NGrid represented that the reason for requiring the Company to test 15,000 gas meters annually for accuracy was to alleviate the backlog of meters that were overdue for testing under the Gas Standards; and

WHEREAS, since the inception of the Plan, there is no longer a backlog of meters to be tested and continuation of the 15,000 meter requirement will result in meters being tested prematurely; and

¹ A copy of the Settlement Agreement is attached hereto as Appendix A.

WHEREAS, the Settlement Agreement provides for a 10-year inspection requirement for commercial meters and a 15-year inspection requirement for residential meters to be effective January 1, 2013; and

WHEREAS, subsequent to the filing of the Settlement Agreement and on October 24, 2012, the Company and the Division filed a modification to the Settlement Agreement² which provided for the meter inspection provision to take effect immediately in order to avoid unnecessary testing of meters during the last quarter of 2012;

WHEREAS, the inspection standards set forth in the Settlement Agreement are those set forth in the Division Rules and Regulations Prescribing Standards for Gas Utilities, Master Meter Systems, and Jurisdictional Propane Systems; and

WHEREAS, on October 25, 2012, the Commission considered the Settlement Agreement at an open meeting; and

WHEREAS, after review, the Commission approves the Settlement Agreement and subsequent modification and finds that the modifications will continue to ensure service quality for Rhode Island gas customers.

² A copy of the Modification is attached hereto as Appendix B.

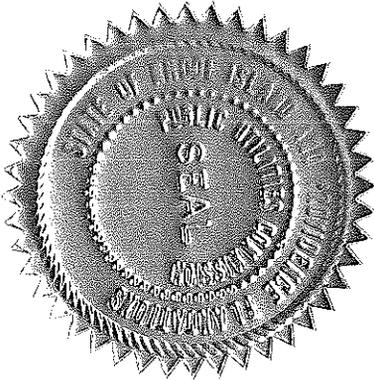
Accordingly, it is

(20864) ORDERED:

1. The Agreement to Modify Performance Benchmarks entered into between the Narragansett Electric Company, d/b/a National Grid and the Rhode Island Division of Public Utilities and Carriers is hereby approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 25, 2012 PURSUANT TO AN OPEN MEETING DECISION ON OCTOBER 25, 2012. WRITTEN ORDER ISSUED ON NOVEMBER 9, 2012.

PUBLIC UTILITIES COMMISSION



Elia Germani, Chairman

Mary E. Bray, Commissioner

Paul J. Roberti, Commissioner

Valley Gas.² Under the Plan, the Company may be assessed penalties for failure to meet target performance in designated areas. For failure to meet the target established for the 45-minute After Business Hours Emergency Response metric, the Company is subject to a maximum quarterly penalty of \$300,000 and a maximum annual penalty of \$1.2 million. The annual performance target levels are re-set annually based on the most recent three years' performance levels. When the Plan was established, it contained an 86.9 percent threshold with an 89.67 percent benchmark relative to the After-Hours Response metric. Over the years, the benchmark level for this metric has been re-set annually and has risen until the current quarterly and annual benchmark goal is 96.32 and the penalty threshold is now 95.27 percent.

The Company and Division agree that going forward it is appropriate to employ a fixed benchmark for the After Business Hours category of 95.27 percent with a penalty threshold of 94.38 percent. Under this agreement, the penalty amounts and the 45-minute response time requirement will continue in place. The parties believe that this adjustment to the Plan will continue to protect service quality in this area by locking in a demanding benchmark and penalty threshold while allowing for effective response personnel scheduling in the off business hour time period.

2. Meter Accuracy Testing

The Division Gas Standards provide that Class A meters be tested once every fifteen (15) years and that Class B meters be tested once every ten (10) years. Gas Standards, Sections E (4) (a) and (b). However, the Plan currently requires that the Company test 15,000 gas meters annually for accuracy. This elevated level of meter testing was included in the Plan to address

² "A service quality program for NEGas is now more necessary to ensure that the costs associated with the Southern Union merger acquisition of ProvGas and Valley Gas are not recouped through reductions in personnel costs and the resulting reduction in service quality." (RIPUC Order No. 17606 at p. 29)

what was then a backlog in meters that were due for testing under the Gas Standards. Over the course of the Plan, however, that backlog has been addressed, and to continue to test 15,000 meters per year will now cause the Company to test vintage meters that are not otherwise due for testing under the Gas Standards. Accordingly, the Parties agree that the Meter Testing metric should be adjusted to reflect the 10 and 15-year requirements in the Gas Standards because the inventory levels of meters that exceed those targets have been addressed.

3. Other Provisions

(a) Unless expressly stated herein, the making of this Settlement establishes no principles and shall not be deemed to foreclose any Party from making any contention in any other proceeding or investigation.

(b) This Agreement is the product of settlement negotiations. The content of those negotiations is privileged and all offers of settlement shall be without prejudice to the position of any Party.

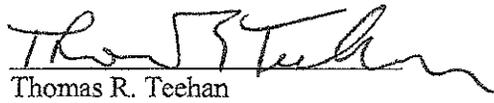
(c) This Agreement is submitted on the condition that it be approved in full by the Commission, and on the further condition that if the Commission does not approve the Agreement in its entirety, the Agreement shall be deemed withdrawn and shall not constitute a part of the record in any proceeding or be used for any purpose, unless all Parties agree to Commission modifications.

(d) Any number of counterparts of this Agreement may be executed, and each shall have the same force and effect as an original instrument, and as if all the parties to all the counterparts had signed the same instrument.

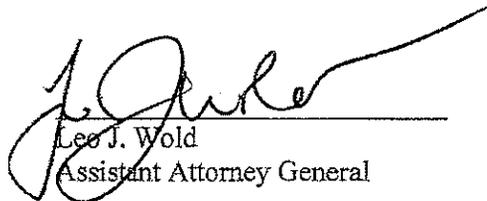
Respectfully submitted,

The Narragansett Electric Company,
d/b/a National Grid

By its Attorney,


Thomas R. Teehan

The Division of Public Utilities and Carriers
By its Attorney,


Leo J. Wold
Assistant Attorney General

September 28, 2012

nationalgrid

Thomas R. Teehan
Senior Counsel

October 24, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

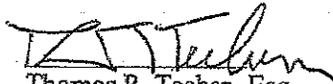
Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

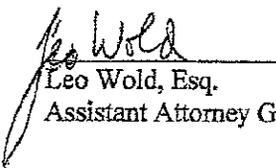
**RE: Docket 3476 – National Grid’s Service Quality Plan
Agreement to Modify Performance Benchmarks**

Dear Ms. Massaro:

The Division agrees with the Company’s request that it be allowed to migrate to the new meter accuracy inspection schedule contained in the settlement agreement in the current calendar year in order to avoid the Company’s performing unnecessary testing of meters during the last quarter of 2012 that would not otherwise fall within the inspection schedule set out in the Gas Standards.

Very truly yours,


Thomas R. Teehan, Esq.
Senior Counsel, National Grid


Leo Wold, Esq.
Assistant Attorney General