

October 1, 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:

Enclosed please find ten (10) copies of an Agreement to Modify Performance Benchmarks (“Agreement”) between National Grid¹ (“Company”) and the Division of Public Utilities and Carriers (“Division”), relating to the Company’s existing gas Service Quality Plan (“Plan”). This Agreement proposes fixed threshold and benchmark goals for the After Business Hours Emergency Response (“After-Hours Response”) category. The Agreement also implements a return to the Division’s Gas Standards’ meter accuracy inspection schedule for the Meter Testing metric. The parties, however, also request that the Company be allowed to migrate to the new meter accuracy inspection schedule in the current calendar year 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.

In 2003, the Commission implemented the current Plan in large part to ensure that Southern Union Company’s merger acquisition of Providence Gas Company and Valley Gas Company would not lead to a diminishment of service quality for Rhode Island gas customers. Under the Plan, the Company may be assessed a penalties for failure to meet target performance in designated areas. The Plan contains eight performance measures that allow for the evaluation of the major aspects of the Company’s operations that directly affect customers. The Company incurs a penalty if its performance falls outside of the respective penalty threshold, with maximum penalties being incurred at two standard deviations from the benchmark. The annual performance target levels are re-set annually based on the most recent three years’ performance levels.

The After-Hours Response category is one of the two performance measures addressed by the Agreement. In that category, the Company is required to respond to an emergency report within 45 minutes. Over the years the Plan has been in place, the penalty threshold for the After-Hours Response category has risen to 95.27 percent. This increase in the rigor of the threshold is the result of the Company’s continuing efforts to meet and surpass its prior year’s performance. Industry research shows that Rhode Island’s 45-minute response requirement is quite stringent. Under the terms of the Agreement, the penalty threshold would be fixed at 94.38 percent and the benchmark would be fixed at 95.27. This adjustment to the Plan will continue to protect service

¹ The Narragansett Electric Company d/b/a National Grid.

Luly E. Massaro, Commission Clerk
SQ Plan Agreement to Modify Performance Benchmarks
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quality in this area by locking in very demanding category goals while allowing for effective response personnel scheduling in the off business hour time period.

In the Meter Testing category, the Agreement returns the Company to the testing schedule contained in the Division's Gas Standards. The Plan currently requires that the Company test 15,000 gas meters annually for accuracy. This testing level was established in order to clear up a backlog of meters that were overdue for testing under the Gas Standards. However, because that backlog has been cleared out, to continue to test 15,000 meters per year would have the unintended effect of causing the Company to test meters that are not otherwise due for testing under the Gas Standards. The Agreement would return the Company to the 10-year inspection requirement applicable to commercial meters and the 15-year requirements applicable to residential meters.

Thank you for your attention to this matter. If you have any questions, please do not hesitate to call me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 3628 Service List

Certificate of Service

I hereby certify that a copy of the cover letter and / or any materials accompanying this certificate was electronically mailed, sent via U. S. Mail or hand-delivered to the individuals listed below.



Joanne M. Scanlon

November 3, 2009

Date

**Docket No. 3476 – National Grid - Service Quality Proposal
Service list updated on 10/1/2012**

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Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	lwold@riag.ri.gov	401-222-2424 401-222-3016
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	Sscialabba@ripuc.state.ri.us	
Richard M. Peirce, Esq. Roberts, Carroll, Feldstein & Peirce 10 Weybosset St. Providence, RI 02903	Rpeirce@rcfp.com 401-521-7000	401-521-1328
Original & nine (9) copies file w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02889	Lmassaro@puc.state.ri.us	401-941-4500
	sccamara@puc.state.ri.us	401-941-8827
	plucarelli@puc.state.ri.us	

**State of Rhode Island and Providence Plantations
Public Utilities Commission**

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The Narragansett Electric Company)	R.I.P.U.C. Docket No. 3476
d/b/a/ National Grid)	
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Agreement to Modify Performance Benchmarks

This Agreement is entered into between National Grid¹ (“Company”) and the Division of Public Utilities and Carriers (“Division”), together the “Parties” to implement changes to the Company’s existing Service Quality Plan (“Plan”) that was approved by the Commission in Order No. 17605 (November 21, 2003). Specifically, the Parties agree to implement changes to two categories of activities under the Plan. First, the parties agree to a fixed benchmark and penalty threshold for the after-hours emergency response metric. Second, the Parties agree to discontinue the Plan’s annual requirement to test 15,000-meters and, effective January 1, 2013, to replace it with the meter-testing schedule in the Division Rules and Regulations Prescribing Standards for Gas Utilities, Master Meter Systems, and Jurisdictional Propane Systems (“Standards”). The terms of the Agreement are set forth below:

1. Response to Emergency Calls after Normal Business Hours

The Commission approved the Plan in 2003 in large part with the goal of preventing any diminishment of service quality after the Southern Union merger acquisition of ProvGas and

¹ The Narragansett Electric Company d/b/a National Grid.

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.

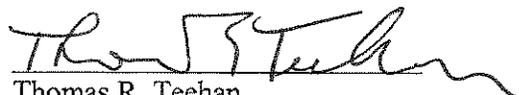
(c) This Agreement is submitted on the condition that it be approved in full by the Commission, and on the further condition that if the Commission does not approve the Agreement in its entirety, the Agreement shall be deemed withdrawn and shall not constitute a part of the record in any proceeding or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

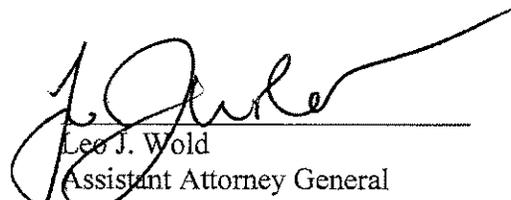
Respectfully submitted,

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,


Lee J. Wold
Assistant Attorney General

September 28, 2012

**State of Rhode Island and Providence Plantations
Public Utilities Commission**

The Narragansett Electric Company d/b/a/ National Grid)))))	R.I.P.U.C. Docket No. 3476
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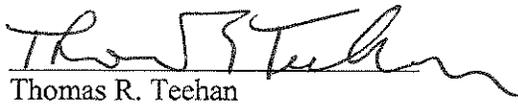
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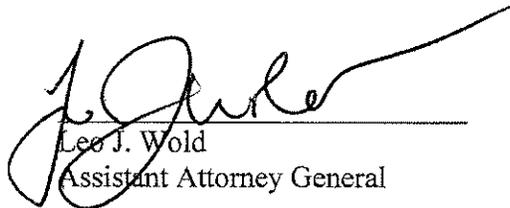
Respectfully submitted,

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,


Lee 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**

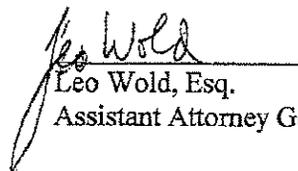
Dear Ms. Massaro:

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