

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7770

Amended Joint Petition of Central Vermont Public)
Service Corporation ("CVPS"), Danaus Vermont Corp.,)
Gaz Métro Limited Partnership ("Gaz Metro"), Gaz)
Métro inc., Northern New England Energy Corporation)
("NNEEC") for itself and as agent for Gaz Métro's)
parents, Green Mountain Power Corporation ("GMP"))
and Vermont Low Income Trust for Electricity, Inc.)
("VLITE"), for approval of: (1) the merger of Danaus)
into and with CVPS; (2) the acquisition by NNEEC of)
the common stock of CVPS; (3) the amendment to)
CVPS's Articles of Association; (4) the merger of CVPS)
into and with GMP; and (5) the acquisition by VLITE of)
a controlling interest in Vermont Electric Power)
Company, Inc.)

Order entered: 1/25/2013

ORDER APPROVING SERVICE QUALITY PLAN

I. INTRODUCTION

On December 5, 2012, Green Mountain Power Corporation ("GMP") filed a proposed Service Quality and Reliability Performance, Monitoring, and Reporting Plan ("Service Quality Plan") that integrates the service quality standards of the former Central Vermont Public Service Corporation ("CVPS") service territory and the legacy GMP service territory.¹ This filing was required by the Public Service Board's ("Board") June 15, 2012, Order approving the merger of GMP and CVPS and other related transactions ("June 15 Order").

In this Order, we approve the proposed Service Quality Plan with two modifications. First, as explained further below, we modify the Service Quality Plan to allow for independent Board review of any service quality compensation calculations filed by GMP. Second, we

1. In this Order, "legacy GMP" is used to refer to GMP's service territory before the merger with CVPS. "GMP" or "Combined Company" is used to refer to the company after the merger with CVPS.

determine that the Service Quality Plan will take effect retroactively on January 1, 2013, rather than with the beginning of the first quarter following Board approval as the Service Quality Plan provides.

We also require GMP to file with the Board by April 1, 2014, the results of the review of the Service Quality Plan to be conducted by GMP and the DPS pursuant to Section I.3 of the Service Quality Plan. GMP should specifically address in this filing whether the baseline for Performance Standard III.6.b (Lost Time Severity Rate) should be modified.

Finally, we require GMP to file, on or before February 15, 2013, information explaining the basis for its decision to adopt the legacy CVPS phone system rather than the legacy GMP phone system, even though this will result in the loss of the ability to separate outage calls from all other calls.

II. PROCEDURAL HISTORY

The early procedural history of this Docket can be found at pages 9-14 of the June 15 Order, and is not repeated here.

The June 15 Order required GMP to file a proposed integrated service quality plan that is consistent with the terms of the Memorandum of Understanding between GMP and the Vermont Department of Public Service ("DPS") that the Board approved in that Order. The June 15 Order also required that the integrated service quality plan include a baseline for the customer outage duration performance standard that is at least 10 percent better than the baseline that would have resulted from simply blending the baselines in the service quality plans currently in effect for the legacy GMP and the former CVPS service territories (referred to herein as "Current Plans").²

On December 5, 2012, GMP filed the proposed integrated Service Quality Plan. We are admitting the proposed Service Quality Plan into evidence as exh. GMP-3.³ GMP's cover letter states that it understands that the DPS is supportive of the filing.

No party filed comments on the proposed Service Quality Plan.

2. June 15 Order at 163 (Order paragraph 69).

3. Any party wishing to object to the admission of exh. GMP-3 should do so in a motion filed within 10 days of the issuance of this Order.

On December 21, 2012, the Clerk of the Board issued a memorandum with questions for GMP regarding the proposed Service Quality Plan.

On January 14, 2013, GMP filed responses to these questions. We are admitting GMP's responses into evidence as exh. GMP-4.⁴

III. FINDINGS

1. The Service Quality Plan includes specific indices and baseline levels for performance standards in seven broad areas of customer service: call answering, billing, meter reading, work completion, customer satisfaction, worker safety, and reliability. Service Quality Plan at Section III, *generally*.

2. Under the Service Quality Plan, the performance standards related to call answering are slightly different, and will be reported separately, for the legacy GMP service territory and the former CVPS service territory. This is because the Combined Company will continue to use both legacy phone systems until the end of 2014. Service Quality Plan at Section III.1, *generally*; exh. GMP-4 at 1-2.

3. The Service Quality Plan modifies the baseline for Performance Standard III.1.b (Abandon rate, normal business hours) from $\leq 5\%$ in both Current Plans to $\leq 3\%$. This represents an improved level of service to customers. Service Quality Plan at Section III.1.b; exh. GMP-4 at 1.

4. In the Service Quality Plan, Performance Standard III.1.b (Abandon rate, normal business hours) will no longer include "short abandons" which are calls that are voluntarily disconnected by the caller within five seconds or less of entering the call queue, which is approximately one ring. It is appropriate to exclude short abandons from measurement in Performance Standard III.1.b because GMP does not have a reasonable opportunity to provide service to customers when they hang up within five seconds of entering a call queue. Service Quality Plan at Section III.1.b; exh. GMP-4 at 1.

4. Any party wishing to object to the admission of exh. GMP-4 should do so in a motion filed within 10 days of the issuance of this Order.

5. The Service Quality Plan does not include a performance standard that measures blocked calls to the company similar to the standard that is contained in the Current Plans. This is because the measure was no longer a meaningful indicator of customer service quality because the phone systems used by the Combined Company effectively prevent blocked calls or busy signals from being presented to customers. Exh. GMP-4 at 2.

6. The Service Quality Plan includes a baseline for Performance Standard III.5.c (Rate of Complaints to DPS/Consumer Affairs) of 0.068%. This represents a 2.5% improvement over the historic baseline in both Current Plans. Exh. GMP-4 at 2.

7. The baseline for Performance Standard III.6.b (Lost Time Severity Rate) in the Service Quality Plan is 64. This was calculated by improving the baseline for this performance standard in the legacy CVPS Current Plan of 71 by 10%. The baseline for this performance standard in the legacy GMP Current Plan of 37 was not directly used in this calculation. Service Quality Plan at Section III.6.b; exh. GMP-4 at 2.

8. The baseline for Performance Standard III.7.a (System Average Interruption Frequency ("SAIFI")) in the Service Quality Plan of 2.4 was calculated using weighted averages for the Combined Company of several different metrics including number of retail customers, number of distribution line miles and total line miles (including both distribution and transmission line miles). All the calculations resulted in a SAIFI of 2.4. Service Quality Plan at Section III.7.a; exh. GMP-4 at 2-3.

9. The baseline for Performance Standard III.7.b (Customer Average Interruption Duration ("CAIDI")) in the Service Quality Plan of 2.7 was calculated using weighted averages for the Combined Company of several different metrics including number of retail customers, number of distribution line miles and total line miles (including both distribution and transmission line miles). The analyses resulted in a CAIDI between 3.01 and 3.13. Once GMP applied the 10 percent improvement factor required by the June 15 Order, the CAIDI values dropped to between 2.7 and 2.8. Service Quality Plan at Section III.7.b; exh. GMP-4 at 3-4.

10. The Service Quality Plan includes service guarantees which require GMP to provide specified bill credits to individual customers if GMP fails to meet certain service commitments to those customers. Service Quality Plan at Section IV, *generally*.

11. The Service Quality Plan includes a service quality compensation mechanism. This mechanism requires GMP to provide additional compensation to customers if certain performance standards are not met. The Successor Plan specifies how to calculate "service quality compensation points," divides the service quality compensation points into two categories (reliability and other measures), and provides a sliding scale for determining the dollar value assigned to the service quality compensation points in each category. Service Quality Plan at Section V and Attachment B, *generally*.

12. The Service Quality Plan provides that GMP and the DPS will review the Service Quality Plan after it has been in effect for one year and every two years thereafter to determine the need for any modifications of measurements or performance levels. GMP or the DPS may petition the Board for modifications of measurements or performance levels at any time during the life of the Service Quality Plan. Service Quality Plan at Section I.3.

IV. DISCUSSION

Our authority to approve service quality plans stems from 30 V.S.A. §§ 209(a)(1), 209(a)(3), and 219. As we stated in our Order approving a service quality plan for CVPS:

Section 219 of Title 30 requires electric utilities (and other regulated companies) to "furnish reasonably adequate service, accommodation and facilities to the public." Vermont law gives this Board the authority to set standards regarding this utility obligation. Specifically, 30 V.S.A. § 209(a)(1) gives this Board jurisdiction over "[t]he . . . quality of any product furnished or sold by any company subject to supervision under this chapter," and 30 V.S.A. § 209(a)(3) provides jurisdiction over "[t]he manner of operating and conducting any business subject to supervision under this chapter, so as to be reasonable and expedient, and to promote the safety, convenience and accommodation of the public[.]" Taken together, these statutory provisions establish the basis for service quality and reliability standards by which the adequacy of service can be measured in order to determine whether a company is, in fact, providing "reasonably adequate service" and is operating its business in a "reasonable and expedient" manner that "promotes the safety, convenience, and accommodation of the public."⁵

After reviewing the proposed Service Quality Plan and GMP's responses to our questions, we conclude that the service quality and reliability standards included in GMP's Service Quality

5. Dockets 6120/6460, Order of 6/26/01 at 44.

Plan do just that — they enable the Board to measure GMP's performance in certain areas that are important to customers, and thus to ascertain whether GMP is providing "reasonably adequate service." In addition, the Service Quality Plan's service guarantee and service quality compensation point provisions promote the "convenience and accommodation of the public." Thus, the Service Quality Plan will help the Board monitor whether GMP's performance is consistent with its statutory obligations. This is a clear benefit to customers.

The Board has previously found that service quality plans provide a variety of other benefits to customers, including, among others: supplying public information on the level of service a company is providing; supplying data which is comparable to that reported by other electric companies in Vermont; the establishment of a database from which to set future, more stringent targets; the provision for the waiver of fees for missed service appointments; and financial penalties through the service quality compensation mechanism.⁶

In addition, several of the Service Quality Plan's provisions are better for customers than the similar provisions in one or both of the Current Plans. For example: the baseline for Performance Standard III.6.a (Lost Time Incident Rate) is a 10% improvement over the baseline for the same measure in both Current Plans; the baseline for Performance Standard III.5.c (Rate of Complaints to DPS/Consumer Affairs) is a 2.5% improvement over the baseline for the same measure in both Current Plans; and, as required by the July 15 Order, the baseline for Performance Standard III.7.b (CAIDI) is a 10% improvement over the weighted average of the baselines for the same measure in both Current Plans. Furthermore, the Service Quality Plan includes more service guarantees than the legacy CVPS Current Plan, and the amount to be credited to customers for each guarantee under the Service Quality Plan is greater than the amount to be credited to customers under the legacy CVPS Current Plan.⁷

6. Docket 6851, Order of 6/18/03 at 7, citing Dockets 6120/6140, Order of 6/26/01 at 45.

7. The service guarantees in the Service Quality Plan are generally comparable to those in the legacy GMP Current Plan.

Baseline for Lost Time Severity Rate

However, we are concerned that the baseline for Performance Standard III.6.b (Lost Time Severity Rate) in the Service Quality Plan was calculated using only the baseline for the similar measure in the legacy CVPS Current Plan, despite significant differences between the baselines for this measure in the two Current Plans. There are legitimate reasons why the baselines in the Current Plans are different. However, in the absence of supporting evidence, we are not persuaded by GMP's assertion that the baseline in the legacy GMP Current Plan is more stringent than a minimum performance standard.⁸ As a result, we would have expected the baseline for the Combined Company to reflect a blending of the baselines in both Current Plans. This may have resulted in an improved baseline in the Service Quality Plan.⁹

Having said this, establishing baselines for performance standards is not an exact science, and the baseline in the Service Quality Plan is a 10% improvement over the baseline in the legacy CVPS Current Plan. In addition, over the next year GMP will integrate more of its operations and develop actual performance data that could be used to inform a Board decision regarding a reasonable future baseline for this minimum performance standard. Furthermore, the Service Quality Plan provides that GMP and the DPS will review the Service Quality Plan after it has been in effect for one year, and every two years thereafter, to determine the need for any modifications of measurements or baselines. Therefore, we require GMP to file with the Board by April 1, 2014, the results of this review by GMP and the DPS, and we direct GMP to specifically address in this filing whether the baseline for Performance Standard III.6.b (Lost

8. Exh. GMP-4 at 2.

9. For example, GMP set forth the straight mathematical calculations it used to calculate an appropriate weighted average baseline for the SAIFI and CAIDI performance standards in its responses to the Board's questions (exh. GMP-4). Had similar straight mathematical calculations been used to calculate an appropriate weighted average baseline for the Lost Time Severity Rate performance standard, the baseline in the Service Quality Plan would have been between 58.3 and 61.34. Such a baseline would have been an improvement of between 4 and 9 percent over the baseline of 64 proposed in the Service Quality Plan.

However, the SAIFI and CAIDI performance measures relate to reliability while the Lost Time Severity Rate performance measure relates to worker safety. As a result, it may be appropriate to use a different metric or metrics to blend the baselines from the Current Plans. For this reason, our application of the straight mathematical calculations used by GMP to the Lost Time Severity Rate performance standard is intended to illustrate only that such a blending may have resulted in an improved baseline. The use of different metrics (for example, a metric related to the number of employees each legacy company had) may have led to a materially different result.

Time Severity Rate) should be modified. If GMP and the DPS do not recommend modifying the baseline we approve today, we direct GMP to provide: (1) metrics and calculations showing what the baseline for this performance standard in the Service Quality Plan would be if the baselines in the Current Plans were blended in an appropriate manner; and (2) information about other utilities' baselines for similar performance indicators, to the extent that GMP is able to obtain such data through reasonable efforts.

Despite our concern regarding the baseline for Performance Standard III.6.b (Lost Time Severity Rate), we determine that the Service Quality Plan will provide benefits to GMP's customers and it meets the requirements of the June 15 Order. However, there are two additional issues related to the Service Quality Plan that require further discussion: (1) the process set forth in the Service Quality Plan for Board review of any service quality compensation calculations filed by GMP; and (2) the effective date of the Service Quality Plan. Ultimately, we conclude that the Service Quality Plan should be approved, with the modifications discussed below to address these two issues, and we require GMP to file a revised version of the Service Quality Plan that is consistent with the terms of this Order.¹⁰

Review Process for Service Quality Compensation Calculation

Section V.8 of the Service Quality Plan provides that a service quality compensation calculation, proposed credit methodology and customer communication filed by GMP would be deemed accepted and approved if the DPS does not file an objection within 30 days of the filing date. This provision is consistent with the similar one in the legacy GMP Current Plan. However, the similar provision in the legacy CVPS Current Plan provides that such a filing by CVPS (now GMP) would be deemed accepted and approved if the DPS does not file an objection within 30 days of the filing date *and* if the Board does not take action to examine the utility's filing within 15 days after the filing deadline for an objection by the DPS.

In response to a question from the Board, GMP states that it would not object to modifying Section V.8 of the Service Quality Plan to be consistent with the provision in the

10. GMP should also correct the typographical errors in the Service Quality Plan that were identified in its responses to Board questions.

legacy CVPS Current Plan. Adding this condition will explicitly recognize the Board's responsibility to review GMP's filing, while at the same time providing a mechanism that allows for a quick and final resolution of any issues. We conclude that the addition of this condition is appropriate and modify the Service Quality Plan accordingly.

Effective Date of Service Quality Plan

Section I.3 of the Service Quality Plan provides that the Service Quality Plan will remain in effect from the beginning of the first quarter following Board approval until modified by subsequent Board order. However, when GMP filed the Service Quality Plan, it stated that it would like to be able to implement the Service Quality Plan on January 1, 2013, if possible.

We recognize the advantages of implementing the Service Quality Plan at the beginning of a calendar year. Worker safety and reliability performance measures are calculated on an annual basis. In addition, both Current Plans and the proposed Service Quality Plan use a calendar year as the service quality reporting year; this affects the calculation of service quality compensation. Because the Service Quality Plan establishes different baselines, different performance indicators, and different values for service quality compensation points, it will be administratively far simpler to implement the Service Quality Plan at the beginning of a calendar year. For these reasons, we determine that the effective date of the Service Quality Plan will be January 1, 2013, rather than the beginning of the first quarter following Board approval as is provided in the Service Quality Plan.

Conversion of Phone Systems

Finally, GMP's responses to the Board's questions raised an additional issue that does not directly affect our approval of the Service Quality Plan, but is related to the Combined Company's integration activities. GMP stated that the legacy GMP phone system is able to separate outage calls from all other calls, while the legacy CVPS phone system is not able to do

so. GMP also stated that at the end of 2014, the legacy GMP phone system will be converted to the legacy CVPS phone system.¹¹

We would like to better understand GMP's reasons for adopting the legacy CVPS phone system, even though it means giving up the ability to separate outage calls from all other calls. Accordingly, we direct GMP to file, on or before February 15, 2013, information explaining the basis for its decision to adopt the legacy CVPS phone system.

V. CONCLUSION

In this Order, we approve the proposed Service Quality Plan filed by GMP on December 5, 2012, with two modifications. First, we modify the Service Quality Plan to allow for independent Board review of any service quality compensation calculations filed by GMP. Second, we determine that the Service Quality Plan will take effect January 1, 2013.

We also require GMP to file with the Board by April 1, 2014, the results of the review of the Service Quality Plan to be conducted by GMP and the DPS pursuant to Section I.3 of the Service Quality Plan. GMP should specifically address in this filing whether the baseline for Performance Standard III.6.b (Lost Time Severity Rate) should be modified. If GMP and the DPS do not recommend modifying the baseline for this performance standard that we approve today, GMP should provide: (1) metrics and calculations showing what the baseline for this performance standard in the Service Quality Plan would be if the baselines in the Current Plans were blended in an appropriate manner; and (2) information about other utilities' baselines for similar performance indicators, to the extent that GMP is able to obtain such data through reasonable efforts.

Finally, we require GMP to file, on or before February 15, 2013, information explaining the basis for its decision to adopt the legacy CVPS phone system rather than the legacy GMP phone system, even though this will result in the loss of the ability to separate outage calls from all other calls.

11. Exh. GMP-4 at 1-2.

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board ("Board") of the State of Vermont that:

1. Green Mountain Power Corporation's ("GMP") Service Quality and Reliability Performance, Monitoring & Reporting Plan ("Service Quality Plan") is approved as filed on December 5, 2012, with the modifications described in Paragraphs 2 and 3, below.
2. Section V, Paragraph 8 of the Service Quality Plan is modified such that GMP's service quality compensation calculation, proposed credit methodology and customer communication shall be deemed accepted and approved if the Vermont Department of Public Service ("DPS") does not file an objection within 30 days of the filing date and if the Board does not take action to examine the utility's filing within 15 days after the filing deadline for an objection by the DPS.
3. Section I.3 of the Service Quality Plan is modified such that the effective date of the Service Quality Plan shall be January 1, 2013.
4. On or before February 15, 2013, GMP shall file information explaining the basis for its decision to adopt the legacy Central Vermont Public Service Corporation phone system rather than the legacy GMP phone system, even though this will result in the loss of the ability to separate outage calls from all other calls.
5. On or before February 15, 2013, GMP shall make a compliance filing that includes a revised Service Quality Plan that is consistent with the terms of this Order.
6. On or before April 1, 2014, GMP shall file with the Board the results of the review of the Service Quality Plan to be conducted by GMP and the DPS pursuant to Section I.3 of the Service Quality Plan. GMP shall specifically address in this filing whether the baseline for Performance Standard III.6.b (Lost Time Severity Rate) should be modified. If GMP and the DPS do not recommend modifying the baseline for this performance standard that we approve today, GMP shall provide: (1) metrics and calculations showing what the baseline for this performance standard in the Service Quality Plan would be if the baselines in the Current Plans were blended in an appropriate manner; and (2) information about other utilities' baselines for similar performance indicators, to the extent that GMP is able to obtain such data through reasonable efforts.

Dated at Montpelier, Vermont, this 25th day of January, 2013.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: January 25, 2013

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and Order.