NSTAR ELECTRIC GAS

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January 25, 2002

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station – 2nd Flr.
Boston, MA 02110

Re: D.T.E. 99-84/01-71 – Service Quality Plan
NSTAR Gas Company

Dear Secretary Cottrell:

On November 19, 2001, Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company and NSTAR Gas Company (collectively, "NSTAR") filed with the Department of Telecommunications and Energy (the "Department"), updated versions of NSTAR's Service Quality Plan, including separate plans for each operating company. On December 5, 2001, the Department approved the Service Quality Plans for each of the electric distribution companies, however, noted that it would review the Service Quality Plan for NSTAR Gas Company separately.

In response to a subsequent request from the staff, NSTAR Gas Company is filing herewith the enclosed revised copy of its Service Quality Plan. This filing is substantially the same as the NSTAR Gas Company Service Quality Plan as filed on November 19, 2001 with only minor exceptions. Specifically, there has been a clarifying change to one section of the plan relating to the filing of reports of property damage and there have been several minor typographical corrections. Enclosed herewith on a separate sheet is a listing of each such change.

Thank you for your attention and consideration of this matter. Please contact me if you have any questions regarding this submission.

Very truly yours,

Enclosure

cc: Caroline O'Brien, Hearing Officer
Yvette Begue, Assistant General Counsel
Paul Osborne, Rates and Revenue Division
Marilyn Ross, Gas Division
Robert Keegan, Esq.
Joseph W. Rogers, Esq.
Charles Harak, Esq.

NSTAR GAS COMPANY

SERVICE QUALITY PLAN

LIST OF CHANGES IN JANUARY 25, 2002 FILING

1. Section VII A. Insertion in first paragraph of words "property damage over $5,000 that is reported to the Gas Pipeline Safety & Engineering Division."

2. In the following sections, insertion of the word "will"

   (a) Section I.B., definition of "Class I Odor Call"

   (b) Section I.B., definition of "Class II Odor Call"

   (c) Section I.B., definition of "Unaccounted for Gas"

   (d) Section V.A., (two insertions)

   (e) Section VI.A., fifth paragraph, first sentence

   (f) Section VII A., second paragraph (two insertions)

NSTAR GAS COMPANY SERVICE QUALITY PLAN

1. GENERAL

A. Provisions

The following provisions will apply to NSTAR Gas Company. In the event of a conflict between this plan and any orders or regulations of the Department, said orders and regulations shall govern..

B. Definitions

"Billing Adjustment" will mean a revenue adjustment amount resulting from Departmental intervention in a billing dispute between the Company and a residential customer.

"Class I Odor Call" will mean those calls that relate to a strong odor of gas throughout a household or outdoor area, or a severe odor from a particular area.

"Class II Odor Call" will mean calls involving an occasional or slight odor at an appliance.

"Company" will refer to NSTAR Gas Company unless otherwise indicated.

"Complaint" will mean a formal complaint to the Consumer Division of the Department wherein the Consumer Division creates a systems record with a customer's name and address.

"Consumer Division Case" will mean a written record opened by the Consumer Division of the Department in response to a Complaint that meets the criteria set forth in Section III.A.

"Department" will mean the Department of Telecommunications and Energy.

"Emergency Call" will mean a telephone call where the caller believes that he or she is confronting special circumstances that might lead to bodily and/or system-related damage if the circumstances remain unaddressed. Examples include, but are not limited to, downed wires, gas leaks, and gas odor reports.

"Lost Work Time Accident Rate" will mean the Incidence Rate of Lost Work Time Injuries and Illness per 200,000 Employee Hours as defined by the U.S. Department of Labor Bureau of Labor Statistics.

"Meter Reading" will mean the act of manually or automatically acquiring customer-specific usage levels of an energy resource, expressed in numerical units, for a defined period by actually consulting the customer's meter.

"Non-emergency Call" will mean all telephone calls other than emergency calls.

"Restricted Work-Day Rate" will mean the Incidence Rate of Restricted Work cases per 200,000 Employee Hours as defined by the U.S. Department of Labor Bureau of Labor Statistics.

"Service Appointment" will refer to a mutually agreed upon arrangement for service between the Company and the customer that specifies the date for the Company's personnel to perform a service activity that requires the presence of the customer at the time of service.

"Transmission and Distribution Revenues" will mean revenues collected through the base rates of a transmission and distribution company.

"Unaccounted-for Gas" will mean the reduction in the quantity of natural gas flowing through a pipeline that results from leaks, venting, and other physical and operational circumstances on a pipeline system. Unaccounted-for Gas is also referred to as a line loss.

"Year" will mean calendar year unless otherwise noted.

C. Benchmarking

The historical average and standard deviation for benchmarking will be based on the ten most recent years worth of data. This will be a fixed average for the duration of the service quality plan. Where ten years worth of information is not available, the Company will use the maximum number of years of data available, so long as three years are available. As the Company collects additional data, that data will be included in benchmarking until ten years worth of data is collected.

II. CUSTOMER SERVICE AND BILLING PERFORMANCE MEASURES

A. Telephone Service Factor

The Company will gather data and report statistics on its handling of telephone calls. Call data will be compiled and aggregated monthly. Reporting will occur annually. The reports will be submitted in accordance with Section IX below. The Company will report

the percentage of telephone calls that are answered within a time interval that is consistent with its existing telephone response-time measurement system, or as otherwise approved by the Department. Because the Company historically complied data on this measurement based on a 30-second performance standard, the Company will begin to collect data on a 20-second performance standard and will adopt that standard when it has collected five years of data under the 20-second standard. The Company will also provide, separately, call-handling times for Emergency Calls and Non-Emergency Calls.

Telephone Service Factor will be measured beginning at the point that the caller makes a service selection and ending at the point that the call is responded to by the service area selected by the caller. If the caller does not make a selection, the response time will be measured from a point following the completion of the Company's recorded menu options and ending at the point that a customer-service representative responds to the call.

Telephone Service Factor will be a performance measure subject to a revenue penalty.

B. Service Appointments Met As Scheduled

The Company will gather data and report statistics regarding the number of service calls met on the same day requested, excluding when a customer misses a mutually-agreed upon time. The Company will report the percentage of scheduled service appointments met by Company personnel on the same day requested. Service appointment data will be compiled and aggregated monthly. Reporting will occur annually. The reports will be submitted in accordance with Section VIII below. Service Appointments Met As Scheduled will be a performance measure subject to a revenue penalty.

C. On-Cycle Meter Readings

The Company will gather data and report statistics for the percentage of meters that are actually read by the Company, on cycle. The Company will report the percentage of customer meters actually read on cycle. Eligible meters include both residential and commercial accounts. Meter reading data will be compiled and aggregated monthly. Reporting will occur annually. The reports will be submitted in accordance with Section VIII below. On-cycle Meter Reading will be a performance measure subject to a revenue penalty.

III. CUSTOMER SATISFACTION MEASURES

A. Consumer Division Cases

Customer complaints will be categorized as a Consumer Division Case where a written record is opened by the Consumer Division using the following criteria:

(1) the individual making the Complaint provides his or her identity to the Consumer Division and is either a (a) current, prospective, or former customer of the Company against which the Complaint has been lodged, or (b) designee of the current, prospective, or former customer of the Company;

(2) the individual or his/her designee has contacted the Company from which the customer receives distribution service prior to lodging a Complaint with the Department;

(3) the Department's investigator cannot resolve the Complaint without contacting the Company to obtain more information;

(4) the matter involves an issue or issues over which the Department typically exercises jurisdiction; and

(5) the matter involves an issue or issues over which the Company has control.

Consumer complaint data and billing adjustment data will be employed as service quality measures. The Department will compile and aggregate monthly the frequency of Consumer complaints. The Department also will compile and aggregate monthly the dollar amounts of Billing Adjustments. The Department will report data on both of these measures annually. The Department will offer company-specific meetings to discuss each Company's performance annually. Revenue penalties will apply to each of these measures.

B. Billing Adjustments

The Department will compile and aggregate monthly the dollar amount of residential Billing Adjustments per 1,000 residential customers. The Department will provide such data to each Company on an annual basis. Upon request of the Company, the Department may conduct a company-specific meeting to discuss the Company's performance.

C. Consumer Surveys

The Company will provide the results of two surveys to the Department on an annual basis: (1) a customer satisfaction survey of a statistically representative sample of residential customers; and (2) a survey of customers randomly selected from those customers who have contacted the Company's customer service department within the year in which service is being measured. The representative sample will be newly drawn from customers contacting the Company's customer service area in the year previous and will be conducted with a sample of respondents who are *redialed* after having concluded

a contact with the Company's customer service area. The surveys, if conducted internally, will be pre-approved by the Department regarding the method and customer questions.

For the residential customer satisfaction survey, the following question will be used: "Using a scale where 1 = very dissatisfied and 7 = very satisfied; how satisfied are you with the service you are receiving from NSTAR Gas Company ?" For the customer-specific survey, the following question will be used: "Using a scale where 1 = very dissatisfied and 7 = very satisfied; how satisfied were you with the service you received from the customer service department of NSTAR Gas Company?"

Each Company will report the results of these surveys to the Department on an annual basis as specified in Section VIII and will include the results from the previous years of the survey up to a maximum of ten years. No benchmarks will be calculated for these survey measures, because no revenue penalty mechanism has been assigned to these measures.

IV. STAFFING LEVEL BENCHMARK

Consistent with G.L. c. 164, § 1E, staffing levels will be in accordance with the guidelines and reviewed when the Company files its annual performance data.

V. RELIABILITY AND SAFETY PERFORMANCE MEASURES

A. Response to Odor Calls

The Company will respond to 95 percent of all Class I and Class II odor calls in one hour or less. Response to Odor Calls will be a performance measure subject to a revenue penalty in Section VI.

B. Lost Work Time Accident Rate

The Company will measure annually its Lost Work Time Accident Rate. The Lost Work Time Accident Rate will be a performance measure subject to a revenue penalty in Section VI.

VI. REVENUE PENALTIES AND PENALTY OFFSETS

A. Applicability

The revenue penalty for the performance measures set forth in above in Sections II, III, and V, except for Section V.A, will be determined in accordance with the penalty formula

in Section VI.B. If the Company's annual performance for a performance measure falls within or is equal to one standard deviation from the benchmark, no revenue penalty nor penalty offset will be imposed for that measure. If the Company's annual performance for a measure exceeds one standard deviation up to two standard deviations (to the closest tenth of a decimal point) above the benchmark, it will be subject to the revenue penalty shown in Section VI.B.

If the Company's annual performance for a performance measure exceeds two standard deviations above the benchmark in any year, then the Department may open a formal investigation as to the reasons for the Company's poor performance.

Penalty offsets are calculated in a similar fashion to revenue penalties. If the Company's annual performance for a performance measure falls within or is equal to one standard deviation below the benchmark, no revenue offset is achieved. If the Company's annual performance is below one standard deviation (to the closest tenth of a decimal point) below the benchmark, it will earn a penalty offset. If the Company falls below two standard deviations in performance, the penalty offset is capped at the level associated with two standard deviations.

Penalty offsets may only be used to offset revenue penalties in the year they occur. Penalty offsets have no value other than to offset revenue penalties. Penalty offsets acquired on any performance measure may be used to offset revenue penalties on any other performance measure, except Response to Odor calls. Superior performance on Response to Odor Calls may be used as an offset for deficient performance in other service quality measures.

The revenue penalty for Section V.A will be determined in accordance with the penalty formula in Section VI.C. Penalty offsets earned from superior performance of other service quality measures may not be used to offset deficient performance in responding to odor calls. However, NSTAR Gas may use penalty offsets earned for superior performance in responding to odor calls as an offset for deficient performance in other service quality measures. If a Company's annual performance for this measure equals or falls below 91 percent, then the Department may open a formal investigation as to the reasons for the Company's poor performance.

B. Penalty and Penalty Offset Formulas

The revenue penalty formula for all performance measures (except for the measure in Section V.A) will be:

$$\text{Penalty}_M = \left[0.25 * \left(\frac{\text{Observed Result - Historical Average Result}}{\text{Standard Deviation}}\right)^2\right] * \text{Maximum Penalty}$$

If: (Observed Result - Historical Average Result) represents performance that is more than one standard deviation worse than the benchmark, and is capped at two standard deviations from the benchmark.

The offset penalty formula for all performance measures (except for the measure in Section V.A) will be:

$$\text{Offset}_M = [0.25 * \left[\frac{\text{Observed Result - Historical Average Result}}{\text{Standard Deviation}}\right]^2] * \text{Maximum Offset}$$

If: (Observed Result - Historical Average Result) represents performance that is more than one standard deviation better than the benchmark, and is capped at two standard deviations from the benchmark.

Where:

Penalty_M = revenue penalty applied to performance measure M;

Offset_M = penalty offset applied to performance measure M;

Observed Result = the average actual performance measure achieved in year_y, rounded to the applicable decimal place as specified for each measure in Section VII. A;
Historical Average Result = the average historical actual result, based on an arithmetic average of the previous $\text{years}_{a..x}$ of historic data, rounded to the applicable decimal place as specified for each benchmark in Section VII. C;

Standard Deviation = standard deviation of the historical average result; and

Maximum Penalty = $(PCL_M)*((AR*0.02)-CP)$

Maximum Offset = $(PCL_M)*((AR*0.02)-CP)$

Where:

PCL_M = Performance category liability for the measure expressed as a percentage (derived from Section VI. D); and

AR = Annual Transmission and Distribution Revenues of the Company for the applicable year.

CP = Payments to Customers Pursuant to the Customer Service Guarantee

C. Penalty/Offset Formula for Class I and Class II Odor Calls

The revenue penalty/offset formula for the performance measure set forth in Section V.A will be:

Class I and II Odor Call Penalty/Offset = Penalty/Offset Factor*Maximum Penalty/Offset

Where:

Penalty/Offset Factor is derived from Table P/OF, below:

Table P/OF

Penalty(+)/Offset (-) Factor	Calculation
±.25	when PP-OR = ±1 percent
±.50	when PP-OR = ±2 percent
±.75	when PP-OR = ±3 percent
±1.00	when PP-OR = ±4 percent or more

Where:

PP = 95 percent Fixed Target Benchmark

OR = Observed percentage of Class I and Class II Odor Calls actually responded to within 60 minutes achieved in year$_y$, rounded to the nearest percentage point; and

Maximum Penalty/Offset = (PCL)*((AR*0.02)-CP)

Where:

PCL = Performance category liability for the Class I & II Odor Calls measure expressed as a percentage (derived from Section VI. D);

AR = Annual Transmission and Distribution Revenues of a Company for the applicable year; and

CP = Payments to Customers Pursuant to the Customer Service Guarantee.

D. Apportionment of Penalty Among Performance Measures

Revenue penalties will be apportioned among the various performance measures as follows:

Safety and Reliability

Class I & II Odor Calls	45.0 percent
Lost Work-Time Accident Rate	10.0 percent

Customer Service and Billing

Telephone Answering Rate	12.5 percent
Service Appointments Met	12.5 percent
On-Cycle Meter Readings	10.0 percent

Consumer Division Statistics

Consumer Division Cases	5.0 percent
Billing Adjustments	5.0 percent

VII. REPORTING REQUIREMENTS

A. Reliability, Safety Indices and Rates

The Company will report on an annual basis Lost Work Time Accident Rate, Unaccounted-for Gas, Restricted Work-Day Rate, property damage over $5,000 that is reported to the Gas Pipeline Safety & Engineering Division and percentage of all Class I and Class II odor calls responded in one hour or less. These reports will be submitted in accordance with Section VIII below.

The Lost Work Time Accident Rate will be reported to the nearest 100th of an accident. Restricted Work-Day Rate will be reported to the nearest 100th of a case. Unaccounted-for Gas will be reported to the nearest 100th of a percentage point. The Consumer and Billing

Measures will be reported to the nearest 10th of a percentage point. The Class I and Class II odor calls will be reported to the nearest percentage point.

B. Past Reliability and Safety Performance Data

The Company will report the Lost Work Time Accident Rate data from the past ten years in the same fashion as in Section VII.A. The Lost Work Time Accident Rate data will be provided in the Company 's first annual report submitted in accordance with Section VIII below.

C. Benchmarks

The Company will provide the supporting calculations that were used in determining the standard and benchmark values. The Lost Work Time Accident Rate will be reported to the nearest 100th of an accident. The Consumer and Billing standards will be reported to the nearest 10th of a percentage point. The reports will be submitted in accordance with Section VIII below.

The Company will report on an annual basis the Lost Work Time Accident Rate and the Consumer and Billing performance standards and benchmarks that were determined in accordance with Sections II and V, above.

D. Capital Expenditure Information

The Company will report on an annual basis the capital investment approved and capital investment completed in the Company's transmission and distribution infrastructure to ensure delivery of reliable gas. This report will include a list of its major capital investment projects that relate to maintain transmission and distribution reliability and a summary description of each project. The summary will include a list and location of each transmission and distribution facility that was modified, upgraded, replaced, and/or constructed as well as the costs and scope of work involved in the facility modification, upgrade, replacement, and/or construction.

The Company will report the same capital expenditure data from the ten most recent years in the same fashion as in the previous paragraph.

The reports will be submitted in accordance with Section VIII below.

E. Spare Component and Acquisition Inventory Policy and Practice

The Company will report on an annual basis its policy for identifying, acquiring, and stocking critical spare components for its distribution and transmission system. The

Company's first annual report will address how this policy has changed or evolved over the past 10 years. The reports will be submitted in accordance with Section VIII below.

F. Other Safety Performance Measures

In compliance with the requirements of G.L. c. 164, § 95, the Company will report within a 24-hour period of an accident the following information:

(1) time and date of incident;
(2) time and date of the notice to the Department;
(3) location of the incident;
(4) a detailed description of the accident including information about fatalities, injuries, facilities and third-party property damage; and
(5) the name and telephone number of a utility employee who may be contacted about the accident.

VIII. SUBMITTING ANNUAL REPORTS TO THE DEPARTMENT

The annual reports described previously will be submitted to the Department by March 1 of each year reflecting the data from the previous year(s) and will be submitted in the following manner:

A. the original to Secretary, Department of Telecommunications and Energy, One South Station, Boston, Massachusetts 02110;

B. one copy to the Gas Division Director, Department of Telecommunications and Energy, One South Station, Boston, Massachusetts 02110;

C. one copy to the Rates and Revenues Division Director, Department of Telecommunications and Energy, One South Station, Boston, Massachusetts, 02110;

D. one copy of the report to the Consumer Division Director, Department of Telecommunications and Energy, One South Station, Boston Massachusetts 02110; and

E. an electronic copy of the report to the Department, by one of two means: (1) by e-mail attachment to dte.efiling@state.ma.us; or (2) on a 3.5" floppy diskette, IBM-compatible format to the Director of Gas Division, Department of Telecommunications and Energy, One South Station, Boston Massachusetts 02110. The text of the e-mail or the diskette label will specify: (1) an easily identifiable case caption; (2) docket number; (3) name of the person or Company

submitting the filing, and (4) a brief descriptive title of document (e.g., comments or petition to intervene). The electronic filing will also include the name, title and phone number of a person to contact in the event of questions about the filing. Text responses will be written in either Word Perfect (naming the document with a ".wpd" suffix) or in Microsoft Word, (naming the document with a ".doc" suffix). Data or spreadsheet responses will be compatible with Microsoft Excel.

IX. BILLING INFORMATION

The Company will submit language, for approval by the Department, to be placed on the back side of customer bills, which notifies customers of (a) their ability to contact the Department regarding service quality complaints or questions, and (b) the Department's website address (www.magnet.state.ma.us/dpu).

X. CUSTOMER SERVICE GUARANTEES

The Company will credit a customer's account by $25.00 if a meter reading is inaccurate, if the Company knowingly fails to inform a customer that it will be more than 30 minutes late for a service appointment, if there is an error in the direct payment or pay-by-phone billing systems, if the Company fails to inform a customer of a scheduled service interruption or if the Company does not respond to a billing question by the next business day. In addition, if a new residential service line is not connected by the agreed date (after all permits are received), the first month's bill is free (minimum $25, maximum $100). Any customer payments credited during the applicable year will be reported annually in accordance with the procedures described in Section VIII and deducted from the maximum offset formulas provided in Section VI.

XI. GENERAL RESERVATION

The Department retains the discretion to waive or depart from any provision of these guidelines as the interests of fairness may require.