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January 30, 2023

**VIA ELECTRONIC MAIL**

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

**RE: Docket No. 22-49-EL-The Narragansett Electric Company d/b/a Rhode Island Energy  
Advanced Metering Functionality Business Case  
Responses to PUC Data Requests – PUC Set 2**

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a Rhode Island Energy (“Rhode Island Energy” or the “Company”), attached is the electronic version of Rhode Island Energy’s responses to the Public Utilities Commission’s Second Set of Data Requests in the above-referenced matter.<sup>1</sup>

Thank you for your time and attention to this matter. If you have any questions, please contact Jennifer Brooks Hutchinson at 401-316-7429.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Jennifer Brooks Hutchinson", with a long horizontal line extending to the right.

Jennifer Brooks Hutchinson

Enclosures


cc: Docket No. 22-49-EL Service List  
John Bell, Division  
Leo Wold, Esq.

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<sup>1</sup> Per communication from Commission counsel on October 4, 2021, the Company is submitting an electronic version of this filing followed by hard copies filed with the Clerk within 24 hours of the electronic filing.

**CERTIFICATE OF SERVICE**

I certify that a copy of the within documents was forwarded by e-mail to the Service List in the above docket on the 30th day of January, 2023.



Adam M. Ramos, Esq.

**The Narragansett Electric Company d/b/a Rhode Island Energy**  
**Docket No. 22-49-EL Advanced Meter Functionality (AMF)**  
**Service list updated 1/30/2023**

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The Narragansett Electric Company  
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RIPUC Docket No. 22-49-EL  
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Issued on January 5, 2023

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PUC 2-1<sup>1</sup>

Request:

In the Company's filing letter, there is a reference to the May 19, 2022, Settlement Agreement entered into between the Rhode Island Attorney General and PPL Rhode Island Holdings, LLC to resolve a Superior Court case related to the merger (RIAG Settlement). RI Energy states the following, and quoting from the RIAG Settlement:

Commitment regarding AMF Project Costs and Benefits: This commitment states, "PPL will include in its plan for deployment of Advanced Meter Functionality ("AMF"):

- a. costs that are no more than the estimated costs in total as proposed by Narragansett in Docket No. 5113, and Narragansett will not seek to recover from customers costs in excess of that amount, which costs shall remain subject to regulatory review and approval.
- b. a cost-benefit analysis that is at least as positive as the cost-benefit analysis included in the current Docket No. 5113 and bear the risk of lesser actual realized benefits."

Figure 11.4 of the AMF Business Case shows a comparison of the Rhode Island Energy and National Grid costs and benefits. Rhode Island Energy's total costs on a NPV basis are \$188.0 million as compared to National Grid's total costs of \$192.6 million on a NPV basis. Rhode Island Energy's benefit-cost ratio is 3.9 versus National Grid's benefit-cost ratio of 2.4. The only restriction on the Company's ability to recover costs for AMF was the restriction to 'not seek to recover from customers costs in excess' of the total costs proposed by National Grid in Docket No. 5113 (i.e., \$192.6 million). Rhode Island Energy has, therefore, satisfied this commitment.

- a. Does the RIAG Settlement intend for the Commission to exercise its regulatory authority through the ratemaking process to interpret and effectuate those commitments which implicate the prospective setting of rates, consistent with the Commission's exclusive jurisdiction over rates? If not, please explain how the commitment(s) can be effectuated without creating a conflict with the Commission's exclusive authority to assure just and reasonable rates.

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<sup>1</sup> The Company's response begins on page 3.

PUC 2-1, page 2

- b. The last sentence of the quoted text from the letter states: “Rhode Island Energy has, therefore, satisfied this commitment.” There appears to be more than one commitment made within the quoted text above. To which commitment is the Company referring?
- c. The commitment indicating that the Company “will not seek to recover from customers costs in excess of that amount” appears to create a cost recovery cap that limits the amount of costs the Company will seek to recover from customers related to the deployment of the Advanced Meter Functionality (AMF). If it is not intended to be a cost recovery cap, please explain what the quoted language means and how it should be interpreted. If the referenced language is intended to be a cost recovery cap, please respond to the following questions:
- (i) Does the Company agree that the cost recovery cap should be specified in the Company’s proposed cost recovery tariff (i.e., the “Advanced Metering Functionality Provision”)? If not, why not?
  - (ii) Is the Company proposing to use the \$192.6 million NPV (as indicated in the letter) as the cost cap or the \$289.4 million nominal cost referenced on Bates page 154 of the filing? (i.e., compare the statement in the filing letter to the statement on Bates page 154: “Rhode Island Energy has agreed not to exceed the costs set forth in the National Grid Updated AMF Business Case – \$289.4 million nominal.”)
  - (iii) Does the cost recovery cap commitment mean that if the total accumulated actual cost of the AMF deployment reaches the cap at any time from the commencement of the initiative until 20 years have passed, the Company would be precluded from seeking recovery of costs above that amount? If not, please explain.
  - (iv) Has the Company given up its right to seek recovery of any reasonably and prudently incurred AMF deployment costs above the cap?
  - (v) Has the Company agreed to assume the financial risk of inflation or other cost increases beyond the Company’s control which might be the primary cause of the cap being exceeded during the period over which the cost recovery cap applies? If not, please explain.

PUC 2-1, page 3

- (vi) How would the Company propose that the applicable costs be defined and tracked for purposes of determining if and when the cost recovery cap has been reached?
- d. The quoted language in the letter also contains an apparent commitment through which the Company has agreed to “bear the risk of lesser actual realized benefits” than what is assumed in the BCA. Please explain this commitment and how it is intended to be tracked and implemented. Please clearly list which benefits and the associated values the Company believes fall under this commitment, and which do not.

Response:

- a. The RIAG Settlement does not intend for the Commission to exercise its regulatory authority through the ratemaking process to *interpret* the commitments referenced in this request; there is an expectation that the Commission may be called upon to determine whether the Company has *effectuated* some of those commitments. Notwithstanding the foregoing, and as further explained below, the RIAG Settlement is a private settlement between the Company and the RIAG and is not intended to supersede the Commission's exclusive jurisdiction and authority to set just and reasonable rates.

As explained in the response to part b, below, the Company has satisfied two of the commitments referenced in this data request. Those two commitments were that the Company include in its AMF Business Case: (i) “costs that are no more than the estimated costs in total as proposed in . . . Docket No. 5113[,]”<sup>2</sup> and (ii) “a cost-benefit analysis that is at least as positive as the cost-benefit analysis included in” the National Grid AMF Filing. The Company's obligation was to include these components in its filing. The Company has done so. There is nothing for the Commission to interpret or effectuate with respect to these commitments.

The Company's commitment that it: (i) “will not seek to recover costs in excess of that amount, which costs shall remain subject to regulatory review and approval[,]”

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<sup>2</sup> The Company filed an Updated AMF Business Case in Docket No. 5113 while still under National Grid USA ownership. For ease of reference, that filing is referred to in this response as the “National Grid AMF Filing.”

PUC 2-1, page 4

does not require Commission *interpretation*, but it may require the Commission to determine whether the Company has *effectuated* this commitment after future cost recovery filings, whether through the proposed AMF Factor, or another cost recovery mechanism. As explained in the response to part c, below, this language was not intended to create a static cost cap established by the cost estimates included in the AMF Business Case. Rather, the language is a restriction on the amounts for which the Company has agreed it will seek recovery in a filing(s) with the Commission. Accordingly, if the Commission approves the AMF Business Case as filed, without changes, then that will create a cost recovery cap equal to the costs proposed in the AMF Business Case. If, however, through its regulatory review and approval process, the Commission determines that the Company should make changes to the plan or the implementation schedule that impact the costs, then the Company maintains the ability to seek recovery of the costs reasonably necessary to implement the AMF Business Case – as modified and approved by the Commission. To effectuate the RIAG Settlement, the Company may seek recovery of the greater of (i) the costs originally proposed by the Company in the AMF Business Case, or (ii) the increased costs reasonably required to implement the modified AMF Business Case as approved by the Commission. When the Company submits cost recovery filings, either through the proposed AMF Factor or otherwise, it will have the obligation pursuant to the terms of the RIAG Settlement not to seek recovery of costs, in the aggregate, in excess of that amount. To the extent there is disagreement over whether the Company has satisfied that obligation, the Commission may be called upon pursuant to its exclusive jurisdiction over rates to resolve that dispute to *effectuate* that commitment.

The Company's commitment that it will "bear the risk of lesser actual realized benefits" also does not require Commission *interpretation*, but may require the Commission to determine whether the Company has *effectuated* this commitment. As the Company implements AMF and quantifies the actual benefits realized from the AMF rollout, the Company will have the obligation to demonstrate those benefits and demonstrate how it has taken on the risk of lesser realized benefits. To the extent there is disagreement over whether the Company has satisfied that obligation, the Commission may be called upon to resolve that dispute to *effectuate* that commitment. Additionally, if, through the review and approval process, the Commission directs changes to the AMF Business Case, then the RIAG Settlement does not interfere with the Company's ability to re-assess the benefit-cost analysis for a modified AMF implementation plan to address any material changes, which may then alter the expected benefits to customers.



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PUC 2-1, page 5

- These commitments do not create a conflict with the Commission's exclusive authority to assure just and reasonable rates because they are not intended to direct any particular outcome of the Commission's review and approval of any cost recovery proposals by the Company. Rather, these commitments only impose requirements on what the Company may seek. The Commission is expected to continue to exercise its authority to assure just and reasonable rates through the review and approval process.
- b. The Company was referring to the commitments that its AMF Business case include: (i) "costs that are no more than the estimated costs in total as proposed" in the National Grid AMF Filing; and (ii) "a cost-benefit analysis that is at least as positive as the cost-benefit analysis included in" the National Grid AMF Filing when it said: "Rhode Island Energy has, therefore, satisfied this commitment." As described in the response to part a, above, these commitments refer to requirements for the contents of the plan that the Company filed with the Commission in this docket. Because the Updated AMF Business Case contains these required elements, the Company has satisfied its commitment to include those elements in the plan.
- c. The language that the Company "will not seek to recover costs in excess of that amount" is not intended to be a cost recovery cap because the Commission retains the ability, in the exercise of its authority to ensure just and reasonable rates, to approve recovery of whatever costs it deems just and reasonable. It is intended to be a cap on the costs for which the Company may seek recovery as part of the filing of its AMF Business Case, but it is not intended to be a static cap based on the costs included in the AMF Business Case filed in this docket. If there are material changes to the AMF Business Case, including without limitation, the implementation schedule that result from the regulatory review and approval process that reasonably require increased costs, the Company's commitment does not prevent it from seeking recovery of those costs. If and when there is final approved AMF Business Case, the reasonable costs associated with implementing that approved business case will establish the cap on the costs for which the Company can seek recovery, including any additional costs reasonably necessary to implement any modifications made to the AMF Business Case through the regulatory approval process.
- (i) The Company does not agree that the cost recovery cap should be included in the tariff because the Commission retains the authority to require changes the

PUC 2-1, page 6

AMF implementation plan that could change the amount of cost recovery the Company can seek, as discussed above.

- (ii) The Company is not proposing to use either the \$192.6 million NPV or the \$289.4 million nominal as a cost cap. The Company had the obligation not to include costs that exceeded either of those numbers in the AMF Business Case as those were the costs included in the National Grid AMF Filing. The limit on the Company's ability to seek cost recovery will be determined based on the reasonable costs necessary to implement the final, approved AMF plan. The actual limitation on the Company's ability to seek cost recovery will be based on the NPV of that final approved cost number because the Company will incur the costs and seek recovery of the costs over time.
- (iii) No. The Company is committed to not seeking more than the final approved costs for the AMF Business Case, whether as proposed, or as modified through the regulatory review and approval process. If the Commission determines that there are additional investments that are reasonable and prudent over that time period that result in additional costs, then the Company retains the right to seek recovery of those costs.
- (iv) No, the Company has not given up its right to seek recovery of any reasonably and prudently incurred AMF deployment costs above the cap set forth in the RIAG Settlement that is established after approval of the AMF implementation plan, as defined in subpart c(ii), above. If the Commission determines that there are additional investments that are reasonable and prudent, the Company will have the right to seek recovery of the costs for those investments.
- (v) No, the Company has not agreed to assume the financial risk of inflation or other cost increases beyond the Company's control because the discount rate, which is based on inflation, is built into the calculation of the NPV amount for the costs as defined in subpart c(ii), above.
- (vi) The Company proposes to include an aggregate total of the amount of costs for which it has incurred and subsequently sought and obtained recovery in each cost recovery filing it submits to the Commission.

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PUC 2-1, page 7

- d. The language in the commitment to “bear the risk of lesser actual realized benefits” than what is assumed in the BCA is part of the commitment for the Company to include in its AMF Business Case a “cost-benefit analysis that is at least as positive as the cost-benefit analysis included in the current Docket No. 5113.” The Company filed a benefit-cost ratio of 3.9 versus National Grid’s benefit-cost ratio of 2.4.

The Company intends to track this commitment by tracking the actual benefits realized from the AMF investment over time. If actual realized benefits are not greater than the costs to implement AMF over the 20-year life of the project – that is, if the actual benefit-cost ratio ends up being less than 1.0 – and therefore the AMF implementation proves uneconomical in the future, then the Company will assess at that time, in consultation with the Division of Public Utilities and Carriers and the Rhode Island Attorney General, a proposal to implement this commitment to be presented to the Commission for review and approval.

The Company intends that all the benefits quantified in the business case and included in the BCA fall under this commitment.