

**STATE OF RHODE ISLAND**  
**PUBLIC UTILITIES COMMISSION**

**IN RE: RHODE ISLAND ENERGY'S )**  
**FY 2024 GAS INFRASTRUCTURE ) DOCKET NO. 22-54-NG**  
**SAFETY, AND RELIABILITY PLAN )**

**DIRECT TESTIMONY**

**OF**

**ALBERICO MANCINI**

**February 14, 2023**

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1 **I. INTRODUCTION**

2

3 **Q. PLEASE STATE YOUR NAME AND THE BUSINESS ADDRESS OF YOUR**  
4 **EMPLOYER.**

5 A. My name is Alberico Mancini. I am employed by the Rhode Island Division of Public  
6 Utilities and Carriers (“Division”). The Division is located at 89 Jefferson Blvd., Warwick,  
7 Rhode Island 02888.

8

9 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS MATTER?**

10 A. I am testifying on behalf of the Division.

11

12 **Q. WHAT IS YOUR POSITION WITH THE DIVISION?**

13 A. I am the Chief Regulatory Analyst for the Division. I have been employed in this position  
14 since September of 2020. Prior to being promoted to the Chief Regulatory Analyst, I was  
15 the Assistant to the Chief Accountant for the Division from April of 2019 through August  
16 of 2020, Rate Analyst for the Division from May of 2014 through April 2019 and a Public  
17 Utilities Engineering Specialist from February 1999 through May 2014.

18

19 **Q. WHAT DOES YOUR POSITION WITH THE DIVISION ENTAIL?**

20 A. As Chief Regulatory Analyst for the Division, I am responsible for detailed analysis of the  
21 accounting records and financial structure of utilities under the jurisdiction of the Public  
22 Utilities Commission (“Commission”) and the Division. This includes reviewing utility

1 filings in concert with Division consultants and presenting the Division's findings and  
2 recommendations to the Division Administrator and Commission.

3  
4 **Q. WOULD YOU PLEASE OUTLINE YOUR EDUCATIONAL BACKGROUND?**

5 A. I graduated from the University of Rhode Island in 1994 with a Bachelor of Science degree  
6 in Civil Engineering.

7  
8 **Q. ARE YOU A MEMBER OF ANY PROFESSIONAL SOCIETIES?**

9 A. I am a member of the American Water Works Association (AWWA), New England Water  
10 Works Association (NEWWA), and the Rhode Island Water Works Association  
11 (RIWWA).

12  
13 **Q. PLEASE BRIEFLY DESCRIBE YOUR EXPERIENCE WITH NATURAL GAS  
14 UTILITIES.**

15 A. I have worked in the natural gas industry for the Division since May of 2014 when I was  
16 promoted to Rate Analyst. Over the past 9 years, I have familiarized myself with the gas  
17 business and gas distribution system of The Narragansett Electric Company, d/b/a Rhode  
18 Island Electric ("RIE" or "Company") through my review of the Company's annual Gas  
19 Cost Recovery filings, Distribution Adjustment Charge filings, Long Range Plan filings  
20 and Infrastructure, Safety, and Reliability ("ISR") Plan filings. In that time, I have also  
21 conducted site visits of facilities and capital projects throughout RIE's distribution system.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED AS AN EXPERT BEFORE THE RHODE**  
2 **ISLAND PUBLIC UTILITIES COMMISSION?**

3 **A.** Yes. I provided direct testimony in Docket No. 2904, relating to the request of the  
4 Woonsocket Water Department’s request for Infrastructure Replacement (“IFR”) funding;  
5 in Docket No. 2961, relating to the Providence Water Supply Board’s (“PWSB”) request  
6 for IFR funding; in Docket No. 2969, relating to Prudence Island Utilities Corporation’s  
7 moratorium on new service connections; in Docket No. 2985, relating to Newport Water  
8 Division’s request for IFR/Capital Improvement Project (“CIP”) funding; in Docket No.  
9 3164, relating to Pawtucket Water Supply Board’s request for IFR funding; in Docket No.  
10 3311, relating to Kent County Water Authority’s (“KCWA”) IFR and CIP programs; in  
11 Docket No. 3660, relating to KCWA’s IFR and CIP projects; in Docket No. 4571, relating  
12 to PWSB’s request for CIP funding; in Docket 4611, relating to KCWA’s IFR and CIP  
13 project; in Docket 4996, relating to the FY 2021 Gas ISR Plan of The Narragansett Electric  
14 Company, d/b/a National Grid; in Docket No. 5099, relating to the FY 2022 Gas ISR Plan  
15 of National Grid; and in Docket No. 5210 relating to the FY 2023 Gas ISR Plan of National  
16 Grid.

17

18 **II. PURPOSE OF TESTIMONY**

19

20 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

21 **A.** The purpose of my testimony is to describe the review that was performed by the Division  
22 regarding the Company’s FY 2024, 21-Month Gas ISR Plan that was submitted to the

1 Division on October 21, 2022 (“October Plan”), the efforts by the parties to negotiate a  
2 resolution of the October Plan, the Company’s FY 2024, 21-Month Gas ISR Plan that was  
3 submitted to the Commission on December 22, 2022 (“December Plan”), the Company’s  
4 January 27, 2023 Supplemental Budget for the Company’s proposed FY 2024 Gas ISR  
5 Plan for April 1, 2023 to March 31, 2024 (“FY 2024 Budget”), and the supplemental  
6 revenue requirements filing made by the Company on February 3, 2023.

7  
8 **III. ISR PLAN EVALUATION PROCESS**

9  
10 **Q. WOULD YOU OUTLINE THE DIVISION’S REVIEW THAT PRECEDED THE**  
11 **COMPANY’S FILING OF THE DECEMBER PLAN?**

12 A. On October 21, 2022, the Company submitted the October Plan to the Division. As a first  
13 step in evaluating the plan, the Company walked the Division through the plan on  
14 November 1 & 2, 2022 (“Walkthrough”).

15  
16 After the Walkthrough was concluded, the Division issued a set of data requests to RIE on  
17 November 3, 2022. RIE provided formal responses to the Division’s data requests on  
18 November 23, 2022, November 29, 2022, and December 2, 2022. A complete set of the  
19 Company’s responses was provided to the Division on December 7, 2022.

20  
21 The Division also performed a tour of the Company’s Exeter LNG facility on November  
22 21, 2022 and participated in numerous telephone discussions and conferences with

1 Company representatives in an attempt to resolve the parties' differences with respect to  
2 the October Plan. Subsequent to the tour, the Division submitted second, third and fourth  
3 sets of data requests to the Company to which it also replied.

4  
5 On January 3, 2023, the Commission issued a Memorandum directing the parties to brief  
6 the issue as to how the proposed 21-month plans that span two fiscal years (FY 2023 and  
7 FY 2024 is consistent with the statutory requirement to file a spending plan for the  
8 following fiscal year. The parties filed their respective positions on January 17, 2023. On  
9 January 20, 2023, at an open meeting, the Commission directed the Company to make a  
10 supplemental filing that would retain the current fiscal year (April 1 to March 31) for the  
11 proposed FY 2024 Gas ISR plan.

12  
13 On January 27, 2023 and February 3, 2023, the Company filed a supplemental budget for  
14 the period April 1, 2023 through March 31, 2024 and made a supplemental revenue  
15 requirements filing for the same period, respectively. In preparing the instant testimony,  
16 the Division reviewed both of the Company's supplemental filings as well.

17  
18 **IV. REVIEW AND ANALYSIS**

19  
20 **Q. WHAT WERE THE DIVISION'S CONCERNS WITH THE OCTOBER PLAN?**

21 **A. First,** The Division was concerned that the Company was proposing a gas ISR budget in  
22 the pending proceeding for the period of January 1, 2024, through December 31, 2024 (CY

1 2024), beyond the end of CY 2023. **Second**, the Division was concerned that the Company  
2 was seeking to recover its proposed revenue requirements for both CY 2023 and CY 2024  
3 through 21-month gas ISR factors rather than seeking recovery of the revenue requirement  
4 for CY 2023 only through 9-month ISR factors. **Third**, while the Commission will have  
5 an opportunity to review the CY 2023 and CY 2024 budgets in the pending proceeding,  
6 the Division was concerned about the absence of an administrative process in the second  
7 half of CY 2023 to review the CY 2024 budget based on the Company's actual performance  
8 for the FY 2023 Plan and through the first quarter of the proposed 9-month CY 2023 Plan.  
9 **Fourth**, the Division was concerned about the size of the plan's 9-month CY 2023 budget  
10 (\$165.105 M) and the size of the 12-month CY 2024 budget (\$237.828 M).<sup>1</sup> **Fifth**, the  
11 Division was concerned that the Company included a new project category entitled "Weld  
12 Shop" in the October Plan. **Sixth**, the Division was concerned that the category "Tools  
13 and Equipment" increased by approximately \$400 K from the Company's FY 2023 gas  
14 ISR plan. **Seventh**, in its FY 2023 Gas ISR Plan Quarterly Update – Second Quarter ending  
15 September 30, 2022 ("2<sup>nd</sup> Quarter Update"), the Company acknowledges that it incurred  
16 \$7 M in charges in FY 2023 for costs associated with down-payments to purchase Portable  
17 LNG Equipment that will be primarily used at the Cumberland LNG facility. While the  
18 Division does not oppose ownership of the portable LNG equipment (and indicated as  
19 much to National Grid in May of 2022), the Division was concerned about the process that  
20 was and is in place when a significant, unanticipated capital investment must be made mid-  
21 plan for a new project category when that investment has not been reviewed by the

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<sup>1</sup> By comparison, the December Plan's 9-month CY 2023 budget is \$166.944, the 12-Month CY 2024 budget is \$221.582 and its 12-month FY 2024 Budget is \$186.466 M.



1 Commission. **Eighth**, the Division was concerned that the Company did not explain how  
2 it would reconcile the October Plan. **Ninth**, the Division was concerned that the Company  
3 failed to include a “hold harmless” mechanism to insulate ratepayers from the elimination  
4 of accumulated deferred income taxes (“ADIT”) as required by the Division’s Order No.  
5 24322 in Docket No. D-21-09 and as the Company covenanted in the Statement of Existing  
6 and Additional Commitments of PPL Corporation, PPL Rhode Island Holdings, LLC  
7 (collectively “PPL”), National Grid USA and The Narragansett Electric Company, d/b/a  
8 National Grid (“Narragansett”)<sup>2</sup> made in the same docket.

9  
10 **Q. DID THE COMPANY ADDRESS THE DIVISION’S CONCERNS IN THE**  
11 **DECEMBER PLAN?**

12 A In part.

13  
14 **Q. IN WHAT RESPECTS DID THE COMPANY ADDRESS THE DIVISION’S**  
15 **CONCERNS WITH THE DECEMBER PLAN?**

16 A. As a result of the discussions between the Company and the Division, the Company  
17 included a hold harmless mechanism relating to the elimination of ADIT in the December  
18 Plan. Mr. Efron addresses that mechanism in his Memorandum. The Company also  
19 attempted to address the size of the CY 2024 budget in 21-month plan, although not to the  
20 satisfaction of the Division.

21  

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<sup>2</sup> The term “Narragansett,” as used herein, refers to The Narragansett Electric Company, d/b/a National Grid prior to its sale to PPL.

1 **Q. DID THE COMMISSION ADDRESS ANY OF THE DIVISION'S CONCERNS IN**  
2 **ITS OPEN MEETING RULING OF JANUARY 20, 2023?**

3 A. Yes. By ruling as it did, the Division's first, second, third and eighth concerns have been  
4 addressed or have become moot. The Division's fourth, fifth, sixth and seventh concerns  
5 remain outstanding and will be discussed in this testimony. As mentioned, the Company  
6 addressed the Division's ninth concern which Mr. Effron addresses in his Memorandum.

7

8 **Q. HOW WOULD YOU LIKE TO ORGANIZE THE REMAINDER OF YOUR**  
9 **TESTIMONY?**

10 A. The remainder of my testimony will address the Company's supplemental filings. First, I  
11 will address a general concern the Division has about the magnitude of the FY 2024  
12 Budget. Second, I will address concerns the Division has about specific project categories  
13 within that budget. Third, I will briefly discuss the Division's recommendation regarding  
14 the Company's February 3, 2023 supplemental revenue requirements filing.

15

16 **A. THE FY 2024 BUDGET – GENERAL CONCERN**

17

18 **Q. DOES THE DIVISION HAVE A GENERAL CONCERN ABOUT THE SIZE OF**  
19 **THE FY 2024 BUDGET?**

20 A. Yes.

21

22 **Q. WHAT IS THE DIVISION'S GENERAL CONCERN?**

1 A. The Company’s proposed FY 2024 Budget is \$186.466 M. The FY 2024 Budget is \$10.81  
2 M higher than the \$175.655 M budget approved by the Commission for FY 2023. The  
3 Division is concerned that the Company is proposing to increase the budget and accelerate  
4 work at a time when it is having considerable difficulty advancing major projects and  
5 programs.

6  
7 For the past several years, the Company has underspent many project categories and  
8 continues to do so. The Company’s 3<sup>rd</sup> quarter FY 2023 update forecasts an underspend  
9 of \$8.472 M. Table 1 below presents a summary of actual spend vs. approved budgets  
10 from FY 2020 through FY 2023.

11 **Table 1**

<b>Fiscal Year</b>	<b>12-month Actual Spend</b>	<b>12-month Approved Budget</b>	<b>Variance</b>
<b>FY 2020</b>	\$154.286 M	\$162.462 M	<b>(\$8.176) M</b>
<b>FY 2021</b>	\$165.274 M	\$198.612 M	<b>(\$33.338) M</b>
<b>FY 2022</b>	\$161.416 M	\$173.246 M	<b>(\$11.83) M</b>
<b>FY 2023</b>	*\$167.183 M	\$175.655 M	<b>(\$8.472) M</b>

12  
13 \*FY 2023 based on 3<sup>rd</sup> quarter updated forecast

14  
15 The FY 2023 forecast spend of \$167.183 M also includes \$7 M in expenditures related to  
16 the Cumberland Portable LNG Equipment and a \$3 M spend for the “Weld Shop” which

1 were both not included in the FY 2023 approved budget. Without this additional \$10 M  
2 spend, the Company would have forecast an underspend of \$18.472 M for FY 2023.  
3

4 **Q. WHERE HAS THE UNDERSPEND OCCURRED?**

5 A. Projects in categories such as Transmission Station Integrity, Heater Installation, Pressure  
6 Regulating Facilities, Take Station Refurbishment, Valve Installation, Gas System  
7 Reliability, Distribution Station Over Pressure Protection, LNG, and Replace Pipe on  
8 Bridges have experienced delays. The result of these delays is that projects in these  
9 categories continue into the following fiscal year. This trend started in FY 2020 and has  
10 continued for the most recent FY 2023 forecast as well.  
11

12 **Q. WHY DO YOU BELIEVE THE COMPANY HAS NOT BEEN ABLE TO**  
13 **COMPLETE WORK THAT WAS SCHEDULED IN THE BUDGETED YEAR?**

14 A. There are several factors that seem to be contributing to this trend. Supply chain problems  
15 and labor force unavailability stemming from the Pandemic appear to be the main drivers  
16 of the underspend. Company resources that should be available to complete planned  
17 projects are also limited. Design or scope of work changes as well as the overall  
18 complexity of some projects have also resulted in delaying or deferring projects to the  
19 following year.  
20

21 **Q. WHY SHOULD THE COMMISSION BE CONCERNED ABOUT PROJECT**  
22 **DELAYS THAT ARE CAUSED BY THE PANDEMIC?**

1 A. Even though the project delays that are occurring are largely not the fault of the Company,  
2 the Company is proposing to increase the size of its budget for FY 2024 by \$11 Million  
3 (\$29 Million when compared to the forecast spend in FY 2023 and factoring in advances  
4 for the Weld Shop and Cumberland portable LNG facilities) without making any showing  
5 that the causes of the delays have been abated or are no longer present. While underspend  
6 is reconciled through the ISR process, customers are charged more than they should be  
7 when budgets are persistently underspent, and customers will continue to be charged more  
8 than they should be until the conditions that produce the underspend are no longer present  
9 or are abated.

10  
11 **B. THE FY 2024 BUDGET – SPECIFIC CONCERNS**

12  
13 **Q. DOES THE DIVISION HAVE CONCERNS REGARDING SPECIFIC**  
14 **CATAGORIES IN THE FY 2024 BUDGET?**

15 A. Yes. The Division has concerns in the following categories: Main Replacement, the Weld  
16 Shop, and Tools and Equipment. The Division is also concerned about the process that  
17 exists when the Company must make a significant mid-plan expenditure that has not been  
18 reviewed or approved by the Commission.

1 **1. Main Replacement**

2  
3 **Q. DOES THE DIVISION HAVE CONCERNS ABOUT THE COMPANY'S**  
4 **PROPOSED MAIN REPLACEMENT BUDGET FOR FY 2024?**

5 A. Yes.

6  
7 **Q. WHAT ARE THE DIVISION'S CONCERNS?**

8 A. In total, the Company is planning to install 69.5 miles of main and abandon 69.5 miles of  
9 leak prone pipe in FY 2024. The 69.5 miles of main consists of the following: 52.6 miles  
10 of proactive main replacement, 14 miles under the Public Works Main Replacement  
11 program, 1.6 miles for Reliability related projects, 1.0 mile for Low Pressure Elimination  
12 projects, and 0.3 miles for the Atwells Avenue Main Replacement Project. Over the past  
13 5 years, the Company has been averaging approximately 54 miles of main installation for  
14 the April 1 through March 31 period.<sup>3</sup> Most recently, the Company is averaging closer to  
15 50 miles of installed main for the same period. The Division is concerned that the  
16 Company does not have the resources to increase the total installation miles to 69.5 miles,  
17 and thus, will be unable to install that proposed number of miles in FY 2024.

18  
19 **Q. WHY DO YOU BELIEVE THAT MAIN INSTALLATION MILES HAVE**  
20 **DECREASED SINCE FY 2020?**

---

<sup>3</sup> Response Div. 4-1.

1 A. The Company has abandoned over 600 miles of leak prone main since 2012 and has mostly  
2 targeted bare steel and cast-iron mains. Most recently, the Company has increased its  
3 workplan to include more cast-iron mains due to the increased cast-iron leak activity. Cast-  
4 iron mains are mostly located in densely populated urban areas such as Providence,  
5 Cranston, Pawtucket, and Woonsocket. Cast-iron mains in these areas tend to be larger,  
6 low-pressure mains which require more time and labor to replace due to their large 6-to-  
7 12-inch diameter size and proximity to congested areas. For example, a construction crew  
8 can install 200 to 400 feet of 2 inch high-pressure main per day in a less congested area vs.  
9 installing 20 to 40 feet of 12 inch low-pressure main in a congested urban area. Targeting  
10 more cast iron mains has caused a decrease in total installation miles due to the overall  
11 difficulty associated with replacing cast-iron mains.

12

13 **Q. WHAT ADJUSTMENT DID THE COMPANY AND THE DIVISION AGREE TO**  
14 **MAKE TO MAIN REPLACEMENT IN LAST YEAR'S ISR BUDGET (FY 2023)?**

15 A. The Company and the Division agreed to reduce the proposed installation miles,  
16 decreasing the Main Replacement budget by \$5 M in order to reduce the miles of carryover  
17 work that was still in progress.

18

19 **Q. HOW SUCCESSFUL WAS THE COMPANY IN REDUCING THE CARRYOVER**  
20 **MILES AND MEETING ITS 65 MILE GOAL OF MAIN ABANDONMENT?**

1 A. For the April 1 through December 31 construction period, the Company installed 45.1  
2 miles and abandoned 40.6 miles across all non-growth programs.<sup>4</sup> The Company fell short  
3 of its planned 57 miles of abandonment through December as there were approximately 42  
4 “work-in-progress” miles heading into the fourth quarter of FY 2023. The Company has  
5 been successful in completing projects that commenced prior to FY 2023 as it is forecasting  
6 that all but approximately 1.5 miles of main installed prior to April 1, 2022 will be  
7 abandoned through the end of FY 2023. Although the Company may not meet its 65 miles  
8 of abandonment target by the end of FY 2023, the Company should be able to reduce the  
9 carryover miles below last year’s levels.

10  
11 **Q. WHAT WAS THE IMPACT OF THE \$5 M ADJUSTMENT TO THE FY 2023**  
12 **MAIN REPLACEMENT SCHEDULE?**

13 A. There was no impact to the schedule as contractor crews continued installing mains and  
14 services through the end of the construction season (December 15) and the Company’s  
15 union crews followed with meter installations, live gas connections, cut offs, and final  
16 abandonments. Across all main replacement categories including Public Works, Main  
17 Replacement Reactive, Low-Pressure Elimination, Pro-Active Main Replacement, Atwells  
18 Ave Main Replacement, and Gas System Reliability, the Company is forecasting a total  
19 underspend of approximately \$7.6 M through the end of FY 2023. Therefore, the Company  
20 was not limited by its budget but rather was limited by the resources that it had available  
21 to complete the work.

---

<sup>4</sup> Response Div. 2-3.



1 **Q. DO YOU BELIEVE THE COMPANY CAN ACHIEVE 69.5 MILES OF MAIN**  
2 **INSTALLATION?**

3 A. No.

4

5 **Q. WHAT IS THE BASIS FOR YOUR OPINION?**

6 A. As explained earlier in my testimony, the complexity of the projects and limited resources  
7 have impeded the Company's ability to complete main replacement projects throughout all  
8 of the main replacement categories.

9

10 **Q. DO YOU BELIEVE THE PROPOSED 69.5 MILES OF MAIN INSTALLATION**  
11 **FOR FY 2024 SHOULD BE REDUCED?**

12 A. Yes. The Division believes the planned installation miles should be reduced. The  
13 Company simply has not shown that it can install 69.5 miles of main in FY 2024 and should  
14 not be given ISR funding based on a calculation derived from that figure.

15

16 **Q. WHAT IS A REASONABLE NUMBER OF INSTALLATION MILES FOR THE**  
17 **COMPANY TO TARGET IN FY 2024?**

18 A. Based on its past performance, 60 miles is a reasonable target.

19

20 **Q. WILL THE ABANDONMENT MILES THE COMPANY TARGETS FOR FY 2024**  
21 **BE IMPACTED BY REDUCING THE INSTALLATION MILE TARGET TO 60**  
22 **MILES?**

1 A. No. There are approximately 25 to 30 miles of FY 2023 carryover work scheduled to be  
2 completed and abandoned within the FY 2024 year. If the Company installs 55 to 60 miles  
3 of main as it has in the past, along with reducing the carryover by 10 to 15 miles, then the  
4 Company will have the opportunity to meet or exceed its abandonment goal.

5

6 **Q. DOES THE DIVISION RECOMMEND THE COMMISSION MAKE AN**  
7 **ADJUSTMENT TO THE PROPOSED FY 2024 MAIN REPLACEMENT**  
8 **BUDGET?**

9 A. Yes.

10

11 **Q. WHAT ADJUSTMENT DOES THE DIVISION RECOMMEND THE**  
12 **COMMISSION MAKE?**

13 A. The Division is recommending an adjustment of \$15 M associated with 9.5 miles of main  
14 across all main replacement categories thereby reducing the Company's proposed  
15 installation miles from 69.5 to 60.<sup>5</sup> The Company is given broad flexibility to plan for the  
16 installation of 60 miles across all categories associated with main replacement while still  
17 achieving or exceeding the overall goal of abandoning 65 to 70 miles of leak prone main  
18 thereby decreasing the amount of carryover into FY 2025.

19

20

21

---

<sup>5</sup> Average cost per mile for all main replacement categories is  $\$109.867/69.5 \text{ miles} = \$1.58 \text{ M}$ . Therefore, 9.5 miles at  $\$1.58 \text{ M/miles} = \$15 \text{ M}$ .

1 **2. The Weld Shop**

2  
3 **Q. DOES THE DIVISION HAVE CONCERNS ABOUT THE COMPANY'S**  
4 **PROPOSED WELD SHOP BUDGET?**

5 A. Yes.

6  
7 **Q. WHAT ARE THE DIVISION'S CONCERNS?**

8 A. First, R.I. Gen. Laws § 39-1-27.7.1(d) provides, in pertinent part, that the gas distribution  
9 companies shall consult with the division regarding their infrastructure, safety and  
10 reliability spending plan for the following fiscal year addressing the following categories:

11 (1) Capital spending on *utility infrastructure*; . . .

12 (4) Any other costs relating to maintaining safety and reliability that are  
13 mutually agreed upon by the division and the company.” (Emphasis  
14 added).

15  
16 The term “infrastructure” is defined as “the basic systems and services, such as  
17 transportation and power supplies that a country or organization uses in order to work  
18 effectively.”<sup>6</sup> “Gas infrastructure” is generally thought of as pipelines used to gather,  
19 transport and distribute natural gas from producing wells to end-use consumers. It also  
20 includes the facilities used in transportation, like compression and metering stations,  
21 storage services and the natural gas processing facilities.<sup>7</sup> The Division is concerned that

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<sup>6</sup> <https://dictionary.cambridge.org/us/dictionary/english/infrastructure>.

<sup>7</sup> <https://www.api.org/news-policy-and-issues/natural-gas-solutions/natural-gas-infrastructure#:~:text=What%20is%20it%3F,the%20natural%20gas%20processing%20facilities>.

1 the proposed “Weld Shop” does not qualify as “utility infrastructure” eligible for  
2 accelerated recovery under the ISR statute.

3  
4 When asked to identify what larger welding ISR fabrications the Company could have  
5 handled in-house in the Weld Shop within the last three years, the Company could not  
6 produce a list of such fabrications.<sup>8</sup> While the Company “*expects* that less than 1% of work  
7 to be performed in the Weld Shop will be non-ISR related work,”<sup>9</sup> the Company also  
8 acknowledges that “the weld shop will provide in-house resources with a facility that can  
9 handle *all assets within the system...*”<sup>10</sup> and includes “the *necessary space to conduct the*  
10 *required training* along with certification and requalification of *all the Company’s*  
11 *contractor welders.*”<sup>11</sup> (Emphasis added). The latter function currently is “often conducted  
12 at contractors’ facilities which are dispersed throughout New England.<sup>12</sup> Thus the Weld  
13 Shop functions to obviate a “logistical challenge and inefficiency” when there is only one  
14 welder supervisor by centralizing training and qualification activities.<sup>13</sup>

15  

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<sup>8</sup> Response to Div. 3-11.

<sup>9</sup> Response to Div. 3-10.

<sup>10</sup> Response to Div. 3-11.

<sup>11</sup> Response to PUC 1-5.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

1 While the Company maintains that the Weld Shop may support “more than 99% capital  
2 work within the ISR plan,”<sup>14</sup> the Company’s filing and data responses also show that the  
3 shop will support the Company’s overall gas operations with the aim of introducing further  
4 efficiency into these operations. While no doubt a meritorious goal, the Company simply  
5 has not shown that the proposed expenditures on the Weld Shop constitute “capital  
6 spending on utility infrastructure” as that term is used in the ISR statute and as is  
7 characterized by the spending history on the existing categories in the ISR plan (*e.g.*, leak  
8 prone pipe, heaters, regulators, meters).

9  
10 Second, R.I. Gen. Laws § 39-1-27.7.1(d) authorizes the Commission to approve the  
11 Company’s ISR plan “if the investments and spending are found to be reasonably needed  
12 to maintain *safe and reliable distribution service* over the short and long term.” (Emphasis  
13 added). Citing the ISR statute, the Company, itself, acknowledges that “Rhode Island  
14 Energy has a legal obligation to provide safe and reliable service to its customers,” and that  
15 “to ensure this standard of service is maintained, the Company files a proposed capital  
16 spending plan each fiscal year.”<sup>15</sup> “Safety and reliability are paramount to Rhode Island  
17 Energy’s mission and vision.”<sup>16</sup> Accordingly, the Company emphasizes, the “Gas ISR  
18 Plan includes capital investment spending needed to meet state and federal regulatory

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<sup>14</sup> *Id.*

<sup>15</sup> FY 2024 Gas ISR Plan at Bates Page 8.

<sup>16</sup> *Id.* at 7.

1 requirements applicable to the Company’s gas system and to main distribution  
2 infrastructure in a safe and reliable condition.”<sup>17</sup>

3  
4 The Weld Shop “includes the purchase of welding tools and equipment to support projects  
5 within the ISR programs and a weld shop at the Company’s Allens Avenue, Providence  
6 location.”<sup>18</sup> According to the Company, the Weld Shop will house “tools, equipment,  
7 welding stock and provide ample space to perform welds, along with space to conduct  
8 required training and certifications.”<sup>19</sup> The Company has two existing, undersized, weld  
9 shops located on Dexter Street in Providence and George Washington Highway in Lincoln.  
10 The Company avers that the “build out of the new consolidated weld shop will maximize  
11 efficiencies by bringing all welding resources to a modern and centralized location instead  
12 of maintaining two weld shop locations.”<sup>20</sup> The additional workplace/bays will also “allow  
13 more welding activities to occur simultaneously.”<sup>21</sup>

14  
15 While the consolidation of the existing two weld shops may “maximize efficiency,”  
16 nowhere in its filing does the Company explain how the Weld Shop promotes safety and/or  
17 reliability. Indeed, the words “safety” and “reliability” are completely absent from the  
18 Weld Shop category explanation contained in the FY 2024 Gas ISR Plan. Without such

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<sup>17</sup> *Id.*

<sup>18</sup> *Id.* at 76.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> *Id.* at 75-77.

1 an explanation, the Division cannot glean how the Weld Shop satisfies the requirements of  
2 R.I. Gen. Laws § 39-1-27.7.1(d) that the proposed investments for the Weld Shop are  
3 reasonably needed to maintain safe and reliable distribution service in the short and long  
4 term.

5  
6 **Q. DOES REMOVING THE WELD SHOP FROM THE FY 2024 GAS ISR PLAN**  
7 **MEAN THE COMPANY WILL NOT BE ABLE TO OBTAIN RECOVERY FOR**  
8 **WELD SHOP CAPITAL EXPENDITURES?**

9 A. Not at all. The ISR process affords the Company with accelerated recovery for capital  
10 spending on utility infrastructure related to maintaining safety and reliability. The  
11 Company has in the past, and always is able to, seek recovery of non-ISR capital  
12 investments in its next base distribution rate case under traditional ratemaking principles.

13  
14 **Q. DOES THE DIVISION RECOMMEND THE COMMISSION MAKE AN**  
15 **ADJUSTMENT TO THE COMPANY'S PROPOSED FY 2024 WELD SHOP**  
16 **BUDGET?**

17 A. Yes.

18  
19 **Q. WHAT ADJUSTMENT DOES THE DIVISION RECOMMEND THE**  
20 **COMMISSION MAKE?**

1 A. The Division recommends that the Commission disallow any funding for the proposed  
2 “Weld Shop” and reduce the FY 2024 budget by \$8.86 M. In addition, any funds which  
3 the Company had planned to advance into FY 2023, should also be disallowed.  
4

5 **3. Tools and Equipment**  
6

7 **Q. DOES THE DIVISION HAVE CONCERNS ABOUT THE COMPANY’S**  
8 **PROPOSED FY 2024 TOOLS AND EQUIPMENT BUDGET?**

9 A. Yes.  
10

11 **Q. WHAT ARE THE DIVISION’S CONCERNS?**

12 A. For FY 2023, the approved Tools and Equipment budget was \$824 K with projected capital  
13 placed in service of \$803 K. The Company proposes a FY 2024 capital budget for Tools  
14 and Equipment of \$1.617 M, a roughly 100% increase over the FY 2023 approved budget  
15 for this category.  
16

17 The Company acknowledges the fact that it is no longer able to borrow needed equipment  
18 from National Grid USA affiliates. In the 2<sup>nd</sup> Quarter Update, the Company observed the  
19 following:  
20  
21  
22  
23  
24



1 A review of the Company's tools & equipment was conducted as part  
2 of the separation from National Grid USA. The Company determined  
3 that certain specialty equipment needed to be purchased, in part, because  
4 Rhode Island Energy could no longer borrow equipment from National  
5 Grid USA affiliates, such as The Boston Gas Company. Rhode Island  
6 Energy concluded that having full-time access to the equipment would  
7 enhance the safety and efficiency of capital projects. Examples of  
8 specialty equipment no longer available to be borrowed are Kleiss  
9 systems, T.D. Williamson equipment, and hole hogs.

10  
11 During the hearing in Docket No. D-21-09, PPL explained that it would only cause RIE to  
12 seek to recover costs that Narragansett would have incurred under National Grid USA  
13 ownership or that deliver an incremental benefit to Rhode Island customers over and above  
14 that which they previously had received.<sup>22</sup> To bring that docket to a favorable conclusion,  
15 PPL entered into a settlement agreement with the Rhode Island Attorney General which,  
16 among other things, provides as follows:

17 Recovery of Transition Costs. The Approval Order includes a condition  
18 that limits Narragansett's potential recovery of transition costs to no  
19 more than \$82,000,000. *PPL now agrees that Narragansett will forgo*  
20 *potential recovery of any and all transition costs, reducing the total*  
21 *amount of potential transition costs recovery to \$0.* (Emphasis added).  
22

23 If the transaction between National Grid and PPL had not occurred, then Narragansett  
24 would have continued to borrow the requisite tools and equipment from National Grid USA  
25 affiliates rather than now need to purchase them. The Tools and Equipment budget  
26 category would not have sustained the year over year increase that is reflected in the  
27 pending filing. The incremental costs associated with the Company's need to purchase  
28 tools and equipment in FY 2024, are a direct result of or directly related to, the

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<sup>22</sup> *In Re: Petition of PPL Corporation, PPL Rhode Island Holdings LLC, National Grid USA and The Narragansett Electric Company for Authority to Transfer Ownership of The Narragansett Electric Company to PPL Rhode Island Holdings, LLC and Related Approvals, Docket No., D-21-09, Order No. 24322 at 168 (2021).*

1 consummation of the sale of Narragansett to PPL. That is, they are transition costs the  
2 recovery of which PPL committed to forego under its original commitment to  
3 Narragansett's customers as modified by its subsequent commitment to the Rhode Island  
4 Attorney General.

5  
6 **Q. DOES THE DIVISION RECOMMEND THE COMMISSION MAKE AN**  
7 **ADJUSTMENT TO THE COMPANY'S FY 2024 GAS ISR TOOLS AND**  
8 **EQUIPMENT BUDGET?**

9 A. Yes.

10  
11 **Q. WHAT ADJUSTMENT DOES THE DIVISION RECOMMEND THE**  
12 **COMMISSION MAKE?**

13 A. The Division recommends that the Commission maintain the Tool and Equipment budget  
14 category at its approved FY 2023 level. This recommendation would reduce the proposed  
15 FY 2024 budget level for this category from \$1,617 M to \$824 K, a reduction of \$793 K.

16  
17 **4. Cumberland Portable LNG Equipment**

18  
19 **Q. DOES THE DIVISION HAVE ANY COMMENTS REGARDING THE**  
20 **COMPANY'S PURCHASE OF THE CUMBERLAND PORTABLE LNG**  
21 **EQUIPMENT?**

22 A. Yes.

1 **Q. WHAT COMMENTS WOULD THE DIVISION LIKE TO MAKE?**

2 A. In May of 2022, prior to the consummation of the sale of Narragansett to PPL, National  
3 Grid notified the Division that Narragansett intended to purchase the Cumberland portable  
4 LNG equipment. National Grid provided the Division with a “Portable Equipment  
5 Purchase Plan” and indicated that it intended to utilize funds in the FY 2023 Gas ISR  
6 Program to purchase the equipment. Based on the plan and discussions with National Grid  
7 representatives, the Division indicated that it did not oppose the purchase but did not have  
8 the authority to approve the purchase, and that National Grid should notify the Commission  
9 of its intentions and obtain whatever authority it believed was necessary to achieve its  
10 goals.

11  
12 By correspondence dated November 16, 2022, the Division received the Company’s 2<sup>nd</sup>  
13 Quarter Update. In that report, the Company stated that it would “incur charges of \$7.00  
14 million in FY 2023, which was not originally in the budget, for costs associated with down  
15 payments for Portable LNG Equipment that will primarily be used at the Cumberland LNG  
16 Facility.” The Company explained that the contract for the equipment, which had been  
17 extended during the Covid-19 pandemic, expired at the close of Winter 2022-2023; that  
18 the Company had performed a cost-benefit analysis that showed purchasing the equipment  
19 was in the best interest of Rhode Island ratepayers; and that the purchased equipment would  
20 be placed in service in FY 2024.<sup>23</sup>

21  

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<sup>23</sup> Response to Div. 1-39 and Attachment 1-39-1 at 310-313.

1 The Division continues to not oppose the Company's decision to purchase the portable  
2 Cumberland LNG equipment.<sup>24</sup> The Division, however, remains unaware if the  
3 Commission was notified of RIE's decision to purchase the equipment prior to the purchase  
4 and is generally concerned about the process that is in place when a significant, capital  
5 investment must be made mid-plan for a category that is not included in the approved ISR  
6 budget.

7  
8 **Q. WHAT DOES THE DIVISION RECOMMEND THAT ADDRESSES ITS**  
9 **CONCERNS?**

10 A. The Division recommends that if the Company wishes to make a significant capital  
11 expenditure (>\$ 2.0 M) mid-plan in what amounts to a new ISR project category that has  
12 not been reviewed by the Commission, then the Company should submit a written notice  
13 to the Division with a copy to the Commission of its intent to make the investment,  
14 identifying the funds that will be used for that purpose.

15  
16  
17  
18  

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<sup>24</sup>The Company's FY 2024 Gas ISR Plan contains \$2.511 M to purchase Portable LNG Equipment for Old Mill Lane as well. The Division also does not oppose the Company's decision to purchase this equipment, recognizing that the Old Mill Lane portable LNG facilities are subject to a licensing proceeding before the Energy Facilities Siting Board ("EFSB") and an advisory opinion proceeding before this Commission. The outcome of those proceedings may impact the decision regarding the Old Mill Lane expenditures in this matter. The Division's non-opposition in this docket for expenditures for the Company to purchase the Old Mill Lane portable LNG facilities should not in any way be viewed as comment regarding the Division's position in the Commission advisory or EFSB licensing proceedings.

1           **C.     SUPPLEMENTAL REVENUE REQUIREMENTS FILING**

2  
3   **Q.     DOES THE DIVISION HAVE A RECOMMENDATION REGARDING THE**  
4       **COMPANY’S FEBRUARY 3, 2023, SUPPLEMENTAL REVENUE REQUIRE-**  
5       **MENTS FILING?**

6   A.    Yes.

7  
8   **Q.     WHAT IS THE DIVISION’S RECOMMENDATION?**

9   A.    Since the Commission may accept none, some or all of the Division’s recommended  
10       adjustments and may make adjustments of its own, the Division reserves its right to review  
11       the Company’s proposed revenue requirements in the compliance phase of this docket and  
12       to provide a recommendation to the Commission regarding that filing at that time.

13  
14   **V.     CONCLUSION**

15  
16   **Q.     PLEASE SUMMARIZE THE DIVISION’S RECOMMENDATIONS IN YOUR**  
17       **TESTIMONY.**

18   A.    The Division Recommends the Commission:

- 19       1.     Adjust the Company’s proposed 12-month FY 2024 Gas ISR Budget downward  
20           \$24.653 M;  
21       2.     Approve a 12-month FY 2024 Gas ISR Budget of \$161.813 M; and

1           3.     Require the Company to notify the Division and Commission to make certain new,  
2                    mid-plan capital investments as explained in this testimony.

3

4   **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

5   A.    Yes.