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February 16, 2023

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket No. 22-54-NG – The Narragansett Electric Company
Proposed Fiscal Year 2024 Gas Infrastructure, Safety, and Reliability Plan
Responses to PUC Data Requests – PUC Set 2**

Dear Ms. Massaro:

I have enclosed an electronic version of Rhode Island Energy's¹ complete set of responses to the Public Utilities Commission's Second Set of Data Requests in the above-referenced matter.²

Thank you for your attention to this matter. If you have any questions, please contact me at 401-316-7429.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Jennifer Brooks Hutchinson".

Jennifer Brooks Hutchinson

Enclosure

cc: Docket 22-54-NG Service List
Leo Wold, Esq.
John Bell, Division
Al Mancini, Division

¹ The Narragansett Electric Company d/b/a Rhode Island Energy ("Rhode Island Energy" or the "Company").

² Per communication from Commission counsel on October 4, 2021, the Company is submitting an electronic version of this filing followed by six (6) hard copies filed with the Clerk within 24 hours of the electronic filing.

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate were electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

Heidi J. Seddon

February 16, 2023

Date

**No. 22-54-NG- RI Energy's Gas Infrastructure, Safety and Reliability (ISR)
Plan 2024 - Service List 2/6/2023**

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PUC 2-1

Request:

Referring to the response to PUC 1-9,

- (a) Was the team responsible for developing the Weld Shop proposal aware that there might be environmental remediation costs associated with the project at the time it was included in the Company's Gas ISR Plan? If not, please explain why not. If yes, when the Company sought approval from the Commission to move forward with the Weld Shop investment in its filing, why did the Company not disclose the potential that it could be incurring an unknown amount of environmental remediation costs which could increase the overall cost to ratepayers for using the Allens Avenue location?
- (b) Did the Company consider alternative locations for the construction of a new Weld Shop at locations that do not contain the risk of triggering environmental clean-up costs? If so, please identify and explain the alternatives analysis. If not, please explain why not.
- (c) Why does the Company believe it is prudent to commence or continue spending on the Weld Shop project at Allens Avenue without knowing what the cost of environmental remediation might be?
- (d) Is the Company assuming that consideration of the potential incurrence of costs associated with environmental remediation of the site is not relevant to the prudence for cost recovery of all or a portion of the project? If yes, please explain why.

Response:

- (a) The team responsible for the development of the Weld Shop proposal was aware that there might be environmental remediation costs associated with the project at the time it was included in the Company's Gas ISR Plan; however, the team determined it was unlikely that the Company would be incurring an unknown amount of environmental remediation costs which could increase the overall cost to customers because the team does not anticipate the environmental remediation costs will increase the initial budget of \$2 million for site preparation at the Allens Avenue location. The Building Demolition project area (the future trucking operations area) has not undergone site remediation to date and costs associated with the area's remediation have already been accounted for in the proposed site preparation budget of the Weld Shop. The Building Demolition project and the Weld Shop area elevations will need to be

PUC 2-1, Page 2

- increased, both of which will require additional soil as opposed to soil removal which is what would necessitate increased associated handling costs. The RIDEM-compliant engineered cap that will be placed on the Building Demolition project area will be captured as an Environmental Response Cost not associated with the Weld Shop budget. In the Weld Shop area, the portion of the RIDEM-compliant engineered cap that will be removed, will be replaced with the building's foundation, which, as explained in the response to PUC 1-9, has been factored into the overall cost of the Weld Shop project. Based on previous work at the proposed Allens Avenue site and the differentiating costs of specific aspects of the site preparation work, the team does not believe that the "unknown amount" will be different from the initially projected cost.
- (b) Yes, the Company considered alternative locations that did not trigger environmental costs. Multiple factors resulted in significantly higher site costs for alternative locations as compared to the proposed Allens Avenue site. The factors were, the price per square foot of commercial property centrally located, security provisions installed on the property to include perimeter fencing, potential for land clearing and associated permitting costs. See the Company's response to PUC 1-8(a) for additional detail regarding the alternatives analysis.
- (c) The Company believes it is prudent to commence or continue spending on the Weld Shop project at Allens Avenue because the projected portion of the budget for site preparation work takes into account the potential environmental remediation costs, and the Allens Avenue property remains the most cost-effective and practical option for location of the Weld Shop, for the reasons described in the Company's response to PUC 1-8 and part (b), above. See also the response to part (d), below.
- (d) The Company projects the environmental remediation costs to be incidental and not critical to the overall cost of the project, and therefore, should not impact the prudence for cost recovery of all or a portion of the project. Whether an investment is prudent for cost recovery should be based on a determination of whether the costs were reasonable at the time they were incurred, based on the circumstances and what was known and knowable at that time. With respect to the Weld Shop, the existence of environmental remediation costs at the Allens Avenue location does not, in and of itself, render the Weld Shop imprudent. When comparing the projected budget of \$2 million dollars for site preparation, which includes the environmental remediation costs, with the costs associated to construct the Weld Shop at an alternative location, and considering the factors described in part (b), above, the Company determined the most cost-effective option was the Allens Avenue location.

PUC 2-2

Request:

Referring to the responses to PUC 1-6 and 1-9, if (i) the Company does not have a signed contract with a vendor, (ii) the Company does not have a final schematic design, (iii) there have been no timelines completed for the project yet, and (iv) the Company has not performed an environmental assessment to determine the degree of remediation work, why did the Company assume in its initial filing that the Weld Shop will be “in service” by the end of the calendar year?

Response:

The Company forecasted that the Weld Shop would be in service by the end of the calendar year (“CY”) 2023 for several reasons. First, the Company has opted to use a “pre-engineered building” design thus simplifying design and construction as compared to conventional means of construction. Second, the Company owns the Allens Avenue location, which aids the construction schedule in two manners. The first way is the usability of the land with permission from the city and the second way is the existing property security necessary for all the Company’s facilities. The Company already has open communication with the city and state regarding usability of the property in comparison to newly acquired land that would require town/city approval or variances. The already owned Allens Avenue property also has much of the needed site security measures like perimeter fencing already in place, which a newly owned location would require for the Weld Shop build. Third, the anticipated site work to be performed at Allens Avenue is minimal for the site location, and the Company does not anticipate that any additional environmental investigation will be required beyond what is described in the Company’s response to PUC 1-9. In light of these factors, the simplicity of the project, and constructability of the design would result in a time efficient build. Based on building design, civil design, and procurement efforts, the Company believes it will meet its originally projected Weld Shop in service date by the end of CY 2023; however, the change in the fiscal year (“FY”) period to a 12-month period ending March 31, 2024 has further increased the Company’s confidence level that the Weld Shop will be in-service in FY 2024.

The Narragansett Electric Company
d/b/a Rhode Island Energy
RIPUC Docket No. 22-54-NG
In Re: Proposed FY 2024 Gas Infrastructure, Safety and Reliability Plan
Responses to the Commission's Second Set of Data Requests
Issued on February 6, 2023

PUC 2-3

Request:

Please provide a schedule identifying all expenditures to date on the Weld Shop project.

Response:

The Company has not been billed for any vendor or contractor charges for the Weld Shop project as of the date of this response; therefore, no schedule of expenditures to date is available. Rhode Island Energy employees' time associated with planning for this project has been charged to a capital overhead accounting code and will be transferred to the Weld Shop project cost.

PUC 2-4

Request:

Referring to the response to PUC 1-6(c),

- (a) If the Weld Shop project is not in service by the end of ISR Fiscal Year 2024, will the Company be able to reasonably and prudently support steel infrastructure within the Gas ISR Plan portfolio? Please explain.
- (b) If the Weld Shop is needed to support the ability of the Company to conduct its gas business in Rhode Island, why was the Weld Shop project not identified as a transition cost to the PPL acquisition?

Response:

- (a) Yes. Prior to completion of the Weld Shop, the work within the Gas ISR Plan portfolio is projected to be supported by external resources. Upon the addition of the new Weld Shop, the Company would be able to better support the Gas ISR Plan portfolio by enabling additional completion of work by the Company's internal personnel.
- (b) The Company did not identify the Weld Shop as one of the transition costs as part of the acquisition because it is not a cost that arises –because of the acquisition. The defined transition costs are costs that the Company will incur to replace or create facilities and systems that are necessary to continue to safely and reliably operate the electric and gas distribution businesses because of the transition of Company ownership from National Grid USA to PPL Rhode Island Holdings, LLC. The costs associated with the Weld Shop did not become necessary because of the acquisition. Rather, the Weld Shop costs are necessary based on the Company's evaluation of existing operations and a determination that the proposed investment will better serve the safe and reliable operations of the gas distribution system than the existing weld shops in multiple locations.

PUC 2-5
Weld Shop Proposal

Request:

Referring to the response to PUC 1-10, please explain what the Company means when it refers to the FY 2023 expenditure of \$3 million as “at-risk spending.”

Response:

In the context of the Weld Shop category, the term “at-risk spending” is meant to describe spending that was not included in a budget previously approved by the Public Utility Commission (“PUC”) during an annual Gas Infrastructure, Safety, and Reliability (“ISR”) proceeding. The Company considers spending for the Weld Shop to be “at-risk,” meaning that the Company will have begun to incur costs for the project during fiscal year (“FY”) 2023 prior to the PUC’s approval of the Weld Shop category/project within the FY 2024 Gas ISR Plan budget and/or until the completed spending is approved by the PUC as part of the FY 2023 (and/or future) Gas ISR Reconciliation proceedings.