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March 27, 2023

VIA ELECTRONIC MAIL

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

**RE: Docket No. 22-53-EL – The Narragansett Electric Company
Proposed FY 2024 Electric Infrastructure, Safety, and Reliability Plan
Responses to PUC Data Requests – Set 5**

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a Rhode Island Energy (the “Company”), I have enclosed the Company’s responses to the Public Utilities Commission’s Fifth Set of Data Requests, which consisted of one data request, in the above-referenced matter.

Thank you for your attention to this transmittal. If you have any questions or concerns, please do not hesitate to contact me at 401-784-4263.

Sincerely,

A handwritten signature in blue ink, appearing to read "Andrew S. Marcaccio".

Andrew S. Marcaccio

Enclosures

cc: Docket No. 22-53-EL Service List
John Bell, Division

PUC 5-1

Request:

At a hearing before the Senate Committee on Environment & Agriculture on March 15, 2023, the Company's President testified about the benefits of Grid Modernization. During his testimony on this subject he said:

"If I could reduce O&M by \$1.00, I could make \$8.00 in capital investments and have no rate impact. So, how do we invest capital to reduce O&M to have zero rate impact? You are getting all the benefits of these investments, but yet the customer doesn't see that impact."

Please respond to the following:

- (a) Does the Company expect that the annual revenue requirement associated with its forecasted capital investments in Grid Modernization (including AMF as a component of Grid Modernization) over the next five years will be offset by annual O&M savings, such that there will be no rate impact on customers?
- (b) If not, please explain why not. If yes, please explain the extent to which the Company is anticipating that its total investments in Grid Modernization (including AMF as a component of Grid Modernization) will have zero rate impact on customers because the annual O&M savings will offset the annual revenue requirement related to the capital investments, and provide a schedule illustrating this effect.
- (c) Please show the ratio of O&M savings to all capital investments in the electric distribution business (shown in dollars of O&M savings to dollars of capital investments) that the Company proposes or expects will be made and achieved by the Company in 2023 through 2027. Please provide a schedule indicating the type of investments and O&M savings, and the sources of the estimates within the schedule.

Response:

For context, when the Company's President made the statement that an operation and maintenance ("O&M") reduction of \$1.00 could off-set an \$8.00 capital investment without having rate impact, he was referring to a long-term, industry-accepted principle that is also generally applicable to The Narragansett Electric Company d/b/a Rhode Island Energy ("Company"). The analysis presented below, that is consistent with the pending fiscal year 2024 infrastructure, safety, and reliability ("ISR") plan filing, does not include longer-term savings that would result from advanced metering functionality ("AMF") and Grid Modernization Plan

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("GMP") investments beyond the period in question. The full impact of the actual savings cannot be fully evaluated and reflected in future revenue requirements until the next base rate case.

- (a) The Company expects the annual revenue requirement associated with its forecasted capital investments in grid modernization, including advanced metering functionality ("AMF") as a component of grid modernization, to be reduced by annual O&M savings, such that it will help mitigate future rate impacts on customers. As indicated in the Company's joint rebuttal testimony, the Company believes a delay of the grid modernization investments will result in increased costs to customers over the long term including benefits, such as O&M savings, being deferred.
- (b) There will be a rate impact on customers over the next five years as there is a timing difference between when the capital investments will occur and when the benefits are expected. Most of the capital investment will occur over the next five years and O&M savings are expected throughout the duration of the investment's lifecycle. Grid modernization and AMF will contribute to lowering O&M costs and adding value over the next 20 years. This significantly results in a lower bill impact on customers by reducing a variety of costs such as AMR meter reading, meter investigations, systems maintenance and restoration costs, along with enabling the Company to provide safe and reliable service.
- (c) Please see table below showing the ratio of O&M savings to all capital investments for ISR FY 2024 – 2028:

In Re: Proposed FY 2024 Electric Infrastructure, Safety and Reliability Plan
Responses to the Commission’s Fifth Set of Data Requests
Issued on March 17, 2023

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Spending Rationale and Category	5 Year Investment Plan (\$000s)				
	ISR Yr 2024 Forecast	ISR Yr 2025 Forecast	ISR Yr 2026 Forecast	ISR Yr 2027 Forecast	ISR Yr 2028 Forecast
Customer Request/Public Requirement	27,514	28,362	29,372	30,266	31,315
Damage Failure	15,192	15,913	14,967	15,224	15,715
Grid Modernization	35,257	49,615	60,672	66,921	65,309
Total Non-Discretionary	77,963	93,890	105,011	112,411	112,339
Asset Condition	56,426	72,450	64,869	59,815	45,790
Non-Infrastructure	1,700	1,712	1,724	737	750
System Capacity & Performance	29,701	26,412	30,785	25,244	13,448
Total Discretionary	87,827	100,573	97,377	85,796	59,988
Total Capital Spending - ISR	165,790	194,463	202,388	198,207	172,327
AMF Capital	13,930	55,248	68,180	17,104	1,226
Total Capital Spending	179,720	249,711	270,569	215,311	173,554

Projected O&M Savings	2,185	4,556	8,973	9,217	8,327
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Ratio - O&M savings to all capital investments	1.22%	1.82%	3.32%	4.28%	4.80%
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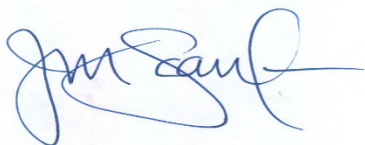
Notes on the table above:

- The financials in the table have been converted to a fiscal year format using the ISR plan fiscal year.
- Projected O&M savings are inclusive of expected O&M savings from grid modernization and AMF include Tier 1 and avoided O&M savings; the savings does not include total O&M savings from the Company’s total forecasted capital investments.
- AMF benefits are sourced from Section 11 of the AMF Business Case and Attachments Schedule PJW/WR-1 as filed in Docket No. 22-49-EL.
- AMF savings will be realized due to remote connect / disconnect for electric meters, saving truck rolls, reducing customer calls, and providing increased operational flexibility.
- Grid modernization benefits are sourced from Section 8 of the GMP and Attachments Schedule KC/RC/WR-1 as filed in Docket No. 22-56-EL.
- Grid modernization savings will be realized due to better crew management, reduced truck rolls, and automation in daily system operations.

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was 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.



Joanne M. Scanlon

March 27, 2023
Date

**Docket No. 22-53-EL – RI Energy’s Electric ISR Plan FY 2024
Service List as of 3/13/2023**

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