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March 7, 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
Supplemental Response to PUC 3-1**

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a Rhode Island Energy (the “Company”), I have enclosed the Company’s supplemental response to PUC 3-1 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

PUC 3-1 - Supplemental

Request:

Dyer Street Substation

Referring to the 4th quarter FY 2019 ISR Report page 16 of 25, the company identified \$845,000 of spending related to Dyer Street.

<https://ripuc.ri.gov/sites/g/files/xkgbur841/files/eventsactions/docket/4783-NGrid-ElecISR-Q4-FY2019-%28PUC-5-15-19%29.pdf>

On pages 40 & 41 of the March 9, 2023 hearing transcript in Docket 5209 the witness, Mr. Arthur, affirms that \$845,000 of FY 2019 spending was related to Dyer Street.

THE CHAIRMAN: So if you can just give one to Mr. Arthur anyway and counsel.

There's a line item in this report which is reporting how much was actually spent in fiscal year 2019. And it said Dyer Street substation and the actual expenditures were \$845,000 and there's a column which talks about a variance cause because it was underspending. It said projects spending less than budgeted due to delays in receiving permit approvals. But what I'm asking about is the \$845,000 that's recorded there. What would those expenses have related to in fiscal year 2019? Would that have been the design and permitting activities associated with the substation that was going to be located at the DC building?

MR. ARTHUR: Yes. That's accurate.

Referring to the 4th quarter FY 2020 ISR Report page 12 of 22, the company identified \$732,000 of spending related to Dyer Street.

<https://ripuc.ri.gov/sites/g/files/xkgbur841/files/eventsactions/docket/4915-NGrid-Revised-ElecISR-Q4-FY2020-%28PUC-5-20-2020%29.pdf>

On page 42 of the March 9, 2023 hearing transcript in Docket 5209 the witness, Mr. Arthur, affirms that \$732,000 of FY 2020 spending was related to Dyer Street.

THE CHAIRMAN: This is from Docket 4915 and it was a quarterly report, the fourth quarter report, and it was similar. There's a line item for Dyer Street, and you'll be receiving it in a second, and it had the column for actual was \$732,000. So this would have been expending through March 31st, 2020 according to the page report if I'm understanding that correctly and it says, "The most recent cost estimates are higher than expected. The company is pausing this project." The \$732,000, since you paused the project in February, is it fair to assume that 732 was related to the continuing permitting process and preparing the RFP that went out and all the activities associated with doing the substation at the DC building?

MR. ARTHUR: That's fair to assume, yes.

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Request (continued):

In the response to PUC 1-7 (b)(iii) in the instant docket, the company identifies \$855,000 of cost related to Dyer Street that “will not be placed into service”.

Please explain why the amount that will not be placed into service related to Dyer Street is \$855,000 and not \$1,577,000 (\$845k + \$732k) given Mr. Arthur affirmed \$1,577,000 is permitting, design and RFP work related to the DC site.

Initial Response:

The Company reviewed the referenced costs after the Docket 5209 hearing on March 9, 2022, in which the Company provided the testimony referenced in this data request regarding the costs in the FY 2019 and FY 2020 Q4 Reports.

In its response to Record Request #2, the Company estimated that \$0.855 million related to the DC site and \$1.125 million relates to the ongoing South Street (Dyer) project.

The Company has since confirmed these values. The \$0.855 million not being placed into service includes:

- Any costs strictly associated with the DC building (Structural Engineering, Environmental Consultants).
- Other costs that could not be easily separated, which the Company determined on a square foot percentage allocation.

The table below summarizes how the Company allocated the actual costs between the portion of the project not being placed into service (Dyer St Alternative) and the portion being used at the new location (South St Alternative).

The Narragansett Electric Company
d/b/a Rhode Island Energy
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| | A | B | C |
|---------------------------------|---|--|--------------|
| | Dyer St Location Alternative | South St Location Alternative | Total |
| Labor & Benefits | \$ 133,333 | \$ 164,693 | \$ 298,027 |
| Environmental Consultant | \$ 142,329 | | \$ 142,329 |
| Structural Engineer | \$ 230,846 | | \$ 230,846 |
| Contractors - Other | \$ 122,204 | \$ 71,806 | \$ 194,010 |
| Materials - Transformer Payment | \$ - | \$ 418,649 | \$ 418,649 |
| Other | \$ 226,512 | \$ 236,050 | \$ 462,562 |
| Distribution Substation Total | \$ 855,224 | \$ 891,199 | \$ 1,746,423 |
| | | | \$ - |
| Distribution Line Costs | \$ - | \$ 234,032 | \$ 234,032 |
| Total | \$ 855,224 | \$ 1,125,231 | \$ 1,980,455 |

Supplemental Response:

The purpose of this supplemental response is to provide additional context to the Company’s initial response to PUC 3-1.

The Dyer Street Substation capital project was initiated as a complete rebuild of the site, including the refurbishment of the DC building. The \$1.577 million that was reported in the FY 2019 and FY 2020 Q4 Reports is inclusive of the refurbishment of the DC building, as well as engineering and material costs associated with the design and construction of the new substation. In February 2020, a decision was made to move the substation from the original location to South Street to save money for customers.

The Company has confirmed that the project sanction paper (USSC 16-305) shows a single Substation Funding Project, and PowerPlan shows a single work order in this project. With only a single work order to track costs, the results in the quarterly reports are inclusive of both refurbishment of the DC building, as well as engineering and material costs associated with the design and construction of the new substation. Using a single funding project and work order to track cost for the rebuild of a distribution is a standard practice.

After reviewing of the transcript as cited in this question, the Company’s witness was mistaken when he stated that the costs were all related to the refurbishment of the DC building. In Record Request #2 in Docket 5209, the Annual Reconciliation filing for Docket 5098, and in the

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Company's response to PUC 1-7 in this docket, the Company attempted to illustrate the appropriate allocation of costs. Had the Company reviewed the transcript prior to providing those responses, it would have explained that the Company's witness was mistaken.

In this case, the engineering, materials, and design developed early in the project have been used at the new location; satisfying the used and useful principle and therefore are appropriate to be placed into service.

For this project with unique circumstances, the Company acknowledges certain costs need to be allocated between the refurbishment of the DC building and the design of the new substation. The Company methodology, for determining the write-off, was to:

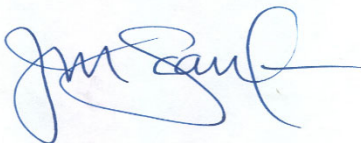
- review invoices and ones that were only associated with the DC building were assigned to the write-off; then
- apportion the remaining costs based on the square footage of the DC building.

In making this allocation determination, the Company used a conservative methodology that results in a larger write-off. For example, had the Company chosen to assign invoices for engineering and material costs to the new location then apportion the remaining spend, a portion of the DC building refurbishment invoices would have been put in-service. By apportioning the costs as described above, it ensures no portion of the refurbishment invoices get placed in service.

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 7, 2023

Date

**Docket No. 22-53-EL – RI Energy’s Electric ISR Plan FY 2024
Service List as of 2/8/2023**

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