



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

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May 2, 2023

Ms. Luly Massaro
Public Utilities Commission
89 Jefferson Boulevard
Warwick, R.I. 02888

Re: Docket 22-42-NG

The Narragansett Electric Co. d/b/a Rhode Island Energy Issuance of Advisory Opinion to Energy Facility Siting Board Regarding The Narragansett Electric Co. Application to Construct LNG Vaporization Facility

Dear Ms. Massaro:

Attached, please find the Division's Surrebuttal Testimony and cv for Division witness, Paul Roberti.

Very Truly Yours,

Margaret L. Hogan, Esq.

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

IN THE MATTER OF

**The Narragansett Electric Company)
d/b/a Rhode Island Energy Issuance of)
Advisory Opinion to Energy Facilities)
Siting Board Regarding the Narragansett)
Electric Co. Application to Construct)
LNG Vaporization Facility)**

Docket 22-42-NG

SURREBUTTAL TESTIMONY OF WITNESSES

BRUCE R. OLIVER

AND

PAUL ROBERTI

On Behalf of

The Division of Public Utilities and Carriers

May 2, 2023

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAMES FOR THE RECORD.

A. We are Bruce R. Oliver and Paul Roberti.

Q. ARE YOU THE SAME WITNESSES WHO HAVE PREVIOUSLY SUBMITTED DIRECT TESTIMONY ON BEHALF OF THE DIVISION OF PUBLIC UTILITIES AND CARRIERS (THE “DIVISION”) IN THIS PROCEEDING?

A. Yes, we are.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. This testimony serves two roles. First, we address the late filed Direct Testimony of Narragansett Electric Company (“TNEC” or “the Company”) Witness Briggs which addressed cost recovery issues. Second, this testimony responds to elements of the Rebuttal Testimony filed by TNEC witnesses on April 18, 2023.

II. RESPONSE TO BRIGGS’ TESTIMONY ON COST RECOVERY

Q. HAVE YOU REVIEWED THE MARCH 13, 2023 TESTIMONY OF TNEC WITNESS BRIGGS REGARDING COST RECOVERY AND RATE IMPACTS?

A. Yes, we have.

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Q. DO YOU HAVE ANY CONCERNS REGARDING THE GENERAL COST RECOVERY MECHANISMS THAT WITNESS BRIGGS OUTLINES?

A. Yes, we do. Witness Briggs explains that the costs of the proposed project will be recovered through the Gas ISR cost recovery mechanism once the project is placed in service. Although we have no problem with Witness Briggs' general description of the ISR cost recovery mechanism, the application of the generalized ISR ratemaking formula to capital costs for a project that is expected to have a substantially shorter useful life is inappropriate.

Q. WHY DO YOU FIND APPLICATION OF THE GENERALIZED ISR FORMULA FOR COMPUTING INCREMENTAL REVENUE REQUIREMENTS ASSOCIATED WITH THE OLD MILL LANE LNG PROJECT INAPPROPRIATE?

A. At page 5, lines 11-20, of Witness Briggs testimony, there is a representation that *“Estimated useful lives of capital investments do not determine the cost recovery mechanism that would be used for the Project.”* We accept that the estimated useful lives of capital investments made for the Project do not determine the cost recovery mechanism to be applied. However, it may be appropriate for useful life expectations to alter the rate treatment of a project that has a substantially different useful life expectation than the vast majority of the investments for which the Company is provided cost recovery through its ISR mechanism. Witness Briggs'

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1 representation does not address questions regarding the appropriateness of
2 applying the generalized depreciation methods that the Company currently uses
3 in its ISR rate calculations to determine incremental annual revenue requirements
4 and bill impacts for the Old Mill Lane LNG Vaporization Project.

5
6 **Q. WHY SHOULD THE COST RECOVERY MECHANISM FOR PURCHASED**
7 **EQUIPMENT FOR THE AQUIDNECK ISLAND PROJECT BE DIFFEREN-**
8 **TIATED FROM THE COMPANY’S TREATMENT OF CURRENT COSTS FOR**
9 **RENTAL LNG VAPORIZATION EQUIPMENT?**

10 A. The Attachment to TNEC’s response to Division Data Request 3-4 at page 1 of 3,
11 line 9, indicates the Company computes its depreciation expense for ISR cost
12 recovery purposes using its “Composite Book Depreciation Rate” which is **2.99%**.
13 That rate may be appropriate for the primarily long-lived investments for which
14 costs are recovered through the Company’s ISR mechanism (e.g., primarily costs
15 for main and service replacements). It is not appropriate for the Company’s
16 proposed capital expenditures for LNG vaporization equipment for which much
17 shorter useful lives can be anticipated. If the Company’s 2.99% Composite Book
18 Depreciation Rate is applied to costs for the proposed Aquidneck Island LNG
19 Project, cost recovery for such equipment will be spread over more than 33 years.¹
20 By contrast, the direct testimony of TNEC witness Olney uses a “**baseline**

¹ TNEC’s Response to PUC Data Request 2-2.

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1 **scenario**” under which the Project is assumed to remain in operation only through
2 2034-35 (i.e., a period of not more than 10 years based on the Company’s project
3 2025 in-service data). He also addresses scenarios under which the Project would
4 remain in place only through the winter of 2030-31. Those scenarios suggest the
5 proposed Old Mill Lane LNG Project would have only a five-year useful life. Our
6 direct testimony suggests that the need for LNG vaporization on Aquidneck Island
7 may be of even shorter duration.

8 A cost recovery period for TNEC’s proposed LNG vaporization project that
9 extends over 33 years does not reasonably relate the period of cost recovery for
10 TNEC’s proposed Aquidneck Island LNG project to the period over which Rhode
11 Island gas customers can expect to derive benefit from that investment. In other
12 words, the depreciation rate TNEC uses in its ISR revenue requirements
13 calculations implies that ratepayers would be asked to continue to pay for the
14 Project decades after the Company’s operation of the Old Mill Lane LNG
15 vaporization facility is ended.

16 In utility ratemaking it is generally appropriate to guard against inter-
17 generational cost shifting by ensuring a reasonable alignment of ratepayer costs
18 and benefits. In this instance, matching cost recovery with the expected period of
19 ratepayer benefit would require depreciation of TNEC’s proposed investment in
20 the project over a much shorter period of time (i.e., 10 years under Witness Olney’s

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1 “baseline” scenario and 5 years under his alternative scenarios) than the Com-
2 pany’s generalized ISR methodology would provide. However, when a shortened
3 depreciation period is used, the annual revenue requirements associated with the
4 Project increase noticeably, as do the rate impacts resulting from the Project.
5 Given the potential that the actual useful life of the Old Mill Lane LNG facility may
6 be even shorter than five years, the Company’s proposed purchase of LNG
7 vaporization equipment for the Old Mill Lane site should be avoided unless TNEC
8 can demonstrate its ability to resell the equipment at full depreciated value when
9 use of that equipment is terminated.

10
11 **Q. WHAT IS THE COMPANY’S ASSESSMENT OF INCREMENTAL REVENUE**
12 **REQUIREMENTS ASSOCIATED WITH THE PROPOSED LNG VAPORIZATION**
13 **PROJECT FOR AQUIDNECK ISLAND?**

14 A. TNEC’s assessment of the incremental revenue requirements for Aquidneck
15 Island LNG vaporization at the Old Mill Lane site is presented in the Attachment to
16 the Company’s response to Division Data Request 3-4. Line 32 on page 1 of 3 of
17 that attachment shows TNEC’s computed incremental revenue requirements for
18 the Old Mill Lane site. The Company’s estimates are as follows:

19		
20	• FY 2024	\$ 727,349
21	• FY 2025	\$1,438,972
22	• FY 2026	\$1,408,928

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1 **Q. WOULD THE USE OF A SHORTER PERIOD FOR DEPRECIATING TNEC’S**
2 **AQUIDNECK ISLAND LNG INVESTMENT SIGNIFICANTLY IMPACT THE**
3 **COMPUTED ANNUAL BOOK DEPRECIATION FOR THE PROJECT?**

4 A. Yes. The Company’s analysis of incremental revenue requirements associated
5 with the Old Mill Lane Project is presented in the attachment to Division Data
6 Request DIV 3-4. That attachment reflects a FY 2025 incremental Book
7 Depreciation amount for the Project of \$425,981, which equates to approximately
8 30% of the Company’s estimated total incremental revenue requirement for the
9 Project. If the Company’s analysis is altered to reflect a requirement that the
10 capital investment for the Project be recovered fully over a 10-year expected life,
11 the FY 2025 Book Depreciation expense for the Project would increase to over
12 \$1.4 million (i.e., a depreciation expense increase of roughly \$1.0 million dollars
13 per year). That would cause the Company’s Book Depreciation Expense for the
14 Project to rise such that it would represent about 60% of the computed incremental
15 revenue requirement for the Project. If a five-year project life is assumed for
16 TNEC’s proposed Old Mill Lane LNG vaporization investment, the FY 2025 Book
17 Depreciation amount would rise to over **\$2.8 million** and the FY 2025 incremental
18 annual revenue requirement for the Project would increase dramatically.

19

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1 **Q. HOW WOULD THE USE OF SHORTER DEPRECIATION PERIODS (I.E.,**
2 **HIGHER DEPRECIATION RATES) FOR THE OLD MILL LANE LNG**
3 **VAPORIZATION PROJECT IMPACT TNEC’S REVENUE REQUIREMENTS?**

4 A. The Company’s analysis of incremental revenue requirements associated with the
5 Old Mill Lane Project is found in the attachment to TNEC’s response to Division
6 Data Request DIV 3-4. That attachment reflects an FY 2025 incremental Book
7 Depreciation amount for the Project of \$425,981 and an incremental FY 2025
8 revenue requirement of \$1,438,972. If, however, the Company’s analysis is
9 altered to reflect a requirement that the capital investment for the Project be
10 recovered fully over a **10-year expected life**, the FY 2025 Book Depreciation
11 expense for the Project would increase to over \$1.4 million. That would cause
12 both the annual revenue requirement for the Project and the Project’s bill impacts
13 to rise accordingly. In other words, the incremental revenue requirement associ-
14 ated with TNEC’s purchase of LNG vaporization equipment and site work would
15 **add** about another \$1.0 million (or 70%) to the Company’s FY 2025 revenue
16 requirement (i.e., the incremental revenue requirement would essentially double).
17 If a **five-year project life** is used for depreciation of TNEC’s proposed Old Mill
18 Lane LNG vaporization investment, the FY 2025 Book Depreciation amount would
19 rise to over \$2.8 million and the FY 2025 incremental annual revenue requirement
20 for the Project would increase to roughly **\$3.8 million**. That result would equate to

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1 approximately **267%** of the Company's computed incremental revenue
2 requirement estimate for the Project.

3

4 **Q. IF THE PROJECT IS NO LONGER NEEDED PRIOR TO BEING FULLY**
5 **DEPRECIATED, WHO WOULD BE RESPONSIBLE FOR THE UNDEPRE-**
6 **CIATED COSTS?**

7 A. The Company's belief is that **ratepayers** would be responsible for the undepre-
8 ciated costs.²

9

10 **Q. DO YOU FIND TNEC'S ASSESSMENT OF RATEPAYER RESPONSIBILITY**
11 **FOR ANY UNDEPRECIATED COSTS ASSOCIATED WITH LNG FACILITIES**
12 **THAT ARE NO LONGER REQUIRED REASONABLE?**

13 A. In a situation where the Company, the Commission, and all parties have a
14 reasonable expectation at the time of the equipment purchase that the equipment
15 will remain used and useful throughout the depreciation period, that assessment
16 may be reasonable. The Division recognizes that there is always the potential for
17 unexpected factors to shorten the Company's actual use of plant and equipment.
18 However, in this instance the Company's belief is inappropriate and unjustified.
19 TNEC's expectation, as well as those of the Division and the AG, is that the Old
20 Mill Lane LNG Vaporization activity will have a much shorter useful life (e.g., 5 to

² TNEC's response to PUC Data Request 2-3, page 2, parts c, d, f, and g.

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1 10 years or less). In that context, TNEC’s assumption of a 30-year life for
2 depreciation purposes³ while holding ratepayers responsible for any undepre-
3 ciated cost balance, places undue risk on ratepayers. It also produces an
4 unjustified inter-generational shift in cost responsibilities. Future ratepayers could
5 be held responsible for costs of facilities that were never expected to provide
6 service during most or all of the periods that they receive service from TNEC.

7
8 **Q. HAS TNEC INDICATED ANY EXPECTED USE OF THE LNG EQUIPMENT**
9 **THAT IT PROPOSES TO PURCHASE FOR THE OLD MILL LANE SITE AFTER**
10 **THAT FACILITY IS NO LONGER REQUIRED?**

11 A. No, it has not. Moreover, given RI’s Climate Goals, anticipated movement toward
12 greater electrification, and other factors affecting future growth in gas service
13 requirements in RI, it is not intuitively obvious that there would be a continuing
14 need for that equipment if Aquidneck Island peaking requirements are reduced or
15 eliminated. Further, TNEC has offered no assessment of the costs it would need
16 to incur to decommission the Old Mill Lane site (i.e., its cost of removal) and/or the
17 salvage value of the LNG equipment purchased for the Old Mill Lane site when
18 that equipment is no longer required.

³ TNEC’s response to PUC Data Request 2-3, part a.

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III. RESPONSE TO TNEC REBUTTAL TESTIMONY

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Q. HOW IS YOUR RESPONSE TO THE COMPANY’S REBUTTAL TESTIMONY STRUCTURED?

A. This testimony is presented in five sections. Each section responds to one of TNEC’s rebuttal witnesses. Section A responds to the Rebuttal Testimony of TNEC Witness Porcaro. Section B discusses elements of the Rebuttal Testimony of TNEC Witness Kirkwood. Section C answers elements of TNEC Witness Wilson’s Rebuttal Testimony. Section D replies to TNEC Witness Olney, and Section E addresses the Rebuttal Testimony of TNEC Witness Feldman.

A. Response to Porcaro Rebuttal

Q. DOES WITNESS PORCARO’S PORTRAYAL OF THE DIVISION’S TESTIMONY WITH RESPECT TO ITS PEAK HOUR DEMAND EXPERIENCE REASONABLY REFLECT THE DIVISION’S OBSERVATIONS?

A. No. Witness Porcaro’s Rebuttal creates the misperception that the Division was unaware of, or did not consider, the peak hour demand that TNEC experienced for Aquidneck Island on February 4, 2023 (which was part of the Company’s February 3, 2023 gas day). That is blatantly incorrect. After referencing that Aquidneck Island peak hour demands did not exceed 951 Dth/hour for the winters of 2019/20,

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1 2020/21, and 2021/22, our Direct Testimony explicitly addresses the Company's
2 more recent experience and that includes the 1,171 Dth peak hour demand
3 measure recorded for Aquidneck Island in the early morning hours of February 4,
4 2023.⁴ Moreover, that February 2023 peak hour demand was an integral
5 consideration in the development of the Division's position.

6
7 **Q. AS PART OF WITNESS PORCARO'S RESPONSE TO THE DIVISION, SHE**
8 **STATES, "IT IS NOT REASONABLE TO EXPECT THAT THE COMPANY WILL**
9 **EXPERIENCE A DESIGN DAY AND CORRESPONDING PEAK HOUR EACH**
10 **AND EVERY WINTER." IS THERE ANYTHING IN YOUR DIRECT TESTIMONY**
11 **THAT IS INTENDED TO SUGGEST SUCH AN EXPECTATION?**

12 **A.** No. To the contrary, the Summary at the beginning of our Direct Testimony
13 acknowledges that the peak hour requirements for which the Old Mill Lane LNG
14 vaporization was operated this winter are "**low probability events.**" We also
15 explicitly note that the Company's use of LNG for Aquidneck Island reflects "*limited*
16 *and irregular service requirements.*"⁵ Nowhere do we state, or suggest, that TNEC
17 will experience a design day and corresponding peak hour demands every winter.

⁴ The Division's Direct Testimony at page 11, line 14, through page 12, line 14.

⁵ The Direct Testimony of Division Witnesses Oliver and Roberti, page 6, line 3.

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**Q. DO YOU HAVE A RESPONSE TO WITNESS PORCARO’S STATEMENT THAT
“THE COMPANY DOES NOT MODIFY THE DESIGN DAY STANDARD BASED
ON RECENT PREVIOUS EXPERIENCES”?**⁶

A. Yes. We will respond to that statement in three parts.

First, for LNG vaporization on Aquidneck Island the key considerations are hourly demands, not necessarily design day demands. Although the Company for planning purposes assumes a relationship between its design day standard and its expected design hour requirements,⁷ Peak Day and Peak Hour requirements do not always conform to the Company’s assumed relationship. That was the case on the weekend of February 3-4, 2023, when extreme peak hour conditions were experienced, but the average temperature for the day was noticeably below the Company’s Design Day standard.

Second, we appreciate that one or even several years with less extreme peak day requirements may not justify modification of the Company’s design day demand standard. However, the Company’s most recent “Gas Long-Range Resource and Requirements Plan” (“LRP”) indicates that the Design Day criteria the Company uses are a reflection of an assessed “*frequency of occurrence*,”⁸

⁶ The Rebuttal Testimony of TNEC Witness Porcaro, page 3, lines 7-10.
⁷ Docket No. 22-06-NG, REI “Gas Long-Range Resource and Requirements Plan,” filed June 30, 2022, page 14, Section III.G. Design Hour Requirements.
⁸ Ibid., at page 14, Section III.E.2. Design year and Design Day Planning Standards.

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1 where the assessed “*frequency of occurrence*” is a product of historical exper-
2 ience. We agree that no single year is likely to noticeably alter the historic
3 frequency of occurrence. Yet, several years of warmer than normal weather may
4 alter the expected frequency of future 68 heating degree day observations, and
5 that in turn, may require reconsideration of the Company’s current design
6 standard.

7 Third, design day and design hour standards are only part of the Company’s
8 planning considerations. Those criteria must be related to forecasted service
9 requirements to assess the amount of supply TNEC must be ready to provide
10 under peak conditions. TNEC’s planning has been premised on an assumption
11 that Aquidneck Island gas service requirements will grow over time at a rate that
12 is consistent with the Company’s overall system-wide growth rate for gas service
13 requirements. Our Direct Testimony provides substantial basis to question that
14 assumption. Thus, while the Company’s design day standard may remain
15 unchanged, that does not necessitate either: (1) a conclusion that Aquidneck
16 Island design hour requirements will either not change over time; or (2) a
17 presumption that the islands peak hour requirements will grow at a rate consistent
18 with overall system growth rate.

19
20 **Q. WITNESS PORCARO’S REBUTTAL INDICATES THAT THE OLD MILL LANE**
21 **PROJECT “PROVIDES BACKUP SUPPLY TO AQUIDNECK ISLAND FOR THE**

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1 **KNOWN GAP BETWEEN CONTRACTED SUPPLY AND EXPECTED**
2 **CUSTOMERS DEMAND.” DO YOU AGREE?**

3 A. Witness Porcaro’s statement blurs important distinctions between peak hour
4 requirements and variability in day-to-day (non-peak) gas supply requirements.
5 We agree that LNG vaporization on Aquidneck Island provides TNEC the ability to
6 meet gas supply requirements in excess of AGT deliveries for limited periods
7 during the winter season. However, the “*gap between contracted supply and*
8 *expected customer demand*” is **not known** with any degree of precision.
9 Furthermore, the Company’s efforts to characterize the Old Mill Lane Project as
10 “***back-up supply***” and as providing “***capacity to address variability in customer***
11 ***demand***” distort its actual role and fail to properly acknowledge its limitations. The
12 Project is not designed to provide continuous operation over an extended period
13 of time, and even for short periods of time it only offers sufficient capacity to “back-
14 up” a portion of the Company’s winter season demands. Furthermore, as we
15 observed in our Direct Testimony, TNEC acknowledges that its LNG vaporization
16 equipment “*would need to be kept locally to setup and become operational within*
17 *two weeks.*”⁹ As a result, its availability to serve as a “*back-up*” source of supply
18 during non-peak periods requires advance notice if it is to be relied upon to replace
19 AGT deliveries. Thus, the primary role of the Project is to supplement pipeline
20 deliveries during hours of extreme peak demand, and only with at least two weeks

⁹ The Division’s Direct Testimony at 29.

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1 advance notice can its serve as a true “backup” for a portion of contracted
2 deliveries from AGT.

3

4 **Q. HAS THE VULNERABILITY OF AQUIDNECK ISLAND TO A PIPELINE SUPPLY
5 DISRUPTION CHANGED IN RECENT YEARS?**

6 A. No. The Company cites no time in the long history of its service to Aquidneck
7 Island customers in which the Island had a secondary source of supply other than
8 LNG vaporization. Throughout that history there has been no “back-up” for its
9 interstate pipeline deliveries, only the use of LNG during extreme peak periods to
10 supplement pipeline deliveries. At no time has Aquidneck Island had sufficient
11 LNG vaporization to fully replace interstate pipeline deliveries of gas during peak
12 periods, in the event there was a disruption of pipeline deliveries. The proposed
13 Project does not change that situation.

14

15 **Q. DO YOU ACCEPT TNEC’S POSITION THAT THE PROPOSED OLD MILL LANE
16 PROJECT IS THE “LEAST COST OPTION” FOR AQUIDNECK ISLAND?**

17 A. No. As we discuss in Section III of this testimony, we question the appropriateness
18 of TNEC’s assessment of the costs of the proposed Project.

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Q. SHOULD THE COMMISSION ACCEPT AS MEANINGFUL TNEC’S REPRESENTATIONS REGARDING THE COSTS AND BENEFITS OF ELECTRIFICATION FOR THE OXBOW FARMS COMPLEX?

A. No. TNEC has not demonstrated the representativeness of the gas use by customers within that complex this gas use by other Aquidneck Island customers. Likewise, Witness Porcaro provides no evidentiary support for the estimated peak hour load reduction elimination of gas demand for Oxbow Farms would provide. In addition, significant elements of the \$8 million cost estimate that TNEC Witness Porcaro cites for electrification of that complex represent upgrades to electrical or non-gas facilities that appear to be at best tangentially related to the current gas use of those Oxbow Farms customers.¹⁰ Thus, Witness Porcaro’s Oxbow Farms example does not justify her conclusion that “*The proposed Project is more cost efficient ...*”¹¹ Finally, we note that Witness Porcaro’s Rebuttal Testimony represents that Oxbow Farms accounts for approximately 132 customers. However, it appears that the Oxbow Farms complex includes over 300 housing units, all of which require gas service. This significant discrepancy requires further explanation of any reliance is to be placed on Witness Porcaro’s assessments of load reductions and cost efficiency.

¹⁰ See TNEC’s **CONFIDENTIAL** response to Division Data Request 2-4.
¹¹ The Rebuttal Testimony of TNEC Witness Porcaro, page 8, lines 3-4.

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1 **B. Response to Kirkwood Rebuttal**

2

3 **Q. WHAT IS THE ESSENCE OF WITNESS KIRKWOOD’S REBUTTAL TESTI-**
4 **MONY REGARDING THE IMMEDIATE AVAILABILITY OF LNG EQUIPMENT?**

5 A. Witness Kirkwood’s rebuttal testimony focuses on the availability of LNG
6 equipment and how the availability of such equipment is influenced by ownership
7 of the equipment versus equipment rental. By contrast, our direct testimony
8 focused on the time required to get LNG equipment in a “**ready state**” **regardless**
9 **of ownership**. As Witness Kirkwood recognizes at page 8, lines 15-18, of his
10 rebuttal, the Company’s ability to use its LNG equipment (i.e., either rental or
11 purchased) to meet an unexpected need for incremental gas supply is actually only
12 “*immediate*” if the equipment is already “*heated and operational*.” Thus, the
13 immediate availability of equipment is far less important once equipment is on-site
14 than with the operational status of the equipment.

15 We understand that securing delivery of rental equipment to the site may
16 have its challenges, but those challenges are typically addressed early in a winter
17 heating season before potential requirements for such equipment become
18 significant. Even accepting transportation logistical issues, a well-managed rental
19 process should ensure that the delivery and set-up of LNG equipment is scheduled
20 with sufficient lead time to alleviate concerns regarding the “*immediate availability*”
21 of rental equipment and the risk of equipment damage during transit. Thus,

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1 contrary to Witness Kirkwood's Rebuttal Testimony,¹² once the Company enters a
2 winter season, the differences between the availability of rental LNG equipment
3 and purchased equipment should be minimal.

4
5 **Q. SHOULD THE COMMISSION ACCEPT THE “FINANCIAL JUSTIFICATION FOR**
6 **PURCHASING [LNG] EQUIPMENT” FOR THE OLD MILL LANE SITE THAT**
7 **WITNESS KIRKWOOD PRESENTS IN HIS REBUTTAL TESTIMONY?**¹³

8 A. No. The “*cost recoupment analysis*” presented in Exhibit BKK-1 does not provide
9 a full or appropriate financial assessment of the comparative costs for purchasing
10 LNG equipment for the Old Mill Lane Project and the costs associated with
11 continued reliance on contracted equipment and services for LNG vaporization on
12 Aquidneck Island. Importantly, that analysis lacks consideration of return, taxes,
13 and depreciation on funds invested in Company-owned equipment. TNEC does
14 not invest funds for utility projects without the expectation of a return on invested
15 capital. Exhibit BKK-1 fails to fully and properly assess the cash flows associated
16 with the proposed Old Mill Lane Project and, in the absence of such
17 considerations, its representations regarding the recoupment of investment costs
18 are, at best, misleading. Although Exhibit BKK-1 claims to assess a “breakeven”
19 point for the Company's investment, the Company will not “breakeven” on its

¹² The Rebuttal Testimony of TNEC Witness Kirkwood at pages 7-8.

¹³ Ibid., pages 9-10 and Exhibit BKK-1.

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1 investment until it can demonstrate that it has achieved at least its authorized rate
2 of return.

3 In addition, the analysis in Exhibit BKK-1 arbitrarily assumes without
4 supporting data or analytics that its costs for contracted LNG equipment and
5 operations will increase by 25% in Year 3 of the analysis. Further, Witness
6 Kirkwood's assessment assumes without supporting evidence that the Company's
7 purchase of two 750 MSCFH LNG vaporizers will have no impact on the
8 Company's O&M costs for Old Mill Lane LNG operations. In other words, there
9 appears to be an implicit assumption that the costs for operating two 750 MSCFH
10 LNG vaporizers will be no different than the Company's O&M costs for operating
11 rental equipment with lesser vaporization capacity.

12

13 **Q. SHOULD THE COMMISSION ACCEPT WITNESS KIRKWOOD'S REPRESENT-**
14 **ATIONS REGARDING ADDITIONAL BENEFITS ASSOCIATED WITH TNEC**
15 **OWNERSHIP OF LNG EQUIPMENT?**

16 A. No. Witness Kirkwood submits that a higher vaporization rate for the purchased
17 equipment constitutes an added benefit associated with TNEC ownership of LNG
18 equipment.¹⁴ We do not agree. The Company's current planning is based on its
19 ability to vaporize 650 Dth per hour at Portsmouth. As we noted in our Direct
20 Testimony, even the extreme peak experienced in the early morning hours of

¹⁴ Ibid., page 10, line 3.

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1 February 4, 2023 required incremental gas supply above contracted AGT
2 deliveries that equaled less than 20% of the Company's LNG vaporization
3 capacity. Yet, TNEC is suggesting that it would expand its LNG vaporization
4 capacity with the purchase of two 750 MSCFH vaporizers.¹⁵ The Company
5 provides no analytical support for that expansion of its LNG vaporization capability,
6 despite the lesser capacity ratings for the current contracted equipment.¹⁶

7 The Company's most recent LRP capacity at Portsmouth has only been
8 used to meet peak hour supply requirements in excess of the Company's
9 contracted AGT deliveries for Aquidneck Island in two of the last 10 years.
10 Moreover, the Company's most recent LRP does not foresee a need for more than
11 207 Dth per hour of LNG vaporization for the island through the 2026-27 gas
12 planning year¹⁷ despite its use of an inflated assessment of future Aquidneck
13 Island gas demands.

14
15 **Q. DO THE EVENTS ON FEBRUARY 3-4, 2023 SUPPORT A CONCLUSION THAT**
16 **THE NEED FOR LNG VAPORIZATION ON AQUIDNECK ISLAND IS**
17 **UNAVOIDABLE?**

¹⁵ Two 750 MSCFH vaporizers would appear to provide the ability to vaporize more than 1,500 Dth per hour. That amount of vaporization would yield gas volumes substantially greater than any estimate of the total gas supply requirements for Aquidneck Island presently envisioned by the Company in its gas supply planning.

¹⁶ The Rebuttal Testimony of TNEC Witness Kirkwood, page 5, lines 16-18.

¹⁷ Docket No. 22-06-NG, REI "Gas Long-Range Resource and Requirements Plan," filed June 30, 2022, Exhibit 2.

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1 A. No. Although those events indicate that there is a current need for LNG to
2 supplement the supplies TNEC receives from Algonquin under extreme peak hour
3 conditions, they do not demonstrate that future peak hour requirements cannot be
4 reduced sufficiently within the foreseeable future to avoid continued reliance on
5 supplemental gas supplies provided by LNG vaporization. It also does not
6 support a conclusion that the Company's proposed **purchase** of LNG equipment
7 is superior to continued reliance of rental LNG equipment based on either
8 economic or reliability criteria.

9

10 **C. Response to Wilson Rebuttal**

11

12 **Q. DO YOU ACCEPT TNEC WITNESS WILSON'S REPRESENTATION THAT THE**
13 **SENDOUT ON FEBRUARY 3-4, 2023 WAS NOT INDICATIVE OF SENDOUT ON**
14 **A DESIGN DAY?**

15 A. We do, but that is of little relevance to our testimony regarding peak hour
16 requirements. The Design Day on which Witness Wilson relies is a planning
17 construct. However, it does not dictate that design hour conditions can only be
18 experienced as a result of a single set of daily and/or hourly weather conditions.
19 LNG vaporization requirements for Aquidneck Island are driven by **hourly** load
20 requirements, and not necessarily daily average temperatures. In addition,
21 Witness Wilson's discussion lacks consideration of wind chill factors. During the

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1 early morning hours of February 4, 2023 there were both temperatures as low as
2 -9 degrees Fahrenheit and winds at T.F. Green Airport of 12-20 miles per hour.

3 TNEC offers no information regarding the actual wind speeds or temper-
4 atures experienced on Aquidneck Island which may or may not be directly
5 analogous to temperatures and wind speeds recorded for T.F. Green Airport.
6 Although weather data for T.F. Green Airport may be accepted as a **proxy** for the
7 weather conditions throughout TNEC's Rhode Island service territory, the use of
8 that proxy does not foreclose the potential that elements of the Company's service
9 territory might experience noticeably different temperatures and wind speeds for
10 any given day or hour. For issues associated with the use of LNG vaporization
11 equipment on Aquidneck Island, differences between weather conditions on
12 Aquidneck Island and those at T.F. Green Airport may be important. We can watch
13 almost any televised weather report for Providence and the surrounding area and
14 observe noticeable differences in temperature and wind conditions within the
15 region. Again for an activity as sensitive to hourly load requirements as TNEC's
16 requirements for LNG vaporization on Aquidneck Island, proxy measures of
17 system-wide weather may not be sufficient.

18
19 **Q. DOES THE COMMISSION'S PRIOR OPPORTUNITY TO REVIEW THE**
20 **COMPANY'S METHODOLOGY FOR FORECASTING SENDOUT NECES-**
21 **SARILY IMPLY THAT THE COMPANY'S SENDOUT FORECASTS FOR**

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1 **SPECIFIC AREAS WITHIN ITS OVERALL SERVICE TERRITORY (SUCH AS**
2 **AQUIDNECK ISLAND) ARE ACCURATE?**

3 A. No. The Company’s sendout forecasting methodology has been developed as a
4 tool for estimating overall system requirements. There is no assessment of its
5 reasonableness or accuracy for limited portions of the Company’s Rhode Island
6 service territory.

7
8 **Q. SHOULD THE COMMISSION GIVE SUBSTANTIAL WEIGHT TO THE RE-**
9 **BUTTAL ARGUMENTS PRESENTED BY TNEC WITNESS WILSON ON**
10 **FORECASTING ISSUES RELATED TO AQUIDNECK ISLAND GAS SERVICE**
11 **REQUIREMENTS?**

12 A. No. We recommend against substantial reliance on Witness Wilson’s rebuttal
13 positions.

14 First, the Commission should find the testimony of TNEC rebuttal witness
15 with respect to U.S. Navy activities on Aquidneck Island particularly troubling.
16 Witness Wilson’s response that the Division “*may be incorrect*”¹⁸ is itself evidence
17 of the Company’s lack of investigation of such matters. The fact that the Company
18 “*is not aware of any measures that would significantly reduce the Naval Station*
19 *Newport’s firm natural gas usage*”¹⁹ is not surprising in the context of the

¹⁸ The Rebuttal Testimony of TNEC Witness Wilson, page 12, lines 6-7.

¹⁹ The Rebuttal Testimony of TNEC Witness Wilson, page 12, lines 8-9.

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1 Company's statement in response to Division Data Request 1-6 in this proceeding.
2 That response states "*the Company is not aware of the United States Navy's*
3 *energy efficiency or energy conservation goals for Navy facilities on Aquidneck*
4 *Island.*" From our perspective, it is appropriate for this Commission to expect that
5 the Company's support for this Aquidneck-specific proposal would be supported
6 by a more well-developed understanding of the activities of major customers on
7 the island.

8 Second, nothing in Witness Wilson's Rebuttal Testimony demonstrates the
9 applicability of the Company's estimated system-wide growth trends to Aquidneck
10 Island. Furthermore, contrary to the suggestion in Witness Wilson's rebuttal,
11 nothing in the Division's Direct Testimony assumed a direct correlation between
12 changes in population for Aquidneck Island and changes in numbers of gas
13 customers on the island. We do observe, however, TNEC's recognition that its
14 Southern Rhode Island Gas Expansion Program has led to **greater than system**
15 **average growth** in areas directly impacted by that program.²⁰ Thus, it naturally
16 follows that if the Southern Rhode Island Expansion Gas Program has produced
17 greater than average growth for the affected areas, other areas of the system must
18 generally have less than the system average growth rate. Neither the Company
19 nor Witness Wilson offers any assessment of the relative magnitudes of the growth

²⁰ See the second page of TNEC's response to PUC Data Request 2-22 in RIPUC Docket 5210, a copy of which was provided as an attached to the Company's response to Division Data Request 3-12 in this proceeding.

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1 rates for Aquidneck Island and the overall system for either numbers of gas
2 customers or gas service volumes.

3 Third, Witness Wilson’s assessment of weather normalized gas use by
4 large customers on Aquidneck Island does not offer a dynamic view of “normal”
5 weather conditions. Some eastern U.S. gas utilities have documented significant
6 declining trends in normal heating degree days. Witness Wilson’s analysis of
7 usage by large Aquidneck Island customers does not address the influence of such
8 trends. Rather, his analyses of normal usage assume a constant level of “normal”
9 annual heating degree days. If normal heating degree day expectations are
10 declining, adjustment of actual load to long-term historic average heating degree
11 day levels may overstate projections of future gas service requirements.

12
13 **Q. WITNESS WILSON CONCLUDES HIS REBUTTAL TESTIMONY WITH THE**
14 **ASSERTION THAT “THE COMPANY’S NEED FOR THE OLD MILL LANE**
15 **FACILITY DOES NOT DEPEND SIGNIFICANTLY ON THE GAS FORECAST.**
16 **THE NEED EXISTS TODAY.”²¹ HOW DO YOU RESPOND?**

17 **A.** Our Direct Testimony explicitly acknowledges that there is a current need for LNG
18 vaporization on Aquidneck Island. That is not the issue on which the Commission
19 should focus. Rather, the key questions are:
20

²¹ The Rebuttal Testimony of TNEC Witness Wilson at page 14, lines 7-9.

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1 (1) Will that requirement endure as we move forward in time?

2

3 (2) Given uncertainties regarding the long-term need for LNG
4 vaporization on Aquidneck Island is the investment in
5 permanent facilities a more economic option than continued
6 reliance on rental equipment?

7

8 **D. Response to Olney Rebuttal**

9

10 **Q. DO YOU HAVE A RESPONSE TO WITNESS OLNEY’S REBUTTAL RE-**
11 **GARDING THE COMPANY’S LOAD FORECASTING ASSUMPTIONS?**

12 A. We do. Witness Olney asserts that assumptions used for his scenario involving a
13 moratorium on new gas service connections “*informed the Company’s gas load*
14 *forecast.*”²² However, Witness Olney provides no documentation of the ties
15 between the forecasts TNEC relies upon in its gas supply planning and any
16 scenario that assumes a moratorium on new gas service connections. It is parti-
17 cularly challenging to accept Witness Olney’s representation when the Company
18 has indicated that its growth forecast for Aquidneck Island reflects its assessment
19 of system-wide growth where TNEC’s system-wide growth incorporates impacts
20 of activities such as the Southern Rhode Island Gas Expansion Program.

²² The Rebuttal Testimony of TNEC witness Olney, page 9, lines 11-16.

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**Q. WITNESS OLNEY’S REBUTTAL SUGGESTS THAT THE COMPANY’S STATIS-
TICAL/ECONOMETRIC FORECASTING MODEL CAPTURES A DECLINING
TREND IN USAGE PER CUSTOMER. DO YOU FIND ANY INDICATION OF
THE TREND IN THE COMPANY’S FORECASTS?**

A. No. The usage per customer reflected in the forecast data presented in the Company’s June 30, 2022 LRP do not show a declining trend in gas use per customer for Residential Heating customers.²³ Throughout the forecast period, TNEC’s projections of numbers of customers and therm use for its Residential Heating class are basically constant with unexplained upward variations approximately once every four or five years. Although actual average use per Residential Heating customer from 2011 through 2021 was about 848 therms, the Company’s projections of Residential Heating numbers of customers and therm use for its 2023 through 2032 planning years yield an average of 854 therms per customer per year with the final year (2032) at 858 therms per customers. For no year in the forecast period is the average use per customer for Residential Heating less than 852 therms. (See Table 1 below). There is nothing in those projections that reflects a declining trend in gas use per customer.

²³ We have computed average use per customer for TNEC’s Residential Heating (“RH”) class using the meter count data by rate class presented in Chart III-B-2, page 1 of 2, (page 50 of the Company’s June 30, 2022 LRP) and the “Energy Volume Forecast” for RH customers set forth in Chart III-B-1, page 1 of 2, (page 37 of the LRP).

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Table 1

Residential Heating Average Use per Customer
*Based on TNEC Projections for
Meter Counts and Energy Use by Class*

	Planning Year	Meter Count	Energy Volume (Dth)	Average Annual Therm Use Per Customer
9	2023	234,761	20,025,849	853.0
10	2024	237,936	20,444,274	859.2
11	2025	241,012	20,564,640	853.3
12	2026	243,953	20,807,911	852.9
13	2027	246,808	21,040,524	852.5
14	2028	249,641	21,417,131	857.9
15	2029	252,468	21,417,131	852.3
16	2030	255,280	21,758,893	852.4
17	2031	258,031	21,997,053	852.5
18	2032	260,744	22,376,858	858.2

20 **Q. HOW DOES WITNESS OLNEY RESPOND TO YOUR CRITICISM THAT HE DID**
21 **NOT SPECIFICALLY ADDRESS SCOPE 1 AND SCOPE 2 GHG EMISSIONS IN**
22 **THE ANALYSES PRESENTED IN HIS DIRECT TESTIMONY?**

23 A. Witness Olney indicates that he assumed any change in GHG emissions
24 associated with the Project would be “*de minimis in relation to one another.*”²⁴ That
25 simplifying assumption may be acceptable when comparing emissions for the
26 project using rental LNG equipment versus using purchased LNG equipment,
27 assuming the amount of load served by LNG vaporization is the same in each case
28 and the emissions from the Company’s operation of rental and purchased

²⁴ The Rebuttal Testimony of TNEC Witness Olney, page 16, line 15.

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1 equipment are identical.²⁵ It is not appropriate when comparing the Project to non-
2 infrastructure alternatives, as recognized by Witness Olney, when he observes that
3 “...portable LNG has a higher effective emissions rate than pipeline gas.”²⁶

4 Furthermore, Witness Olney’s simplifying assumption does not specifically
5 examine the potential for GHG emissions resulting from releases of boil-off gas
6 (“BOG”) from the Company’s LNG equipment when gas is not being vaporized to
7 serve load. As a result of the need to maintain LNG equipment in an operationally
8 “ready” state during most of the winter season, there are likely to be emissions
9 from the Company’s LNG facilities that are not directly related to the amount of
10 LNG vaporized. Witness Olney provides no information from which his
11 consideration of these aspects of LNG-related emissions can be ascertained.

12
13 **E. Response to Feldman Rebuttal**

14
15 **Q. WHAT WEIGHT SHOULD THE COMMISSION GIVE TO TNEC WITNESS**
16 **FELDMAN’S REBUTTAL ARGUMENT THAT THE 2.97 BENEFIT COST RATIO**
17 **(“BCR”) THAT YOU CITE FOR TNEC’S EE PLAN IS NOT REPRESENTATIVE**
18 **OF LIKELY OPPORTUNITIES ON AQUIDNECK ISLAND?²⁷**

²⁵ In the context of differences in the sizing and design of the current rental LNG equipment and the LNG equipment TNEC proposes to purchase that are discussed by Witness Kirkwood, Witness Olney’s assumption that differences in emissions from the project would be “de minimis,” for even comparisons of equipment rental and purchase options, warrants further examination.

²⁶ The Rebuttal Testimony of TNEC Witness Olney, page 16, lines 17-18.

²⁷ The Rebuttal Testimony of TNEC Witness Feldman, page 4, lines 1-15.

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1 A. Very little. We recognize that not all of the components of the Company's EE Plan
2 are expected to yield the same BCR. However, the Company's EE Plan indicates
3 that all of its program proposals have BCRs in excess of 1.0. The worst of the
4 Company's Non-Income Eligible Residential programs is shown to have an
5 expected BCR of 1.81, and the Company's computed average BCR for all of its
6 Non-Income Eligible Residential programs is 2.28. For Income Eligible Residential
7 programs, the average BCR is 2.66. We accept that the overall BCR for programs
8 likely to be employed on Aquidneck Island may be less than 2.97, but an
9 achievable BCR in the range of at least 2.0 should be expected based on the
10 Company's filed EE Plan.

11

12 **Q. HAVE YOU REVIEWED THE DISCUSSION OF AQUIDNECK ISLAND NON-**
13 **INFRASTRUCTURE PROGRAMS THAT IS PRESENTED IN SECTION 4.7 OF**
14 **THE SITING REPORT?**

15 A. Yes, we reviewed that discussion as part of the preparation of our Direct Testimony
16 for this proceeding.

17

18 **Q. WITNESS FELDMAN ASSERTS THAT "THE POTENTIAL ACHIEVABLE**
19 **SAVINGS LEVEL IN THAT STUDY WAS BASED UPON PROVIDING 100**
20 **PERCENT INCENTIVES TO EVERY CUSTOMER FOR EVERY MEASURE." DO**
21 **YOU FIND ANY REFERENCE IN SECTION 4.7 OF THE SITING REPORT TO**

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1 **PROVIDING 100% INCENTIVES FOR EVERY CUSTOMER FOR EVERY**
2 **MEASURE?**

3 A. No, we do not.

4

5 **Q. WITNESS FELDMAN ALSO SUGGESTS THAT THE COMPANY’S ANALYSIS**
6 **OF THE ENERGY EFFICIENCY COMPONENT OF THE POTENTIAL NON-**
7 **INFRASTRUCTURE ALTERNATIVES WAS BASED ON AN ESTIMATE OF**
8 **MAXIMUM ACHIEVABLE POTENTIAL FROM A 2021 ENERGY EFFICIENCY**
9 **MARKET POTENTIAL STUDY PERFORMED BY DUNSKY. DO YOU FIND ANY**
10 **VERIFICATION IN THE SITING REPORT OF SUCH RELIANCE ON THE**
11 **REFERENCED DUNSKY STUDY?**

12 A. No, we do not. We find only a generalized reference to “*third-party market potential*
13 *studies,*” and no explanation or documentation of the manner in which TNEC used
14 the results of such studies.

15

16 **Q. PLEASE RESPOND TO WITNESS FELDMAN’S TESTIMONY REGARDING**
17 **THE USE OF TARGETED ENERGY EFFICIENCY INCENTIVES FOR**
18 **AQUIDNECK ISLAND.**

19 A. At pages 6-7 of his Rebuttal Testimony Witness Feldman suggests that enhanced
20 energy efficiency incentives to a discrete geographic area (such as Aquidneck
21 Island) would involve a significant public policy question. He also suggests that

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1 such a use of enhanced incentives would likely result in an “*inequitable distribution*
2 *of energy efficiency funds, contractor resources and equipment throughout the*
3 *state.*”²⁸ We agree that the offering of enhanced energy efficiency incentives to
4 Aquidneck Island customers involves a potentially significant public policy
5 question. However, we do not find any support for Witness Feldman’s assertion
6 that our recommendation would likely result in an inequitable distribution of
7 resources throughout the state. We recommend consideration of such enhanced
8 energy efficiency incentives as a means of avoiding the expenditure of millions of
9 dollars for Old Mill Lane site work and for the Company’s purchase of LNG
10 equipment. Only gas load reductions on Aquidneck Island can contribute to the
11 avoidance of such costs, yet gas customers throughout Rhode Island would benefit
12 from the cost and rate reductions that avoidance of such costs can produce. For
13 these reasons, enhanced incentives for Aquidneck Island customers that would
14 produce more broadly distributed benefits warrant the Commission’s consider-
15 ation, and should not be off-handedly discarded as potentially discriminatory.

16

17 **Q. DOES WITNESS FELDMAN DELINEATE THE CRITERIA AND ANALYTIC**
18 **METHODS HE WOULD EMPLOY TO ASSESS THE EQUITY OF**
19 **DISTRIBUTIONS OF “ENERGY EFFICIENCY FUNDS, CONTRACTOR**
20 **RESOURCES AND EQUIPMENT UNDER THE COMPANY’S EE PLAN?**

²⁸ The Rebuttal Testimony of TNEC Witness Feldman, page 6, lines 11-14.

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1 A. No, he does not. Thus, the basis for his claim of inequities is not well-developed.

2

3 **Q. WITNESS FELDMAN TESTIFIES THAT THE COMPANY’S GOAL IS TO HAVE**
4 **A FULL PORTFOLIO OF ENERGY EFFICIENCY PROGRAMS WITH A BCR**
5 **GREATER THAN 1.0. IS THERE ANYTHING IN YOUR RECOMMENDED CON-**
6 **SIDERATION OF ENHANCED ENERGY EFFICIENCY INCENTIVES THAT IS**
7 **INHERENTLY INCONSISTENT WITH THAT OBJECTIVE?**

8 A. No, there is not. Our position is that consideration of such enhanced incentives
9 for Aquidneck Island customers can be justified on the basis of the increased
10 benefits that would be derived by avoiding the expenditure of significant capital to
11 serve loads that in the alternative may only appear once in every several years
12 under extreme winter weather conditions. The potential for avoidance of significant
13 investment costs would increase the benefits associated with the suggested
14 targeted programs and thereby justify the Company’s offering of enhanced
15 incentives. If properly structured, such targeted programs with enhanced
16 incentives would improve the BCR ratio for the Company’s overall energy
17 efficiency portfolio. Still, whether improved BCR ratios would satisfy Witness
18 Feldman’s concern regarding potential inequities cannot be discerned from his
19 Rebuttal Testimony.

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IV. CONCLUSION

Q. DOES THE COMPANY’S REBUTTAL TESTIMONY CAUSE YOU TO ALTER ANY OF THE RECOMMENDATIONS PRESENTED IN YOUR MARCH 13, 2023 DIRECT TESTIMONY?

A. No, it does not. However, we believe it may be helpful to clarify our overall position.

The Company’s proposals in this proceeding can be viewed in two parts. Those are: (1) the relocation of LNG operations to the further back on the Old Mill Lane site (i.e., further away from the road); and (2) the purchase of LNG equipment with increased storage and vaporization capacity. Although this winter’s experience (i.e., the peak hour loads encountered on February 4, 2023) displays a current need for the availability of supplemental gas supplies for Aquidneck Island to meet load requirements under extreme weather conditions, the long-term need for such LNG vaporization on the island has not been established. Our position remains that TNEC has not adequately assessed either its anticipated load growth for Aquidneck Island or the potential for non-infrastructure alternatives (e.g., energy efficiency and electrification programs) to eliminate Aquidneck Island LNG vaporization requirements within the foreseeable future (i.e., 10-years or less). In the context of an expectation that the proposed Old Mill Lane Project will only be utilized for 10 years or less, continued reliance on the current site with rental LNG vaporization and storage equipment is a more appropriate and cost-

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1 effective option for the Company to pursue. Furthermore, in the context of
2 expectations that the Old Mill Lane Project will be operated 10 years or less, the
3 \$12-\$15 million investment costs for the proposed “site work” is not justified.

4 From a financial and ratemaking perspective, TNEC Witness Briggs
5 presents project revenue requirements and bill impact calculations in this
6 proceeding that reflect only consideration of the “site work” required for the first of
7 these two elements of its proposals. Witness Briggs’s assessment reflects a capital
8 investment in site work for the Project of \$15 million. Witness Montigny’s Direct
9 Testimony suggests the Company has revised its estimate of site work costs for
10 Old Mill Lane to \$12.6 million.²⁹ However, his Direct Testimony also indicates that
11 Company proposes to incur an additional \$9.2 million for the purchase of LNG
12 equipment.³⁰ Thus, the combined capital expenditures for the proposed site work
13 and LNG equipment purchase would be over **\$21.8 million** (i.e., \$12.6 million plus
14 \$9.2 million).³¹

²⁹ See the Direct Testimony of TNEC Witness Briggs, filed on March 13, 2023, page 7, lines 1-9. The Division notes that the \$15 million cost for construction cited by Witness Briggs is consistent with the “Project Cost” cited on page 3 of the Company’s Application in this proceeding indicates the Project will require approximately \$15,000,000 for construction and will have an annual O&M cost of about \$1.5 million. However, the Direct Testimony of TNEC Witness Montigny at page 4, lines 8-14, indicates that the Company’s original estimate for site work for the Old Mill Lane Project was originally \$14,597,782, but that amount was subsequently revised downward to \$12,649,304.

³⁰ The Direct Testimony of TNEC Witness Montigny, page 5, lines 1-2.

³¹ Using the Company’s total proposed capital expenditures for site work and LNG equipment purchase, the annual return requirements and depreciation expense for the project would increase by roughly 48% under each depreciation scenario (i.e., 33 years, 10 years, and 5 years) examined, and the resulting revenue requirements and bill impacts would increase accordingly.

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1 The revenue requirements and bill impacts of its total anticipated capital
2 expenditures for site work and equipment have not been computed by TNEC in
3 this proceeding. Moreover, based on the Company's presentation, TNEC offers
4 no basis for assuming that either element of those capital expenditures will have
5 an effective useful life of more than 10 years. Yet, the revenue requirements and
6 bill impact analyses that TNEC presents are premised on an assumption that these
7 investments would be depreciated over more than 33 years. If a depreciation life
8 of ten years or less is used with the combined costs for site work and LNG
9 equipment purchase, the annual revenue requirements and bill impacts resulting
10 from the project would increase dramatically.³² In addition, the comparison of LNG
11 rental equipment costs and LNG equipment purchase costs that TNEC Witness
12 Kirkwood presents in Exhibit BKK-1 is biased by large increases in costs for
13 contracted equipment and services for which TNEC has provided no supporting
14 documentation.³³

15

16 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

³² We understand that the revenue requirements analysis that Witness Briggs presents (for site work only) may conform to standard gas ISR ratemaking practice. However, that practice does not represent an appropriate basis for assessing the overall economics of the proposed Old Mill Lane LNG Project. As discussed herein, most of the expenditures for which costs are recovered through the Company's gas ISR are for facilities that are expected to have much longer useful lives (e.g., mains and services) as opposed to the not more than 10-year period that TNEC expects to operate the Old Mill Lane LNG facility.

³³ In Docket No. 22-20-NG the Direct Testimony of the Company's Gas Supply Panel at page 27 indicated that TNEC was still in discussions with its Contractor regarding the impact of inflation, labor, and resource shortages on the existing agreement. We also note that the equipment cost referenced in Witness Kirkwood's Exhibit BKK-1 does not match the LNG equipment purchase cost cited in Witness Montigny's Direct Testimony at page 4.

**SURREBUTTAL TESTIMONY OF
BRUCE R. OLIVER
AND PAUL ROBERTI
Docket 22-42-NG
May 2, 2023**

1 A. Yes, it does.

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