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Also admitted in Massachusetts

September 28, 2023

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 23-23-NG – 2023 Distribution Adjustment Charge and Gas Cost Recovery Filing - Responses to PUC Data Requests – Set 6

Dear Ms. Massaro:

On behalf of Rhode Island Energy[1], I have enclosed the Company's responses to the Public Utilities Commission's Sixth Set of Data Requests in the referenced docket.

Thank you for your attention to this matter. If you have any questions, please contact me at 401-709-3359.

Very truly yours,

Steven J. Boyajian

Enclosures

cc: Docket 23-23-NG Service List
Leo Wold, Esq.
John Bell, Division
Al Mancini, Division

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

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	September 28, 2023 Date

Docket No. 23-23-NG – Narragansett Electric Co. d/b/a Rhode Island Energy 2023 Gas Cost Recovery Filing (GCR)
2023 Distribution Adjustment Clause (DAC)
Service List as of 8/15/2023

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PUC 6-1

Request:

During the September 13, 2023, Technical Record Session PUC staff inquired about which PUC decisions and orders RIE believes have set a directive for the company to replace its leak prone pipe inventory within a certain timeframe (e.g., twenty years). Please provide the documents and reference the specific sections.

Response:

Please see Attachments PUC 6-1-1 and 6-1-2.

Attachment PUC 6-1-1 is the Public Utilities Commission's ("PUC") Report and Order No. 21779, dated December 16, 2014, regarding the Company's FY2015 Gas ISR Plan in Docket No. 4474. On page 12, in Section IV. Commission Findings, the PUC states:

> The PUC finds that National Grid's proactive pipe replacement program is better than many other utilities due to its comprehensiveness. The PUC remains concerned with the risk related to the legacy cast iron and bare steel mains that will persist beyond the next 20 years at which point all of the vintage mains will have been replaced. The PUC recognizes there are financial and construction-related constraints that limit the ability to further accelerate the replacement schedule, but continues to urge the Company to take advantage of every opportunity to cost-effectively accelerate the replacement schedule. The PUC acknowledges that the 2015 Gas ISR Plan represents another ramp-up of replacement as the Company will target replacement of 70 miles per year, which would reduce the time-frame for removal of leak prone pipe to approximately 20 years.

Although the Company, through its Gas ISR Plans, has made great strides in abandoning high risk and high priority leak prone pipe since FY2015, the Company believes that the risks identified by the PUC associated with leak prone pipe in Attachment PUC 6-1-1 still exist today as the overall inventory of remaining leak prone pipe on the gas system has continued to age.

Attachment PUC 6-1-2 is PUC Report and Order No. 22046, dated August 24, 2015 regarding the Company's FY2016 Gas ISR Plan in Docket No. 4540. In this Report and Order, the replacement of 65 miles per year is referenced as the established target, and there is commentary regarding the Company's aspiration to accelerate efforts and increase to 70 miles per year, starting in FY2017.

Prepared by or under the supervision of: Nathan Kocon

PUC 6-1, page 2

The Commission Findings contained in Attachment PUC 6-1-2 do not specifically reference the Company's plan to abandon all remaining leak prone pipe in its distribution system over the ensuing 19 years. In Section V (Hearing), however, on page 12 in reference to testimony from a Company witness at the hearing, the PUC stated:

> Mr. Iseler explained the two alternatives available to the Company for its main replacement program. The first would replace sixty-five miles in FY 2016 and seventy miles per year until the project is complete or over the course of nineteen years. The second, which was supported by the Division, would replace sixty-five miles of leak-prone pipe per year until the project is complete or over the course of twenty-one years.

In section IV. (Commission Findings), on page 16, the PUC states:

> The Commission recognized that removal of high risk facilities in an expeditious fashion is significant and important. The Commission remains concerned with the risk associated with the Company's legacy cast iron and bare steel mains and encourages the Company to continue to take advantage of every opportunity to cost-effectively accelerate its replacement program . . . . [B]eginning next year, the Company intends to accelerate the sixty-five mile goal to seventy miles until replacement is complete . . . .[.]

Combined, these statements indicate PUC direction to the Company to continue with the 20-year plan that was originally established in the FY2015 Gas ISR to "take advantage of every opportunity to cost-effectively accelerate its replacement program."

Prepared by or under the supervision of: Nathan Kocon

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID 2015 GAS INFRASTRUCTURE, SAFETY AND RELIABILITY PLAN	:	DOCKET NO. 4474

REPORT AND ORDER

I. National Grid's Filing

On December 20, 2013, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed its proposed Gas Infrastructure, Safety and Reliability Plan (Gas ISR Plan) for FY 2015 pursuant to R.I. Gen. Laws §39-1-27.7.1.[1] The Gas ISR Plan set forth the Company's proposals which it identified as necessary to enhance the safety and reliability of the Company's natural gas delivery system. The Plan specifically provided for work in a number of areas including replacing leak-prone gas mains and services, upgrading the system's pressure regulating systems, responding to emergency leak situations, and addressing conflicts arising out of public works projects. The Company noted that the goal of the Plan is to provide for a safe and reliable system through coordinated and cost-effective work. In support of its Plan, the Company presented the joint prefiled testimony of Walter F. Fromm and Jackson M. Lehr. William R. Richer and Yi-An Chen also provided prefiled testimony.[2]

[1] Enacted in May of 2010, R.I. Gen. Laws §39-1-27.7.1 requires, in part, that a gas distribution company consult with the Division of Public Utilities and Carriers (Division) regarding its infrastructure, safety and reliability spending plan which shall address capital spending on utility infrastructure and all other costs related to maintaining safety and reliability that are mutually agreed upon with the Division. That plan must be submitted to the Commission for review and approval.

[2] The Gas ISR Plan is comprised of eleven parts: Filing Letter; Testimony of Fromm and Lehr; Five Sections of the Gas ISR Plan, including Section 1 – Introduction and Summary; Section 2 - Gas Capital Investment Plan; Section 3 – Revenue Requirement; Section 4 – Rate Design; Section 5 – Bill Impact; Redlined Gas Expansion Plan to show revisions; Clean copy of Gas Expansion Plan; Testimony of Richer;

Mr. Fromm is the Company's Director, Network Strategy – Gas, which includes capital investment strategy. Mr. Lehr is the Company's Director of Market Strategy in the Customer & Business Strategy Department, taking the lead in areas of gas conversion as well as electric-related areas. The joint testimony described the proposed Plan which was designed to proactively replace aging leak-prone pipes and services, upgrade the pressure regulating systems; respond to emergency leak situations; and address conflicts that arise with public works projects.[3] In FY 2015, several changes were proposed to simplify the gas expansion pilot program which commenced in FY 2014.[4] The joint testimony indicated that the Plan was prepared in consultation with the Division of Public Utilities and Carriers.

According to the joint testimony National Grid proposes $71.7 million of capital investments to be included for recovery in the proposed Gas ISR Plan in Fiscal Year 2015. The budget is broken down as follows: $38.0 million for proactive main and service replacement; $0.2 million for reactive main replacement; $3.9 million for public works programs plus an additional $1.3 million in reimbursable work; $14.1 million for mandated programs; $10.4 million for gas system reliability; $4.7 million for special projects; and $0.4 million for incremental operation and maintenance expenses related to expansion of the leak-prone pipe replacement program. The joint testimony maintained that the Plan fulfills the safety and reliability requirements of the gas distribution system in Rhode Island.[5]

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and Testimony of Chen. Collectively, this was marked as National Grid Exhibit 1 and can be found on the PUC's website at: http://www.ripuc.org/eventsactions/docket/4474-NGrid-Gas-ISR-2015(12-20-13).pdf.

[3] National Grid Ex. 1, Gas Infrastructure Safety, and Reliability Plan FY 2015 Proposal (Test. of Fromm and Lehr) at 6 (Dec. 20, 2013).

[4] *Id.* at 7.

[5] *Id.* at 8-9.

National Grid proposed to invest a total of $93.0 million, of which, $71.7 million is included in the FY 2015 Gas ISR recovery mechanism. The remainder, or $21.7 million, "will be for projected growth and allocated spending which is not included for recovery in the FY 2015 Gas ISR Plan."[6] The purpose of the proactive main and service replacement program is to replace leak-prone gas mains and services. In FY 2015, National Grid forecasts spending $36.5 million to replace approximately 53 miles of leak-prone pipe, up from 50 miles in the FY 2014 Gas ISR Plan, and $1.5 million to replace approximately 500 leak-prone services, a reduction from the FY 2014 Gas ISR Plan. In order to support the increased replacements, National Grid proposed including approximately $400,000 for additional personnel to meet the goal.[7]

The work in the Reactive Main Replacement category consists of emergency main replacements due to leaks or other unplanned work where the condition of the main dictates immediate replacement. The Company has proposed a reduction from $500,000 in FY 2014 to $200,000 in FY 2015, citing "minimal requests" as a result of the recent increase in proactive main replacement.[8]

The purpose of the public works category is to coordinate with municipalities to improve the safety and reliability of the distribution system in conjunction with public works projects. National Grid stated that "[w]hile the primary purpose of [p]ublic [w]orks spending is to address direct conflicts between planned public works projects and existing gas infrastructure, [p]ublic [w]orks spending provides an opportunity to coordinate other system improvement work, such as replacement of leak-prone pipe, system reliability upgrades, elimination of redundant main, and regulator station

[6] National Grid Ex. 1 (Section 2: Gas Capital Investment Plan) at 2.
[7] *Id.* at 4-6.
[8] *Id.* at 6.

upgrades."[9] Such coordination allows National Grid to save money on repaving costs.[10] In FY 2015, the budget in this category will provide for replacement of approximately seven miles of leak prone pipe, an increase from the three miles in FY 2014.[11]

The first of four mandated programs is the corrosion program which is the adding of cathodic protection to existing steel coated mains installed prior to 1971 to extend the service life of the pipe. It is a standardized program which has been mandated by the U.S. Department of Transportation since 1971 for all buried steel facilities. The second program, meter replacement, covers the capital costs related to the purchase of replacement meters. The third program, capital leak repairs addresses leaking gas services and extends the useful life of cast iron mains by encapsulating leaking cast iron joints. The final subcategory of "non-leak other" is associated with costs incurred for service relocations, meter protection, service abandonments, and the installation of curb valves. The proposed budget for the entire mandated programs category is $14.1 million.[12]

There are six programs that comprise the gas system reliability category which has a total budget of $10.4 million. The first of those programs is the system automation and control program, the purpose of which is to meet federal code requirements aimed at increasing system automation and control. The $1 million allocated to this program will "provide AC power to 25 regulator stations and telemetry to 20 sites, and it would install remote controls at 20 locations."[13] Pressure regulating facilities that are designed to control system pressures and maintain continuity of supply is the second program in the

[9] *Id.* at 7.
[10] *Id.* at 6.
[11] *Id.* at 8.
[12] *Id.* at 8-9.
[13] *Id.* at 10-11.

reliability category. The $4.6 million budget is designed to address condition-based assessments and perform work at 9 facilities in FY 2015.[14] The third program, the gas planning program, budgeted at $1 million in FY 2015, identifies projects that support system reliability through standardization, simplification, integration, and new supply sources.[15] The water intrusion program is the fourth program, budgeted at $0.2 million, or half of the FY 2014 level, based on minimal requests over recent years, due to the proactive main replacement program obviating the need for the program in many areas. The fifth program, liquefied natural gas (LNG) facilities, budgeted at $0.6 million in FY 2015, is intended to upgrade existing LNG facilities in Rhode Island, excluding the Providence facility. Finally, the valve installation/replacement program for installing or replacing new valves used to control the flow of gas will be expanded by $0.3 million to $0.8 million to provide additional public safety benefits and to improve meter reading and collections in areas where the Company has experienced difficulty in accessing the meters.[16]

Three special projects are included in the Gas ISR Plan. The first, budgeted at $175,000, is completion of a project associated with the relocation of Interstate I-195 in the City of Providence. The second, budgeted at $1.5 million, is replacement of the boil-off compressor located at the Exeter LNG facility, the design and procurement activities of which began in FY 2014.[17] Finally, budgeted at $3 million, is continuation of the gas expansion pilot program with several modifications in response to lessons learned from the initial program rollout in FY 2014. Noting that only two small projects were able to

[14] *Id.* at 11-12.
[15] *Id.* at 12.
[16] *Id.* at 13-14.
[17] *Id.* at 14-15.

move forward in FY 2014, the Company indicated that it received feedback indicating that the program needed to be simplified and more predictable, that the conversion costs needed to be lower, and finally, that there needed to be more flexibility for customers to respond to the Company's expansion proposal. In response to the feedback, the Company proposed to replace the contribution in aid of construction charged to customers with a fixed charge of $150, with the difference between the fixed charge and contribution in aid of construction included in the reconciliation filing each year. The Company is also introducing a density test which will allow projects with a minimum density of 70 feet per main to be considered for expansion. Finally, the customer commitment requirements will be modified to require a minimum of 10% of prospective customers to commit to a proposed project. According to the Company, potential projects identified in FY 2014 that did not qualify under the old criteria will be eligible for consideration in FY 2015.[18]

Mr. Richer, Director of Revenue Requirements-Rhode Island for National Grid USA Service Company, Inc., provided testimony to describe the Company's revenue requirement calculation for FY 2015 in support of the Gas ISR Plan. He explained that the FY 2015 Gas ISR revenue requirement of 4,392,480 includes National Grid's return, depreciation expense and property tax expense associated with $3,992,480 in capital investment plus $400,000 of the operation and maintenance (personnel) expense related to the expansion of the proactive main replacement program.[19] The total incremental fiscal year rate adjustment is $3,727,972.[20]

[18] *Id.* 15-16; National Grid Ex. 1 (Section 5: Gas Expansion Plan) at 2-4.
[19] National Grid Ex. 1 (Test. of Richer) at 3.
[20] Natioanl Grid Ex. 1 (Section 3: Revenue Requirement) at Attachment 1, 1.

Ms. Chen, Senior Analyst in Regulation and Pricing, provided testimony regarding how the rate design was established, how ISR rate factors were calculated and the resulting customer bill impacts. Ms. Chen noted that the starting point for developing the rate design was the rate base that was approved in Docket No. 4323 using the updated rate base allocator from the Amended Settlement Agreement. She described how the Company then compiled forecasted throughput data by rate class and allocated the incremental revenue requirement to each rate class based on the rate percentage allocations and the forecasted throughput to develop separate rate class ISR factors on a per therm basis. Finally, Ms. Chen explained that the incremental operation and maintenance expense was allocated to all rate classes based on the total forecasted throughput on a per therm basis. Ms. Chen identified each class' ISR rate factor which ranged from $0.0028 to $0.0222 per therm. She indicated that the ISR factors would become effective April 1, 2014. Ms. Smith noted that the bill impact for an average residential heating customer using 846 therms would result in an annual rate increase of $10.82 or 0.9 percent.[21]

II. Division's Comments

On February 27, 2014, the Division filed comments in the form of a letter from Leo Wold, Special Assistant Attorney General.[22] Mr. Wold explained that the Division had reviewed the budget and summarized the Division's positions on each of the six Gas ISR Plan categories. The Division supported the additional personnel expenses included

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[21] National Grid Ex. 1 (Test. of Chen) at 1-4.

[22] Division Ex. 2 (Letter from Leo Wold, Assistant Attorney General to Luly Massaro (Feb. 25, 2014). http://www.ripuc.org/eventsactions/docket/4474-DPU-Recommendation.pdf The Division also filed testimony of David Effron, its consultant, to discuss a property tax adjustment Natioanl Grid made during the Division's review period in response to Mr. Effron's recommendation. Division Ex. 1 (Test. of Effron) at 3-4. http://www.ripuc.org/eventsactions/docket/4474-DPU-Recommendation.pdf

in the expansion of the proactive main replacement program, specifically noting that they would be subject to reconciliation. Citing a downward trend in emergency main breaks, such as those caused by homeowners or excavators, the Division supported the reduction in the reactive gas main replacement program.[23] The Division also supported the policy to coordinate infrastructure replacement with public works projects to reduce the paving costs, "by far the highest cost component of any gas main installation."[24] The Division had no comments on the mandated programs, but did question the $350,000 expense associated with the replacement of the Old Mill Lane regulator station, included in the reliability category, because the regulator station had already been replaced seven years earlier. The Division also requested the Company to provide further detail in support of the budget category.[25] Finally, the Division opined that the proposed modifications to the gas expansion pilot program should "produce better results in the FY15 period."[26] Further, the Division supported the continued budget allocation of $3.0 million.[27]

III. Hearing

On March 20, 2014, the Commission conducted an Evidentiary Hearing at its offices.[28] One member of the public appeared to question National Grid's cost estimates provided to residential customers in connection with gas conversions, indicating that she had received several vastly different quotes each time she inquired. The PUC requested

[23] Division Ex. 2 at 1-2.
[24] *Id.* at 2.
[25] *Id.* at 3.
[26] *Id.* at 4.
[27] *Id.*
[28] Raquel Webster, Esq. entered an appearance on behalf of National Grid while Leo Wold, Esq., Assistant Attorney General, entered an appearance on behalf of the Division and Cynthia G. Wilson-Frias, Senior Legal Counsel was PUC counsel on this matter.

that National Grid review the matter and provide an explanation in a response to a record request.[29]

National Grid presented Mr. Fromm, Mr. Lehr, Mr. Richer and Ms. Chen for cross examination. Mr. Fromm presented a power point presentation outlining the FY 2015 Gas ISR Plan.[30] Mr. Fromm noted that in Rhode Island, there is approximately 3,180 miles of underground gas distribution mains with approximately 42% being considered leak-prone. Leak-prone pipe includes that which is non-cathodically protected steal, cast iron and wrought iron mains. The 53 miles of main slated for proactive replacement in FY 2015 has been prioritized because over the last ten years, there have been over 800 repairs on this inventory of main.[31] He expounded on the prioritization by noting that the number of repairs is correlated to the nature and severetiy of leaks, the proximity to buildings and populated areas, activity in the area that may adversely affect the mains, and whether the field operators have provided any additional information that would warrant expedited replacement.[32] In order to perform the proposed level of main replacement, including public works related projects, it became necessary to add an additional seven miles of main replacement in the FY 2015 Gas ISR Plan. National Grid also requested funding of an additional eleven full time employees who would be trained as meter service technicians to perform necessaru work after the independent contractors install new mains and services.[33]

Discussing leakage information, Mr. Fromm explained that the documentation that National Grid must submit to the Pipeline and Hazardous Materials Safety

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[29] Tr. 3/20/14 at 5-9.
[30] *See* National Grid Ex. 2.
[31] Tr. 3/20/14 at 23-24.
[32] *Id.* at 29-30.
[33] *Id.* at 35-37.

Administration has a calculation to back out an estimated leakage level from the unaccounted for gas quantities. The calculation is based on a factor provided by the Environmental Protection Agency based on the type of pipe. The factor is multiplied by the miles of main made up of that particular material. Therefore, National Grid does not report lost and unaccounted for gas, as the assumed level of lost gas is not included. The report includes gas lost to third-party damage, purging operations, and the timing of billing and metering.[34]

Addressing one project related to public works and categorized under special projects, Mr. Fromm stated that the proposed extension of 3,400 feet of new gas main in the area of the I-195 relocation, would serve parcels of land that are expected to be developed in the future. According to Mr. Lehr, National Grid does not generally anticipate receiving contributions for the extension from future owners of the property. While National Grid does not currently have information regarding the identity of the future gas customers, the Company concluded that extending the distribution system now, while the area is under construction, was logistically much simpler and less costly to ratepayers over the long term.[35]

With regard to main replacement activity, the Company projects that cost of labor associated with the use of outside contractors is approximately 50-60%, while paving and

[34] *Id.* at 44-46. In response to a record request, National Grid stated that "According to the Company's most recent annual PHMSA filing, the Company's Net UFG (i.e. not including leakage) for 2013 was calculated to be 3.41%. The Gross UFG (i.e. including leakage) for 2013 was calculated to be 4.36%. National Grid's Response to RR-5. http://www.ripuc.org/eventsactions/docket/4474-NGrid-RR(3-26-14)).pdf

[35] Tr. 3/20/2014 at 83-86. In response to Record Request 13, National Grid further expounded on its rationale for extending the main now rather than later by stating that "if the Company were to install the new gas mains after the RIDOT's final paving activities, the Company would be required to again excavate and subsequently install full-depth permanent roadway patch, as well as a full road width cold plane and overlay, which would be much more costly. National Grid Response to RR-13. http://www.ripuc.org/eventsactions/docket/4474-NGrid-RR(3-26-14)).pdf

street restoration is approximately 20-30%, and traffic management is approximately 5-10%.[36] According to Mr. Fromm, when National Grid obtains a permit to do work in a municipality, the municipality will advise National Grid whether it will need a police detail along with the number of officers required. Mr. Fromm was not aware of any uniform standards related to the police detail requirements.[37] However, in order to more fully respond to the PUC's questions, National Grid presented Alfred Amaral, Director of Field Operations for Rhode Island. He explained that while the municipality does tell National Grid when, where, and the number of police officers or flaggers that will be required, he has been involved in discussions to resolve disagreements, sometimes resulting in fewer officers and in other cases, in more officers. The rate, however, is non-negotiable as it is set through labor contracts between the municipality and the police. He agreed that flaggers would be less costly than police detail.[38]

Turning to the gas expansion pilot, Mr. Lehr stated that National Grid was planning to perform a more detailed analysis of the economic benefits derived from the investment in the gas expansion pilot program. He indicated that National Grid could perform a similar analysis for the remaining investments included in the Gas ISR plans.[39] Summarizing the proposed changes to the pilot, Mr. Lehr reiterated that the goal was to make the process less complex and more certain for customers.[40]

Discussing leak detection, Mr. Amaral explained that during the winter of 2013/2014, National Grid increased the frequency of its leak detection activities in light of the cold winter. Starting in January, the cast iron pipe was surveyed on fifteen day

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[36] Tr. 3/20/14 at 86-90.
[37] *Id.* at 91-93.
[38] *Id.* at 93-106.
[39] *Id.* at 124-25.
[40] *Id.* at 126-132.

cycles such that all six cycles would be completed by April 1, 2014. Additionally, because of the frost conditions, Mr. Amaral indicated that the Company reduced the time for checking grade 2 leaks in half. He noted, however, that "the public is [National Grid's] greatest asset," in terms of notifying the Company when detecting gas odors, he explained that that the leak surveys result in the detection of approximately 15% of leaks, whereas public notifications result in detection of 85% of leaks.[41]

IV. Commission Findings

At an open meeting held on March 27, 2014, the PUC approved the 2015 Gas ISR Plan finding it to be in compliance with statutory mandates. The PUC approved a budget of $71,696,000 and a revenue requirement of $4,392,480 which results in an incremental fiscal year rate adjustment of $3,727,972. It also approved the proposed rates for each rate class. The impact on a residential heating customer using 846 therms per month is an increase of $10.82 per year or 0.9%.

The PUC finds that National Grid's proactive pipe replacement program is better than many other utilities due to its comprehensiveness. The PUC remains concerned with the risk related to the legacy cast iron and bare steel mains that will persist beyond the next 20 years at which point all of the vintage mains will have been replaced. The PUC recognizes there are financial and construction-related constraints that limit the ability to further accelerate the replacement schedule, but continues to urge the Company to take advantage of every opportunity to cost-effectively accelerate the replacement schedule. The PUC acknowledges that the 2015 Gas ISR Plan represents another ramp-up of replacement as the Company will target replacement of 70 miles per year, which would

[41] *Id.* at 150-51. Grade 2 leaks are those which need to be monitored regularly, but not necessarily repaired immediately. *Id.* at 167.

reduce the time-frame for removal of leak prone pipe to approximately 20 years. This acceleration requires additional personnel and close coordination with communities' public works department to facility increased construction activity in those communities. The 2015 Gas ISR Plan accelerates the rate of pipe replacement by adding an additional seven miles of main and additional personnel. The cost of the additional seven miles alone is over $4.5 million including the cost of replacing the main plus the additional O&M costs. The PUC believes that the acceleration of the replacements strikes the appropriate balance between cost and safety at this time given the logistical constraints on construction activities in roads and thoroughfares of the State and municipalities.

However, as with any rate increase, the PUC is also concerned with the impact of further increasing rates on businesses and residents in these economic times. In the proposed FY 2016 Gas ISR Plan, National Grid shall include an analysis of where efficiency gains may be achieved within the programs. For example, the PUC observes that the increasing costs of police details result in less funds being available to invest in system improvements. Testimony provided in the instant docket revealed that the gas operation appears to have more ability to manage these costs through better coordination with the municipalities. The PUC will continue to monitor increasing ancillary costs with the expectation that they are controlled while maintaining the mandatory programs.

On the issue of lost and unaccounted for gas, the PUC observes that this data is not only critical to assessing the integrity of the gas system, but would also provide insight into the economic value of the lost commodity. Lastly, the PUC notes that the environmental consequences of methane emissions are increasingly becoming the subject of contemplated federal mitigation policies. In this context, it is important that the Company collect the best available data on lost and unaccounted for gas, and the PUC will endeavor to take a closer examination of the issue in the next Gas ISR filing.

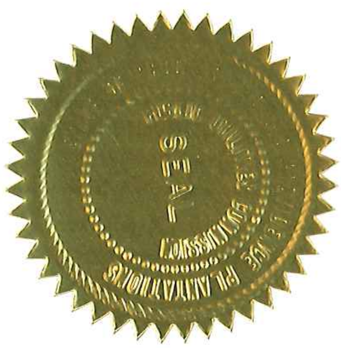
Accordingly, it is

(21779) ORDERED:

1. National Grid's proposed FY 2015 Gas Infrastructure, Safety and Reliability Plan is hereby approved.
2. In its Fiscal Year 2016 Gas Infrastructure, Safety, and Reliability Plan, National Grid shall include a 2014 System Integrity Report.
3. In its Fiscal Year 2016 Gas Infrastructure, Safety, and Reliability Plan, National Grid shall include an analysis of program cost reductions that may be achieved without sacrificing safety.
4. In its Fiscal Year 2016 Gas Infrastructure, Safety and Reliability Plan, National Grid shall include a proposal for how economic development benefits may be measured against the increased costs related to each area of investment.
5. National Grid shall comply with the reporting requirements and all other findings and directives contained in this Report and Order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON APRIL 1, 2014 PURSUANT TO AN OPEN MEETING DECISION ON MARCH 27, 2014. WRITTEN ORDER ISSUED DECEMBER 16, 2014.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran, Chairperson

Paul J. Roberti, Commissioner

Herbert F. DeSimone, Jr., Commissioner

Notice of Right of Appeal: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within 7 days from the date of the Order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or Order.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID 2016 GAS INFRASTRUCTURE, SAFETY, AND RELIABILITY PLAN	:	**DOCKET NO. 4540**

REPORT AND ORDER

I. National Grid Filing

On December 24, 2014, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed its proposed Gas Infrastructure, Safety, and Reliability Plan (Gas ISR Plan) for FY 2016 pursuant to R.I. Gen. Laws §39-1-27.7.1.[1] The Gas ISR Plan set forth proposals that the Company identified as necessary to enhance the safety and reliability of its natural gas delivery system. The Plan specifically provided for work in a number of areas including replacing leak-prone gas mains and services, upgrading the system's pressure regulating systems, responding to emergency leak situations, and addressing conflicts resulting from public works projects. The Company noted that the goal of the Plan is to provide for a safe and reliable system through coordinated and cost-effective work. In support of its Plan, the Company presented the prefiled testimony of David G. Iseler, Melissa A. Little, and Suhila Nouri Nutile.[2]

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[1] Enacted in May of 2010, R.I. Gen. Laws §39-1-27.7.1 requires, in part, that a gas distribution company consult with the Division of Public Utilities and Carriers (Division) regarding its infrastructure, safety and reliability spending plan. The plan should address capital spending on utility infrastructure and all other costs related to maintaining safety and reliability that are mutually agreed upon with the Division. That plan must be submitted to the Commission for review and approval.

[2] The 2016 Gas ISR Plan is comprised of eight parts: Filing Letter; Testimony of Mr. Iseler; Four Sections of the Gas ISR Plan, including Section 1 – Introduction and Summary, Section 2 – Gas Capital Investment Plan, Section 3 – Revenue Requirement, Section 4 – Rate Design and Bill Impacts; Testimony of Ms. Little; and Testimony of Ms. Nutile. Collectively, this was marked as National Grid Exhibit 1 and can be found on the PUC's website at: http://www.ripuc.org/eventsactions/docket/4540-NGrid-Gas-ISR-FY2016_12-23-14.pdf.

Mr. Iseler is the Company's Rhode Island Jurisdictional Lead for all Gas Network Strategy issues including capital investment strategy. In his testimony, he described the proposed Plan, noting it was designed to proactively replace aging leak-prone pipes and services; upgrade the pressure regulating systems; respond to emergency leak situations; and address conflicts related to public works projects.[3] He also indicated that the Plan was prepared in consultation with the Division of Public Utilities and Carriers (Division).

In the Plan, National Grid proposed $78.50 million of capital investments to be included for recovery in the proposed Gas ISR Plan in FY 2016. The budget was broken down as follows: $46.64 million for proactive main and service replacement; $0.2 million for reactive main replacement; $4.59 million for public works programs; $14.3 million for mandated programs; $9.21 million for gas system reliability; $3.0 million for special projects; and $0.56 million for incremental operation and maintenance expenses related to personnel to support the expansion of the leak-prone pipe replacement program. Mr. Iseler averred that the Plan fulfills the safety and reliability requirements of the gas distribution system in Rhode Island.[4]

Mr. Iseler provided an update for the Gas Expansion Pilot Program, which was modified in FY 2015 to simplify the program process and to increase the pool of eligible customers. Specifically, the Company introduced a Density Test, allowing customers within seventy feet of the main to qualify for participation in the program. The Company also included small expansion projects and modified customer commitment requirements to 10% of or at least three of prospective customers to commit to the project. Lastly, a $150 incremental fixed charge replaced the Customer Contribution In Aide of

[3] Iseler Test. at 3-4 (Dec. 24, 2014).
[4] *Id.* at 6-7.

Construction charge. The difference between those charges would be credited back to customers in the annual Reconciliation filing. Mr. Iseler identified specific program growth resulting from the 2015 modifications.[5]

National Grid proposed investing a total of $101.0 million. Of that amount, $77.94 million was included in the FY 2016 Gas ISR recovery mechanism. The remainder, or $23.1 million, was "for projected growth and allocated spending which is not included for recovery in the FY 2016 Gas ISR Plan."[6] The purpose of the proactive main and service replacement program is to replace leak-prone gas mains and services. National Grid forecasts spending $46.14 million in FY 2016 to replace approximately 56 miles of leak-prone pipe, up from 53 miles in the FY 2015 Gas ISR Plan, and $0.5 million to replace approximately 200 leak-prone services, a reduction from the FY 2015 Gas ISR Plan. In order to support the aggressive, accelerated replacement schedule, National Grid proposed including approximately $0.56 million for new personnel to be hired and trained in FY 2015 and FY 2016 as well as the operation and maintenance expenses related to the new hires.[7]

Work in the Reactive Main Replacement category consists of emergency main replacements required because of leaks as well as other unplanned work where the condition of the main dictates immediate replacement. The Company has proposed $200,000 in FY 2016, noting a decreased number of requests as a result of the recent increase in proactive main replacement.[8]

[5] *Id.* at 8-9.
[6] National Grid Ex. 1 (Section 2: Gas Capital Investment Plan) at 2.
[7] *Id.* at 3-6.
[8] *Id.* at 6.

Public Works category contemplates coordination with municipalities to improve the safety and reliability of the distribution system in conjunction with otherwise unconnected public works projects. The Company noted that, although the chief purpose of such spending is addressing direct conflicts between planned projects and existing gas infrastructure, it fosters coordination with system improvement work, such as replacement of leak-prone pipe, system reliability upgrades, elimination of redundant main, and regulator station upgrades."[9] Such coordination allows National Grid to save money on repaving costs as well as minimizing disruptions caused by repeated roadwork projects.[10] In FY 2016, the budget in this category will provide for replacement of approximately eight miles of leak prone pipe, an increase from seven miles in FY 2015.[11]

The Company's Mandated Programs category comprises four subcategories. First of the subcategories is the Corrosion Program. It entails cathodically protecting steel-coated underground mains installed prior to 1971 which extends the service life of the pipe. It is a standardized program mandated by the United States Department of Transportation since 1971 for all buried steel facilities. The second subcategory, the Meter Replacement Program, covers the capital costs required to purchase replacement meters. The third program, the Capital Leak Repairs Program, targets leaking gas services and extends the useful life of cast iron mains by encapsulating leaking cast iron joints. Finally, the Non-leak Other Program encompasses the capital costs for service relocations, meter protection, service abandonments, and installation of curb valves. The proposed budget for the entire Mandated Programs category is $14.3 million.[12]

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[9] *Id.* at 7.
[10] *Id.* at 6.
[11] *Id.* at 7.
[12] *Id.* at 9.

Gas System Reliability comprises six programs and has a total budget of $9.21 million. First is the System Automation and Control Program, the purpose of which is to meet federal code requirements aimed at increasing system automation and control. The $1 million allocated to this program will "provide AC power, and telemetry, and/or remote control to approximately 40 sites."[13] The Pressure Regulating Facilities Program involving facilities designed to control system pressures and maintain continuity of supply, is the second program in the Reliability category. Its $3.78 million budget addresses condition-based assessments and work to be performed at six facilities in FY 2016.[14] The third program, the Gas Planning Program, budgeted at $1.5 million in FY 2016, identifies projects that support system reliability through standardization, simplification, integration, and new supply sources.[15] The Water Intrusion Program is the fourth program. Budgeted at $0.2 million, it identifies projects that address recurring customer outages from water intrusion. There have been minimal requests over recent years. Due to the proactive main replacement program, need for this kind of work has decreased substantially in many areas. The fifth program, LNG Facilities -- or liquefied natural gas -- budgeted at $0.4 million in FY 2016, is intended to upgrade existing LNG facilities in Rhode Island, not including the Providence facility. Finally, the Valve Installation/Replacement Program, for installing or replacing new valves used to control the flow of gas, will be funded at $0.2 million to provide additional public safety benefits and to improve meter reading and collections in those areas where the Company has had trouble accessing meters.[16]

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[13] *Id.* at 10.
[14] *Id.* at 10-11.
[15] *Id.* at 11-12.
[16] *Id.* at 12-13.

In addition, one special project is included in the FY 2016 Gas ISR Plan. Budgeted at $3 million, it is a further continuation of the Gas Expansion Pilot Program to allow for the completion of ongoing installations as well as build on the momentum created so far.[17]

Last year's Order No. 21779 in Docket No. 4474 required the Company to include in the instant Gas ISR Plan (1) a FY 2014 System Integrity Report; (2) an analysis of program cost reductions that may be achieved without sacrificing safety; (3) an analysis of where efficiency gains may be achieved within the programs; and (4) a proposal for how economic development benefits may be measured against increased costs related to each area of investment. The Company said it would make the CY 2014 System Integrity Report available in March 2015. The Company further provided a comparison between FY 2015 costs and FY 2016 projected costs noting that the major cost drivers of FY 2016 proposal spending are all directly related to public safety. Pointing to increased replacement footage and unit costs for the replacement of cast iron mains in more population dense areas, the Company proposed $9.6 million more than FY 2015 costs for Proactive Main Replacements. Approximately two thirds of National Grid's proposed FY 2016 budget relates directly to public safety matters and to meeting public works requirements.[18]

The Company contended that because so much of its proposed spending relates directly to public safety, it is unable to significantly reduce that spending without undermining its public safety goals. The Company proposed an alternative five-year plan that would modify its replacement schedule and thereby reduce costs by approximately

[17] *Id.* at 14.
[18] *Id.* at 16-18.

$14 million over five years. The Company also highlighted its continual efforts to improve productivity and cost efficiency, pointing to its competitive bidding processes and coordination with state and municipal public works projects.[19]

Finally, the Company discussed how its investment in gas infrastructure will provide increased economic benefits for Rhode Island, including: (1) construction impact of investment spending; (2) cost savings realized by customers; (3) economic impact of reduced emissions of criteria pollutants and greenhouse gases based on avoided healthcare costs; and (4) job creation and increased tax revenue. The Company performed this analysis employing widely-used economic models. Discussing the five-year Gas ISR investment plan, the Company identified as a primary driver of change in FY 2016 and FY 2017 the continued replacement of leak-prone pipe, with sixty-five miles in 2016 and seventy miles each year for 10 years thereafter, providing for replacement of all leak-prone pipe in Rhode Island.[20]

Ms. Little, Lead Specialist for New England Revenue Requirements in the Regulation and Pricing department of National Grid USA Service Company, Inc. (Service Company), described the Company's revenue requirement calculation for FY 2016 based on the Gas ISR Plan. She explained that the FY 2016 Gas ISR revenue requirement of $13,543,842 includes National Grid's return, depreciation expense, and property tax expense associated with $9,566,256 in capital investment; a forecasted Annual Property Tax Recovery Mechanism; plus $560,000 of the operation and

[19] *Id.* at 19.
[20] *Id.* at 20-21.

maintenance (personnel) expense related to the expansion of the proactive main replacement program.[21] The total incremental fiscal year rate adjustment is $9,151,362.[22]

Ms. Nutile, Senior Analyst in the New England Pricing group of the Regulation and Pricing department of the Service Company, provided testimony regarding how the rate design was established, how ISR rate factors were calculated, and the resulting customer bill impacts. Ms. Nutile noted that the starting point for developing the rate design was the rate base that was approved in the Company's last rate case, Docket No. 4323, using the updated rate base allocator from the Amended Settlement Agreement. She described how the Company then compiled forecasted throughput data by rate class and allocated the incremental revenue requirement to each rate class based on the rate percentage allocations and the forecasted throughput to develop separate rate class ISR factors on a per therm basis. Finally, Ms. Nutile explained that the incremental operation and maintenance expense was allocated to all rate classes based on the total forecasted throughput on a per therm basis. Ms. Nutile identified each class' ISR rate factor which ranged from $0.0108 to $0.0661 per therm. She indicated that the ISR factors would become effective April 1, 2015. Ms. Nutile noted that the bill impact for an average residential heating customer using 846 therms would result in an annual rate increase of $25.87 or 2.2%.[23]

II. The Division of Public Utilities and Carriers' Letter

[21] Little Testimony at 2-3.
[22] Section 3: Revenue Requirement at Attachment 1, 1.
[23] Nutile Testimony at 1-4.

On March 3, 2015, the Division filed comments in the form of a letter from Leo Wold, Assistant Attorney General.[24] Mr. Wold explained that the Division had reviewed the proposed budget and summarized the Division's positions on each of the six Gas ISR Plan categories. The Division supported the additional personnel expense included in the expansion of the proactive main replacement program, specifically noting that it would be subject to reconciliation. Citing the end to the downward trend in emergency main breaks, such as those caused by homeowners or excavators, the Division supported continuing a minimal amount of funding for the reactive gas main replacement program.[25] The Division also supported the policy to coordinate infrastructure replacement with public works projects to reduce paving costs, "a high cost component of any gas main installation."[26] The Division had no comments on the mandated programs or the reliability category.[27] Further, the Division opined that the proposed modifications to the gas expansion pilot program should "produce better results in the FY16 period."[28] Finally, the Division supported the continued budget allocation of $3.0 million.[29]

III. National Grid's Revised Attachments and Supplemental Testimony

National Grid filed revised attachments to its proposed ISR Plan on March 10, 2015 to incorporate the impact of the extension of federal bonus tax depreciation rules into its revenue requirement and to correct the Company's omission of net operating losses. The revisions resulted in an increase to the ISR revenue requirement of

[24] Division Letter from Leo Wold, Assistant Attorney General to Luly Massaro (Feb. 27, 2015), http://www.ripuc.org/eventsactions/docket/4540-DPU-Comments_2-27-15.pdf.
[25] Division Letter at 1-2.
[26] *Id.* at 3.
[27] *Id.* at 3-4.
[28] *Id.* at 4.
[29] *Id.*

$2,767,632.[30] To explain the March 10, 2015 revisions, the Company filed the joint testimony of Michael D. Laflamme and William R. Richer (the witnesses). The witnesses explained that on December 19, 2014, Congress extended for the third time the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 allowing for 50% bonus depreciation tax deductions for capital investment made during 2014 and helping to significantly lower the amount the Company pays for federal income tax. The witnesses identified a $0.3 million decrease to the Company's Gas ISR revenue requirement that resulted from incorporating this bonus tax depreciation change into the revenue requirement filed on December 23, 2014.[31]

The witnesses explained that when the Company's tax deductions exceed its taxable income, net operating losses result which are recorded as non-cash assets and which customers will receive the benefit of when the Company is able to apply the net operating losses to taxable income in the future. The FY 2016 revenue requirement was increased by $3.1 million to correct the Company' failure to reduce ISR related deferred taxes by the amount of ISR investment related to net operating losses. Because bonus depreciation and capital repairs tax deductions exceeded the Company's amount of taxable income, the witnesses stated that net operating losses were generated for FY 2009, FY 2010, FY 2012, FY 2013 and FY 2014. They explained again that when net operating losses are generated, they are recorded as non-cash assets that customers will receive the benefit of when the Company is able to apply those losses against taxable income in the future. They indicated that including the net operating losses in the

[30] Revised Section 3: Attachment 1 and Revised Section 4: Attachments 1 and 2 (Mar. 10, 2015); http://www.ripuc.org/eventsactions/docket/4540-NGrid-Rev-Section3,4(3-10-15).pdf.
[31] Joint Prefiled Direct Testimony of Michael D. Laflamme and William R. Richer at 4-6 (Mar. 13, 2015); http://www.ripuc.org/eventsactions/docket/4539-4540-NGrid-LaFlamme-Richer(3-13-15).pdf.

revenue requirement calculation reduced the amount of deferred taxes in the derivations of the ISR rate base. Since they were unaware that net operating losses were generated in the years set forth above, customers received too much of a cash benefit, because ISR related deferred taxes were not reduced by the amount of ISR investment related to those losses.[32]

The witnesses explained that spreading the FY2016 increase over a period of years would require increased recovery in future years and incremental carrying charges on the amounts deferred. They provided that the $3.1 million increase to the gas revenue requirement was for FY 2016 only and that the Company would file a reconciliation for its FY 2015 Gas ISR Plan to address the $3.1 million increase to that year's revenue requirement resulting from the net operating loss issue. In addition to the $3.1 million increase to the FY 2016 and FY 2015 revenue requirements, they noted that failure to include the net operating losses in the revenue requirement for FY 2012, FY 2013, and FY 2014 resulted in customers receiving a $3.6 million benefit in excess of what was actually realized by the Company. Whether to recover those benefits through the FY 2015 reconciliation is being considered.[33] The revisions result in an annual bill increase for an average residential customer using 846 therms of $33.91 or 2.8%.[34]

IV. The Division of Public Utilities and Carriers' Memorandum

David Effron, a consultant with Berkshire Consulting Services hired by the Division, filed a memorandum setting forth his analysis of the Company's revenue requirement. He represented that its capital repairs deductions and bonus depreciation had the Company in a net operating loss position for certain previous years. He provided

[32] *Id.* at 7-10.
[33] *Id.* at 10-12.
[34] Revised Attachments (Mar. 10, 2015).

that because National Grid USA was also in a consolidated tax net operating position, the National Grid Rhode Island's net operating losses could not be offset. In order to remedy the effect of the net operating loss position, Mr. Effron explained that the accumulated deferred income tax calculation had to be corrected to recognize an offset for the losses, which the Company did. After review, he found National Grid's revisions and treatment of the net operating losses appropriate.

V. Hearing

On March 24, 2015, the Commission conducted an Evidentiary Hearing at its offices. National Grid presented Mr. Iseler, Ms. Little, Ms. Nutile, and Mr. Richer for cross examination. All of the witnesses adopted their prefiled testimony. Ms. Little and Ms. Nutile made minor changes to reflect information contained in the supplemental filing. Mr. Richer testified that he had reviewed the transcript of Mr. Laflamme's testimony from the Company's Electric ISR Evidentiary Hearing held on March 17, 2015 and adopted that testimony as his own.[35]

Mr. Iseler explained the two alternatives available to the Company for its main replacement program. The first would replace sixty-five miles in FY 2016 and seventy miles per year until the project is complete or over the course of nineteen years. The second, which was supported by the Division, would replace sixty-five miles of leak-prone pipe per year until the project is complete or over the course of twenty-one years.[36] He agreed that as more risk-prone pipe is eliminated, the probability of an event occurring is reduced.[37] Regarding the manpower associated with the replacement of

[35] Hr'g Tr. 8-20 (Mar. 24, 2015).
[36] *Id.* at 20-25.
[37] *Id.* at 25-26.

2,000 to 3,000 services per year, Mr. Iseler testified that when complete, those resources would be transitioned to address other unprotected steel services.[38]

Addressing the gas pilot expansion program, Mr. Iseler acknowledged that the Company spent only $1.3 million of its $3 million budget in FY2015. He expounded on how the Company had simplified the criteria which resulted in six projects being sold, four of which are complete, and noted that there are a number of areas that show promise for expansion. Based on project momentum that has accelerated over the past year as well as increased community outreach, he asserted that he was confident that there will be enough projects to satisfy the $3 million proposed budget.[39] When questioned about why the Company was adding gas customers when the region is experiencing constraint issues, Mr. Iseler responded that the customers being added are primarily residential and any effect those customers add to the constraint issue is minimal.[40] John Isberg also testified about the Company's gas pilot expansion program and discussed the Company's outreach. He provided that there are approximately nine additional projects. He also expressed that as information about the programs is disseminated, interest will increase quickly. He stated that the nine potential projects will total 5.2 miles of additional main. Regarding customer commitment, Mr. Isberg stated that the qualification process takes approximately thirty days.[41]

When questioned about whether the Company should be devoting resources to expanding the existing system while it faces significant challenges with its aging infrastructure, Mr. Iseler stated that a balanced approach makes sense. He expressed that

[38] *Id.* at 26-27.
[39] *Id.* at 27-35, 73-74.
[40] *Id.* at 45-47.
[41] *Id.* at 75-79.

over three quarters of the program budget is spent on addressing risks associated with leak-prone pipe. Additionally, he expounded that expansion will afford customers the opportunity for an alternative fuel. Moreover, because natural gas costs less than other alternatives, converting customers will reinvest their savings into the economy.[42]

Mr. Iseler testified about the remaining high pressure bare steel services that require replacement and noted that protocols had been put into place for when the Company is unable to access a customer's property. Those protocols include sending letters, making telephone calls, and leaving door hangers at customers' homes. He stated that absent a leak being evident, the Company is unable to assess whether or not any safety risks exist for the remaining 200 services that have yet to be replaced. He expressed that once those services are replaced, resources devoted to that part of the program will be reassigned to either capital or to operations and maintenance programs.[43]

Mr. Isler discussed how National Grid shares information with municipalities and the coordination that occurs between state and municipal projects and the Company's replacement programs. He explained how National Grid sends letters to the municipalities in the fall to assess whether its main replacement work can be coordinated with those state or municipal projects. He noted that, at times, replacement may be accelerated to coincide with a state or municipal project, making it more cost effective for the Company because the state or municipality does most of the restoration.[44]

In discussing how the Company assesses a broad set of risks and threats, Mr. Iseler explained that the Distribution Integrity Management Plan prioritizes projects. He testified that the prioritization determines what projects move forward first. He noted

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[42] *Id.* at 83-87.
[43] *Id.* at 39-43.
[44] *Id.* at 64-70.

that certain factors can accelerate when a project is scheduled, like paving.[45] He described how the Distribution Integrity Management Plan also assesses risks and threats to the system and then identifies how to mitigate those risks. He identified leak trends as a form of risk and described how leaks are graded depending on severity. He noted that the Company's process identifies the riskiest pipe and replaces that pipe first. He pointed out that the introduction of the accelerated replacement program had resulted in a significant reduction in leak rates.[46]

Finally, he discussed the additional employees that would be hired to support the ramp up in the number of miles of main to be replaced, noting that the employees would be Rhode Island employees working out of Rhode Island offices. Each of the employees would receive hands-on training in the field over a period of six to nine months.[47] When questioned about the additional employees hired last year to replace fifty-three miles of pipe in the proactive main replacement program, Mr. Iseler testified that winter weather conditions were, in part, the reason for the Company's failure to complete replacement of all fifty-three miles of pipe.[48] Lastly, he discussed the steps that the Company is taking to ensure success in the main replacement programs including renegotiating construction contracts to add additional crews and supplementing the workforce.[49]

VI. Commission Findings

At an Open Meeting held on March 31, 2015, the Commission deliberated on the 2016 Gas ISR Plan. The Commission discussed the Company's Gas Pilot Expansion

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[45] *Id.* at 88-98.
[46] *Id.* at 108-115.
[47] *Id.* at 119-131.
[48] *Id.* at 154-160, 170-175.
[49] *Id.* at 139-143.

Program, noting that the Company had spent only $1.3 million of the budgeted $3 million last year. The Commission found that the Company failed to present any evidence that the gas pilot expansion program provides a benefit to customers other than those who are actually converting to natural gas. Although the $0.79 annual cost to an average residential hearing customer using 846 therms is low, the Commission noted that it still amounts to another burden on customers. The Commission stated that it will continue to review the gas pilot expansion program to ensure that the program does not impede resources that could be better used for the benefit of all customers in the Company's gas main replacement efforts.

The Commission recognized that removal of high risk facilities in an expeditious fashion is significant and important. The Commission remains concerned with the risk associated with the Company's legacy cast iron and bare steel mains and encourages the Company to continue to take advantage of every opportunity to cost-effectively accelerate its replacement program. The Commission authorized the hiring of additional personnel last year in order to accelerate replacement; however, the Company fell short of its goal. Again this year, the Company requested funding to hire additional personnel which it asserted are necessary to satisfy the goal of replacing sixty-five miles of leak-prone pipe. Knowing that, beginning next year, the Company intends to accelerate the sixty-five mile goal to seventy miles until replacement is complete, the Commission desires detailed information regarding the Company's risk analysis. Specifically, the Commission is requiring the Company to submit a report on its methodology of assessing risk and the reduction of risk resulting from its replacement efforts. That information should allow the Commission to better analyze and evaluate the Company's request to increase replacement from sixty-five to seventy miles in future years. The Company's efforts, the Commission stated, should be focused more on upgrading the existing system by modernizing infrastructure, rather than expanding its customer base. Because there was no evidence presented to establish that the Gas Pilot Expansion Program provides a benefit to all customers and that $3 million is a necessary expense, the Commission approved $1.3 million to continue funding the Gas Pilot Expansion Program.

The Commission also considered the Company's supplemental filing that incorporated the impact of the extension of federal bonus tax depreciation rules, as well as the impact of the Company's failure to properly reflect an offset to accumulated deferred taxes related to tax net operating losses generated by the Company since its FY ending March 31, 2012 into its revenue requirement. The supplemental filing represented that the effect of these two events caused the Company's FY 2016 Gas ISR Plan revenue requirement to increase by $2,767,632. The Commission finds the Company's explanation, in both the prefiled and oral testimony of Messrs. Laflamme and Richer, informative. Because the Company corrected its 2016 Gas ISR Plan revenue requirement prior to the Commission's decision, the Commission approved the revised revenue requirement for FY 2016.

In conclusion, the Commission approves a budget of $76.8 million and a revenue requirement of $16,169,761, which results in a fiscal rate year adjustment of $11,777,281. It also approves the proposed rates for each rate class. The impact on a residential customer using 846 therms annually is an increase of $33.41 or 2.7%.

Accordingly, it is

(22046) ORDERED:

1. National Grid's proposed FY 2016 Gas Infrastructure, Safety, and Reliability Plan, with the exception of the funding of the Gas Pilot Expansion Program, is hereby approved.
2. National Grid is authorized to collect $1.3 million from ratepayers for the Gas Pilot Expansion Program.
3. National Grid shall provide a report to the Commission and the Division detailing its methodology of assessing risk and quantifying the reduction of risk resulting from its replacement efforts within sixty days of receiving this Report and Order.
4. National Grid shall comply with the reporting requirements and all other findings and directives contained in this Report and Order.

EFFECTIVE APRIL 1, 2015 IN WARWICK, RHODE ISLAND PURSUANT TO AN OPEN MEETING DECISION ON MARCH 31, 2015. WRITTEN ORDER ISSUED AUGUST 24, 2015.

PUBLIC UTILITIES COMMISSION

Margaret E. Curran, Chairperson

Paul J. Roberti, Commissioner

Herbert F. DeSimone, Jr., Commissioner

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days (7) from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.

PUC 6-2

Request:

What percentage of remaining leak prone pipe inventory has been risk ranked, and how many miles does this represent? Please breakout the mileage by main material if known.

Response:

As of September 22, 2023, approximately 838 miles of leak prone pipe remain in the Company's gas distribution network. Of that 838 miles, 351 miles have a priority score assigned to them, which is approximately 42 percent of the total leak prone pipe inventory. Of those 351 miles, 238 miles are cast iron, 66 miles are bare steel, 43 miles are unprotected coated steel, and four miles are ductile iron.

Prepared by or under the supervision of: Corey Hogg

PUC 6-3

Request:

Please provide a schedule similar to what was attached as Appendix A to the Commission's Order in Dockets 22-13-NG and 22-20-NG, reflecting the proposed DAC and GCR rates of which the Company is seeking approval in this docket.

Response:

Please see Attachment PUC 6-3 which can also be found on page 3 of Schedule PRB/TGS-1S Revised of the Revised Supplemental Testimony and Schedules of Peter R. Blazunas and Tyler G. Shields submitted on September 15, 2023.

The Narragansett Electric Company
d/b/a Rhode Island Energy
Summary of DAC & GCR Factors, As Filed
Effective November 1, 2023

	Distribution Adjustment Charge (DAC) Factors *(not including Uncollectible %)*		Rate	Type of Charge	Source (Docket No. 23-23-NG)
(1)	System Pressure Factor	$	0.0652	per therm	Sch. PRB/TGS-2S, Pg.1, Line (18)
(2)	Environmental Response Cost Factor	$	0.0012	per therm	Sch. PRB/TGS-3, Pg. 1, Line (16)
(3)	Pension Adjustment Factor	$	(0.0180)	per therm	Sch. PRB/TGS-4S, Pg. 1, Line (14)
(4)	Arrearage Management Adjustment Factor	$	0.0010	per therm	Sch. PRB/TGS-5, Pg. 1, Line (4)
(5)	Service Quality Factor	$	(0.0003)	per therm	Sch. PRB/TGS-6, Pg. 1, Line (8)
(6)	*DAC Reconciliation Factors:*				
(a)	Reconciliation Factor (All Rate Classes)	$	0.0320	per therm	Sch. PRB/TGS-9S, Pg. 1, Line (16)
(b)	Reconciliation Factor (Large and Extra-Large C&I Only)	$	(0.0126)	per therm	Sch. PRB/TGS-9S, Pg. 1, Line (28)
(c)	RDA Reconciliation Factor (Residential, Small & Medium C&I Only)	$	0.0057	per therm	Sch. PRB/TGS-9S, Pg. 1, Line (22)
(7)	Earnings Sharing Mechanism	$	-	per therm	Sch. PRB/TGS-11, Pg. 1, Line (4)
(8)	Low Income Discount Recovery Factor	$	0.0230	per therm	Sch. PRB/TGS-12S Revised, Pg. 1, Line (4)
(9)	Storm Net Revenue Factor	$	-	per therm	Sch. PRB/TGS-13S, Pg. 1, Line (6)
(10)	*ISR Reconciliation Factors:*				
(a)	Residential	$	0.0250	per therm	Sch. PRB/TGS-7S, Pg. 1, Line (3)
(b)	Small	$	0.0217	per therm	Sch. PRB/TGS-7S, Pg. 1, Line (4)
(c)	Medium	$	0.0197	per therm	Sch. PRB/TGS-7S, Pg. 1, Line (5)
(d)	Large LL	$	0.0109	per therm	Sch. PRB/TGS-7S, Pg. 1, Line (6)
(e)	Large HL	$	0.0053	per therm	Sch. PRB/TGS-7S, Pg. 1, Line (7)
(f)	XL-LL	$	(0.0036)	per therm	Sch. PRB/TGS-7S, Pg. 1, Line (8)
(g)	XL-HL	$	0.0004	per therm	Sch. PRB/TGS-7S, Pg. 1, Line (9)

	Gas Cost Recovery (GCR) Factors		Rate	Type of Charge	Source (Docket No. 23-23-NG)
(11)	High Load Factor	$	0.6054	per therm	Attachment GPP-1 Revised, Pg. 1, Line (6)(d)
(12)	Low Load Factor	$	0.6523	per therm	Attachment GPP-1 Revised, Pg. 1, Line (6)(e)
(13)	*Gas Marketer Transportation Factors:*				
(14)	FT-2 Demand Rate	$	10.9149	per dekatherm	Attachment GPP-5 Revised, Pg. 2, Line (23)
(15)	Storage and Peaking Charge	$	0.8757	per dekatherm	Attachment GPP-5 Revised, Pg. 3, Line (5)