

Jennifer Brooks Hutchinson,
Senior Counsel
PPL Services Corporation
JHutchinson@pplweb.com

280 Melrose Street
Providence, RI 02907
Phone 401-784-7288



January 23, 2024

VIA ELECTRONIC MAIL

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

**RE: Docket No. 23-49-NG – The Narragansett Electric Company d/b/a
Rhode Island Energy’s Proposed FY 2025 Gas Infrastructure, Safety, and
Reliability Plan
Responses to PUC Data Requests – Set 1 (Complete Set)**

Dear Ms. Massaro:

On behalf of Rhode Island Energy,¹ I have enclosed the Company’s complete set of responses to the Public Utilities Commission’s First Set of Data Requests (“PUC Set 1”) issued in the above-referenced matter.

This transmittal contains the Company’s remaining response to data request PUC 1-5 in PUC Set 1.

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

Very truly yours,

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

Jennifer Brooks Hutchinson

Enclosure

cc: Docket No. 23-49-NG Service List

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

PUC 1-1

Request:

It is not clear from the testimony as to which capital investment categories contain a “maximum allowable budget” within the Company’s Budgetary Framework Proposal. To assist in understanding the Company’s proposal, please restate Table 1A FY 2025 Budget (Bates page 78) with the FY 2025 “Budget” column, but add a new column which provides any proposed “maximum allowable budget” that pertains to the specific referenced group or category in the applicable row. (If using another format better illustrates the Company’s proposal in one table, such alternative illustration may be provided in response.)

Response:

Subject to the proposed Overspend Allowance Percentage (i.e., 2.5 percent), as shown in Attachment PUC 1-1, the Main Replacement & Rehabilitation and Reliability & Pressure Regulation categories would have maximum allowable budgets. The Mandated and Large Multi-Year Reliability Project categories would not have maximum allowable budgets. The Company will provide quarterly updates and an annual summary of any substantial over or under spending variances for the Mandated Category group and the Large Multi-Year Reliability Projects (for changes that substantially impact the overall project cost forecast).

Please see Attachment PUC 1-1 for an updated view of Table 1A, which now includes the FY2025 Proposed Budget, the Overspend Allowance Percentage by Level 1 category group (where applicable) and the resulting FY2025 Total Allowable Spend. Please note, for any Level 1 category groups with No Specific Overspend Allowance Limit, the Company has listed the FY2025 Proposed Budget in the “Total Allowable Spend” column.

As detailed in the joint direct pre-filed testimony of Company witnesses Nathan Kocon, Phil LaFond, and Laeyeng Hunt (Bates page 15), the Company is proposing that, spending in excess of the 2.5 percent Overspend Allowance Percentage for the Main Replacement & Rehabilitation and/or Reliability & Pressure Regulation Level 1 categories, will result in a one-time reduction to the revenue requirement in that year that is equal to one year of revenue requirement dollars associated with the total amount of overspend in excess of the approved budget.

If the Company were to exceed the “Total Allowable Spend” in one (or more) Level 1 category group, the spending beyond the Total Allowable Spend Limit should still be taken into consideration as an allowable Gas ISR expenditure during the annual reconciliation process.

**Table 1A - Including Overspend Allowances
Narragansett Gas - FY 2025 - Proposal to PUC
(\$000)**

| Investment Categories & Groups | FY 2025 Budget (\$000) | Overspend Allowance Percentage | FY2025 Total Allowable Spend* |
|--|------------------------|--------------------------------|-------------------------------|
| A. Main Replacement & Rehabilitation | | | |
| <i>Damage / Failure (Reactive)</i> | \$ 25 | | |
| <i>Reactive Main Replacement - Leak Prone Pipe & Maintenance</i> | \$ 7,838 | | |
| <i>CSC/Public Works - Non-Reimbursable</i> | \$ 22,519 | | |
| <i>CSC/Public Works - Reimbursable</i> | \$ 1,700 | | |
| <i>CSC/Public Works - Reimbursements</i> | \$ (850) | | |
| <i>Gas System Reliability</i> | \$ 4,580 | | |
| <i>Proactive Main Rehabilitation - Large Diameter (CI Lining & CISBOT)</i> | \$ 750 | | |
| <i>Proactive Low Pressure System Elimination</i> | \$ 6,552 | | |
| <i>Pipeline Integrity</i> | \$ 10,020 | | |
| <i>Replace Pipe on Bridges</i> | \$ 1,420 | | |
| <i>Proactive Main Replacement - Leak Prone Pipe</i> | \$ 62,169 | | |
| <i>Atwells Avenue</i> | \$ 750 | | |
| <i>Proactive Service Replacement</i> | \$ 250 | | |
| Main Replacement & Rehabilitation Total | \$ 117,723 | 2.5% | \$ 120,666 |
| B. Mandated & Non-Main Reactive | | | |
| <i>Reactive Leaks (CI Joint Encapsulation/Service Replacement)</i> | \$ 8,000 | | |
| <i>Purchase Meters (Replacement)</i> | \$ 5,646 | | |
| <i>Corrosion</i> | \$ 1,918 | | |
| <i>Reactive Service Replacements - Non-Leaks/Other</i> | \$ 1,748 | | |
| <i>I&R - Reactive</i> | \$ 1,472 | | |
| <i>Access Protection Remediation</i> | \$ 40 | | |
| Mandated Total | \$ 18,824 | No Specific Limit | \$ 18,824 |
| C. Reliability & Pressure Regulation | | | |
| <i>LNG</i> | \$ 11,187 | | |
| <i>Transmission Station Integrity</i> | \$ 5,891 | | |
| <i>Pressure Regulating Facilities</i> | \$ 5,888 | | |
| <i>Distribution Station Over Pressure Protection</i> | \$ 1,785 | | |
| <i>Tiverton GS - Heaters Replacement and Ownership Transfer</i> | \$ 10 | | |
| <i>Take Station Refurbishment</i> | \$ 1,221 | | |
| <i>Heater Installation Program</i> | \$ 400 | | |
| <i>System Automation</i> | \$ 665 | | |
| <i>Tools & Equipment</i> | \$ 1,211 | | |
| <i>Valve Installation/Replacement - Primary Valve Program & Aquidneck Island Low Pressure Valves</i> | \$ 142 | | |
| <i>Southern RI Gas Expansion Project - Regulator Station Investment</i> | \$ 4,060 | | |
| Reliability & Pressure Regulation Total | \$ 32,460 | 2.5% | \$ 33,272 |
| D. Large Multi-Year Reliability Projects | | | |
| <i>LNG - Exeter Truck Station Upgrade</i> | \$ 500 | | |
| <i>LNG - Exeter Control Room Upgrade</i> | \$ 1,600 | | |
| <i>LNG - Old Mill Lane Portable Equipment</i> | \$ 8,300 | | |
| <i>LNG - Old Mill Lane Site Upgrades</i> | \$ 6,000 | | |
| Large Multi-Year Reliability Projects Total | \$ 16,400 | No Specific Limit | \$ 16,400 |
| | | | |
| CAPITAL ISR TOTAL | \$ 185,407 | | \$ 189,162 |
| E. PHMSA - Gas Pipeline Leak Detection and Repair (LDAR) | | | |
| <i>Reactive Leaks (CI Joint Encapsulation/Service Replacement) (PHMSA)</i> | \$ 4,000 | | |
| <i>Main Replacement (Mandated) - Leak Prone Pipe (PHMSA)</i> | \$ 6,589 | | |
| <i>Tools & Equipment (PHMSA)</i> | \$ 200 | | |
| PHMSA LDAR Total | \$ 10,789 | n/a | \$ 10,789 |
| CAPITAL ISR TOTAL (With PHMSA LDAR) | \$ 196,196 | | \$ 199,951 |
| Notable Capital Projects Not Currently Included in the ISR | | | |
| <i>LNG - Cumberland Tank Replacement</i> | \$ 375 | n/a | \$ 375 |

*Note: For any Level 1 category groups with No Specific Overspend Allowance Limit, the Company has listed the FY2025 Proposed Budget in the "Total Allowable Spend" column. The Company will provide quarterly updates and an annual summary of any substantial over or under spending variances for the Mandated Category group and the Large Multi-Year Reliability Projects (for changes that substantially impact the overall project cost forecast).

The Narragansett Electric Company
d/b/a Rhode Island Energy
RIPUC Docket No. 23-49-NG
In Re: Proposed FY 2025 Gas Infrastructure, Safety and Reliability Plan
Responses to the Commission's First of Data Requests
Issued on December 22, 2023

PUC 1-2

Request:

Using the format similar to Table 1B on Bates page 79, please show a comparison of the (a) the proposed FY 2025 budget, (b) the FY 2024 budget that was approved by the Commission, and (c) the current forecasted actual FY 2024 spending.

Response:

Please see Attachment PUC 1-2 for an expanded version of Table 1B, which now includes the (a) FY2025 budget, (b) the FY2024 budget that was approved by the Commission, and (c) the current FY2024 forecast (as of December 6, 2023).

Attachment PUC 1-2

Table 1B - FY2024 Budget, FY2024 Forecast, FY2025 Proposed Budget
Narragansett Gas
(\$000)

| Investment Categories & Groups | FY 2025 Budget (a) | FY 2024 Budget Total (b) | FY2024 Forecast as of 12/6/2023 (c) |
|--|--------------------|--------------------------|-------------------------------------|
| NON-DISCRETIONARY | | | |
| Public Works | | | |
| <i>CSC/Public Works - Non-Reimbursable</i> | \$ 22,519 | \$ 16,875 | \$ 28,263 |
| <i>CSC/Public Works - Reimbursable</i> | \$ 1,700 | \$ 1,372 | \$ 1,340 |
| <i>CSC/Public Works - Reimbursements</i> | \$ (850) | \$ (1,070) | \$ (3,161) |
| Public Works Total | \$ 23,369 | \$ 17,177 | \$ 26,442 |
| Mandated Programs | | | |
| <i>Corrosion</i> | \$ 1,918 | \$ 1,534 | \$ 1,534 |
| <i>Purchase Meters (Replacement)</i> | \$ 5,646 | \$ 7,095 | \$ 4,555 |
| <i>Reactive Leaks (CI Joint Encapsulation/Service Replacement)</i> | \$ 8,000 | \$ 8,000 | \$ 8,143 |
| <i>Service Replacements (Reactive) - Non-Leaks/Other</i> | \$ 1,748 | \$ 1,748 | \$ 3,248 |
| <i>Main Replacement (Reactive) - Leak Prone Pipe & Maintenance</i> | \$ 7,838 | \$ 1,167 | \$ 6,506 |
| <i>Low Pressure System Elimination (Proactive)</i> | \$ 6,552 | \$ 1,300 | \$ 800 |
| <i>Transmission Station Integrity</i> | \$ 5,891 | \$ 4,201 | \$ 2,410 |
| <i>Pipeline Integrity</i> | \$ 10,020 | \$ 575 | \$ 575 |
| Mandated Total | \$ 47,613 | \$ 25,620 | \$ 27,771 |
| Damage / Failure (Reactive) | | | |
| <i>Damage / Failure (Reactive)</i> | \$ 25 | \$ 25 | \$ 25 |
| NON-DISCRETIONARY TOTAL | \$ 71,007 | \$ 42,822 | \$ 54,238 |
| DISCRETIONARY | | | |
| Proactive Main Replacement | | | |
| <i>Main Replacement (Proactive) - Leak Prone Pipe</i> | \$ 62,169 | \$ 73,172 | \$ 60,929 |
| <i>Main Replacement (Proactive) - Large Diameter LPCI Program</i> | \$ 750 | \$ 3,994 | \$ 6,615 |
| <i>Atwells Avenue</i> | \$ 750 | \$ 1,100 | \$ 1,100 |
| Proactive Main Replacement Total | \$ 63,669 | \$ 78,266 | \$ 68,644 |
| Proactive Service Replacement | | | |
| Proactive Service Replacement Total | \$ 250 | \$ 559 | \$ 250 |
| Reliability | | | |
| <i>System Automation</i> | \$ 665 | \$ 792 | \$ 592 |
| <i>Heater Installation Program</i> | \$ 400 | \$ 5,006 | \$ 5,006 |
| <i>Wampanoag Trail & Tiverton GS - Heaters Replacement and Ownership Transfer</i> | \$ 10 | \$ 190 | \$ 690 |
| <i>Take Station Refurbishment</i> | \$ 1,221 | \$ 1,164 | \$ 785 |
| <i>Pressure Regulating Facilities</i> | \$ 5,888 | \$ 5,200 | \$ 5,200 |
| <i>Valve Installation/Replacement - Primary Valve Program & Aquidneck Island Low Pressure Valves</i> | \$ 142 | \$ 606 | \$ 296 |
| <i>Gas System Reliability</i> | \$ 4,580 | \$ 2,530 | \$ 3,636 |
| <i>I&R - Reactive</i> | \$ 1,472 | \$ 1,402 | \$ 1,402 |
| <i>Distribution Station Over Pressure Protection</i> | \$ 1,785 | \$ 2,420 | \$ 1,620 |
| <i>LNG</i> | \$ 21,587 | \$ 16,319 | \$ 12,647 |
| <i>Old Mill Lane Site Upgrade*</i> | \$ 6,000 | | |
| <i>Replace Pipe on Bridges</i> | \$ 1,420 | \$ 1,350 | \$ 1,150 |
| <i>Access Protection Remediation</i> | \$ 40 | \$ 60 | \$ 45 |
| <i>Tools & Equipment</i> | \$ 1,211 | \$ 1,033 | \$ 1,034 |
| Reliability Total | \$ 46,421 | \$ 38,072 | \$ 34,103 |
| SUBTOTAL DISCRETIONARY (Without Gas Expansion) | \$ 110,340 | \$ 116,897 | \$ 102,997 |
| Southern RI Gas Expansion Project | | | |
| <i>Regulator Station Investment</i> | \$ 4,060 | \$ 3,700 | \$ 1,463 |
| Southern RI Gas Expansion Project Total | \$ 4,060 | \$ 3,700 | \$ 1,463 |
| DISCRETIONARY TOTAL (With Gas Expansion) | \$ 114,400 | \$ 120,597 | \$ 104,460 |
| CAPITAL ISR TOTAL (Base Capital - Without Gas Expansion) | \$ 181,347 | \$ 159,719 | \$ 157,235 |
| CAPITAL ISR TOTAL (With Gas Expansion) | \$ 185,407 | \$ 163,419 | \$ 158,698 |
| PHMSA - Gas Pipeline Leak Detection and Repair (LDAR) | | | |
| <i>Reactive Leaks (CI Joint Encapsulation/Service Replacement) (PHMSA)</i> | \$ 4,000 | \$ - | \$ - |
| <i>Main Replacement (Mandated) - Leak Prone Pipe (PHMSA)</i> | \$ 6,589 | \$ - | \$ - |
| <i>Tools & Equipment (PHMSA)</i> | \$ 200 | \$ - | \$ - |
| PHMSA LDAR Total | \$ 10,789 | \$ - | \$ - |
| CAPITAL ISR TOTAL (With Gas Expansion & PHMSA LDAR) | \$ 196,196 | \$ 163,419 | \$ 158,698 |
| Notable Capital Projects Not Currently Included in the ISR | | | |
| <i>Old Mill Lane*</i> | | \$ 500 | \$ - |
| <i>LNG - Cumberland Tank Replacement</i> | \$ 375 | \$ 500 | \$ - |

*Note: Old Mill Lane (Site Upgrades) was excluded from the ISR prior to FY2025, but has been included in the FY2025 proposed budget because the project will be in construction if approved by the EFSB.

PUC 1-3

Request:

Referring to Table 2 showing the 5-year forecast (Bates page 80), please explain why the Main Replacement and Rehabilitation total is projected to increase from approximately \$117 million to \$152 million from FY 2026 to FY 2027.

Response:

The elimination of the Company's inventory of leak prone pipe is in the best interest of all stakeholders to mitigate continuing safety and environmental concerns. The Company's current leak prone pipe inventory is greater than 800 miles and a significant amount of this is greater than 100 years old. The Company anticipates there will continue to be a need to invest in the natural gas distribution system through FY2027 (and beyond) pending the outcome of the PUC's Investigation Into the Future of the Regulated Gas Distribution Business in Rhode Island in Light of the Act on Climate, in Docket No. 22-01-NG.

The Company is also planning to expand its Low Pressure System Elimination program to improve safety and reliability while allowing for more low-to-high pressure Main Replacement projects in the future. Increasing the work done under this program will increase the safety and reliability of the system and allow future projects to be completed at lower cost and greater speed due to the smaller diameter main that is used in high pressure portions of the distribution system.

The Company anticipates that there will be other necessary investments required beyond FY2026 which have not yet been identified. The Company expects it may need to reallocate some of the proposed spending away from the Main Replacement and Rehabilitation categories as it continues to examine its system's performance and to accommodate any future federal regulations with which it may need to comply.

The Company recognizes that any future ISR plans are subject to Division review and input and PUC approval after sufficient justification for proposed investments has been established, and taking into account outcomes from the Future of Gas docket.

PUC 1-4

Request:

Referring to pages 17-18 of the pre-filed testimony which states “The Company believes that treating paving costs, which are integral to the completion of most gas capital projects, as operating expenses will be overly burdensome to customers,” please explain all the reasons why treating paving costs as an operating expense will be “overly burdensome” to customers.

Response:

Treating curb to curb paving costs as operation and maintenance (“O&M”) expense in the proposed FY2025 ISR plan would be overly burdensome to customers because this treatment would result in an increase to rates of approximately 180 percent in FY2025 over the average of the last four ISR plan rates. Customers pay for O&M expense entirely in the year in which the work is performed. This treatment of paving costs would imply that the Company’s paving will be in place for only one year. Notwithstanding the passage of the Act on Climate and the Commission’s ongoing consideration of the future of the natural gas distribution system in light of the Act on Climate in Docket No. 22-01-NG, it is nonetheless near certain that the asphalt installed as part of the final restoration of roadways following main replacement will still be in use for longer than one year. Thus, customers will continue to receive the same benefits of the ISR Plan at a lower bill impact in FY2025 if the paving costs continue to be treated as capital investments.

The Company’s response to this data request is limited to addressing the burden to customers referenced in the request and does not address the other accounting related reasons that paving costs should continue to be treated as a capital expense through the ISR plan. As referenced on pages 17-18 of the pre-filed testimony, treating paving costs as a capital expense is consistent with the Federal Energy Regulatory Commission guidance on cost capitalization for gas construction projects.

PUC 1-5

Request:

Referring to Table 2 showing the 5-year forecast (Bates page 80),

- a. please provide the Company’s forecast of paving costs that are included for each year of the budget forecast included in the table, including the forecast by year and the cumulative amount over the five years.
- b. please state the assumed depreciation period that would apply to the paving costs for each of those years if such costs are allowed to continue to be treated as a capital cost,
- c. assuming such costs are allowed to continue to be treated as a capital cost for each year over the five years,
 - i. provide a revenue requirement estimate of the total amount that would be recovered from customers relating to paving costs for each year over the applicable depreciation period,
 - ii. provide the cumulative amount of the revenue requirement that would be paid through gas distribution rates through the applicable depreciation period for each year’s paving costs (Please show the cumulative amount on a net present value and nominal basis), and
 - iii. provide a calculation of the amount of return that the Company would expect to earn on the paving costs over the referenced cumulative periods (stating all ROE assumptions used in the calculation) on a net present value and nominal basis.

Response:

- a. Please see the chart below for the requested information:

| Dollars in \$000 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|---|----------------|----------------|----------------|----------------|----------------|
| Annual Final Restoration Paving Costs (included in portfolio) | \$ 12,000 | \$ 11,910 | \$ 15,487 | \$ 15,292 | \$ 16,303 |
| Cumulative Final Restoration Paving Costs (included in portfolio) | \$ 12,000 | \$ 23,910 | \$ 39,397 | \$ 54,690 | \$ 70,992 |

- b. Assuming paving costs are treated as capital costs through the gas ISR mechanism, depreciation would be calculated at the composite book depreciation rate of 2.99% for each fiscal year following the investment in plant in service, which is the current depreciation rate applied to all gas ISR plan capital investments. This amount would be updated in a future base distribution rate case; however, that amount is not known yet.

PUC 1-5, page 2

- c.
- i. Please see Attachment PUC 1-5, Page 1, Column (c) through Column (g) for the total revenue requirement for each year's paving costs.
 - ii. Please see Attachment PUC 1-5, Page 1, Column (h) through Column (l) for the requested information. The cumulative nominal basis revenue requirement for the approximately \$71.0 million plant in service paving costs is \$155.3 million, and the cumulative present value basis revenue requirement is \$51.1 million.
 - iii. Please see Attachment PUC 1-5, Page 2 for the requested information. The cumulative nominal basis return for the approximately \$71.0 million plant in service paving costs is \$87.8 million, and the cumulative present value basis return is \$30.4 million.

| | |
|---------------|---------|
| ROR | 8.410% |
| ROE | 9.275% |
| Equity Weight | 50.950% |

Total Revenue Requirement

| Period | FY | Investment Placed in Service | | | | | Total Nominal Basis | | Discount Factor | Total Present Value | |
|--------|-------|------------------------------|--------------|--------------|--------------|--------------|---------------------|---------------|-----------------|---------------------|--------------|
| | | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | Current | Cumulative | | Current | Cumulative |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) |
| 1 | 2025 | \$608,280 | | | | | \$608,280 | \$608,280 | 0.9224 | \$561,092 | \$561,092 |
| 2 | 2026 | \$1,201,921 | \$603,260 | | | | \$1,805,181 | \$2,413,461 | 0.8509 | \$1,535,968 | \$2,097,059 |
| 3 | 2027 | \$1,172,894 | \$1,191,966 | \$784,440 | | | \$3,149,300 | \$5,562,761 | 0.7849 | \$2,471,759 | \$4,568,818 |
| 4 | 2028 | \$1,144,344 | \$1,163,109 | \$1,549,956 | \$774,563 | | \$4,631,973 | \$10,194,734 | 0.7240 | \$3,353,425 | \$7,922,243 |
| 5 | 2029 | \$1,116,236 | \$1,134,729 | \$1,512,432 | \$1,530,441 | \$825,772 | \$6,119,610 | \$16,314,344 | 0.6678 | \$4,086,740 | \$12,008,984 |
| 6 | 2030 | \$1,088,537 | \$1,106,791 | \$1,475,529 | \$1,493,389 | \$1,631,623 | \$6,795,869 | \$23,110,213 | 0.6160 | \$4,186,286 | \$16,195,270 |
| 7 | 2031 | \$1,061,216 | \$1,079,262 | \$1,439,200 | \$1,456,950 | \$1,592,121 | \$6,628,749 | \$29,738,962 | 0.5682 | \$3,766,571 | \$19,961,841 |
| 8 | 2032 | \$1,034,245 | \$1,052,111 | \$1,403,403 | \$1,421,079 | \$1,553,274 | \$6,464,110 | \$36,203,072 | 0.5241 | \$3,388,083 | \$23,349,924 |
| 9 | 2033 | \$1,007,479 | \$1,025,309 | \$1,368,097 | \$1,385,732 | \$1,515,031 | \$6,301,648 | \$42,504,720 | 0.4835 | \$3,046,702 | \$26,396,626 |
| 10 | 2034 | \$980,743 | \$998,713 | \$1,333,246 | \$1,350,871 | \$1,477,347 | \$6,140,920 | \$48,645,640 | 0.4460 | \$2,738,672 | \$29,135,298 |
| 11 | 2035 | \$954,007 | \$972,147 | \$1,298,662 | \$1,316,459 | \$1,440,181 | \$5,981,457 | \$54,627,097 | 0.4114 | \$2,460,618 | \$31,595,916 |
| 12 | 2036 | \$927,271 | \$945,581 | \$1,264,118 | \$1,282,311 | \$1,403,494 | \$5,822,775 | \$60,449,872 | 0.3795 | \$2,209,520 | \$33,805,436 |
| 13 | 2037 | \$900,536 | \$919,016 | \$1,229,573 | \$1,248,201 | \$1,367,088 | \$5,664,414 | \$66,114,287 | 0.3500 | \$1,982,684 | \$35,788,120 |
| 14 | 2038 | \$873,800 | \$892,450 | \$1,195,029 | \$1,214,092 | \$1,330,724 | \$5,506,094 | \$71,620,380 | 0.3229 | \$1,777,759 | \$37,565,878 |
| 15 | 2039 | \$847,064 | \$865,884 | \$1,160,485 | \$1,179,982 | \$1,294,359 | \$5,347,774 | \$76,968,154 | 0.2978 | \$1,592,696 | \$39,158,574 |
| 16 | 2040 | \$820,328 | \$839,318 | \$1,125,940 | \$1,145,873 | \$1,257,994 | \$5,189,453 | \$82,157,607 | 0.2747 | \$1,425,647 | \$40,584,221 |
| 17 | 2041 | \$793,593 | \$812,752 | \$1,091,396 | \$1,111,763 | \$1,221,630 | \$5,031,133 | \$87,188,740 | 0.2534 | \$1,274,932 | \$41,859,153 |
| 18 | 2042 | \$766,857 | \$786,187 | \$1,056,851 | \$1,077,654 | \$1,185,265 | \$4,872,813 | \$92,061,553 | 0.2338 | \$1,139,020 | \$42,998,174 |
| 19 | 2043 | \$740,121 | \$759,621 | \$1,022,307 | \$1,043,544 | \$1,148,900 | \$4,714,493 | \$96,776,046 | 0.2156 | \$1,016,523 | \$44,014,697 |
| 20 | 2044 | \$713,385 | \$733,055 | \$987,762 | \$1,009,434 | \$1,112,536 | \$4,556,172 | \$101,332,218 | 0.1989 | \$906,177 | \$44,920,875 |
| 21 | 2045 | \$687,588 | \$706,489 | \$953,218 | \$975,325 | \$1,076,171 | \$4,398,791 | \$105,731,009 | 0.1835 | \$807,007 | \$45,727,881 |
| 22 | 2046 | \$663,829 | \$680,862 | \$918,673 | \$941,215 | \$1,039,807 | \$4,244,386 | \$109,975,395 | 0.1692 | \$718,273 | \$46,446,154 |
| 23 | 2047 | \$641,170 | \$657,273 | \$885,349 | \$907,106 | \$1,003,442 | \$4,094,340 | \$114,069,735 | 0.1561 | \$639,130 | \$47,085,283 |
| 24 | 2048 | \$618,511 | \$634,784 | \$854,676 | \$874,202 | \$967,077 | \$3,949,249 | \$118,018,984 | 0.1440 | \$568,657 | \$47,653,940 |
| 25 | 2049 | \$595,852 | \$612,295 | \$825,432 | \$843,914 | \$931,998 | \$3,809,490 | \$121,828,474 | 0.1328 | \$505,980 | \$48,159,920 |
| 26 | 2050 | \$573,193 | \$589,805 | \$796,188 | \$815,039 | \$899,708 | \$3,673,933 | \$125,502,407 | 0.1225 | \$450,120 | \$48,610,040 |
| 27 | 2051 | \$550,533 | \$567,316 | \$766,945 | \$786,164 | \$868,924 | \$3,539,881 | \$129,042,289 | 0.1130 | \$400,052 | \$49,010,092 |
| 28 | 2052 | \$527,874 | \$544,827 | \$737,701 | \$757,288 | \$838,139 | \$3,405,830 | \$132,448,119 | 0.1042 | \$355,043 | \$49,365,135 |
| 29 | 2053 | \$505,215 | \$522,338 | \$708,458 | \$728,413 | \$807,355 | \$3,271,778 | \$135,719,897 | 0.0962 | \$314,610 | \$49,679,746 |
| 30 | 2054 | \$482,556 | \$499,848 | \$679,214 | \$699,538 | \$776,570 | \$3,137,726 | \$138,857,623 | 0.0887 | \$278,314 | \$49,958,059 |
| 31 | 2055 | \$459,897 | \$477,359 | \$649,971 | \$670,662 | \$745,786 | \$3,003,675 | \$141,861,298 | 0.0818 | \$245,755 | \$50,203,815 |
| 32 | 2056 | \$437,238 | \$454,870 | \$620,727 | \$641,787 | \$715,002 | \$2,869,623 | \$144,730,921 | 0.0755 | \$216,574 | \$50,420,389 |
| 33 | 2057 | \$414,578 | \$432,381 | \$591,484 | \$612,911 | \$684,217 | \$2,735,571 | \$147,466,492 | 0.0696 | \$190,441 | \$50,610,829 |
| 34 | 2058 | \$373,737 | \$409,891 | \$562,240 | \$584,036 | \$653,433 | \$2,583,337 | \$150,049,830 | 0.0642 | \$165,891 | \$50,776,721 |
| 35 | 2059 | | \$369,356 | \$532,997 | \$555,161 | \$622,649 | \$2,080,162 | \$152,129,992 | 0.0592 | \$123,217 | \$50,899,937 |
| 36 | 2060 | | | \$480,287 | \$526,285 | \$591,864 | \$1,598,437 | \$153,728,429 | 0.0546 | \$87,337 | \$50,987,275 |
| 37 | 2061 | | | | \$474,240 | \$561,080 | \$1,035,320 | \$154,763,748 | 0.0504 | \$52,181 | \$51,039,455 |
| 38 | 2062 | | | | | \$505,593 | \$505,593 | \$155,269,342 | 0.0465 | \$23,505 | \$51,062,960 |
| 39 | Total | \$26,284,628 | \$26,040,954 | \$33,861,986 | \$33,435,623 | \$35,646,152 | \$155,269,342 | | | \$51,062,960 | |

(j) Discount Factor = 1/(1+8.410%)^{Period}

| | |
|---------------|---------|
| ROR | 8.410% |
| ROE | 9.275% |
| Equity Weight | 50.950% |

Total Return on Equity

| Period | FY | Investment Placed in Service | | | | | Total Nominal Basis | | Discount Factor | Total Present Value | |
|--------|-------|------------------------------|--------------|--------------|--------------|--------------|---------------------|--------------|-----------------|---------------------|--------------|
| | | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | Current | Cumulative | | Current | Cumulative |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) |
| 1 | 2025 | \$437,753 | | | | | \$437,753 | \$437,753 | 0.9151 | \$400,598 | \$400,598 |
| 2 | 2026 | \$860,869 | \$434,012 | | | | \$1,294,882 | \$1,732,635 | 0.8374 | \$1,084,397 | \$1,484,995 |
| 3 | 2027 | \$831,842 | \$853,472 | \$564,362 | | | \$2,249,676 | \$3,982,311 | 0.7664 | \$1,724,080 | \$3,209,075 |
| 4 | 2028 | \$803,292 | \$824,615 | \$1,109,800 | \$557,256 | | \$3,294,963 | \$7,277,273 | 0.7013 | \$2,310,826 | \$5,519,901 |
| 5 | 2029 | \$775,184 | \$796,235 | \$1,072,276 | \$1,095,826 | \$594,098 | \$4,333,619 | \$11,610,892 | 0.6418 | \$2,781,292 | \$8,301,194 |
| 6 | 2030 | \$747,485 | \$768,297 | \$1,035,373 | \$1,058,775 | \$1,168,275 | \$4,778,203 | \$16,389,095 | 0.5873 | \$2,806,336 | \$11,107,530 |
| 7 | 2031 | \$720,164 | \$740,767 | \$999,044 | \$1,022,336 | \$1,128,773 | \$4,611,084 | \$21,000,179 | 0.5375 | \$2,478,320 | \$13,585,850 |
| 8 | 2032 | \$693,192 | \$713,616 | \$963,246 | \$986,464 | \$1,089,926 | \$4,446,445 | \$25,446,624 | 0.4919 | \$2,186,988 | \$15,772,838 |
| 9 | 2033 | \$666,426 | \$686,815 | \$927,941 | \$951,118 | \$1,051,683 | \$4,283,982 | \$29,730,606 | 0.4501 | \$1,928,237 | \$17,701,074 |
| 10 | 2034 | \$639,691 | \$660,219 | \$893,090 | \$916,257 | \$1,013,999 | \$4,123,255 | \$33,853,861 | 0.4119 | \$1,698,369 | \$19,399,443 |
| 11 | 2035 | \$612,955 | \$633,653 | \$858,506 | \$881,845 | \$976,833 | \$3,963,792 | \$37,817,653 | 0.3769 | \$1,494,108 | \$20,893,551 |
| 12 | 2036 | \$586,219 | \$607,087 | \$823,962 | \$847,696 | \$940,146 | \$3,805,110 | \$41,622,763 | 0.3449 | \$1,312,555 | \$22,206,105 |
| 13 | 2037 | \$559,483 | \$580,521 | \$789,417 | \$813,587 | \$903,740 | \$3,646,749 | \$45,269,512 | 0.3157 | \$1,151,159 | \$23,357,264 |
| 14 | 2038 | \$532,748 | \$553,955 | \$754,873 | \$779,477 | \$867,376 | \$3,488,428 | \$48,757,940 | 0.2889 | \$1,007,717 | \$24,364,981 |
| 15 | 2039 | \$506,012 | \$527,390 | \$720,328 | \$745,368 | \$831,011 | \$3,330,108 | \$52,088,049 | 0.2644 | \$880,331 | \$25,245,312 |
| 16 | 2040 | \$479,276 | \$500,824 | \$685,784 | \$711,258 | \$794,646 | \$3,171,788 | \$55,259,836 | 0.2419 | \$767,310 | \$26,012,623 |
| 17 | 2041 | \$452,540 | \$474,258 | \$651,239 | \$677,149 | \$758,282 | \$3,013,468 | \$58,273,304 | 0.2214 | \$667,133 | \$26,679,756 |
| 18 | 2042 | \$425,804 | \$447,692 | \$616,695 | \$643,039 | \$721,917 | \$2,855,147 | \$61,128,452 | 0.2026 | \$578,434 | \$27,258,190 |
| 19 | 2043 | \$399,069 | \$421,126 | \$582,150 | \$608,930 | \$685,552 | \$2,696,827 | \$63,825,279 | 0.1854 | \$499,986 | \$27,758,176 |
| 20 | 2044 | \$372,333 | \$394,560 | \$547,606 | \$574,820 | \$649,188 | \$2,538,507 | \$66,363,786 | 0.1697 | \$430,687 | \$28,188,863 |
| 21 | 2045 | \$346,536 | \$367,995 | \$513,061 | \$540,711 | \$612,823 | \$2,381,125 | \$68,744,911 | 0.1553 | \$369,696 | \$28,558,560 |
| 22 | 2046 | \$322,777 | \$342,368 | \$478,517 | \$506,601 | \$576,459 | \$2,226,721 | \$70,971,632 | 0.1421 | \$316,379 | \$28,874,939 |
| 23 | 2047 | \$300,118 | \$318,779 | \$445,193 | \$472,491 | \$540,094 | \$2,076,675 | \$73,048,307 | 0.1300 | \$270,016 | \$29,144,955 |
| 24 | 2048 | \$277,459 | \$296,289 | \$414,519 | \$439,587 | \$503,729 | \$1,931,584 | \$74,979,891 | 0.1190 | \$229,834 | \$29,374,789 |
| 25 | 2049 | \$254,799 | \$273,800 | \$385,276 | \$409,300 | \$468,650 | \$1,791,825 | \$76,771,716 | 0.1089 | \$195,108 | \$29,569,897 |
| 26 | 2050 | \$232,140 | \$251,311 | \$356,032 | \$380,425 | \$436,360 | \$1,656,268 | \$78,427,983 | 0.0996 | \$165,040 | \$29,734,937 |
| 27 | 2051 | \$209,481 | \$228,822 | \$326,789 | \$351,549 | \$405,576 | \$1,522,216 | \$79,950,199 | 0.0912 | \$138,808 | \$29,873,745 |
| 28 | 2052 | \$186,822 | \$206,332 | \$297,545 | \$322,674 | \$374,791 | \$1,388,164 | \$81,338,364 | 0.0834 | \$115,840 | \$29,989,585 |
| 29 | 2053 | \$164,163 | \$183,843 | \$268,301 | \$293,799 | \$344,007 | \$1,254,113 | \$82,592,477 | 0.0764 | \$95,771 | \$30,085,355 |
| 30 | 2054 | \$141,504 | \$161,354 | \$239,058 | \$264,923 | \$313,222 | \$1,120,061 | \$83,712,538 | 0.0699 | \$78,274 | \$30,163,629 |
| 31 | 2055 | \$118,844 | \$138,865 | \$209,814 | \$236,048 | \$282,438 | \$986,009 | \$84,698,547 | 0.0640 | \$63,057 | \$30,226,687 |
| 32 | 2056 | \$96,185 | \$116,376 | \$180,571 | \$207,173 | \$251,654 | \$851,958 | \$85,550,505 | 0.0585 | \$49,860 | \$30,276,547 |
| 33 | 2057 | \$73,526 | \$93,886 | \$151,327 | \$178,297 | \$220,869 | \$717,906 | \$86,268,411 | 0.0536 | \$38,449 | \$30,314,995 |
| 34 | 2058 | \$51,505 | \$71,397 | \$122,084 | \$149,422 | \$190,085 | \$584,493 | \$86,852,904 | 0.0490 | \$28,646 | \$30,343,642 |
| 35 | 2059 | | \$49,541 | \$92,840 | \$120,547 | \$159,301 | \$422,229 | \$87,275,132 | 0.0449 | \$18,937 | \$30,362,579 |
| 36 | 2060 | | | \$64,420 | \$91,671 | \$128,516 | \$284,608 | \$87,559,740 | 0.0410 | \$11,681 | \$30,374,260 |
| 37 | 2061 | | | | \$63,609 | \$97,732 | \$161,341 | \$87,721,081 | 0.0376 | \$6,060 | \$30,380,321 |
| 38 | 2062 | | | | | \$67,815 | \$67,815 | \$87,788,896 | 0.0344 | \$2,331 | \$30,382,651 |
| 39 | Total | \$14,878,197 | \$14,720,071 | \$19,141,036 | \$18,900,027 | \$20,149,565 | \$87,788,896 | | | \$30,382,651 | |

(j) Discount Factor = 1/(1+9.275%)^{Period}

PUC 1-6

Request:

Hypothetically, if segments of the gas distribution system are abandoned to meet the requirements of the Act on Climate and there is undepreciated costs associated with the abandoned pipes, please state the Company's position as to whether the Company would expect to be seeking recovery of the full stranded cost of the abandoned pipe (including the undepreciated costs from the paving investment).

Response:

The Company is entitled to full cost recovery of all prudent investments made under existing regulatory guidance and precedent. As the Massachusetts Department of Public Utilities emphasized in its recent Order on Regulatory Principles and Framework in Massachusetts' corresponding Future of Gas docket, "[t]raditional notions of the regulatory compact continue to apply to [existing investments in natural gas infrastructure] and, accordingly, there generally must be some demonstration of imprudence before recovery of existing investments can be challenged."¹ The Company's existing investments in its gas distribution system, which the Rhode Island Public Utilities Commission reviewed and approved for recovery in rates, were made prudently and in good faith to serve the needs of customers.

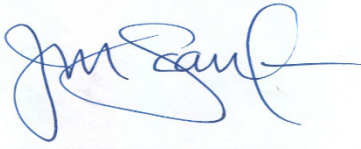
If the Company is no longer using individual assets to service customers, such as in the hypothetical scenario of abandoned segments of pipe to meet the requirements of the Act on Climate, the assets will be accounted for as "normal retirements." i.e. the original cost of plant will be credited from in-service and debited to accumulated depreciation, and the net book value will remain in accumulated depreciation. Future depreciation studies would incorporate previously retired assets, along with assets still in-service, in the determination of an appropriate depreciation rate for the entire "group" of assets (identified by gas plant account defined in the Federal Energy Regulatory Commission's Uniform System of Accounts). Depreciation would continue until the group of assets were fully recovered. The same accounting treatment would apply to the costs of the paving investment as well.

¹ *Investigation by the Department of Public Utilities on its own Motion into the role of gas local distribution companies as the Commonwealth achieves its target 2050 climate goals*, D.P.U. 20-80-B at 14 (December 6, 2023).

Certificate of Service

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

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



Joanne M. Scanlon

January 23, 2024
Date

Docket No. 23-49-NG- RI Energy’s Gas Infrastructure, Safety and Reliability (ISR) Plan 2025 - Service List 1/23/2024

| Name/Address | E-mail Distribution | Phone |
|--|--|--------------|
| The Narragansett Electric Company d/b/a Rhode Island Energy Jennifer Hutchinson, Esq. 280 Melrose Street Providence, RI 02907 Steve Boyajian, Esq. Robinson & Cole LLP One Financial Plaza, 14th Floor Providence, RI 02903 | JHutchinson@pplweb.com ; | 401-784-7288 |
| | COBrien@pplweb.com ; | |
| | JScanlon@pplweb.com ; | |
| | JMOBrien@rienergy.com ; | |
| | PLaFond@rienergy.com ; | 401-709-3359 |
| | NKocon@rienergy.com ; | |
| | SBriggs@pplweb.com ; | |
| | JOliveira@pplweb.com ; | |
| Division of Public Utilities & Carriers Leo Wold, Esq. | SBoyajian@rc.com ; | 401-780-2130 |
| | HSeddon@rc.com ; | |
| | Leo.Wold@dpuc.ri.gov ; | |
| | Margaret.L.hogan@dpuc.ri.gov ; | |
| | Christy.Hetherington@dpuc.ri.gov ; | |
| | Al.mancini@dpuc.ri.gov ; | |
| | John.bell@dpuc.ri.gov ; | |
| Robert.Bailey@dpuc.ri.gov ; | | |
| Paul.roberty@dpuc.ri.gov ; | | |
| ellen.golde@dpuc.ri.gov ; | | |
| David Efron Berkshire Consulting 12 Pond Path North Hampton, NH 03862-2243 | Djeffron@aol.com ; | 603-964-6526 |
| Office of Energy Resources | Albert.vitali@doa.ri.gov ; | |

| | | |
|---|--|------------------------|
| Al Vitali, Esq. | nancy.russolino@doa.ri.gov ; | |
| | Christopher.Kearns@energy.ri.gov ; | |
| | Shauna.Beland@energy.ri.gov ; | |
| | William.Owen@energy.ri.gov ; | |
| Office of Attorney General Nick Vaz, Esq. 150 South Main St. Providence, RI 02903 | nvaz@riag.ri.gov ; | 401-274-4400 x 2297 |
| | mbedell@riag.ri.gov ; | |
| Conservation Law Foundation (CLF) James Crowley, Esq. Conservation Law Foundation 235 Promenade Street Suite 560, Mailbox 28 Providence, RI 02908 | jcrowley@clf.org ; | 401-228-1905 |
| | mjw@groundworkdata.org ; | |
| File an original and five copies Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02888 | Luly.massaro@puc.ri.gov ; | 401-780-2107 |
| | Patricia.lucarelli@puc.ri.gov ; | |
| | Todd.bianco@puc.ri.gov ; | |
| | Alan.nault@puc.ri.gov ; | |
| | Christopher.Caramello@puc.ri.gov ; | |
| | Kristen.L.Masse@puc.ri.gov ; | |