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February 28, 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 9**

Dear Ms. Massaro:

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

The Company received an extension to respond to data requests PUC 9-21, PUC 9-22, PUC 9-23 until Monday, March 4, 2024.

This filing contains a Motion for Protective Treatment of Confidential Information in accordance with 810-RICR-00-00-1-1.3(H)(3) (“Rule 1.3(H)”) of the PUC’s Rules of Practice and Procedure and R.I. Gen. Laws § 38-2-2(4)(B) and (4)(F). The Company respectfully requests confidential treatment seeking protection from public disclosure of certain confidential and privileged information in Attachment PUC 9-19, which contains CEII. In compliance with Rule 1.3(H), the Company is providing the PUC with unredacted copies of confidential Attachment PUC 9-19 containing CEII in an envelope marked, **“HIGHLY CONFIDENTIAL INFORMATION – DO NOT RELEASE!”**

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", with a long horizontal line extending to the right.

Jennifer Brooks Hutchinson

Enclosure

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

STATE OF RHODE ISLAND
RHODE ISLAND PUBLIC UTILITIES COMMISSION

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FY2025 Gas Infrastructure, Safety and Reliability Plan)	Docket No. 23-49-NG
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**MOTION OF THE NARRAGANSETT ELECTRIC
COMPANY D/B/A RHODE ISLAND ENERGY FOR PROTECTIVE
TREATMENT OF CONFIDENTIAL INFORMATION**

Rhode Island Energy¹ respectfully requests that the Rhode Island Public Utilities Commission (“PUC”) grant protection from public disclosure to certain critical energy infrastructure information as permitted by 810-RICR-00-00-1.3(H) (Rule 1.3(H)) of the PUC’s Rules of Practice and Procedure and R.I. Gen. Laws § 38-2-2(4)(B) and (4)(F). The Company also respectfully requests that, pending entry of that finding, the PUC preliminarily grant the Company’s request for confidential treatment pursuant to Rule 1.3(H)(2).

I. BACKGROUND

On February 28, 2024, the Company submitted its first batch of responses to the PUC’s Ninth Set of Data Requests in the above-captioned docket.² Included among the Company’s responses is an attachment, Attachment PUC 9-19, to the Company’s response to data request PUC 9-19. Data request PUC 9-19 requested a diagram of a trucking station at the Company’s liquefied natural gas facility in Exeter, Rhode Island. Attachment PUC 9-19 (“Confidential

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

² Per discussions with the PUC’s counsel the Company was granted a brief extension of time to respond to data requests PUC 9-21, 9-22 and 9-23.

Attachment”) contains a detailed diagram as requested. This diagram contains information that is not subject to disclosure under Rhode Island’s Access to Public Records Act. Specifically, the Confidential Attachment contains critical energy infrastructure information (“CEII”) the disclosure of which could present a threat to public safety. Therefore, the Company requests that, pursuant to Rule 1.3(H), the PUC afford confidential treatment to the CEII contained in the Confidential Attachment.

II. LEGAL STANDARD

Rule 1.3(H) provides that access to public records shall be granted in accordance with the Access to Public Records Act (“APRA”), R.I. Gen. Laws § 38-2-1, *et seq.* Under the APRA, all documents and materials submitted in connection with the transaction of official business by an agency are deemed to be “public record[s],” unless the information contained in such documents and materials falls within one of the exceptions identified in R.I. Gen. Laws § 38-2-2(4). To the extent that information provided to the PUC falls within one of the designated exceptions to the public records law, the PUC has the authority under the terms of APRA to deem such information as confidential and to protect that information from public disclosure.

In that regard, R.I. Gen. Laws § 38-2-2(4)(F) provides that the following types of records shall not be deemed public:

(F) Scientific and technological secrets and the security plans of military and law enforcement agencies, the disclosure of which would endanger the public welfare and security.

With respect to other exceptions to the definition of public record, the Rhode Island Supreme Court has held that the agencies making determinations as to the disclosure of information under APRA may apply the balancing test established by the Court in *Providence Journal v. Kane*, 577 A.2d 661 (R.I. 1990). Under this balancing test, the PUC may protect

information from public disclosure if the benefit of such protection outweighs the public interest inherent in disclosure of information pending before regulatory agencies.

III. BASIS FOR CONFIDENTIALITY

The CEII contained in the Confidential Attachment is excepted from the definition of public record since the information is a technological secret the disclosure of which would endanger the public welfare or security. *See* R.I. Gen. Laws § 38-2-2(4)(F). Specifically, the Confidential Attachment includes detailed drawings of the components of a liquefied natural gas facility, which could be used to perpetrate acts that could endanger public safety and welfare.

CEII is defined by the Federal Energy Regulatory Commission (“FERC”) as:

[S]pecific engineering, vulnerability, or detailed design information about proposed or existing critical infrastructure that:

1. Relates details about the production, generation, transmission, or distribution of energy;
2. Could be useful to a person planning an attack on critical infrastructure;
3. Is exempt from mandatory disclosure under the [Federal] Freedom of Information Act, 5 U.S.C. § 552; and
4. Does not simply give the general location of the critical information.

18 CFR § 388.113(c)(2). In turn, “critical infrastructure” is defined as:

[E]xisting and proposed systems and assets, whether physical or virtual, the incapacity or destruction of which would negatively affect security, economic security, public health or safety, or any combination of those matters.

18 CFR § 388.113(c)(4).

The design specifications and schematic drawings contained in the Company’s Confidential Attachment fall squarely within FERC’s definition of CEII. Public dissemination of this information could pose a grave threat to public health and safety as it could be used to identify vulnerabilities in, and plan attacks against, natural gas distribution infrastructure. Under the Rhode Island Supreme Court’s balancing test set forth in *Providence Journal v. Kane*, the public interest in access to this information is far outweighed by the threat to the public’s health

and safety that could result from public dissemination of these technical details concerning natural gas infrastructure.

IV. CONCLUSION

For the foregoing reasons, Rhode Island Energy respectfully requests that the PUC grant its Motion for Protective Treatment of the Company's Confidential Attachment. In accordance with Rule 1.3(H) the Company has submitted a redacted version of the Confidential Attachment for the public file in this matter and unredacted confidential versions subject to this motion for protective treatment.

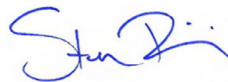
Respectfully submitted,

**THE NARRAGANSETT ELECTRIC
COMPANY d/b/a RHODE ISLAND ENERGY**

By its attorney,



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Dated: February 28, 2024

PUC 9-1
Abandonment Target

Request:

Referring to the testimony of Alberico Mancini submitted by the Division (page 16 of 29), please explain the extent to which the Company estimates the impact would be on the Company's proposed capital plan and budget if the Commission adopted the Division's recommendation to establish an abandonment target of 65 miles. Please also provide an estimate of any such budget impact.

- a. Please also explain the difference between an installation target and an abandonment target.
- b. If the incremental miles are different from the average cost, please explain.
- c. Please provide an estimate of the budget impact if the abandonment target was 70 miles.

Response:

As further explained below, the Company estimates the cost of adopting the Division's recommendation to establish an abandonment target of 65 miles to be a budget increase of approximately \$3.3 million. The Division's assumption that the Company could increase its abandonment goal without "...any material impact on the proposed FY 2025 Gas ISR budget" was based on the reported amount of in-progress work the Company is estimating at the beginning of FY 2025, and that much of this "carryover" could be abandoned at little or no cost. However, the carryover work that the Company is currently tracking ranges from projects that have just begun and are at the stage of installing new main before any gas is introduced or services connected to projects that are in a ready to abandon stage. Projects in each of these stages, including the ready to abandon stage, will still incur additional cost to execute the abandonment of the main, and the magnitude of these costs will depend on how much of the project remains. The Company has always relied on some amount of carryover work to meet its abandonment targets, and even though several projects are expected to be ready to abandon at the beginning of FY 2025, the Company will still need to advance several additional projects in addition to existing carryover work to reach the Division's recommended target of 65 miles.

At this point, it is impossible to know which projects will be advanced to an abandonment stage should the Division's recommendation be adopted, and as such, it is impossible to give a precise cost estimate. A reasonable assumption can be made that the mix of projects will average to halfway complete, and cost approximately half the unit cost of the full work scope; hence, this is the basis for how the Company calculated the estimated \$3.3 million.

PUC 9-1, page 2
Abandonment Target

- a. As the Company builds its budgets for future years, planning for different programs requires the Company to use a combination of specific projects as estimates of what it thinks may materialize. For certain main replacement projects, the amount of main to be installed and main to be abandoned will not be equal. Usually installation and abandonment lengths vary by small amounts given that the tie-in and cut-off locations for newly installed main might be only several feet from the ends of the length of main being abandoned. For some projects, the installation and abandonment amounts can vary by thousands of feet such as when a single main is installed to replace two mains in the same street.

Additionally, the current FY 2025 ISR proposal includes several projects that began in FY 2024, installed significant amounts of main, and are expected to be abandoned in their entirety in FY 2025. An example of this is the reactive Cumberland Hill project in Woonsocket, which saw approximately 1 mile of installation in FY 2024, and when complete will result in approximately 4 miles of abandonment, leaving 3 miles left to install in FY 2025 and creating a mismatch between install and abandonment within the fiscal year.

- b. As explained above, additional work will be required to achieve the Division recommended abandonment target even if no new main installation is begun; however, this additional work can be accomplished for a fraction of the cost of beginning an equivalent amount of mileage from scratch.
- c. Increasing the abandonment target to 70 miles would add an estimated cost of approximately \$12 million inclusive of the \$3.3 million estimate for increasing the abandonment target to 65 miles, discussed above. In order to increase the abandonment target to 70 miles, the Company would need to increase its installation target as well. Because there are so many variables and unknowns in the main replacement program, from permit restrictions, to weather, to traffic, to specific resource availability, and many other factors, the Company cannot rely on simply abandoning more of its carryover work to meet this target. Additionally, reducing carryover volumes to a bare minimum would make it challenging to achieve a 65 mile abandonment target in FY 2026.

The Company's recommended approach to increasing the abandonment target to 70 miles would be to begin an additional five miles of installation in FY2025. This approach would put the Company in the best position to meet the target by creating more pathways for success.

PUC 9-2
Curb-to-Curb Repaving

Request:

Please identify all statutory provisions, regulations, and local ordinances that relate to the curb-to-curb requirements that apply to the Company.

Response:

The statutory provisions, regulations, and local ordinances that relate to the curb-to-curb paving requirements for the Company are as follows:

Statutes and State Regulations

- Rhode Island Utility Fair Share Roadway Repair Act, R.I. Gen. Laws §§ 39-2.2-1, *et seq.*
- Rhode Island Department of Transportation Minimum Standards for State and Municipal Road Repair for Utility Work

Municipal Ordinances

- Bristol Ordinance § 25-5 - Streets, parks, or common excavations.
- Central Falls Ordinance § 32-36 – Restoration of surface.
- Coventry Ordinance § 209-6 – Liability for repairs completed by Town; repair and resurfacing of streets.
- Cumberland Ordinances
 - § 34-74 - Pavement Cutting.
 - § 34-76 - Backfilling and restoration of permanent pavement.
- Narragansett Ordinance § 66-90 – Patching; paving; restoration of surface.
- Newport Ordinance § 12.08.050 - Excavations and obstructions of public ways—Permits required—Fees—Barricades—Emergencies.
- North Providence Ordinance § 31-102 - Openings in new streets prohibited.
- Pawtucket Ordinances
 - § 198-22 - Street restoration.
 - § 351-17 - Restoration of surface.
 - § 351-19 - Failure to restore satisfactorily; work to be done by City; cost.

PUC 9-2, page 2
Curb-to-Curb Repaving

- Portsmouth Ordinance § 339-20 – Notice of construction.
- South Kingstown Ordinance § 16-41 – Utility main extensions.
- Tiverton Ordinance § 70-3.2 – Excavations.
- Warren Ordinance § 18-12 – Curb-to-curb paving.
- West Greenwich Ordinance § 450-69 – Repaving of road due to disturbance.
- West Warwick Ordinances
 - § 16-121 - Road Openings over 50 feet.
 - § 16-122 - Miscellaneous work and restoration.

Please note that the Utility Fair Share Roadway Repair Act allows individual municipalities to adopt the same paving requirements as the state, and most, if not all, municipalities have done so through permit requirements for most of the main replacement work the Company is currently undertaking. These paving requirements often are imposed upon the Company with respect to individual permits and not through generally applicable statutes, ordinances or regulations.

PUC 9-3
Curb-to-Curb Repaving

Request:

Please provide a timeline of when the curb-to-curb repaving requirement became law and identify the first ISR fiscal year in which the Company first began compliance with the new requirement.

Response:

The State of Rhode Island passed the Rhode Island Utility Fair Share Roadway Repair Act (“Act”) on July 15, 2019. Any project permitted after this date was subject to the Act’s provisions. The new requirement took effect immediately, and the Company included the incremental curb-to-curb paving costs beginning with the FY 2021 Gas ISR Plan.¹ In December 2019 the Rhode Island Department of Transportation (“RIDOT”) issued a document entitled Minimum Standards for State and Municipal Road Repair for Utility Work² which sets forth certain statewide minimum requirements for road restoration. Many municipalities adopted the requirements set forth in the Act in permit approvals beginning in March 2020 at the beginning of the new construction season. Since that time, additional municipalities also have begun requiring curb-to-curb restoration to the point where nearly all permit approvals issued to the Company require curb-to-curb restoration. Please also see the Company’s response to PUC 9-2 for a description of the statutory provisions, regulations and municipal ordinances that relate to curb-to-curb paving requirements for the Company.

¹ See Direct Testimony of Amy Smith, FY 2021 Gas Infrastructure, Safety and Reliability Plan, Section 2, Docket No. 4996 at Bates Pages 11-13, 103-105 (filed December 20, 2019).

² Available at:

https://www.dot.ri.gov/business/documents/Minimum_Standards_for_State_and_Municipal_Road_Repair_UTILITY_Work.pdf.

PUC 9-4
Curb-to-Curb Repaving

Request:

Please provide a detailed explanation of the Company's practices regarding curb-to-curb repaving, including without limitation (i) an explanation of how the Company addresses the initial road disturbance, (ii) the extent to which the Company uses temporary patches (if any), (iii) the timing of completing curb-to-curb paving after project completion, (iv) the role of the Company and any designated municipal authorities directing and/or supervising the curb-to-curb repaving, (v) the contractors used to perform the repaving, (vi) any post-project maintenance & repair responsibilities retained by the Company once the repaving is completed, and (vii) identification of any portion (if any) of the curb-to-curb repaving on public ways that the Company might own after project completion.

Response:

The Company's practices regarding curb-to-curb repaving, including the enumerated items above, are as follows:

- (i), (ii) In the course of main replacement work, the Company or its contractors excavate trenches in which to lay new mains and services. At the end of each workday, the Company fills the trench with clean fill, compacts it according to its Operating Standards, and then paves this trench to temporarily restore the driving surface until the entire project is complete. This temporary restoration of the road disturbance is in accordance with the Rhode Island Department of Transportation ("RIDOT") Minimum Standards for State and Municipal Road Repair for Utility Work. The width of the temporary restoration is relative to the size of the main or service being installed and any underground obstructions but is generally between 1.5 feet and 3 feet. This is in comparison to the typical curb-to-curb requirement average of 26 feet in width. Temporary restoration is completed using Hot Mix Asphalt Matrix, concrete base road replacement, and/or temporary cold patch.
- (iii) Final restoration timing after project completion varies significantly depending on many factors, but it usually occurs not less than 30 days and not greater than one year in compliance with RIDOT standards. Factors influencing restoration timing include weather and location. For example, certain municipalities, including those on Aquidneck Island, do not allow paving during summer months and school zones generally are paved during vacation periods. Other factors affecting timing include municipalities' expression of priority, the opportunity for cooperation with other utilities with work in the same location, scheduling for greatest resource efficiency, and others.

PUC 9-4, page 2
Curb-to-Curb Repaving

- (iv) Restoration work is performed at the direction of dedicated Company restoration supervisors who manage, oversee, and inspect the Company's competitively bid contractors. All paving work is performed in coordination with and subject to municipality's public works directors.
- (iv) The Company's current contractor resources used for final restoration work are Hartford Paving Corp. and Lynch Corp. The City of Warwick manages all of its own paving, for which the Company reimburses at its contracted rate. In certain cases, other municipalities perform their own paving for specific streets, and the Company reimburses them. The Company shares costs of paving with other utility companies, such as water or sewer departments, when work is being performed in conjunction and cooperation with them.
- (v) Per the Rhode Island Department of Transportation Minimum Standards for State and Municipal Road Repair for Utility Work, the permittee is responsible for maintaining the final restoration work required under the utility permit for a minimum period of five years starting from the date of acceptance of all work.
- (vi) The Company does not own or hold title to the pavement resulting from restoration of public ways, per se. The Company does, however, retain responsibility for maintaining the restoration as explained in the Company's response to part (v), above.

PUC 9-5
Curb-to-Curb Repaving

Request:

Please provide an explanation of how the Company addressed road repair and road paving when replacing or installing gas mains prior the implementation of the new curb-to-curb repaving requirements, compared to how the Company addresses road repair and road paving currently.

Response:

Prior to enactment of the Utility Fair Share Roadway Repair Act, paving restoration was completed to municipal requirements through coordination between municipalities and the Company. Municipal requirements varied from 7 feet to 13 feet in width with an average requirement of 10 feet. Cumberland, Pawtucket and West Warwick had adopted curb-to-curb requirements prior to the enactment of the Utility Fair Share Roadway Repair Act.

After the Utility Fair Share Roadway Repair Act went into effect, most municipalities adopted curb-to-curb paving requirements (average 26 feet) for all roads, except when excused at the discretion of the applicable public works director.

PUC 9-6
Municipal Property Taxes

Request:

Please explain the processes followed by the Company in paying property taxes relating to new gas mains that are placed in service in the local communities. Please also explain the extent to which repaving costs are included in any local tax valuations when the local community assesses property taxes and the extent to which the Company uses its depreciated regulated rate base as a reference for establishing the property values.

Response:

In the first quarter of each calendar year, the Company produces an Annual Return for submittal to each municipality in which the Company owns property. The Annual Return reports the value of assets owned by the Company as of the end of the most recent calendar year. Municipalities rely on the Annual Return to calculate the assessed value for property taxes.

Paving costs associated with new gas mains are included in the value of the gas mains in accordance with the FERC Uniform System of Accounts guidelines. Once the gas mains are placed in service, the paving costs are not separately identifiable, and they are depreciated as part of the gas mains. The Company will report the net book value of the gas mains at the end of the calendar year on the personal property tax return. Municipalities will rely on this tax return, reflecting the prior year's information, to assess the property tax value for the current year.

PUC 9-7
Municipal Property Taxes

Request:

Please explain how the Company recovers the property taxes (in rates) paid to local communities for its plant in service in local communities.

Response:

In the Company's Proposed FY 2025 Gas Infrastructure, Safety and Reliability ("ISR") Plan, the Company calculates an estimated property tax to be collected from customers as shown on Section 3: Attachment 1, Line 12. This amount reflects an estimated amount of property tax paid to communities on the incremental net plant in service additions from the Company's last base distribution rate case. The Company uses an estimated effective property tax rate to calculate the property tax on the incremental Net Plant in Service. This rate is updated in subsequent ISR plan filings and reconciliations when the Company receives the actual current fiscal year plant in service and is calculated by dividing the Net Plant in Service by the property tax that the Company experiences in that fiscal year.

PUC 9-8
Accounting, Financial Impacts, and Cost Recovery

Request:

Please explain:

- a. What financial harm, if any, the Company would experience if the Commission allowed the Company to recover 100% of its annual repaving costs in the year in which they are incurred, including a forecasted rate allowance effective for such year, and allowed for full reconciliation of such costs at the end of the applicable year.
- b. How the Company would expect the repaving costs to be treated for financial accounting purposes in such case.

Response:

- a. A Commission allowance of recovery of 100% of the Company's annual repaving costs in the year in which they are incurred (i.e., as expense instead of capital) is not likely to result in immediate material financial harm to the Company in this instance; however, the Company is concerned with the precedential effect of such a ruling, which could have greater financial implications for the Company in the future. Such financial implications include, but are not limited to, a negative impact on the Company's earnings or the ability of the Company to borrow at competitive rates. For example, by treating prudently incurred capital costs as defined by FERC as expense, the Company will not be earning the authorized return on its investment, thus reducing net income. The cumulative effect of departures from standard utility accounting could negatively impact stakeholder expectations resulting in a decrease in the value of the Company to investors. This, in turn, may ultimately impact the Company's ability to raise capital for future projects. In addition, as noted in the response to PUC 1-4, treating these paving costs as expense would result in bill increases of 180% in FY2025 over the average of the last four ISR plan rates. Higher bill increases negatively impact customer satisfaction and may increase the Company's bad debt expense over the longer term.

In addition, treating capital construction paving costs as expense for rate making purposes would create differences between FERC, GAAP and tax financials as compared to regulatory financials. Tracking costs that are for regulatory financials only creates an administrative burden for the Company and may result in increased costs to identify, track and account for the expenditures. As noted in the response to PUC 9-10, the Company seeks to align with the FERC Uniform System of Accounts guidelines as it

PUC 9-8, page 2

Accounting, Financial Impacts, and Cost Recovery

provides a consistent accounting framework within the Company and across the industry. Shifting costs to expense that are typically capitalized across the industry will create inconsistent accounting treatment.

- b. If the Company treated repaving costs as an expense for ratemaking accounting purposes, the Company would track these costs separately to make adjustments to the financial set of books during ratemaking proceedings. The Company would apply deferral accounting for any timing differences between spend and recovery of costs. GAAP financial results for capital spending and plant in service would be adjusted for regulatory reporting purposes and included as part of the Gas ISR annual reconciliation process.

In Re: Proposed FY 2025 Gas Infrastructure, Safety and Reliability Plan
Responses to the Commission's Ninth Set of Data Requests
Issued on February 15, 2024

PUC 9-9
Accounting, Financial Impacts, and Cost Recovery

Request:

Referring to the response to PUC 1-4, please provide a copy of “the Federal Energy Regulatory Commission guidance on cost capitalization for gas construction projects” referenced in the response.

Response:

The Uniform System of Account Title 18 Chapter I Subchapter F Part 201 *Gas Plant Instructions* provides guidance on cost capitalization for gas construction projects and *Operating Expense Instructions* provides additional clarification as to what is not appropriate to capitalize.

Specific reference to paving can be found under the definition of Gas Plant Accounts, 5. Distribution Plant, 376 *Mains* Item 10.

The electronic version of the complete guidance can be found at the following link: <https://www.ecfr.gov/current/title-18/chapter-I/subchapter-F/part-201>. The specific reference to paving in gas plant account 376 *Mains* is also provided as Attachment PUC 9-9-1. The *Gas Plant Instructions* and *Operating Expense Instructions* are also provided as Attachment PUC 9-9-2.

A. This account shall include the cost installed of distribution system mains.

B. The records supporting this account shall be so kept as to show separately the cost of mains of different sizes and types and of each tunnel, bridge, or river crossing.

Items

1. Caissons, tunnels, trestles, etc. for submarine mains.
2. Clamps, leak (bell and spigot) when installed at time of construction; when clamps are installed subsequent to construction, the accounting shall be in accordance with gas plant instruction 10, paragraph (C) 1.
3. Drip lines and pots.
4. Electrolysis tests, in connection with new construction.
5. Excavation, including shoring, bracing, bridging, pumping, backfill, and disposal of excess excavated material.
6. Hauling, unloading, and stringing pipe.
7. Lamping and watching new construction.
8. Line pack gas.
9. Municipal inspection.
10. Pavement disturbed, including cutting and replacing pavement, pavement base, and sidewalks.
11. Permits.
12. Pipe coating.
13. Pipe and fittings.
14. Pipe laying.
15. Pipe supports.
16. Protection of street openings.
17. Relocating city storm and sanitary sewers, catch basins, etc., or protecting same in connection with new construction.
18. Replacement of municipal drains and culverts in connection with new construction.
19. Roadway boxes.
20. Shifting excavated material due to traffic conditions in connection with new construction.
21. Sleeves and couplings.
22. Special crossovers, bridges and foundations for special construction.
23. Surveying and staking lines.
24. Valves not associated with pumping or regulating equipment.
25. Welding.
26. Wood blocking.

| Gas Plant Instructions

1. *Classification of gas plant at the effective date of the system of accounts.*

A. The gas plant accounts provided herein are generally the same as those contained in the prior system of accounts except for some changes in classification in the general equipment accounts. Except for these changes, the balances in the various plant accounts, as determined under the prior system of accounts, should be carried forward. Any remaining balance of plant which has not yet been classified pursuant to the requirements of the prior system, shall be classified in accordance with the following instructions.

B. The cost to the utility of its unclassified plant shall be ascertained by analysis of the utility's records. Adjustments shall not be made to record in utility plant accounts amounts previously charged to operating expenses or to income deductions in accordance with the uniform system of accounts in effect at the time or in accordance with the discretion of management as exercised under a uniform system of accounts, or under accounting practices previously followed.

C. The detailed gas plant accounts (301 to 399, inclusive) shall be stated on the basis of cost to the utility of plant constructed by it and the original cost, estimated if not known, of plant acquired as an operating unit or system. The difference between the original cost as above, and the cost to the utility of gas plant after giving effect to any accumulated provision for depreciation, depletion, or amortization shall be recorded in account 114, Gas Plant Acquisition Adjustments. The original cost of gas plant shall be determined by analysis of the utility's records or those of the predecessor or vendor companies with respect to gas plant previously acquired as operating units or systems and the differences between the original cost so determined, less accumulated provisions for depreciation, depletion and amortization, and the cost to the utility, with necessary adjustments for retirements from the date of acquisition, shall be entered in account 114, Gas Plant Acquisition Adjustments. Any difference between the cost of gas plant and its book cost, when not properly includable in other accounts, shall be recorded in account 116, Other Gas Plant Adjustments.

D. Plant acquired by lease which qualifies as capital lease property under General Instruction 19. *Criteria for Classifying Leases*, shall be recorded in Account 101.1, Property under Capital Leases.

2. *Gas plant to be recorded at cost.* A. All amounts included in the accounts for gas plant acquired as an operating unit or system, except as otherwise provided in the texts of the intangible plant accounts, shall be stated at the cost incurred by the person who first devoted the property to utility service. All other gas plant shall be included in the accounts at the cost incurred by the utility, except for property acquired by lease which qualifies as capital lease property under General Instruction 19. *Criteria for Classifying Leases*, and is recorded in Account 101.1, Property under Capital Leases. Where the term "cost" is used in the detailed plant accounts, it shall have the meaning stated in this paragraph.

B. When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis. (See, however, definition 8.) In the entry recording such transaction,

the actual consideration shall be described with sufficient particularity to identify it. The utility shall be prepared to furnish the Commission the particulars of its determination of the cash value of the consideration if other than cash.

C. When property is purchased under a plan involving deferred payments, no charge shall be made to the gas plant accounts for interest, insurance, or other expenditures occasioned solely by such form of payment.

D. The gas plant accounts shall not include the cost or other value of gas plant contributed to the company. Contributions in the form of money or its equivalent toward the construction of gas plant shall be credited to the accounts charged with the cost of such construction. Plant constructed from contributions of cash or its equivalent shall be shown as a reduction to gross plant constructed when assembling cost data in work orders for posting to plant ledger of accounts. The accumulated gross costs of plant accumulated in the work order shall be recorded as a debit in the plant ledger of accounts along with the related amount of contributions concurrently being recorded as a credit.

3. *Components of construction cost.* A. The cost of construction properly includable in the gas plant accounts shall include, where applicable, the direct and overhead costs as listed and defined hereunder:

(1) "Contract work" includes amounts paid for work performed under contract by other companies, firms, or individuals, costs incident to the award of such contracts, and the inspection of such work.

(2) "Labor" includes the pay and expenses of employees of the utility engaged on construction work, and related workmen's compensation insurance, payroll taxes and similar items of expense. It does not include the pay and expenses of employees which are distributed to construction through clearing accounts nor the pay and expenses included in other items hereunder.

(3) "Materials and supplies" includes the purchase price at the point of free delivery plus customs duties, excise taxes, the cost of inspection, loading and transportation, the related stores expenses, and the cost of fabricated materials from the utility's shop. In determining the cost of materials and supplies used for construction, proper allowance shall be made for unused materials and supplies, for materials recovered from temporary structures used in performing the work involved, and for discounts allowed and realized in the purchase of materials and supplies.

Note: The cost of individual items of equipment of small value (for example, \$500 or less) or of short life, including small portable tools and implements, shall not be charged to utility plant accounts unless the correctness of the accounting therefor is verified by current inventories. The cost shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction.

(4) "Transportation" includes the cost of transporting employees, materials and supplies, tools, purchased equipment, and other work equipment (when not under own power) to and from points of

construction. It includes amounts paid to others as well as the cost of operating the utility's own transportation equipment. (See item 5 following.)

(5) "Special machine service" includes the cost of labor (optional), materials and supplies, depreciation, and other expenses incurred in the maintenance, operation and use of special machines, such as steam shovels, pile drivers, derricks, ditchers, scrapers, material unloaders, and other labor saving machines; also expenditures for rental maintenance and operation of machines of others. It does not include the cost of small tools and other individual items of small value or short life which are included in the cost of materials and supplies. (See item 3, above.) When a particular construction job requires the use for an extended period of time of special machines, transportation or other equipment, the net book cost thereof, less the appraised or salvage value at time of release from the job, shall be included in the cost of construction.

(6) "Shop service" includes the proportion of the expense of the utility's shop department assignable to construction work except that the cost of fabricated materials from the utility's shop shall be included in "materials and supplies."

(7) "Protection" includes the cost of protecting the utility's property from fire or other casualties and the cost of preventing damages to others, or to the property of others, including payments for discovery or extinguishment of fires, cost of apprehending and prosecuting incendiaries, witness fees in relation thereto, amounts paid to municipalities and others for fire protection, and other analogous items of expenditures in connection with construction work.

(8) "Injuries and damages" includes expenditures or losses in connection with the construction work on account of injuries to persons and damages to the property of others; also the cost of investigation of and defense against actions for such injuries and damages. Insurance recovered or recoverable on account of compensation paid for injuries to persons incident to construction shall be credited to the account or accounts to which such compensation is charged. Insurance recovered or recoverable on account of property damages incident to construction shall be credited to the account or accounts charged with the cost of the damages.

(9) "Privileges and permits" includes payments for and expenses incurred in securing temporary privileges, permits or rights in connection with construction work, such as for the use of private or public property, streets, or highways, but it does not include rents, or amounts chargeable as franchises and consents for which see account 302, Franchises and Consents.

(10) "Rents" includes amounts paid for the use of construction quarters and office space occupied by construction forces and amounts properly includible in construction costs for such facilities jointly used.

(11) "Engineering and supervision" includes the portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents and their assistants applicable to construction work.

(12) "General administration capitalized" includes the portion of the pay and expenses of the general officers and administrative and general expenses applicable to construction work.

(13) "Engineering services" includes amounts paid to other companies, firms, or individuals engaged by the utility to plan, design, prepare estimates, supervise, inspect, or give general advice and assistance in connection with construction work.

(14) "Insurance" includes premiums paid or amounts provided or reserved as self-insurance for the protection against loss and damages in connection with construction, by fire or other casualty, injury to or death of persons other than employees, damages to property of others, defalcation of employees and agents, and the nonperformance of contractual obligations of others. It does not include workmen's compensation or similar insurance on employees included as "labor" in item 2, above.

(15) "Law expenditures" includes the general law expenditures incurred in connection with construction and the court and legal costs directly related thereto, other than law expenses included in protection, item 7, and in injuries and damages, item 8.

(16) "Taxes" includes taxes on physical property (including land) during the period of construction and other taxes properly includible in construction costs before the facilities become available for service.

(17) "Allowance for funds used during construction" includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used, not to exceed without prior approval of the Commission allowances computed in accordance with the formula prescribed in paragraph (a) below, except when such other funds are used for exploration and development or leases acquired after October 7, 1969, no allowance on such other funds shall be included in these accounts. No allowance for funds used during construction charges shall be included in these accounts upon expenditures for construction projects which have been abandoned.

(a) The formula and elements for the computation of the allowance for funds used during construction shall be:

$$A_i = s \left(\frac{S}{W} \right) + d \left(\frac{D}{D+P+C} \right) \left(1 - \frac{S}{W} \right)$$

$$A_e = \left[1 - \frac{S}{W} \right] \left[p \left(\frac{P}{D+P+C} \right) + c \left(\frac{C}{D+P+C} \right) \right]$$

A_i = Gross allowance for borrowed funds used during construction rate.

A_e = Allowance for other funds used during construction rate.

S = Average short-term debt.

s = Short-term debt interest rate.

D = Long-term debt.

d = Long-term debt interest rate.

P = Preferred stock.

p = Preferred stock cost rate.

C = Common equity.

c = Common equity cost rate.

W = Average balance in construction work in progress less asset retirement costs (See General Instruction 24) related to plant under construction.

(b) The rates shall be determined annually. The balances for long-term debt, preferred stock and common equity shall be the actual book balances as of the end of the prior year. The cost rates for long-term debt and preferred stock shall be the weighted average cost determined in the manner indicated in subpart D of part 154 of the Commission's Regulations Under the Natural Gas Act. The cost rate for common equity shall be the rate granted common equity in the last rate proceeding before the ratemaking body having primary rate jurisdiction. If such cost rate is not available, the average rate actually earned during the preceding three years shall be used. The short-term debt balances and related cost and the average balance for construction work in progress shall be estimated for the current year with appropriate adjustments as actual data becomes available.

Note: When a part only of a plant or project is placed in operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation, or ready for service, shall be treated as "Gas Utility Plant" and allowance for funds used during construction thereon as a charge to construction shall cease. Allowance for funds used during construction on that part of the cost of the plant which is incomplete may be continued as a charge to construction until such time as it is placed in operation or is ready for service, except as limited in item 17, above.

(18) "Earnings and expenses during construction" includes (a) all revenues derived during the construction period from property which is included in the cost of a project under construction and (b) all expenses which are attributable to the revenues received.

(19) "Training costs". When it is necessary that employees be trained to operate or maintain plant facilities that are being constructed and such facilities are not conventional in nature or are new to the company's operations, these costs may be capitalized as a component of construction cost. Once plant is placed in service, the capitalization of training costs shall cease, and subsequent training costs shall be expensed. (See Operating Expense Instruction 4.)

(20) "Line pack gas." Line pack includes the first cost of that quantity of gas introduced into the utility's system necessary to bring the system up to its designed operating capacity or increases therein and which must be maintained in the system in order to sustain such design operating capacity.

(21) LNG "heel" is the first cost of that minimum quantity of liquefied natural gas necessary to be retained in holding tanks and other facilities for purposes of temperature and/or pressure maintenance.

(22) "Studies" includes the costs of studies such as operational, safety or environmental studies relative to plant under construction. Studies mandated by regulatory bodies relative to facilities in service, shall be charged to Account 183.2, Other Preliminary Survey and Investigation Charges.

(23) "Asset retirement costs." The costs recognized as a result of asset retirement obligations incurred during the construction and testing of utility plant shall constitute a component of construction costs.

4. *Overhead construction costs.* A. All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the accounting utility, law expenses, insurance, injuries and damages, relief and pensions, taxes and interest, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, to the end that each job or unit shall bear its equitable proportion of such costs and that the entire cost of the unit, both direct and overhead, shall be deducted from the plant accounts at the time the property is retired.

B. As far as practicable, the determination of pay roll charges includible in construction overheads shall be based on time card distributions thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities to the end that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

C. The record supporting the entries for overhead construction costs shall be so kept as to show the total amount of each overhead for each year, the nature and amount of each overhead expenditure charged to each construction work order and to each utility plant account, and the bases of distribution of such costs.

5. *Gas plant purchased or sold.* A. When gas plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, after the effective date of this system of accounts, the costs of acquisition, including expenses incidental thereto properly includible in gas plant, shall be charged to account 102, Gas Plant Purchased or Sold.

B. The accounting for the acquisition shall then be completed as follows:

(1) The original cost of plant, estimated if not known, shall be credited to account 102, Gas Plant Purchased or Sold, and concurrently charged to the appropriate gas plant in service accounts and to account 104, Gas Plant Leased to Others, account 105, Gas Plant Held for Future Use, 105.1, Production Properties Held for Future Use, and account 107, Construction Work in Progress—Gas, as appropriate.

(2) The depreciation, depletion, and amortization applicable to the original cost of the properties purchased, shall be charged to account 102, Gas Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated provision for depreciation, depletion or amortization.

(3) The cost to the utility of any property includible in account 121, Nonutility Property, shall be transferred thereto.

(4) The amount remaining in account 102, Gas Plant Purchased or Sold, shall then be closed to account 114, Gas Plant Acquisition Adjustments.

C. If property acquired in the purchase of an operating unit or system is in such physical condition when acquired that it is necessary substantially to rehabilitate it in order to bring the property up to

the standards of the utility, the cost of such work, except replacements, shall be accounted for as a part of the purchase price of the property.

D. When any property acquired as an operating unit or system includes duplicate or other plant which will be retired by the accounting utility in the reconstruction of the acquired property or its consolidation with previously owned property, the proposed accounting for such property shall be presented to the Commission.

E. In connection with the acquisition of gas plant constituting an operating unit or system, the utility shall procure, if possible, all existing records relating to the property acquired, or certified copies thereof, and shall preserve such records in conformity with regulations or practices governing the preservation of records of its own construction.

F. When gas plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in account 114, Gas Plant Acquisition Adjustments. The amounts (estimated if not known) carried with respect thereto in the accounts for accumulated provision for depreciation, depletion, and amortization and in account 252, Customer Advances for Construction, shall be charged to such accounts and the contra entries made to account 102, Gas Plant Purchased or Sold. Unless otherwise ordered by the Commission, the difference, if any, between (a) the net amount of debits and credits and (b) the consideration received for the property (less commissions and other expenses of making the sale) shall be included in account 421.1, Gain on Disposition of Property, or account 421.2, Loss on Disposition of Property. (See account 102, Gas Plant Purchased or Sold.)

Note: In cases where existing utilities merge or consolidate because of financial or operating reasons or statutory requirements rather than as a means of transferring title of purchased properties to a new owner, the accounts of the constituent utilities, with the approval of the Commission, may be combined. In the event original cost has not been determined, the resulting utility shall proceed to determine such cost as outlined herein.

6. *Expenditures on leased property.* A. The cost of substantial initial improvements (including repairs, rearrangements, additions, and betterments) made in the course of preparing for utility service property leased for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to such property, shall be charged to the gas plant account appropriate for the class of property leased. If the service life of the improvements is terminable by action of the lease, the cost, less net salvage, of the improvements shall be spread over the life of the lease by charges to account 404.3, Amortization of Other Limited-Term Gas Plant. However, if the service life is not terminated by action of the lease but by depreciation proper, the cost of the improvements, less net salvage, shall be accounted for as depreciable plant. The provisions of this paragraph are applicable to property leased under either capital leases or operating leases.

B. If improvements made to property leased for a period of more than one year are of relatively minor cost, or if the lease is for a period of not more than one year, the cost of the improvements shall be charged to the account in which the rent is included, either directly or by amortization thereof.

7. *Land and land rights.* A. The accounts for land and land rights shall include the cost of land owned in fee by the utility and rights, interests, and privileges held by the utility in land owned by others, such as leaseholds, easements, rights-of-way, natural gas rights, and other like interests in land. Do not include in the accounts for land and land rights and rights-of-way costs incurred in connection with first clearing and grading of land and rights-of-way and the damage costs associated with the construction and installation of plant. Such costs shall be included in the appropriate plant accounts directly benefited.

B. Where special assessments for public improvements provide for deferred payments, the full amount of the assessments shall be charged to the appropriate land account and the unpaid balance shall be carried in an appropriate liability account. Interest on unpaid balances shall be charged to the appropriate interest account. If any part of the cost of public improvement is included in the general tax levy, the amount thereof shall be charged to the appropriate tax account.

C. The net profit from the sale of timber, cord wood, sand, gravel, other resources or other property acquired with the rights-of-way or other lands shall be credited to the appropriate plant account to which related. Where land is held for a considerable period of time and timber and other natural resources on the land at the time of purchase increases in value, the net profit (after giving effect to the cost of the natural resources) from the sales of timber or its products or other natural resources shall be credited to the appropriate utility operating income account when such land has been recorded in account 105, Gas Plant Held for Future Use, account 105.1, Production Properties Held for Future Use, or classified as plant in service otherwise to account 421, Miscellaneous Nonoperating Income.

D. Separate entries shall be made for the acquisition, transfer, or retirement of each parcel of land, and each land right, or gas right (except rights-of-way for distribution mains), having a life of more than one year. A record shall be maintained showing the nature of ownership, full legal description, area, map reference, purpose for which used, city, county, and tax district in which situated, from whom purchased or to whom sold, payment given or received, other costs, contract date and number, date of recording of deed, and book and page of record. Entries transferring or retiring land or land rights shall refer to the original entry recording its acquisition. A parcel of land acquired and carried on the books as a unit is not required to be subdivided with transfers to other land accounts merely because of the erection thereon of an incidental structure to be used in gas operations but for a purpose differing from that for which the land is chiefly employed; for example, a small storehouse on production plant land.

E. Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights shall be included in account 411.6, Gains from Disposition of Utility Plant or 411.7, Losses from Disposition of Utility Plant when such property has been recorded in account 105, Gas Plant Held for Future Use, 105.1, Production Properties Held for Future Use, otherwise to account 421.1, Gain on Disposition of Property or 421.2, Loss on Disposition of Property, as appropriate, unless a reserve therefor has been authorized and provided. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

F. The cost of buildings and other improvements (other than public improvements) shall not be included in the land accounts. If at the time of acquisition of an interest in land such interest extends to buildings or other improvements (other than public improvements), which are then devoted to utility operations, the land and improvements shall be separately appraised and the cost allocated to land and buildings or improvements on the basis of the appraisals. If the improvements are removed or wrecked without being used in operations, the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

G. When the purchase of land for gas operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 105, Gas Plant Held for Future Use or, account 121, Nonutility Property, as appropriate. Regarding land and land rights held for the production of natural gas, account 101, Gas Plant in Service, shall include (1) the cost of lands owned in fee upon which producing natural gas wells are located on lands owned in fee which are being drained through the operation by the utility of wells on the other land, and (2) the first cost of lands held under lease upon which the utility pays royalties for the natural gas obtained therefrom. The cost of all other land and land rights held for the production of natural gas under a plant for such use shall be included in account 105, Gas Plant Held for Future Use, or 105.1, Production Properties Held for Future Use, as appropriate.

Note: In addition to the accounting records prescribed herein, supplemental records of land and land rights held for future use shall be kept in such manner as to permit the segregation within a reasonable time of the land and land rights constituting (1) productive but nonproducing fields, (2) unproven or undeveloped fields, and (3) storage fields, and to show the following data with respect to each natural gas lease, regardless of the accounting treatment accorded the lease costs; (a) name of lessor, (b) location of leasehold and number or other identification assigned thereto, (c) date and period of lease agreement, (d) first cost of lease including details of the elements of such cost, (e) annual rental provisions, (f) date and cost of drilling, (g) date gas determined to exist, (h) date of completion of first well drilled by the utility in each pool of gas, (i) royalty provisions, (j) amortization and depletion provisions, and (k) date of abandonment of lease.

H. Provision shall be made for amortizing amounts carried in the accounts for limited-term interests in land, so as to apportion equitably the cost of each interest over the life thereof. For the purposes of amortization of natural gas rights, separate interests in land which comprise an interest in a production area may be grouped to form a depletion unit. (See account 111, Accumulated Provision for Amortization and Depletion of Gas Utility Plant, account 404.1, Amortization and Depletion of Producing Natural Gas Land and Land Rights, account 404.3, Amortization of Other Limited-Term Gas Plant, and account 797, Abandonment, leases.)

I. The items of cost to be included in the accounts for land and land rights are as follows:

1. Bulkheads, buried, not requiring maintenance or replacement.
2. Cost, first, of acquisition including mortgages and other liens assumed (but not subsequent interest thereon).
3. [Reserved]

4. Condemnation proceedings, including court and counsel costs.
5. Consents and abutting damages, payment for.
6. Conveyancers' and notaries' fees.
7. Fees, commissions, and salaries to brokers, agents, and others in connection with the acquisition of the land or land rights.
8. [Reserved]
9. Leases, cost of voiding upon purchase to secure possession of land.
10. Removing, relocating, or reconstructing, property of others, such as buildings, highways, railroads, bridges, cemeteries, churches, telephone and power lines, etc., in order to acquire quiet possession.
11. Retaining walls unless identified with structures.
12. Special assessments levied by public authorities for public improvements on the basis of benefits for new roads, new bridges, new sewers, new curbing, new pavements, and other public improvements, but not taxes levied to provide for the maintenance of such improvements.
13. Surveys in connection with the acquisition, but not amounts paid for topographical surveys and maps where such costs are attributable to structures or plant equipment erected or to be erected or installed on such land.
14. Taxes assumed, accrued to date of transfer of title.
15. Title, examining, clearing, insuring, and registering in connection with the acquisition and defending against claims relating to the period prior to the acquisition.
16. Appraisals prior to closing title.
17. Cost of dealing with distributees or legatees residing outside of the state or county, such as recording power of attorney, recording will or exemplification of will, recording satisfaction of state tax.
18. Filing satisfaction of mortgage.
19. Documentary stamps.
20. Photographs of property at acquisition.
21. Fees and expenses incurred in the acquisition of water rights, and grants.
22. Cost of fill to extend bulkhead line over land under water, where riparian rights are held, which is not occasioned by the erection of a structure.
23. Sidewalks and curbs constructed by the utility on public property.
24. Labor and expenses in connection with securing rights of way, where performed by company employees and company agents.

8. *Structures and improvements.* A. The accounts for structures and improvements shall include the cost of all buildings and facilities to house, support, or safeguard property or persons, including all fixtures permanently attached to and made a part of buildings and which cannot be removed therefrom without cutting into the walls, ceilings, or floors, or without in some way impairing the buildings, and improvements of a permanent character on or to land. Also include those costs incurred in connection with the first clearing and grading of land and rights-of-way, and the damage costs associated with construction and installation of plant.

B. The cost of specially provided foundations not intended to outlast the machinery or apparatus for which provided, and the cost of angle irons, castings, etc., installed at the base of an item of equipment, shall be charged to the same account as the cost of the machinery, apparatus, or equipment.

C. Minor buildings and structures may be considered a part of the facility in connection with which constructed or operated and the cost thereof accounted for accordingly when the nature of the structure and facility indicates the correctness of such accounting.

D. Where furnaces and boilers are used primarily for furnishing steam for some particular department and only incidentally for furnishing steam for heating a building and operating the equipment therein, the entire cost of such furnaces and boilers shall be charged to the appropriate plant account, and no part to the building account.

E. The cost of disposing of materials excavated in connection with construction of structures shall be considered as a part of the cost of such work, except as follows: (a) When such material is used for filling, the cost of loading, hauling, and dumping shall be equitably apportioned between the work in connection with which the removal occurs and the work in connection with which the material is used; (b) when such material is sold, the net amount realized from such sales shall be credited to the work in connection with which the removal occurs. If the amount realized from the sale of excavated materials exceeds the removal costs and the costs in connection with the sale, the excess shall be credited to the land account in which the site is carried.

F. Lighting or other fixtures temporarily attached to buildings for purposes of display or demonstration shall not be included in the cost of the building but in the appropriate equipment account.

G. The items of cost to be included in the accounts for structures and improvements are as follows:

1. Architects' plans and specifications including supervision.
2. Ash pits (when located within the building).
3. Athletic field structures and improvements.
4. Boilers, furnaces, piping, wiring, fixtures, and machinery for heating, lighting, signaling, ventilating, and air conditioning systems, plumbing, vacuum cleaning systems, incinerator and smoke pipe, flues, etc.
5. Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, etc., when exposed and subject to maintenance and replacement.
6. Chimneys.
7. Coal bins and bunkers.
8. Commissions and fees to brokers, agents, architects and others.
9. Conduit (not to be removed) with its contents.
10. Damages to abutting property during construction.
11. Docks.
12. Door checks and door stops.
13. Drainage and sewerage systems.
14. Elevators, cranes, hoists, etc., and the machinery for operating them.
15. Excavation, including shoring, bracing, bridging, refill, and disposal of excess excavated material, cofferdams around foundation, pumping water from cofferdam during construction, and test borings.
16. Fences and fence curbs (not including protective fences insulating items of equipment, which shall be charged to the appropriate equipment account).
17. Fire protection systems when forming a part of a structure.
18. Flagpole.
19. Floor covering (permanently attached).
20. Foundations and piers for machinery, constructed as a permanent part of a building or other items listed herein.
21. Grading and clearing when directly occasioned by the building of a structure.
22. Holders—Relief.
23. Intrasite communication system, poles, pole fixtures, wires and cables.
24. Landscaping, lawns, shrubbery, etc.

25. Leases, voiding upon purchase to secure possession of structures.
26. Leased property, expenditures on.
27. Lighting fixtures and outside lighting system.
28. Mailchutes when part of a building.
29. Marquee, permanently attached to building.
30. Painting, first coat.
31. Permanent paving, concrete, brick, flagstone, asphalt, etc. within the property lines.
32. Partitions, including movable.
33. Permits and privileges.
34. Platforms, railings and gratings when constructed as a part of a structure.
35. Power boards for services to a building.
36. Refrigerating systems for general use.
37. Retaining walls except when identified with land.
38. Roadways, railroads, bridges, and trestles, intrasite, except railroads provided for in equipment accounts.
39. Roofs.
40. Scales, connected to and forming a part of a structure.
41. Screens.
42. Sewer systems, for general use.
43. Sidewalks, culverts, curbs and streets constructed by the utility on its property.
44. Sprinkling systems.
45. Sump pumps and pits.
46. Stacks—brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building.
47. Steel inspection during construction.
48. Storage facilities constituting a part of a building.
49. Storm doors and windows.
50. Subways, areaways, and tunnels, directly connected to and forming part of a structure.
51. Tanks, constructed as part of a building or as a distinct structural unit.
52. Temporary heating during construction (net cost).
53. Temporary water connection during construction (net cost).
54. Temporary shanties and other facilities used during construction (net cost).
55. Topographical maps.
56. Tunnels, intake and discharge, when constructed as part of a structure, including sluice gates, and those constructed to house mains.
57. Vaults constructed as part of a building.
58. Watchmen's sheds and clock systems (net cost when used during construction only).
59. Water basins or reservoirs.
60. Water front improvements.
61. Water meters and supply system for a building or for general company purposes.
62. Water supply piping, hydrants and wells.
63. Wharves.
64. Window shades and ventilators.
65. Yard drainage system.
66. Yard lighting system.
67. Yard surfacing, gravel, concrete, or oil (First cost only).

Note: Structures and Improvements accounts shall be credited with the cost of coal bunkers, stacks, foundations, subways, tunnels, etc., the use of which has terminated with the removal of the

equipment with which they are associated even though they have not been physically removed.

9. *Equipment.* A. The cost of equipment chargeable to the gas plant accounts, unless otherwise indicated in the text of an equipment account, includes the net purchase price thereof, sales taxes, investigation and inspection expenses necessary to such purchase, expenses of transportation when borne by the utility, labor employed, materials and supplies consumed, and expenses incurred by the utility in unloading and placing the equipment in readiness to operate. Also include those costs incurred in connection with the first clearing and grading of land and rights-of-way and the damage costs associated with construction and installation of plant.

B. Exclude from equipment accounts hand and other portable tools which are likely to be lost or stolen or which have relatively small value (for example, \$500 or less) or short life, unless the correctness of the accounting therefor as gas plant is verified by current inventories. Special tools acquired and included in the purchase price of equipment shall be included in the appropriate plant account. Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department, such as production, transmission, distribution, etc., or in "stores," shall be charged to the plant account appropriate for their use.

C. The equipment accounts shall include angle irons and similar items which are installed at the base of an item of equipment, but piers and foundations which are designed to be as permanent as the buildings which house the equipment, or which are constructed as a part of the building and which cannot be removed without cutting into the walls, ceilings or floors or without in some way impairing the building, shall be included in the building accounts.

D. The equipment accounts shall include the necessary costs of testing or running a plant or part thereof during an experimental or test period prior to becoming available for service. The utility shall furnish the Commission with full particulars of and justification for any test or experimental run extending beyond a period of thirty days.

E. The cost of efficiency or other tests made subsequent to the date equipment becomes available for service shall be charged to the appropriate expense accounts, except that tests to determine whether equipment meets the specifications and requirements as to efficiency, performance, etc., guaranteed by manufacturers, made after operations have commenced and within the period specified in the agreement or contract of purchase, may be charged to the appropriate gas plant account.

10. *Additions and retirements of gas plant.*

A. For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of gas plant, all property shall be considered as consisting of (1) retirement units and (2) minor items of property. Each utility shall maintain a written property units listing for use in accounting for additions and retirements of gas plant and apply the listing consistently.

B. The addition and retirement of retirement units shall be accounted for as follows:

(1) When a retirement unit is added to gas plant, the cost thereof shall be added to the appropriate gas plant account, except that when units are acquired in the acquisition of any gas plant constituting an operating system, they shall be accounted for as provided in gas plant instruction 5.

(2) When a retirement unit is retired from gas plant, with or without replacement, the book cost thereof shall be credited to the gas plant account in which it is included, determined in the manner set forth in paragraph D, below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to gas plant shall be charged to the accumulated provision for depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account.

C. The addition and retirement of minor items of property shall be accounted for as follows:

(1) When a minor item of property which did not previously exist is added to plant, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in paragraph B(1), above, if a substantial addition results, otherwise the charge shall be to the appropriate maintenance expense account.

(2) When a minor item of property is retired and not replaced, the book cost thereof shall be credited to the gas plant account in which it is included; and, in the event the minor item is a part of depreciable plant, the account for accumulated provision for depreciation shall be charged with the book cost and cost of removal and credited with the salvage. If, however, the book cost of the minor item retired and not replaced has been or will be accounted for by its inclusion in the retirement unit of which it is a part when such unit is retired, no separate credit to the property account is required when such minor item is retired.

(3) When a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, or of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate gas plant account.

D. The book cost of gas plant retired shall be the amount at which such property is included in the gas plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and if this cannot be done it shall be estimated. Utilities must furnish the particulars of such estimates to the Commission, if requested. When it is impracticable to determine the book cost of each unit, due to the relatively large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.

E. The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost (less any accumulated provision for depreciation, depletion or amortization therefor which has been authorized and provided) and the sale price of the land (less commissions and other expenses of making the sale) shall be recorded in account 411.6, Gains from

Disposition of Utility Plant or 411.7, Losses from Disposition of Utility Plant when the property has been recorded in account 105, Gas Plant Held for Future Use account 105.1, Production Properties Held for Future Use, otherwise to accounts 421.1, Gain on Disposition of Property or 421.2, Loss on Disposition of Property, as appropriate. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 105, Gas Plant Held for Future Use, or account 121, Nonutility Property as appropriate.

F. The book cost less net salvage of depreciable gas plant retired shall be charged in its entirety to account 108, Accumulated Provision for Depreciation of Gas Plant in Service. Any amounts which, by approval or order of the Commission, are charged to account 182, Extraordinary Property Losses, shall be credited to account 108.

G. The accounting for the retirement of amounts included in account 302, Franchises and Consents, and account 303, Miscellaneous Intangible Plant, and the item of limited-term interest in land included in the accounts for land and land rights, shall be as provided for in the text of account 111, Accumulated Provision for Amortization and Depletion of Gas Utility Plant, account 404.3, Amortization of Other Limited-Term Gas Plant, and account 405, Amortization of Other Gas Plant.

11. *Work order and property record system required.* A. Each utility shall record all construction and retirements of gas plant by means of work orders or job orders. Separate work orders may be opened for additions to and retirements of gas plant or the retirements may be included with the construction work order, provided, however, that all items relating to the retirements shall be kept separate from those relating to construction and provided, further, that any maintenance costs involved in the work shall likewise be segregated.

B. Each utility shall keep its work order system so as to show the nature of each addition to or retirement of gas plant, the total cost thereof, the source or sources of costs, and the gas plant account or accounts to which charged or credited. Work orders covering jobs of short duration may be cleared monthly.

C. Each utility shall maintain records in which, for each plant account, the amounts of the annual additions and retirements are classified so as to show the number and cost of the various record units or retirement units.

12. *Transfers of property.* When property is transferred from one gas plant account to another, from one utility department to another (such as from gas to electric), from one operating division or area to another, to or from account 101, Gas Plant in Service, 104, Gas Plant Leased to Others, 105, Gas Plant Held for Future Use, 105.1, Production Properties held for Future Use, and 121, Nonutility Property, the transfer shall be recorded by transferring the original cost thereof from the one account, department, or location to the other. Any related amounts carried in the accounts for accumulated provisions for depreciation, depletion, or amortization shall be transferred in accordance with the segregation of such accounts.

Note: Amounts included in account 111, Accumulated Provision for Amortization and Depletion of Gas Utility Plant, shall not be related to a particular natural gas lease, and therefore, shall not be

transferred under the provisions of this instruction.

13. *Common utility plant.* A. If the utility is engaged in more than one utility service such as gas, electric, and water, and any of its utility plant is used in common for several utility services or for other purposes to such an extent and in such manner that it is impracticable to segregate it by utility services currently in the accounts, such property, with the approval of the Commission, may be designated and classified as “common utility plant.”

B. The book amount of utility plant designated as common plant shall be included in account 118, Other Utility Plant, and if applicable in part to gas department, shall be segregated and accounted for in subaccounts as gas plant is accounted for in accounts 101 to 107, inclusive, and gas plant adjustments in account 116; any amounts classifiable as common plant acquisition adjustments or common plant adjustments shall be subject to disposition as provided in paragraph C and B of accounts 114 and 116, respectively, for amounts classified in those accounts. The original cost of common utility plant in service shall be classified according to detailed utility plant accounts appropriate for the property.

C. The utility shall be prepared to show at any time and to report to the Commission annually, or more frequently, if required, and by utility plant accounts (301 to 399) the following: (1) The book cost of common utility plant, (2) the allocation of such cost to the respective departments using the common utility plant, and (3) the basis of the allocation.

D. The accumulated provision for depreciation and amortization of the utility shall be segregated so as to show the amount applicable to the property classified as common utility plant.

E. The expenses of operation maintenance, rents, depreciation and amortization of common utility plant shall be recorded in the accounts prescribed herein, but designated as common expenses, and the allocation of such expenses to the departments using the common utility plant shall be supported in such manner as to reflect readily the basis of allocation used.

14. *Employee villages and living quarters.* Where employee villages or living quarters are provided for operators and attendants of a functional installation such as a compressor station or gasoline plant, the structures and improvements shall be classified in the related functional structures and improvements account. The furnishings of such residential and recreational facilities shall be classified in the equipment account of the related function.

15. *Fees for applications filed with the Commission.* A. Fees for applications involving construction of property shall be accounted for as follows:

(1) All fees paid prior to the final disposition of the certificate application shall be charged to account 186, Miscellaneous Deferred Debits.

(2) If the certificate is granted and accepted, the amounts recorded in account 186 shall be cleared to account 107, Construction Work in Progress—Gas, and subsequently cleared to the appropriate plant accounts.

(3) If the certificate requested is not granted or is not accepted by the applicant, the fees recorded in account 186 shall be cleared to account 928, Regulatory Commission Expenses.

(4) All amounts paid after the Commission has granted the certificate shall be recorded in account 107, Construction Work in Progress—Gas, and subsequently cleared to the appropriate plant accounts.

B. All amounts paid related to certificate applications involving the acquisitions of facilities including those acquired by merger or pooling of interests shall be charged to account 928, Regulatory Commission Expenses.

C. All other fees for applications not involving construction or acquisition of facilities shall be charged to account 928, Regulatory Commission Expenses.

Operating Expense Instructions

1. *Supervision and engineering.* The supervision and engineering includible in the operating expense accounts shall consist of the pay and expenses of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operation and maintenance of each utility function. Wherever allocations are necessary in order to arrive at the amount to be included in any account the method and basis of allocation shall be reflected by underlying records.

Items

Labor:

1. Special tests to determine efficiency of equipment operation.
2. Preparing or reviewing budgets, estimates, and drawings relating to operation or maintenance for departmental approval.
3. Preparing instructions for operations and maintenance activities.
4. Reviewing and analyzing operating results.
5. Establishing organizational setup of departments and executing changes therein.
6. Formulating and reviewing routines of departments and executing changes therein.
7. General training and instruction of employees by supervisors whose pay is chargeable hereto. Specific instruction and training in a particular type of work is chargeable to the appropriate functional account. (See Gas Plant Instruction 3(19).)
8. Secretarial work for supervisory personnel, but not general clerical and stenographic work chargeable to other accounts.

Expenses:

9. Consultants' fees and expenses.
10. Meals, traveling and incidental expenses.

2. *Maintenance.* A. The cost of maintenance chargeable to the various operating expense and clearing accounts, includes labor, materials, overheads and other expenses incurred in maintenance work. A list of work operations applicable generally to utility plant is included hereunder. Other work operations applicable to specific classes of plant are listed in functional maintenance expense accounts.

B. Materials recovered in connection with the maintenance of property shall be credited to the same account to which the maintenance cost was charged.

C. If the book cost of any property is carried in account 102, Gas Plant Purchased or Sold, the cost of maintaining such property shall be charged to the accounts for maintenance of property of the same class and use, the book cost of which is carried in other gas plant in service accounts. Maintenance of property leased from others shall be treated as provided in operating expense instruction 3.

Items

1. Direct field supervision of maintenance.
2. Inspecting, testing, and reporting on condition of plant specifically to determine the need for repairs, replacements, rearrangements and changes and inspecting and testing the adequacy of repairs which have been made.
3. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant.
4. Rearranging and changing the location of plant not retired.
5. Repairing for reuse materials recovered from plant.
6. Testing for, locating and clearing trouble.
7. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service.
8. Replacing or adding minor items of plant which do not constitute a retirement unit. (See gas plant instruction 10.)

3. *Rents.* A. The rent expense accounts provided under the several functional groups of expense accounts shall include all rents, including taxes paid by the lessee on leased property, for property used in utility operations, except (1) minor amounts paid for occasional or infrequent use of any property or equipment and all amounts paid for use of equipment that, if owned, would be includible in plant accounts 391 to 398, inclusive, which shall be treated as an expense item and included in the appropriate functional account and (2) rents which are chargeable to clearing accounts, and distributed therefrom to the appropriate account. If rents cover property used for more than one function, such as production and transmission, or by more than one department, the rents shall be apportioned to the appropriate rent expense or clearing accounts of each department on an actual, or, if necessary, an estimated basis.

B. When a portion of property or equipment rented from others for use in connection with utility operations is subleased, the revenue derived from such subleasing shall be credited to the rent revenue account in operating revenues: *Provided, however,* That in case the rent was charged to a clearing account, amounts received from subleasing the property shall be credited to such clearing account.

C. The cost, when incurred by the lessee, of operating and maintaining leased property, shall be charged to the accounts appropriate for the expense if the property were owned.

D. The cost incurred by the lessee of additions and replacements to gas plant leased from other shall be accounted for as provided in gas plant instruction 6.

4. *Training costs.* When it is necessary that employees be trained to specifically operate or maintain plant facilities that are being constructed, the related costs shall be accounted for as a current operating and maintenance expense. These expenses shall be charged to the appropriate functional accounts currently as they are incurred. However, when the training costs involved relate to facilities which are not conventional in nature, or are new to the company's operations, then see Gas Plant Instruction 3(19) for accounting.

PUC 9-10
Accounting, Financial Impacts, and Cost Recovery

Request:

Has the Company or any of its regulated PPL affiliates encountered circumstances where a rate regulator with authority over the rates of such entity has established rate accounting treatment which is different than the treatment specified under any Federal Energy Regulatory Commission accounting guidance? If so, please provide a list of such circumstances with a brief description or, if the amount of instances is too numerous to easily compile the list, please explain why and give some examples rather than a lengthy list.

Response:

The Federal Energy Regulatory Commission (“FERC”) established a Uniform System of Accounts (“USOA”) as a common accounting framework for electric and gas utilities. The USOA provides an industry standard that facilitates a comparative view of utilities across the industry.

Adhering to these guidelines provides Rhode Island Energy with a consistent framework in determining if specific costs should be recorded as expense or capital. The Company is aware of one instance, described in the table below, where rate accounting treatment is not consistent with FERC guidelines. The Company is not aware of similar examples in other regulated PPL affiliates.

Company	Description
Rhode Island Energy	FERC guidance indicates that assets should be designated as in service when they are placed in operation. This is defined as completion and ready for service of the first unit, which in the case of main replacement occurs when the first customer service was connected to the new main. Beginning on April 1, 2023, the Company was directed by the Public Utilities Commission to only place a project within the Main Replacement (Proactive) or “MRP” category in-service for rate recovery in the Gas Infrastructure, Safety and Reliability (“ISR”) once the existing pipe was abandoned.

PUC 9-11
Exeter LNG Control House

Request:

Please provide a diagram of the existing control house at the Exeter LNG site that the Company proposes to replace. Please indicate the number of rooms and square footage in the diagram.

Response:

Please see the diagrams of the existing control house at the Exeter LNG site below. The current Exeter LNG control house is comprised of ten (10) rooms including a restroom for a total square footage of 2,150ft².

Adjacent to the control room is the motor control cabinet ("MCC") room, original compressor room, and locker room.

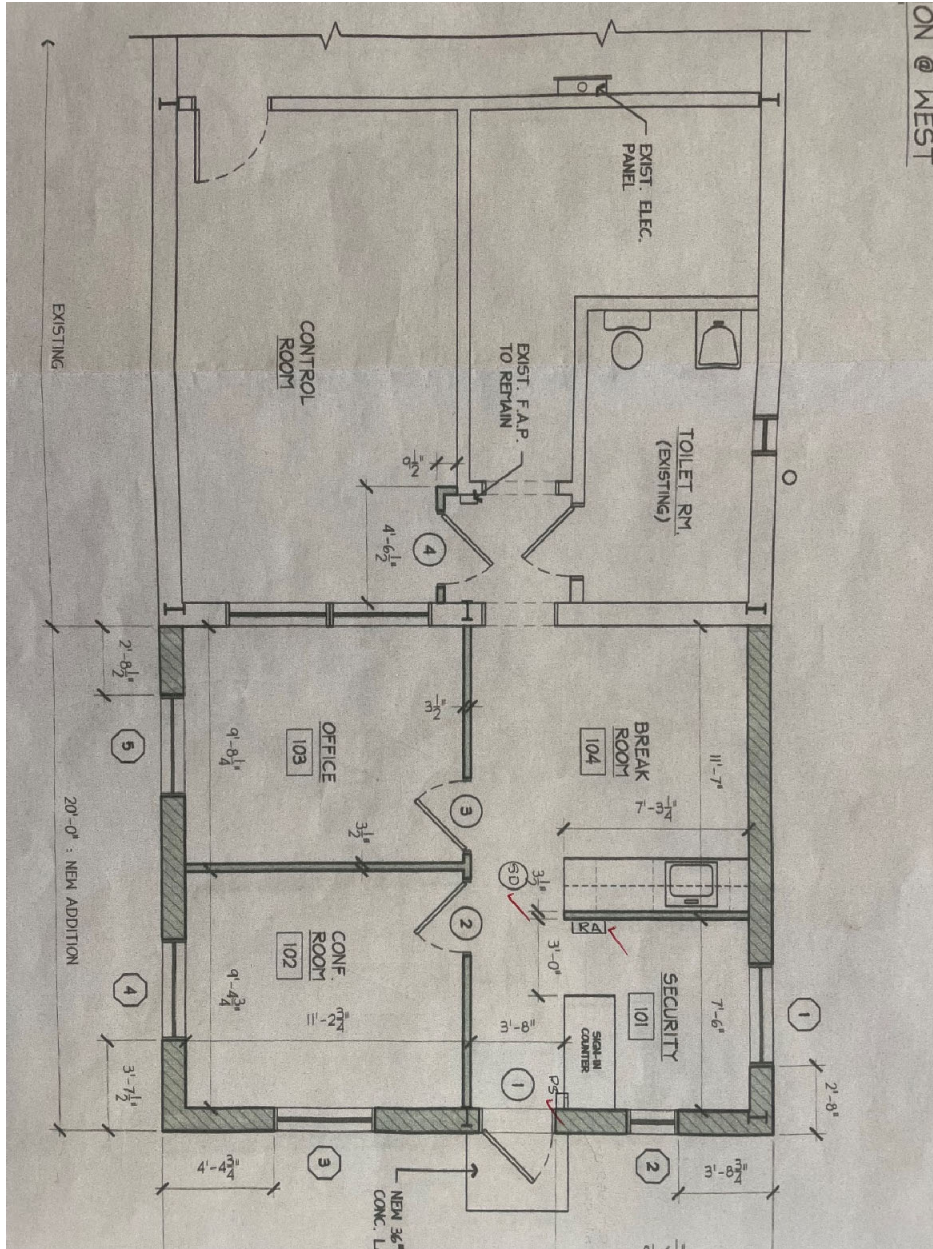
Rooms and spacing dimensions are rounded to the nearest foot and do not include wall footprint area.

1. Control Room: 240ft²
2. Office Space: 120ft²
3. Conference Room: 120ft²
4. Bathroom: 80ft²
5. Kitchen/Breakroom Space: 144ft²
6. Security Space: 96ft²
7. Miscellaneous Space (adjacent to restroom): 160ft²
8. Electrical Service Room (Motor Control Cabinet – "MCC"): 480ft²
9. Compressor Room: 480ft²
10. Locker Room: 230ft²

Total square footage: 2,150ft²

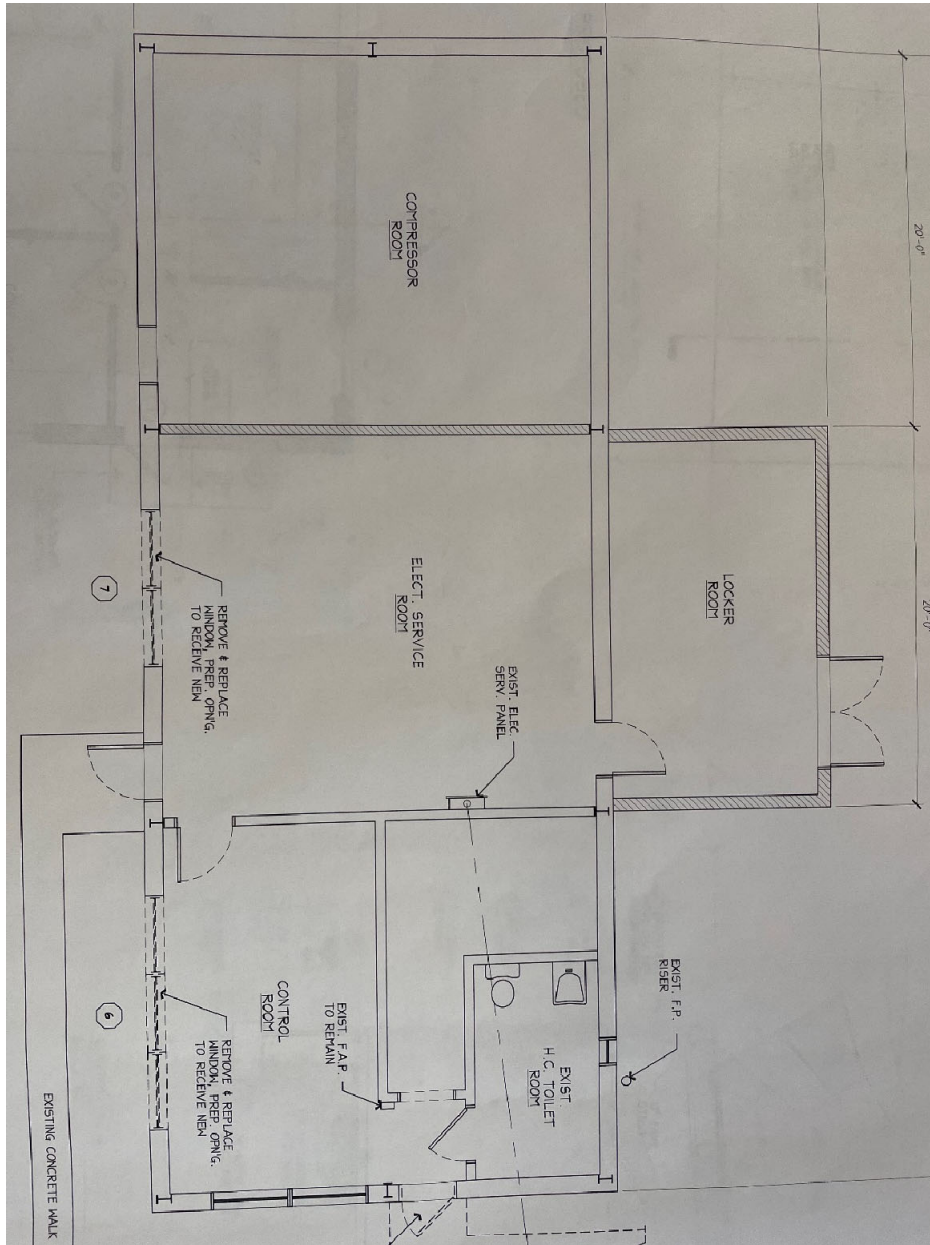
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Exeter LNG Control House

Control Room and Ancillary Spaces Diagram



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Exeter LNG Control House

MCC Room and Ancillary Spaces Diagram



PUC 9-12
Exeter LNG Control House

Request:

Please explain how many employees/contractors work in the existing control house at the Exeter LNG site, how many hours per week the control house is typically occupied by those employees/contractors, and identify the hours of the day that the control house is typically occupied (along with the count of employees typically present in each hour).

Response:

The Exeter LNG Control House is presently occupied on a 24-hour/7 day per week basis with Company employees, contracted security officers, and contractors on an as needed basis for maintenance and support. Current assigned staff include:

- Six (6) Company LNG Shift Operators.
- One (1) Company LNG Supervisor.
- One (1) Company LNG Specialist.
- One (1) Company LNG Manager.
- Three (3) Contracted Security Officers.
- Other Company Staff as required to fulfill business needs.
- Other Contractors as required to fulfill business needs.

Routine operations staffing schedule is as follows:

Monday – Friday

Day Shift, 7:00 a.m. – 3:00 p.m.:

§ Three (3) Operators, one (1) Supervisor, one (1) Specialist, one (1) Manager, and additional Company staff and Contractors as required to fulfill business needs.

There is only adequate space inside the control house for the Operators, Supervisor, and Security Guard (if staffed during the day shift) to work. All other employees and contractors work out of a temporary office trailer or in the field as part of their job responsibilities.

The LNG Specialist and Manager also work at other Company locations during the week and do not exclusively spend their time at Exeter LNG.

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Exeter LNG Control House

Monday – Friday

Second & Third Shift, 3:00 p.m.-7:00 a.m.:

§ One (1) Operator and one (1) Security Guard.

Saturday – Sunday

3:00 p.m. (Friday) – 7:00 a.m. (Monday):

§ One (1) Operator and one (1) Security Guard are onsite. Note, multiple employees maintain coverage throughout several shifts.

Additional personnel may be used and will increase onsite headcount when performing LNG trucking operations, vaporizing, supporting capital improvement projects, conducting certain operations and maintenance activities, or emergency response to keep the plant safe and operational. These additional personnel do not have any desk space to perform their work inside the control house.

PUC 9-13
Exeter LNG Control House

Request:

Please explain how many employees/contractors the Company expects to be working in the new control house at the Exeter LNG site after it is completed, how many hours per week the control house the Company expects it will be typically occupied by those employees/contractors, and identify the hours of the day that the Company expects the new control house to be typically occupied (along with the count of employees typically present in each hour).

Response:

The new Exeter LNG Control House will be occupied on a 24-hour/7 days per week basis with Company employees, contracted security officers, and contractors on a as needed basis for maintenance and support.

Planned assigned staff include:

- Six (6) Company LNG Shift Operators.
- One (1) Company LNG Supervisor.
- One (1) Company LNG Specialist.
- One (1) Company LNG Manager.
- One (1) Company Engineer.
- Three (3) Contracted Security Officers.
- Other Company Staff as required to fulfill business needs.
- Other Contractors as required to fulfill business needs.

Additional and future staff:

- Three (3) Portable LNG Operators.
- One (1) Portable LNG Supervisor.

The routine operations staffing schedule is as follows:

PUC 9-13, page 2
Exeter LNG Control House

Monday – Friday

- § Day Shift, 7:00 a.m. – 3:00 p.m.:
 - Three (3) Operators, one (1) Supervisor, one (1) Specialist, one (1) Manager, and additional Company staff and Contractors as required to fulfill business needs.
 - Note, the LNG Specialist, LNG Manager, and Engineer also work at other Company locations during the week.

- § Second & Third Shift, 3:00 p.m. – 7:00 a.m.:
 - One (1) Operator and one (1) Security Guard.
 - Note, multiple employees maintain coverage throughout several shifts.

Saturday – Sunday

- § 3:00 p.m. (Friday) – 7:00 a.m. (Monday):
 - One (1) Operator and one (1) Security Guard are onsite.
 - Note, multiple employees maintain coverage throughout several shifts.

Additional personnel may be used and will increase onsite headcount when performing LNG trucking operations, vaporizing, supporting capital improvement projects, conducting certain operations and maintenance activities, or emergency response to keep the plant safe and operational.

PUC 9-14
Exeter LNG Control House

Request:

Attachment PUC 4-1-1 appears to include an "LNG Garage."

- a. Is this garage included in the cost estimate of the control house or the truck station upgrade?
- b. Please provide an explanation of the need for the garage and an estimate of the capital cost of the garage.
- c. Which entity owns the trucks that would be stored in the proposed garage?
- d. Has the Company disclosed the garage project in this or any other filings with the Commission? If so, please indicate where.
- e. If the Company has not requested authorization in the ISR for spending on the garage in this filing, please explain when the Company intends to construct the garage. Please explain whether and how the Company intends to seek cost recovery.

Response:

- a. The cost to design a Portable LNG storage garage ("garage") is included within the overall scope of the Exeter LNG Control Room project. However, the potential cost to construct a garage is not included in the Exeter LNG Control Room project estimate (or the Truck Station project estimate). The garage design will be completed in conjunction with the Control Room project design to ensure both structures will be configured in the most optimal and efficient manner. It is prudent to design these structures together maximize the layout of the two structures for cost savings and to plan for the appropriate permitting. The layout of the two structures will allow for an optional gas riser and injection point for portable LNG vaporization in the event that future business needs or maintenance activities require portable LNG vaporization capabilities at Exeter LNG.
- b. Until the Company purchases portable LNG equipment for the Old Mill Lane location, the Company does not have a definitive need to construct a portable LNG storage garage at the Exeter location. However, if the EFSB approves portable LNG operations at Old Mill Lane and portable LNG equipment is ultimately purchased for the Old Mill Lane site, the Company believes there are distinct benefits to construction of a storage garage at the Exeter site. The initial design scope for the garage is an eight (8) bay garage that

PUC 9-14
Exeter LNG Control House

would be used to store eight (8) portable LNG trailers. The enclosed storage garage is important to the longevity, safety, and value retention of the portable LNG trailers. The trailers would be stored in the garage during the timeframe of April through November while not in use for the winter heating season. Limiting their exposure to UV degradation, rain, and other elements will extend their useful life, reduce unnecessary corrective maintenance, allow for maintenance to be performed safely under cover and away from adverse weather conditions, and allow for expedited availability of the equipment in the event the trailers need to be deployed to support emergent customer/system needs. The garage would solely be dedicated to LNG and also allow for tooling, spare parts, testing equipment and LNG hoses to be stored in a secure, organized, indoor environment away from the elements.

A cost estimate to construct the garage will be calculated once the initial design is completed.

- c. The Company would purchase and own the eight (8) portable LNG trailers that are intended to be stored in the garage.
- d. The Company requested authorization and received PUC approval to proceed with design of the Exeter LNG Control Room project within the FY2024 Gas ISR Docket No. 22-54-NG. In that Docket, the Company indicated in its response to data request Division 1-38, that the Exeter LNG Control Room design would include the design of storage space for portable LNG equipment. The Company's response stated, in part,

Design will also include a future layout for the storage and operation of future portable LNG equipment. This is included to achieve cost savings with utility service layouts and attain maximum arrangement efficiency if portable equipment is to be used in instances of maintenance/construction or an emergency situation.

- e. The proposed funding related to a portable LNG storage garage in the FY2025 Gas ISR is a continuation of the Exeter LNG Control Room project. The costs related to the garage are for design costs only. No money related to construction of the garage is being proposed in the FY2025 Gas ISR. The Company may propose funding for construction of a garage in the FY2026 Gas ISR pending the outcome of the EFSB proceedings for Old Mill Lane.

PUC 9-15
Cumberland Control House

Request:

Please provide a diagram and photographs of the existing control house at the Cumberland LNG site. Please indicate the rooms and square footage in the diagram. Please also explain whether the control house in Cumberland was built before or after the Company became aware that it needed to dismantle the old LNG storage tank at that location.

Response:

Please see the diagrams and photographs of the existing control house at the Cumberland LNG site, below. The Cumberland Control House was built in 2014 before the Company became aware that it needed to decommission and dismantle the old LNG Tank in 2016.

Rooms and spacing dimensions are rounded to the nearest foot and do not include wall footprint area.

First Floor (1,584ft²):

1. Control Room: 294ft²
2. Office Space (shown as Conference): 210ft²
3. Conference Room (shown as Office): 159ft²
4. Locker room/Bathroom Spaces: 314ft²
5. Kitchen/Breakroom Space: 334ft²
6. Miscellaneous Area: 273ft²

Total square footage: 1,584ft²

Second Floor (1,584ft²):

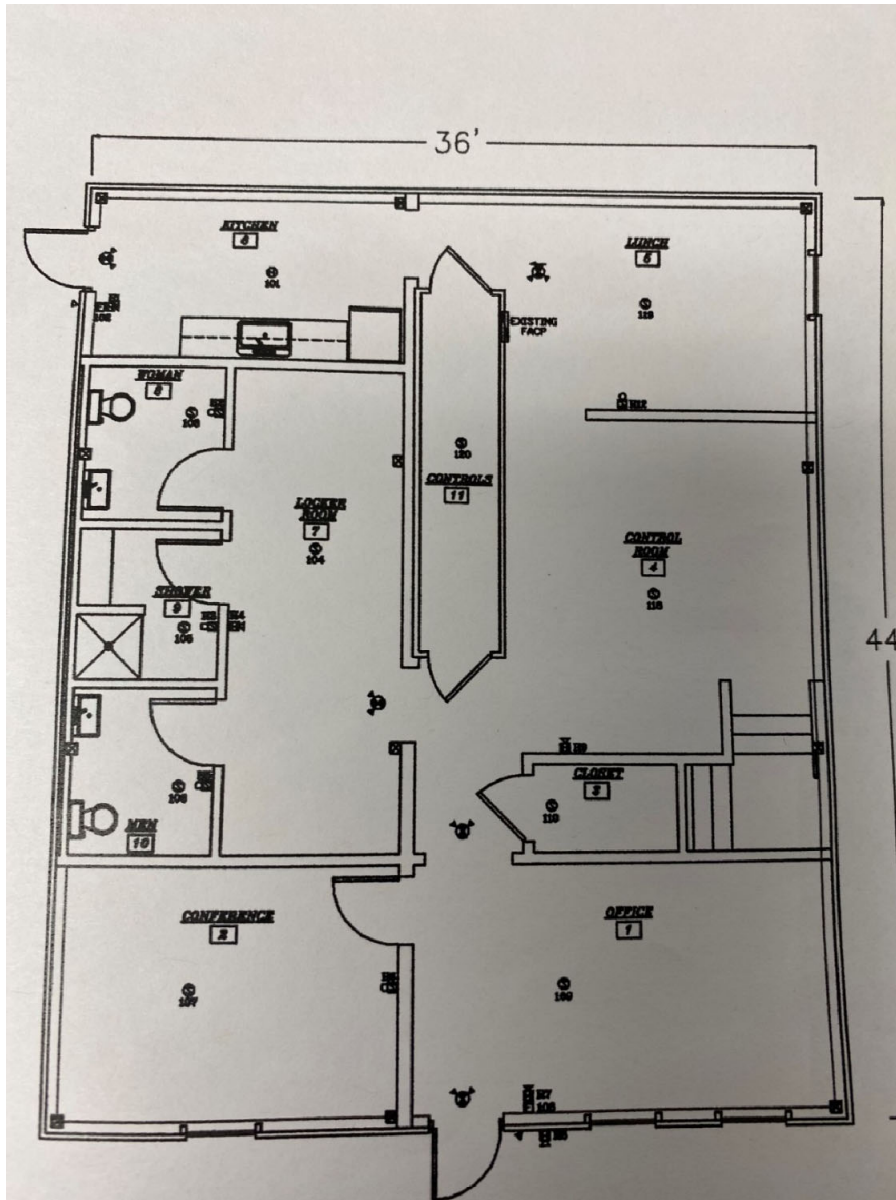
1. Open floor plan used for storage: 1,584ft²

Total square footage: 1,584ft²

Combined total square footage of the Cumberland LNG control house building is 3,168ft².

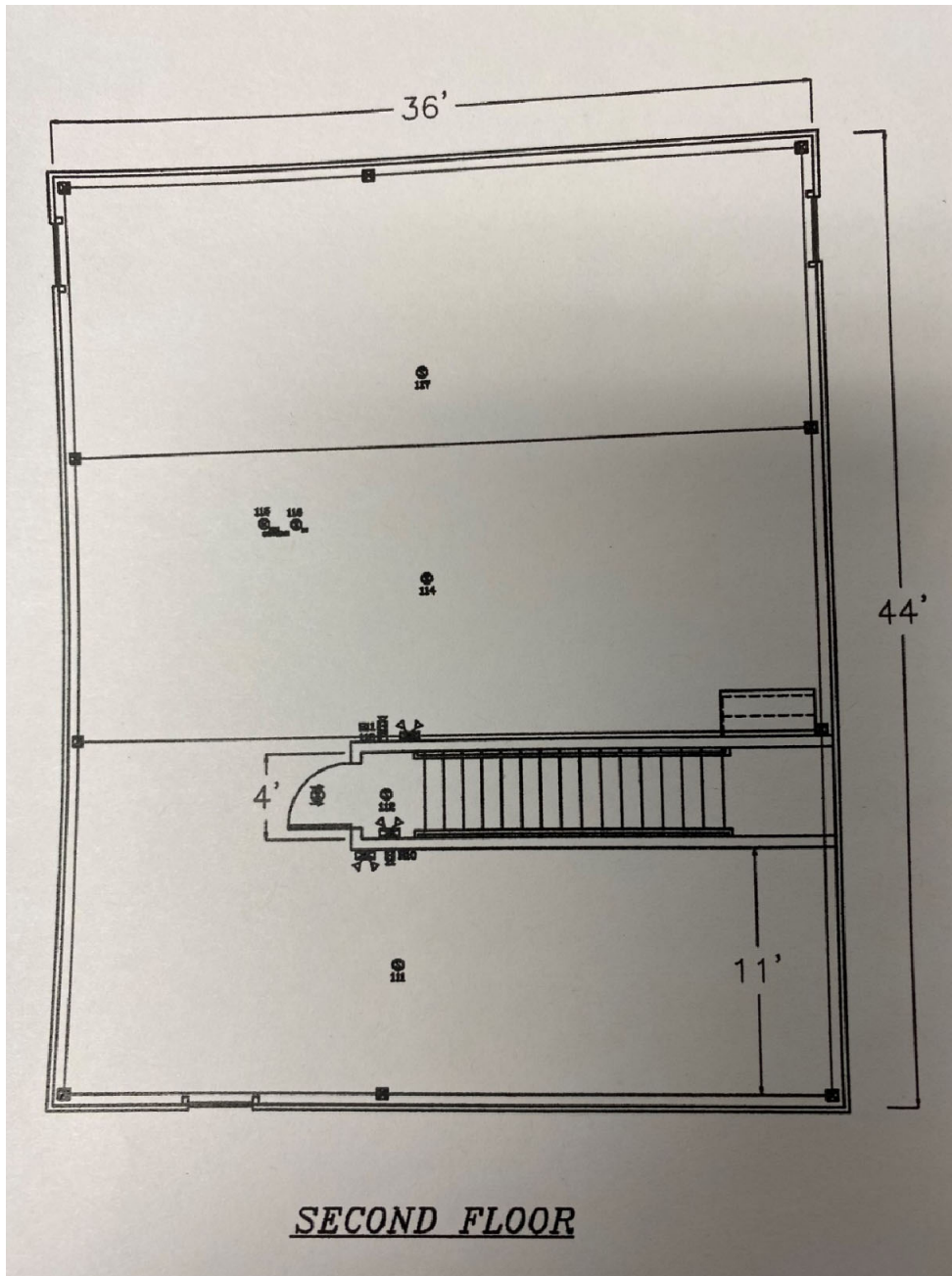
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Cumberland Control House

First Floor (1,584ft²)



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Cumberland Control House

Second Floor (1,584ft²)



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Cumberland Control House

Control Room



The picture above contains a view of security camera monitors for the Cumberland LNG site.
The images on the security cameras have been grayed out for security purposes.

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Cumberland Control House

Office



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 Ninth Set of Data Requests
Issued on February 15, 2024

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Cumberland Control House

Conference Room



PUC 9-15, page 7
Cumberland Control House

Locker Room



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Cumberland Control House

Kitchen



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Cumberland Control House

Miscellaneous



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Cumberland Control House

Upstairs Storage (East Facing)



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Cumberland Control House

Upstairs Storage (West Facing)



PUC 9-16
Cumberland Control House

Request:

Please explain how many employees/contractors work in the existing control house at the Cumberland LNG site, how many hours per week the control house is typically occupied by those employees/contractors, and identify the hours of the day that the control house is typically occupied (along with the count of employees typically present in each hour).

Response:

The Cumberland LNG Control House is presently occupied with Rhode Island Energy employees, as well as contractors on an as needed basis for maintenance and support. The currently assigned staffing include:

- Three (3) Company LNG Shift Operators
- One (1) Company LNG Supervisor
- One (1) Company LNG Specialist
- One (1) Company LNG Manager
- Other Company Staff as required to fulfill business needs
- Other Contractors as required to fulfill business needs

Routine operations staffing schedule is as follows:

Monday – Friday: 7:00 a.m. – 3:00 p.m.

Three (3) Operators, one (1) Supervisor, one (1) Specialist, one (1) Manager, and additional Company staff and contractors as required to fulfill business needs.

Note, the LNG Specialist, LNG Manager, and Engineer also work at other Company locations during the week.

In addition, LNG personnel are on call after hours and on weekends to respond to any alarms.

At any time, additional personnel may be used and will increase onsite headcount when performing LNG trucking operations, vaporizing, supporting capital improvement projects, conducting certain operations and maintenance activities, or emergency response to keep the plant safe and operational.

PUC 9-17
Cumberland Control House

Request:

The response to PUC 4-1 states that the Cumberland LNG control room and building were upgraded in 2014.

- a. Please provide a brief description of the upgrades.
- b. What were the costs of these upgrades?
- c. Are (or were) the costs of the upgrades being recovered in rates? If so, how and where?

Response:

- a. The original control room and building was completely replaced with a new building, except for the electrical communications room that houses SCADA Controls. A new control room and building was built around this electrical communications room. The new building provided a modern HVAC system, new restrooms and shower, dedicated office for the plant supervisor, a small conference room, new kitchen and breakroom, and an upstairs floor for storage.
- b. The total cost for the new control room and building was \$1,081,904.85.
- c. The cost of the Cumberland LNG control room is included in the Company's rate base and is being recovered in base distribution rates.

PUC 9-18
Cumberland LNG Tank Replacement

Request:

Table 2, on Bates page 80 (last unnumbered line), identifies FY 2025 spending of \$375k and FY 2026 spending of \$2.5 million related to tank replacement that is not included in current ISR and notes "Costs transfer to be an ISR project in FY27". Please explain what this notation means and explain the Company's plans for approval and cost recovery for the referenced project.

Response:

The Company is engaged in an ongoing assessment of LNG storage options for the Cumberland LNG site to determine how much LNG storage volume is needed. The volume will then dictate what type of storage vessel(s) could be used and where the storage vessel(s) should be located on the Company owned land adjacent to the gate station (the "Cumberland LNG Tank Replacement").

Once that is determined, the Cumberland LNG Tank Replacement will be engineered, and the Company will submit a license application to the Energy Facility Siting Board ("EFSB"). If a license is granted, the Company would complete the engineering effort and then progress to construction to build the approved project.

The Company anticipates seeking approval of the Cumberland LNG Tank Replacement in the FY2027 Gas ISR (or "transfer to be an ISR project in FY27") based upon a projected timeline for obtaining an EFSB license for the determined LNG storage solution for Cumberland LNG. For the time being, the spending is included in the Company's FY2025 Gas ISR plan for visibility only since any recovery through the ISR would be contingent upon a Cumberland LNG Tank Replacement being placed into service which would be contingent upon obtaining EFSB approval. Depending upon the LNG storage solution selected, the spend on the project would begin to be placed in-service (and begin having a customer rate impact) starting in FY2028 at the earliest.

PUC 9-19
LNG Trucking Station

Request:

Please provide a diagram of the existing trucking station that the Company is proposing to replace, as described in PUC 4-2.

Response:

See Confidential Attachment PUC 9-19 for the Piping and Instrumentation Diagram (“P&ID”) of the existing trucking station on drawing BO1. This P&ID is considered Critical Energy Infrastructure Information (“CEII”).

PUC 9-20
Propane Company Lease in Exeter

Request:

The response to PUC 4-3 indicates that the Company leases part of the Exeter LNG location to a propane company.

- a. Please provide a diagram of the entire existing Exeter LNG site property, including depictions of the location of each major structure, distinguishing between structures owned and operated by the Company and structures used by the propane company.
- b. Please disclose how much revenue the Company obtains from the propane company on a monthly and annual basis from the lease and any other agreements.
- c. Please indicate the year in which propane activities were first permitted at the location.
- d. Please provide a copy of the lease and any other agreements the company has with the propane company.
- e. Please provide a schedule showing annual revenues received from the propane company since the commencement of the leasing arrangement (if the lease commenced over five years ago, the response need only provide the revenue from the last five years).
- f. Please explain how the Company accounts for the revenue from the lease. For example, is it a credit against costs associated with the LNG operations which flow through the DAC; does the Company retain the revenue as a profit margin for shareholders; is it included in revenue withing the Company's annual earnings report, etc.?

Response:

- a. A propane company, Ferrellgas, Inc. (the "Tenant"), leases a parcel of land on the Exeter LNG Site. The leased portion of the site consists of a small office building, two (2) Propane Storage Tanks, and a gravel driveway. Attachment PUC 9-20-1 shows the boundaries and structures present on the leased portion of the site.
- b. Tenant pays the Company base annual rent of \$100.00 through the term of the 99-year lease. The Tenant is also obligated to pay a pro rata share (14.30%) of the real estate taxes. The Tenant is also responsible for all costs, expenses, and obligations of every kind related to the leased premises.

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Propane Company Lease in Exeter

- c. The term of the Lease between the Tenant and the Providence Gas Company commenced on December 18, 1990.
- d. Please see Attachment PUC 9-20-2 for a copy of the lease.
- e. The revenue received over the last five years would be \$500.00.
- f. The rental revenue is recorded on the Company books as a credit to FERC Account 493, "Rent from Gas Property," which is part of "Other Operating Revenues." This revenue is included in the gas annual earnings sharing calculation as "Other Revenues" and increases the Company's annual net income. The amount is not included as a credit against costs associated with LNG operations in the DAC.

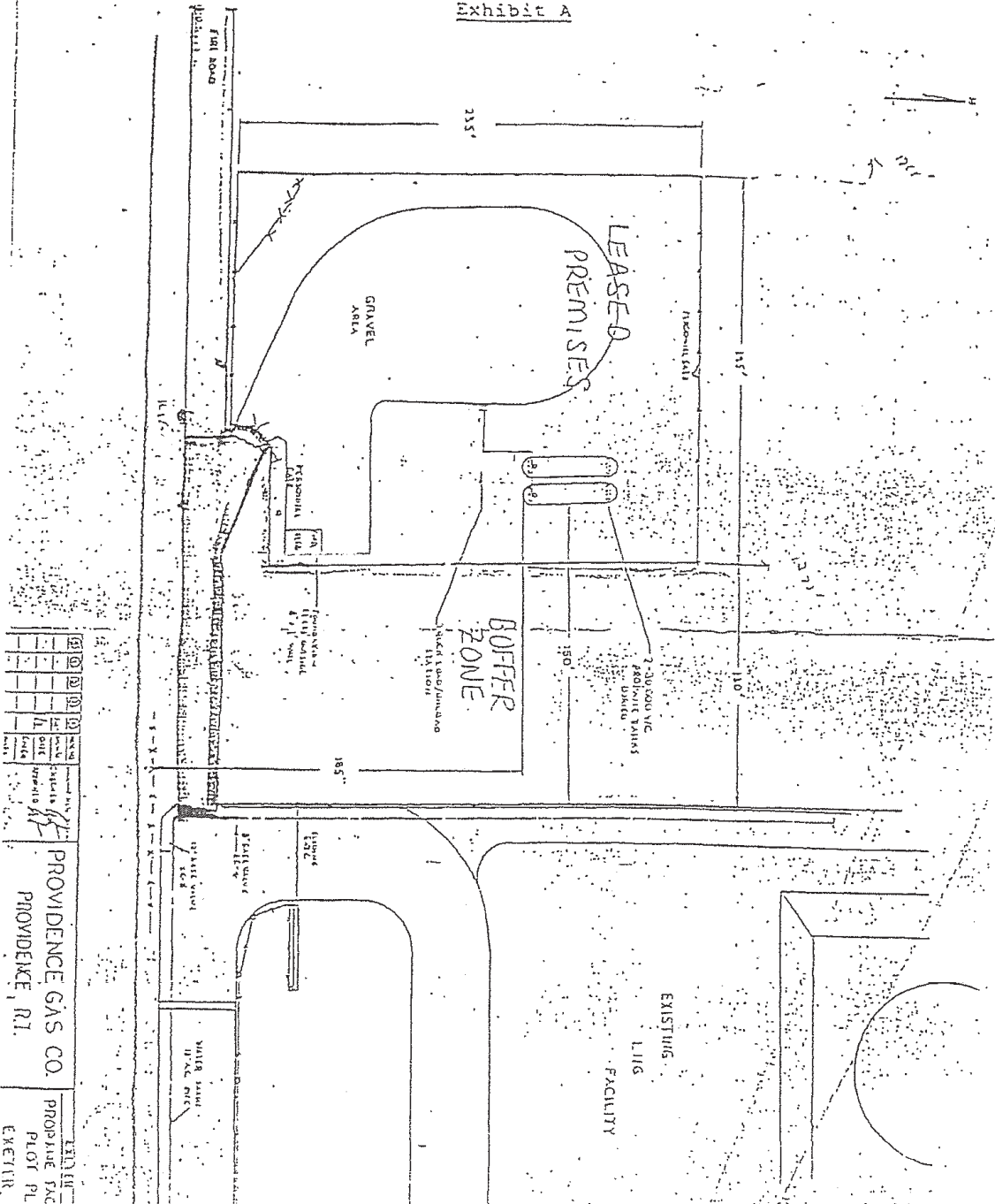
PUC 9-20, Attachment 1

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Exhibit A



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PROVIDENCE GAS CO.
 PROVIDENCE, R.I.

PROVIDENCE GAS CO.
 PROVIDENCE, R.I.
 PROVIDENCE GAS CO.
 PROVIDENCE, R.I.

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LEASE

THIS LEASE (the "Lease") is entered into as of the 18th day of December, 1990, by and between PROVIDENCE GAS COMPANY, a Rhode Island corporation with a mailing address of 100 Weybosset Street, Providence, Rhode Island 02903, Attention: Robert W. Owens, Vice President (hereinafter the "Landlord") and FERRELLGAS, INC., a Delaware corporation with a mailing address of One Liberty Plaza, Liberty, Missouri 64068, Attention: Warren H. Gfeller, President (hereinafter the "Tenant").

IT IS MUTUALLY covenanted and agreed by and between the parties as follows:

1. Definitions and Construction.

1.01. Leasing Details. For the purposes of this Lease, the following words and phrases are defined as set forth below:

BASE ANNUAL RENT:	See <u>Paragraph 4.</u>
COMMENCEMENT DATE:	See <u>Paragraph 3.</u>
LAND:	That lot or parcel of land located in Exeter, Rhode Island, and more particularly described on <u>Exhibit A-1</u> attached hereto.
LANDLORD:	Providence Gas Company
LANDLORD'S ADDRESS:	100 Weybosset Street Providence, Rhode Island 02903
TENANT:	Ferrellgas, Inc.
TENANT'S ADDRESS:	One Liberty Plaza Liberty, Missouri 64068
LEASED PREMISES:	That certain portion of the Land which is surrounded by a chain-link fence, as shown outlined in yellow on <u>Exhibit A</u> attached hereto.
PERMITTED USE:	Operation of a propane storage tank farm for receipt, storage and distribution of liquid propane, subject to the terms

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and conditions hereinafter set forth; including, without limitation, the Operating and Access Instructions attached hereto as Exhibit B.

TERM:

Ninety-nine (99) years beginning on the date hereof (the "Commencement Date").

TERMINATION DATE:

The last day of the month containing the ninety-ninth (99th) year anniversary of the Commencement Date.

1.01. Exhibits. The Exhibits listed below in this Paragraph are incorporated in this Lease by reference and are to be construed as a part of this Lease:

EXHIBIT A. Plan showing the Leased Premises.

EXHIBIT A-1. Description of Land.

EXHIBIT B. Operating and Access Instructions.

2. Leasing. The Landlord demises and leases to the Tenant and the Tenant hereby leases and takes from the Landlord the Leased Premises, together with and subject to the respective easements, rights and appurtenances, if any, currently benefitting or burdening the Leased Premises, as the case may be. Current easements of record will not prohibit Tenant from using the Leased Premises as currently used by Landlord.

3. Term. To have and to hold the Leased Premises unto the Tenant for and during the term set forth in Paragraph 1.01, beginning on the date hereof (the "Commencement Date") and ending on the Termination Date. Notwithstanding the foregoing, the Tenant will have the right, at any time upon thirty (30) days' prior written notice to the Landlord, to terminate this Lease, subject to the provisions hereof which survive termination.

4. Rent. Throughout the term of this Lease, the Tenant will pay "rent" (as defined in Subparagraph 5.04 below) to the Landlord, at the address specified in Paragraph 1.01, without demand, prior notice, set-off or deduction whatsoever, as follows:

The Tenant will pay to the Landlord base annual rent of \$100.00 (the "Base Annual Rent") in advance, beginning on the

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Commencement Date, and continuing thereafter on each anniversary of the Commencement Date during the term of this Lease.

5. Additional Rent. The parties agree that the rent will be absolutely net to the Landlord. The Tenant will pay, as additional rent, all costs, expenses and obligations of every kind and nature whatsoever relating to the Leased Premises which may arise or become due after the Commencement Date, including, without limitation, the following:

5.01. The Tenant will pay when due all real property taxes and other assessments (hereinafter the "Taxes and Assessments") of every nature and description (including taxes and other assessments of any water, sewer, fire or other special district) levied or assessed on or after December 31, 1990 against (i) the Leased Premises, and (ii) all improvements located on the Leased Premises. With respect to the Leased Premises: if the Leased Premises do not constitute a separate lot for tax or other assessment purposes, then the Tenant will pay when due the Tenant's proportionate share of all Taxes and Assessments levied against the Land (excluding any improvements located thereon). The Tenant's proportionate share will be determined by multiplying such Taxes and Assessments by a fraction, the numerator of which will be the square footage of the Leased Premises and the denominator of which will be the square footage of the Land. With respect to improvements on the Leased Premises: Landlord and Tenant will cooperate in seeking the equitable allocation of the Town of Exeter assessing authorities of any assessment against improvements on the Land that does not distinguish between the improvements located on the Leased Premises and those located elsewhere on the Land. Such assessed valuation appears on the Town of Exeter tax bill to the Landlord for the assessment as of December 31, 1989 as "Tangible - LNG Facility - \$836,400". The parties agree that an allocation of 15% of any such assessment to the Tenant and 85% to the Landlord is an equitable allocation, based on the relative net book values of the improvements located on the Leased Premises and those located on the Land, and until such allocation is made by the Town of Exeter tax assessor, the parties will allocate any such assessment in accordance with the foregoing. The parties will cooperate in taking such steps as may be necessary to establish the Leased Premises as a separately taxed and assessed lot.

5.02. Utilities. The Tenant will pay directly to the proper supplier all charges for the installation or consumption of utilities and other services used on or for the Leased Premises, all such charges to be paid as the same become due from time to time.

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5.03. Operating Expenses. The Tenant will pay directly to the person, creditor or supplier to whom such sum is owed, all costs associated with the repair and maintenance of the Leased Premises for which the Tenant is responsible under the provisions of this Lease and all costs of fire, casualty and liability insurance required to be maintained by the Tenant under the provisions of this Lease.

5.04. Rent Defined. The term "rent" as used herein refers to Base Annual Rent and/or additional rent.

6. Permitted Use; Compliance with Laws, etc. The Tenant will use the Leased Premises solely for the Permitted Use. The Tenant will promptly comply with all laws, ordinances, requirements, orders, directives, rules and regulations of Federal, State, city and town governments and all other governmental authorities or any national or local Board of Fire Insurance Underwriters affecting the Leased Premises or the Tenant's use thereof and will at all times conduct its propane storage operations in conformity with applicable codes adopted and adhered to generally in the propane storage industry. The Tenant will also comply with the Operating and Access Instructions set forth on Exhibit B attached hereto. The Tenant will indemnify and hold harmless the Landlord from and against any and all penalties or damages charged to or imposed upon it or for any violation of any such laws, ordinances, rules or regulations by the Tenant.

7. Repairs and Maintenance. The Tenant, at the Tenant's sole cost and expense, will keep and maintain all of the Leased Premises, including, without limitation, the existing chain-link fence surrounding the Leased Premises and any improvements located or constructed thereon in good order and condition, ordinary wear and tear excepted, and will make all necessary replacements and repairs thereto. The Tenant will not do or suffer any waste or damage, disfigurement or injury to the Leased Premises. THE LANDLORD MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, EITHER EXPRESS OR IMPLIED, INCLUDING, BY WAY OF EXAMPLE AND NOT BY LIMITATION, THOSE RELATING TO THE CONDITION OF THE LEASED PREMISES, OTHER THAN AS SET FORTH IN THAT CERTAIN PURCHASE AGREEMENT OF EVEN DATE HEREWITH BETWEEN THE LANDLORD, ET AL, AND THE TENANT (THE "PURCHASE AGREEMENT"). The Tenant acknowledges, agrees and understands that the Leased Premises are being leased to the Tenant in their present "AS IS" condition; provided, that the Landlord will be responsible for the condition of the Leased Premises as of the Commencement Date and for any remedial action required as a result of such condition existing as of the Commencement Date. The Landlord will not be required to furnish any services or facilities or to make any repairs in

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or about the Leased Premises, the Tenant hereby assuming the full and sole responsibility for all repairs to, and for any condition (other than any condition pre-existing the date hereof), operation, maintenance and management of, the Leased Premises during the term of this Lease. The Tenant will also be responsible for maintaining the area outlined in blue on Exhibit A attached hereto.

8. Alterations and Improvements. The Tenant may make any alterations or improvements to the Leased Premises which do not materially impair or diminish the value of the Leased Premises or the Land. In addition, the Tenant will be obligated to make any alterations or improvements, if any, to the Leased Premises which are or may become necessary to comply with all governmental requirements. The Tenant will pay all costs, expenses and liabilities arising out of or in connection with or by reason of any alterations or improvements.

9. Commercial General Liability Insurance; Indemnity.

9.01. Insurance. The Tenant, at its sole cost throughout the term of this Lease, will obtain and pay for commercial general liability insurance insuring the Landlord as an additional insured and the Tenant against loss from and liability for damages on account of loss or injury suffered by any person or property within or upon the Leased Premises, the coverage and protection of such insurance to be in the amount of at least Ten Million Dollars (\$10,000,000.00) per incident. The Landlord reserves the right to require additional coverage and higher limits from time to time. All such insurance will be with insurance companies reasonably acceptable to the Landlord and will be evidenced by insurance certificates delivered to the Landlord providing, among other things, that the carrier will use its best efforts to give thirty (30) days' prior written notice to the Landlord of any proposed cancellation or other termination of the policy evidenced by such certificate.

9.02. Indemnity. The Tenant will defend, save harmless, protect and indemnify, the Landlord from any liability for injury, loss, accident or damage to any person or property and from any claims, actions, proceedings and expenses and costs in connection therewith, including, without limitation, reasonable attorneys' fees (i) arising from the omission, fault, willful act, negligence or other misconduct of the Tenant, its employees, agents, contractors, officers, directors, or partners, or from any use made or thing done or occurring on the Leased Premises not due to the omission, fault, willful act, negligence or other misconduct of the Landlord or (ii) resulting from the failure of

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the Tenant to perform and discharge its covenants and obligations under this Lease. In the event that the Landlord, without any fault on its part, becomes a party to any litigation commenced by or against the Tenant or by or against any parties in possession of the Leased Premises or any part thereof claiming under the Tenant, the Tenant will pay, as additional rent, all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by or imposed upon the Landlord in connection with such litigation, and, as additional rent, the Tenant will also pay all such costs and fees incurred by the Landlord in connection with the successful enforcement by the Landlord of any obligations of the Tenant under this Lease. The provisions of this Paragraph 9.02 will survive the termination of this Lease.

10. Tenant's Property. The risk of loss of or damage to the property of the Tenant on the Leased Premises will be borne solely by the Tenant, and the Landlord will have no liability whatsoever for loss thereof or damage thereto, except those (i) arising from the omission, fault, willful act, negligence or other misconduct of the Landlord, its employees, agents, contractors, officers, directors, or partners, or from any use made or thing done or occurring on the Leased Premises not due to the omission, fault, willful act, negligence or other misconduct of the Tenant or (ii) resulting from the failure of the Landlord to perform and discharge its covenants and obligations under this Lease.

11. Parking. The Tenant shall have the right to park delivery vehicles and private passenger automobiles on the Leased Premises from time to time.

12. Subordination. This Lease is subject and subordinate to any mortgages of all or any portion of the Leased Premises now of record or recorded after the date hereof. Such subordination is hereby effective without any further act of the Tenant. The Tenant agrees that, from time to time, within ten (10) business days after request therefor from the Landlord, the Tenant will execute and deliver any instruments that may be required by any lender to evidence or effect the subordination provided for herein. If the Tenant fails to execute and deliver any such instrument, the Tenant irrevocably appoints the Landlord, with full power of substitution, the Tenant's attorney-in-fact to execute and deliver any such instrument.

13. Loss, Damage and Destruction.

13.01. In case of any material damage to or destruction of the Leased Premises and any improvements located thereon, the Tenant will promptly give written notice thereof to the Landlord

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and, within thirty (30) days thereafter, notify the Landlord in writing of the Tenant's election to do one of the following:

(a) Proceed with reasonable diligence to remove all ruins, restore the Leased Premises to a safe and clean condition and repair and restore, or replace some or all of the improvements located on the Leased Premises, or the portion thereof so damaged. Such removal, reparation, restoration and replacement will be without cost, charge or expense of any kind to the Landlord; or

(b) Proceed with reasonable diligence to demolish and remove all of its improvements and all ruins, and remove all debris, and restore the Premises to a safe and clean condition, all at the Tenant's sole cost and expense.

13.02. No termination of this Lease will relieve the Tenant of the responsibility of completing the work as elected under paragraph (a) or (b).

13.03. In case of any damage or destruction of the Leased Premises, there will be no abatement or reduction of rent, unless the Tenant elects to terminate under Paragraph 3.

14. Condemnation.

14.01. If the Leased Premises or any portion thereof is taken in condemnation proceedings or by exercise of any right of eminent domain, the parties will be entitled to share in such award as may be made in any such proceeding in proportion to their relative damages incurred as a result of such taking.

14.02. If all or substantially all of the Leased Premises is taken in condemnation proceedings or by exercise of any right of eminent domain or by agreement between the Landlord and those authorized to exercise the same, the Lease will terminate on the date of such taking and the rent and all other payments required to be made by the Tenant hereunder will be apportioned and paid to the date of such taking, but no such termination will release the Tenant from those obligations which are to survive the termination of this Lease. For the purposes of this paragraph, "substantially all of the Leased Premises" will be deemed to have been taken if the portion of the Leased Premises not so taken is unsuitable for the Tenant's continued use.

14.03. If less than all or substantially all of the Leased Premises is taken in condemnation proceedings or by exercise of any right of eminent domain, then this Lease and the term hereof will remain in full force and effect, without any reduction or abatement, unless the Tenant elects to terminate under Paragraph 3.

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15. Assignments and Subleases. Except as provided below, the Tenant will not directly or indirectly assign or encumber its interest in this Lease or in the Leased Premises, or sublease all or any portion of the Leased Premises, or allow any other person, firm or corporation (except the Tenant's authorized representatives) to occupy or use all or any part of the Leased Premises, without first obtaining the Landlord's written consent. Any assignment, encumbrance or sublease without the Landlord's written consent will be voidable and, at the Landlord's election, will constitute a default under this Lease. No permitted assignment or subleasing will in any way affect or reduce any of the obligations of the Tenant under this Lease. Notwithstanding the foregoing, Tenant may assign its interest in this Lease, or sublet all or any portion of the Leased Premises, to any subsidiary or other affiliate of the Tenant, provided, no such assignment or sublease shall relieve the Tenant of its obligations hereunder.

16. Default and Remedies.

16.01. Events of Default. The Tenant will be in default under this Lease upon the occurrence of any of the following events or conditions (i) the Tenant's failure to pay rent, additional rent or make the other payments at the times and in the manner provided for herein, such failure having continued for a period of ten (10) days after notice thereof has been given by the Landlord to the Tenant; (ii) the Tenant's failure to perform or fulfill any other term, condition or agreement contained or referred to herein, on the part of the Tenant to be performed or fulfilled, such failure having continued for a period of sixty (60) days after notice thereof has been given by the Landlord to the Tenant; or, if such failure cannot be cured within such sixty (60) day period, the failure of the Tenant to commence during such period and to pursue diligently thereafter all such measures as may be required to effect such cure; provided, that in the case of the Tenant's breach of the provisions of paragraph 4 or paragraph 9 of Exhibit B, Tenant shall be deemed to be in default if such breach reoccurs within one year following written notice of the Landlord to the Tenant of the occurrence of such breach; (iii) if the Tenant generally does not pay its debts as they become due or admits in writing its inability to pay its debts, or makes a general assignment for the benefit of creditors; (iv) if the Tenant commences any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property; (v) if any case, proceeding or other action

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against the Tenant is commenced seeking to have an order for relief entered against it as debtor, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action (x) results in the entry of an order for relief against it which is not fully stayed within thirty (30) business days after the entry thereof or (y) remains undismissed for a period of forty-five (45) days; (vi) if the leasehold interest hereby created is levied upon by execution or taken by process of law; or (vii) the dissolution of the Tenant.

16.02. Remedies. In the event of default, it will be lawful for the Landlord thereupon, or at any time thereafter, at the Landlord's option, to exercise all rights and remedies available at law or in equity and to terminate this Lease and to enter upon the Leased Premises and to expel the Tenant and those claiming under the Tenant, without being guilty of any manner of trespass, and thenceforth peacefully and quietly hold and enjoy the Leased Premises as if this Lease had not been made; without prejudice, however, to any right to sue for and recover any rent and other sums then due under this Lease, or to any claim for damages or right of action or remedy for any preceding breach of any covenant, agreement or condition herein contained which the Landlord might otherwise have or use.

16.03. Creditors. In the event of default, this Lease will not, except at the option of the Landlord, continue for the benefit of any attaching creditor, assignee for the benefit of creditors, permanent receiver, or trustee in bankruptcy.

16.04. Attorneys' Fees. In the event of default by either party under this Lease, the defaulting party will pay for the other party's reasonable attorneys' fees and all other expenses incurred in connection with enforcing its rights hereunder.

17. Reservations of Landlord. The Landlord and its authorized representatives hereby reserve the right to enter the Leased Premises from time to time on 48 hours' notice to the Tenant, to the extent reasonably required for any of the following purposes: (i) to determine whether the Leased Premises are in good condition and whether the Tenant is complying with its obligations under this Lease; (ii) to give any notice required or permitted to be given to the Tenant hereunder; (iii) to show the Leased Premises to prospective brokers, agents, buyers, mortgagees or tenants; (iv) to do any necessary

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maintenance and to make any restoration or repairs to the Leased Premises; or (v) any other lawful purpose.

18. Surrender. Upon the expiration or sooner termination of this Lease, the Tenant will, at the Tenant's sole cost and expense, demolish and/or remove all of the Tenant's improvements located on the Leased Premises and remove all debris in connection with such demolition or removal and surrender the Leased Premises in good order, condition and repair, including, without limitation, restoring the Leased Premises to existing grade, in compliance with all applicable laws. The provisions of this Paragraph 18 will survive the expiration or sooner termination of this Lease.

19. Quiet Enjoyment. Upon paying the rent and all other payments required to be made by the Tenant hereunder, and upon the Tenant's performing and fulfilling all of the terms, conditions or agreements on its part to be performed and fulfilled, the Tenant will quietly have and enjoy the Leased Premises during the Term of this Lease without lawful hindrance by any person claiming by, through or under the Landlord. The Landlord covenants that it owns the Leased Premises in fee simple and has the right and power to enter into this Lease and to grant the rights to the Tenant provided for herein.

20. Waivers. The failure of the Landlord to insist in any one or more instances upon the strict and literal performance of any of the agreements, terms, or conditions of this Lease or to exercise any option of the Landlord herein contained, will not be construed as a waiver for the future of such term, condition, agreement or option. The receipt by the Landlord of rent with knowledge of the breach of any term, condition, or agreement will not be deemed to be a waiver of such breach. The receipt by the Landlord of rent after the giving of any notice required to be given to the Tenant by law or by the terms of this Lease will not in any way affect the operation of such notice.

21. Notices. No notice, approval, consent or other communication permitted or required to be given under this Lease will be effective unless the same is sent postage prepaid, by United States registered or certified mail, return receipt requested, to the other party at the following addresses: if to the Landlord, at the address set forth in Paragraph 1.01, with a copy to: Edwin G. Torrance, Esq., Hinckley, Allen, Snyder & Comen, 1500 Fleet Center, Providence, Rhode Island 02903; and if to the Tenant, at the address set forth in Paragraph 1.01, with a copy to: Kendrick T. Wallace, Esq., Smith, Gill, Fisher & Butts, One Kansas City Place, 1200 Main Street, Suite 3500, Kansas City, Missouri 64105, or to such other address as either party may

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designate by notice to the other party. Any notice hereunder shall be deemed to have been given only when received by the addressee.

22. Mechanics' Liens. The Tenant agrees to immediately discharge (either by payment or by filing of the necessary bond, or otherwise) any mechanics', materialmen's or other lien(s) on the Leased Premises which arise out of any payment due, or purported to be due, for any labor, services, materials, supplies or equipment alleged to have been furnished to or for the Tenant in, upon or about the Leased Premises. The Landlord will not be deemed to have consented to the placing of a lien on the Leased Premises by any person dealing with the Tenant.

23. Estoppel Letter. Upon not less than ten (10) days' prior notice by the Landlord from time to time, the Tenant agrees to execute, acknowledge and deliver to the Landlord, and to any assignee, mortgagee, lender or any other third party which the Landlord may designate, a statement in writing certifying that this Lease is unmodified and in full force and effect and that the Tenant has no known defenses, offsets or counterclaims against its obligations to pay the rent and any other charges and to perform its other covenants under this Lease (or, if there have been any modifications, that the Lease is in full force and effect as modified and stating the modifications and, if there are any known defenses, offsets or counterclaims, setting them forth in reasonable detail), and a statement that, to the best of the Tenant's knowledge, the Landlord is not in default hereunder (or if in default, the general nature of such default). Any such statement delivered pursuant to this paragraph may be relied upon by any prospective purchaser or mortgagee of the Leased Premises, or any prospective assignee of any such mortgage.

24. Signs. The Tenant may place its logo on the storage tanks located on the Leased Premises, but otherwise will not place any sign or placard upon any portion of the Leased Premises except to advertise the Tenant's own business and then only in such place and manner and of such style, form, character, content and size as will have first been approved by the Landlord, such approval not to be unreasonably withheld.

25. No Recordation. The Tenant's recordation of this Lease will be void and a default under this Lease. Each party agrees, upon the request of the other, to execute a memorandum of this Lease for purposes of recording in the land evidence records of the Town of Exeter, Rhode Island.

26. Use of Hazardous Material. The Tenant will not cause or permit any Hazardous Material to be brought upon, kept or used on

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the Leased Premises without the Landlord's prior written consent, which consent the Landlord will not unreasonably withhold so long as the Tenant demonstrates to the Landlord's reasonable satisfaction that such Hazardous Material is necessary or useful to the Tenant's business and will be used, kept, stored and disposed of in a manner that complies with all laws regulating any such Hazardous Material so brought upon or used or kept in or about the Leased Premises. Notwithstanding any portion of the foregoing to the contrary, the Landlord acknowledges that liquid propane may be received, stored and distributed in or about the Leased Premises; provided, however, that the Tenant complies with all of the terms and conditions of this Paragraph 26 and all of the other terms and conditions of this Lease. If the Tenant breaches any of the obligations stated above, or if the presence of Hazardous Material, including liquid propane, in the Leased Premises caused or permitted by the Tenant results in contamination of the Leased Premises, then the Tenant will indemnify, protect, defend and hold the Landlord harmless from and against any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses which arise during or after the term hereof as a result of such contamination. This indemnification will apply to any and all discharges, contamination or damage, caused by the Tenant or a third party after the Commencement Date. This indemnification by the Tenant of the Landlord will survive the termination of this Lease and includes, without limitation, all costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work in each case required by any federal, state or local government agency or political subdivision because of Hazardous Material present in the soil, surface water or ground water on, near or under the Leased Premises and caused by the Tenant or a third party after the Commencement Date. Without limiting the foregoing, if any contamination of the Leased Premises occurs as a result of the Tenant's use or occupancy of the Leased Premises, the Tenant will promptly take all actions at its sole expense as are necessary to return the Leased Premises to the condition existing prior to the contamination of the Leased Premises; provided that the Landlord's approval of such actions will first be obtained, which approval will not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term effect on the Leased Premises. The foregoing indemnity will survive the expiration or earlier termination of this Lease.

As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste, including, but not limited to, those substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the Environmental

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Protection Agency as hazardous substances (40 CFR Part 302) and amendments thereto, or such substances, materials and wastes that are or become regulated under any applicable local, state or federal law.

Subject to the notice provisions of Paragraph 17, the Landlord and its agents will have the right, but not the duty, to inspect the Leased Premises at any time to determine whether the Tenant is complying with the terms of this Lease. If the Tenant is not in compliance with the terms of this Lease, the Landlord will have the right to immediately enter upon the Leased Premises to remedy any contamination caused by the Tenant's failure to comply, notwithstanding any other provision of this Lease. The Landlord will use reasonable efforts to minimize interference with the Tenant's business but will not be liable for any interference caused thereby.

Any default under this Paragraph 26 will be a material default enabling the Landlord to exercise any of the remedies set forth in this Lease.

The Landlord will have the right, exercisable within sixty (60) days following the Commencement Date, to order a so-called "level one" environmental audit and/or other environmental evaluation of the Leased Premises. If such right is exercised as provided in the preceding sentence, the Landlord will have the further right from time to time to order other additional such audits or other evaluations. If any such study indicates that the Leased Premises are clean without any contamination, the Landlord will pay the costs of such study. If the study reflects any contamination, and such contamination was caused by the Tenant, its agents, employees, contractors or invitees, the Tenant will pay the costs of such study and within fifteen (15) days thereafter commence, and diligently proceed to completion, at the Tenant's sole cost, a cleanup and remediation of the Leased Premises pursuant to a schedule approved by the Landlord.

27. Landlord's Right to Cure. If the Tenant defaults in the performance of any duty under this Lease, the Landlord will have the right, but the obligation, to enter upon the Leased Premises and to perform such duty. In performing such duty, the Landlord may make any payment of money or perform any other act which the Landlord deems necessary in its sole discretion. All sums so paid by the Landlord (together with interest at the lesser of eighteen percent (18%) per annum or the maximum rate per year permitted by law, and all necessary incidental costs and expenses in connection with the performance of any such act by the Landlord), will be deemed to be additional rent under this Lease and will be payable to the Landlord immediately on demand. The

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Landlord may exercise the foregoing rights without waiving any other of its rights or releasing the Tenant from any of its obligations under this Lease.

28. Access Area. The Tenant, its employees, agents, customers and invitees, will have the right to use, in common with others, as a means of ingress to and egress from the Leased Premises, the common road providing access to the "LNG Plant", so-called, and the Leased Premises (the "Access Area") as shown on the plan (the "Plan") attached hereto as Exhibit A, but only to the extent that such use does not block access to or hinder the use of the Access Area by the Landlord or other tenants, and subject to the Operating and Access Instructions attached hereto as Exhibit B. Such common road will be maintained by the Landlord, but only so long as the Landlord or any successor in interest is actively utilizing the same for access to the LNG Plant. In addition, (i) the "fire road", as shown on the Plan, will be kept open and unobstructed at all times and (ii) the "buffer zone", as shown outlined in orange on the Plan will not be utilized for any purpose whatsoever by the Tenant, in accordance with the Access and Operating Instructions set forth on Exhibit B attached hereto.

29. Right to Substitute. The Landlord hereby reserves the absolute right, upon not less than sixty (60) days' prior written notice, to substitute for the Leased Premises a site located elsewhere on the Land, and the Tenant hereby agrees to accept the substitute site as the Leased Premises for all purposes hereunder, provided, that such substitute site contains substantially the same area as the Leased Premises and otherwise permits the Tenant to carry on the operation of a propane storage tank farm under conditions not materially more onerous than those prevailing at the site of the Leased Premises; and provided further, that the Landlord will be responsible for moving the Tenant's improvements located on the Leased Premises to the substitute site at the Landlord's sole cost, including installation according to applicable code requirements, to the extent and in accordance with the Operating and Access Instructions attached hereto as Exhibit B. The Landlord also hereby reserves the right, upon not less than sixty (60) days' prior written notice, to substitute for the Leased Premises a comparable site located within ten (10) miles from the Leased Premises; provided, that the Landlord will be responsible for moving the Tenant's improvements located on the Leased Premises, at the Landlord's sole cost, including installation according to applicable code requirements, to the extent and in accordance with the Operating and Access Instructions attached hereto as Exhibit B. A "comparable site" means a site which (i) contains substantially the same square footage as the Leased Premises,

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(ii) is zoned for the Tenant's Permitted Use set forth herein (iii) is located substantially as close (or closer) to a public way as the Leased Premises, and (iv) otherwise permits the Tenant to carry on the operation of a propane storage tank farm under conditions not materially more onerous than those prevailing at the site of the Leased Premises. The Tenant hereby agrees to cooperate with the Landlord to effectuate any substitution in such manner that the costs of the related move will be minimized.

30. Tenant Cooperation. The Tenant hereby agrees to cooperate at Landlord's expense with the Landlord in, and will not object to, any proceedings or applications of any nature whatsoever, in connection with the property located adjacent to the Leased Premises and presently owned by the Landlord.

31. Governing Law. This Lease and the performance thereof will be governed, interpreted, construed and regulated by the laws of the State of Rhode Island without resort to the conflict of laws rules of the State of Rhode Island.

32. Successors and Assigns. This Lease will bind and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

33. Entire Agreement. This Lease contains all of the agreements of the parties except certain provisions of the Purchase Agreement as referred to in Paragraph 7, and may not be modified or amended except by written agreement.

IN WITNESS WHEREOF, the Landlord and the Tenant have executed this instrument as of the day and year first above written.

LANDLORD

PROVIDENCE GAS COMPANY

By: Robert W. Adams
Its: Vice President and Treasurer

TENANT

FERRELLGAS, INC.

By: Jana M. Blake
Its: Director of Acquisitions

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Exhibit A-1

That lot or parcel of land with all buildings and improvements thereon, lying northwesterly of South County Trail and in small part on the northwesterly side of said trail in the Town of Exeter and State of Rhode Island, bounded and described as follows:

Beginning at the southeasterly corner of the parcel herein described at a point in the northwesterly line of South County Trail, said point being eighty (80) feet northwesterly of and perpendicular to Centerline Station 424 + 43.57 of South County Trail as shown on Rhode Island Highway Plat No. 344, said point also being in the center of a stonewall marking the northerly line of land now or formerly of A.E. Alberts Farms Inc.;

thence running northwesterly along said stonewall two hundred two and 6/100 (202.06) feet, bounded southwesterly by land now or formerly of A.E. Alberts Farms Inc., to a drill hole set in said stonewall;

thence turning an interior angle of 180°-05'-10" and running northwesterly along said stonewall two hundred ninety two and 32/100 (292.32) feet to a drill hole set in said stonewall;

thence turning an interior angle of 180°-19'-45" and running northwesterly along said stonewall two hundred seventeen and 54/100 (217.54) feet to a drill hole set in said stonewall;

thence turning an interior angle of 179°-11'-20" and running northwesterly along said stonewall three hundred eighty three and 57/100 (383.57) feet to a drill hole set in said stonewall;

thence turning an interior angle of 180°-00'-00" and running northwesterly along said stonewall three hundred thirty two and 36/100 (332.86) feet to a drill hole set in said stonewall;

thence turning an interior angle of 180°-19'-18" and running northwesterly along said stonewall two hundred forty two and 19/100 (242.19) feet to a drill hole set in said stonewall;

thence turning an interior angle of 180°-13'-30" and running along said stonewall two hundred twenty six and 55/100 (226.55) feet to a drill hole set in said stonewall, said point being in the easterly line of Old Slocumville Road and being the southwesterly corner of the parcel herein described, said last nine lines bounded southerly by land of the Town of Exeter (Exeter Town Farm);

thence turning an interior angle of 103°-37'-20" and running northerly along said stonewall and in the easterly line of Old Slocumville Road and bounded westerly thereby thirty eight and 7/100 (38.07) feet to an existing drill hole at an angle point in Old Slocumville Road, said point being at the intersection of the northerly and easterly lines of said Road;

thence turning an interior angle of 165°-25'-15" and running northeasterly one hundred ninety four and 52/100 (194.52) feet to an existing iron pipe;

thence turning an interior angle of 161°-18'-30" and running northeasterly thirty five and 13/100 (35.13) feet to an existing granite bound;

thence turning an interior angle of 180°-15'-39" and running northeasterly one hundred twenty three and 5/100 (123.05) feet to a stake set in the end of a stonewall;

thence turning an interior angle of 178°-53'-16" and running northeasterly along said stonewall one hundred twenty two and 14/100 (122.14) feet to a drill hole set in said stonewall;

thence turning an interior angle of 151°-02'-30" and running northeasterly along said stonewall two hundred seventy one and 2/100 (271.02) feet to a drill hole set in said stonewall;

thence turning an interior angle of 179°-36'-20" and running northeasterly two hundred fifty five and 2/100 (255.02) feet to a drill hole set in said stonewall;

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- thence turning an interior angle of $179^{\circ}-47'-40''$ and running northeasterly along said stonewall three hundred fifteen and $81/100$ (315.81) feet to a stake set in said stonewall;
- thence turning an interior angle of $179^{\circ}-59'-15''$ and running northeasterly along said stonewall three hundred ten and $47/100$ (310.47) feet to a drill hole set in the corner of said stonewall, said point being the northwesterly corner of the parcel herein described, said last eight lines bounded northeasterly by land now or formerly of Edgar H. and Madeline Lewis;
- thence turning an interior angle of $77^{\circ}-32'-10''$ and running southeasterly along said stonewall one hundred seventy two and $5/100$ (172.05) feet to a drill hole set in the end of said stone wall;
- thence turning an interior angle of $180^{\circ}-06'-10''$ and running southeasterly two hundred ninety three and $21/100$ (293.21) feet to a drill hole set in the end of a stonewall;
- thence turning an interior angle of $179^{\circ}-49'-15''$ and running southeasterly along said stonewall three hundred seventy nine and $45/100$ (379.45) feet to a stake set in the end of said stonewall;
- thence turning an interior angle of $150^{\circ}-00'-00''$ and running southeasterly eighty five and $57/100$ (85.57) feet to a drill hole set in a stonewall;
- thence turning an interior angle of $282^{\circ}-00'-00''$ and running northeasterly along said wall sixty three and $52/100$ (63.52) feet to a point in said stonewall, said last five lines bounded northeasterly and northwesterly by land now or formerly of Charles W. Bulford;
- thence turning an interior angle of $78^{\circ}-56'-56''$ and running southeasterly fifty seven and $38/100$ (57.38) feet to an existing fence post;
- thence turning an interior angle of $180^{\circ}-00'-00''$ and running southeasterly two hundred forty three and $78/100$ (243.78) feet to an existing fence post;
- thence turning an interior angle of $179^{\circ}-49'-57''$ and running southeasterly two hundred seventy two and $6/100$ (172.06) feet to an existing fence post;
- thence turning an interior angle of $180^{\circ}-05'-39''$ and running southeasterly two hundred seventy two and $99/100$ (172.99) feet to a drill hole set in the end of a stonewall;
- thence turning an interior angle of $179^{\circ}-50'-53''$ and running southeasterly along said stonewall two hundred ninety five and $5/100$ (295.05) feet to a drill hole set in said stonewall;
- thence turning an interior angle of $181^{\circ}-20'-35''$ and running southeasterly along said stonewall eighty eight and $40/100$ (88.40) feet to a drill hole set in said stonewall;
- thence turning an interior angle of $178^{\circ}-20'-55''$ and running southeasterly along said stonewall two hundred fifty eight (258.00) feet to a drill hole set in said stonewall;
- thence turning an interior angle of $180^{\circ}-04'-10''$ and running southeasterly along said stonewall one hundred sixty seven and $42/100$ (167.42) feet to a point in said stonewall, said point being the northeasterly corner of the parcel herein described, said last eight lines bounded northeasterly by land now or formerly of Lawrence D. Hallens;
- thence turning an interior angle of $101^{\circ}-35'-50''$ and running southwesterly one thousand one hundred forty eight and $48/100$ (1148.48) feet to a point sixty (60) feet northeasterly of the first described line;
- thence turning an interior angle of $270^{\circ}-00'-00''$ and running southeasterly parallel to the first described line two hundred three and $93/100$ (203.93) feet to a point in the northwesterly line of South County Trail, said last two lines bounded southeasterly and northeasterly by other land of Alys P. Scharfner;
- thence turning an interior angle of $54^{\circ}-12'-21''$ and running southwesterly in the northwesterly line of South County Trail and bounded northeasterly thereby seventy three and $97/100$ (73.97) feet to the point and place of beginning, said first and last lines intersect to form an interior angle of $125^{\circ}-47'-19''$.

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Exhibit B

Operating and Access Instructions

1. The Landlord will not be responsible to provide domestic water or sanitary facilities to or for the Leased Premises.
2. The roadway extending from Route 2 to the gate dividing the LNG facility from the Leased Premises, outlined in green on Exhibit A attached hereto to the Lease, will remain under the exclusive control of the Landlord as part of the required security system for the LNG facility.
3. The fire road, outlined in pink on Exhibit A attached to the Lease, extending from the gate dividing the LNG facility from the Leased Premises to South Road will remain clear at all times. If the road is blocked and the Tenant fails to clear the same promptly, the Landlord may immediately clear the same, at the expense of the Tenant.
4. The buffer zone, outlined in orange on Exhibit A attached to the Lease, separating the LNG and propane facilities will not be used by the Tenant for any reason whatsoever, other than as a leaching field for sanitary purposes.
5. All new construction and repairs will be performed in accordance with NFPA Code 58 and all other applicable laws. The Landlord reserves the right, after proper notification, to inspect such work and reject that work which does not conform to NFPA Code 58 and any other applicable laws.
6. The Landlord presently maintains a remote emergency electrical shutdown switch that effectively closes in the Leased Premises when operated. The Tenant will allow this emergency system to continue in use.
7. The Tenant will be responsible to supply its own source of nitrogen used to operate the pneumatic valves located on the Leased Premises.
8. The Tenant will be responsible for the monthly inspection, the yearly test, and the replacement, if required, of the fire extinguishers located on the Leased Premises.-

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9. (a) As of the Commencement Date and until disapproved as hereinafter provided, all deliveries of liquid propane to the Leased Premises shall be made only by employees of one or more of the following: the Tenant; Petrolane Corporation; and TransGas; provided, that if an employee of the Tenant qualified and experienced in the delivery and unloading of liquid propane is present and actively supervises the carrier's delivery activities, such deliveries may be made by a carrier of Tenant's selection.
- (b) From time to time during the Lease Term the Tenant may propose one or more additional carriers to the Landlord for approval for the delivery of liquid propane to the Leased Premises, and upon such approval, and until such carrier's approval is terminated as hereinafter provided, deliveries may be made by any such carrier. The Landlord shall not withhold or delay such approval unreasonably, but may, nevertheless, consider the proposed carrier's safety record and all other relevant factors in determining the suitability of the carrier as an approved carrier for the purposes referred to, it being the intention of the parties that all deliveries of liquid propane to the Leased Premises shall be made in only the safest manner practicable and only by personnel qualified for that purpose.
- (c) From time to time during the Lease Term the Landlord, by written notice to the Tenant, may terminate its approval of any carrier theretofore approved under paragraph (a) or (b), in which case such carrier shall no longer be utilized by the Tenant for delivery of liquid propane to the Leased Premises, (except as otherwise permitted under the last clause of paragraph (a)), provided, that Landlord shall exercise its rights hereunder in only a reasonable manner and on reasonable grounds after a review of the criteria referred to in paragraph (b).
10. If the Landlord exercises its right to substitute as set forth in Paragraph 29 of the Lease, the Landlord will perform, or cause to be performed, at the Landlord's sole cost, and only to the extent of, the following:
- A. Remove the liquid propane storage tanks from the Leased Premises and pour concrete and install the tanks thereon onto the substituted site;

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- B. Remove the "Control Building" shown on Exhibit A and install it onto the substituted site;
- C. Install a fence (with a gate) around the substituted site;
- D. Pave (if not already done so) the access road to the substituted site;
- E. Remove the existing exterior lighting from the Leased Premises and install such lighting onto the substituted site;
- F. "Purge" and test tanks after installation; and
- G. Hook-up telephone and electrical systems.
- H. Permits and/or new zoning.

PUC 9-24
Proactive Main Replacement

Request:

Regarding RIE's response to PUC 6-1 through 6-3, in which the PUC asked for historical data of abandoned pipe mileage and by risk score,

- a. Please provide the same tables as in the original response, but add a row to each with full-year projections for FY 2024.
- b. Please provide a single table in which rows are years, columns are the three prioritization categories, and the data in each column are the actual miles divided by the budgeted miles (i.e., columns b divided by columns a for each prioritization category). Please include a row in each with full-year projections for FY 2024.
- c. Please provide a single table in which rows are year, columns are the three prioritization categories, and the data in each column are the actual spend divided by the budget (i.e., columns d divided by columns c for each prioritization category). Please include a row in each with full-year projections for FY 2024.

Response:

- a. Please see Attachment PUC 9-24-1 for the requested information.

For the purposes of this table, any projects that were originally planned to be a part of the Proactive Main Replacement program but were started in FY2024 for reactive reasons (such as paving, encroachments, conflicts with third party utilities, or rush new main requests) are being excluded because those projects are being reported under the "Public Works or Reactionary Main Replacement – Maintenance & LPP" ISR plan category.

Given that the amount of in progress projects planned to be abandoned before the end of the fiscal year is minimal, the Company was able to forecast spending on a per-project basis to answer this data request, however, the Company does not forecast spending on an individual project level basis for the Proactive Main Replacement program as a standard practice.

- b. Please see Attachment PUC 9-24-2 for the requested information.
- c. Please see Attachment PUC 9-24-3 for the requested information.

Attachment PUC 9-24-1						
A	B	C	D	E	F	G
In reference to "High Risk" Work (Defined by Pr Score ≥ 15)						
Row Number	FY	a) Mileage that was the basis of the approved Proactive Main Replacement budget category	b) Actual abandonment Mileage (Projected for Row 6)	c) Portion of the approved budget related to the planned mileage in part a	d) Portion of the actual spending related to the actual mileage in part b	e) Total Spending on all "High Risk" Work Orders (Defined by Pr Score ≥ 15) (Not just those abandoned in given FY)
1	FY20	29.91	14.48	\$43,518,000	\$13,871,907	\$25,148,374
2	FY21	23.66	6.12	\$35,617,000	\$5,970,390	\$33,226,942
3	FY22	42.91	24.92	\$55,415,000	\$23,555,184	\$40,586,746
4	FY23*	18.97	23.29	\$39,924,000	\$17,993,131	\$29,990,801
5	FY24 - To Date**	23.67	10.50	\$39,858,000	\$15,391,959	\$29,876,364
6	FY24 - Full Year Projected***	23.67	12.27	\$39,858,000	\$15,869,161	\$37,847,791
In reference to "Medium Risk" Work (Defined by 15 > Pr Score ≥ 10)						
Row Number	FY	a) Mileage that was the basis of the approved Proactive Main Replacement budget category	b) Actual abandonment Mileage (Projected for Row 12)	c) Portion of the approved budget related to the planned mileage in part a	d) Portion of the actual spending related to the actual mileage in part b	e) Total Spending on all "Medium Risk" Work (Defined by 15 > Pr Score ≥ 10) (Not just those abandoned in given FY)
7	FY20	4.89	7.02	\$3,240,000	\$5,248,199	\$7,520,400
8	FY21	8.75	3.43	\$9,039,000	\$2,700,783	\$8,783,147
9	FY22	7.06	15.66	\$7,725,000	\$13,236,317	\$19,257,972
10	FY23*	8.85	15.77	\$14,015,000	\$19,077,027	\$29,506,926
11	FY24**	12.04	4.85	\$19,721,000	\$7,712,081	\$23,175,923
12	FY24 - Full Year Projected***	12.04	5.62	\$19,721,000	\$8,115,801	\$29,359,580
In reference to "Low Risk" Work (Defined by Pr Score < 10)						
Row Number	FY	a) Mileage that was the basis of the approved Proactive Main Replacement budget category	b) Actual abandonment Mileage (Projected for Row 18)	c) Portion of the approved budget related to the planned mileage in part a	d) Portion of the actual spending related to the actual mileage in part b	e) Total Spending on all "Low Risk" Work (Defined by Pr Score < 10) (Not just those abandoned in given FY)
13	FY20	12.41	26.39	\$10,639,000	\$20,706,095	\$26,987,192
14	FY21	15.01	12.66	\$15,337,000	\$11,011,547	\$19,833,370
15	FY22	4.9	11.73	\$3,932,000	\$7,020,939	\$12,235,300
16	FY23*	11.29	14.11	\$16,065,000	\$11,522,488	\$16,731,967
17	FY24**	11.39	2.59	\$14,045,000	\$3,857,799	\$9,858,298
18	FY24 - Full Year Projected***	11.39	2.80	\$14,045,000	\$4,338,782	\$12,488,629
*The FY23 proposed plan included 10 miles of "Carryover Abandonment" work that cannot be determined at this time whether it was low, medium, or high risk which is why the totals in column a) for FY23 only add up to approximately 39 miles rather than 49 miles.						
**FY24 actual numbers include work completed as of 02/02/2024.						
***FY24 full year projected numbers are accurate as of 02/22/2024.						

Attachment PUC 9-24-2				
A	B	C	D	E
Row Number	FY	Actual Abandonment Mileage (Projected for Row 6) divided by Mileage that was the basis of the approved Proactive Main Replacement Budget Category (Expressed as a Percentage)		
		"High Risk" Work (Defined by Pr Score ≥ 15)	"Medium Risk" Work (Defined by 15 > Pr Score ≥ 10)	Low Risk Work (Defined by Pr Score < 10)
1	FY20	48.41%	143.56%	212.65%
2	FY21	25.87%	39.20%	84.34%
3	FY22	58.08%	221.81%	239.39%
4	FY23*	122.77%	178.19%	124.98%
5	FY24 - To Date**	44.36%	40.28%	22.74%
6	FY24 - Full Year Projected***	51.84%	46.68%	24.58%

*The FY23 proposed plan included 10 miles of "Carryover Abandonment" work that cannot be determined at this time whether it was low, medium, or high risk. The total planned mileage used in these calculations was 39.11 miles vs. an actual abandonment total of 53.17 miles, which is why all percentages are higher than 100.

**FY24 actual numbers include work completed as of 02/02/2024.

***FY24 projected numbers are accurate as of 02/22/2024.

Attachment PUC 9-24-3				
A	B	C	D	E
Row Number	FY	Actual Spend Related to Actual Mileage Abandoned (Projected for Row 6) divided by Portion of Approved Budget Related to Planned Mileage (Expressed as a Percentage)		
		"High Risk" Work (Defined by Pr Score ≥ 15)	"Medium Risk" Work (Defined by 15 > Pr Score ≥ 10)	Low Risk Work (Defined by Pr Score < 10)
1	FY20	31.88%	161.98%	194.62%
2	FY21	16.76%	29.88%	71.80%
3	FY22	42.51%	171.34%	178.56%
4	FY23*	45.07%	136.12%	71.72%
5	FY24 - To Date**	38.62%	39.11%	27.47%
6	FY24 - Full Year Projected***	39.81%	41.15%	30.89%
*The FY23 proposed plan included 10 miles of "Carryover Abandonment" work that cannot be determined at this time whether it was low, medium, or high risk. The planned costs associated with the carryover abandonment were not included in these calculations (aprx \$5.2M).				
**FY24 actual numbers include work completed as of 02/02/2024.				
***FY24 projected numbers are accurate as of 02/22/2024.				

PUC 9-25
Size of Customer Base

Request:

Please provide a schedule with the following rows of data for each rate class:

- a. Total number of customer accounts by rate class.
- b. Total amount of therms consumed by each rate class.
- c. Total amount of revenue received from each rate class through base distribution rates.
- d. Total amount of revenue received from each rate class through the ISR.
- e. Total amount of revenue summed from (c) and (d) above for each rate class.
- f. Percentage share of total revenue summed in (e) for all rate classes.
- g. Total amount of revenue received from each rate class through the (non-ISR) DAC.
- h. Total amount of revenue summed from (c), (d), and (g) above for each rate class.
- i. Percentage share of total revenue summed in (h) for all rate classes.

Response:

Parts a. through i.

Please see Attachment PUC 9-25 for the requested information for the 12-month period April 2022 through March 2023 (ISR fiscal year 2023 actuals, which is the last completed ISR year). Please note in addition to row d., the Company has added a row to show the total amount of revenue through the FY 2022 ISR Reconciliation.

Customer Base ISR Year 2023 Actuals April 2022 through March 2023								
	Residential Total	Small	Medium	Large LL	Large HL	XL-LL	XL-HL	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(a) Total customers	247,523	18,969	5,113	490	200	34	81	272,411
(b) Total Therms	176,662,886	21,522,101	51,747,410	25,495,369	11,447,164	11,097,436	60,643,198	358,615,564
(c) Total Revenue from Base Distribution	\$ 135,746,467	\$ 15,631,758	\$ 19,316,854	\$ 7,914,426	\$ 2,503,514	\$ 770,250	\$ 3,110,850	\$ 184,994,119
(d) Total Revenue from FY23 ISR	\$ 23,935,922	\$ 2,986,006	\$ 4,244,843	\$ 2,119,473	\$ 907,220	\$ 476,793	\$ 1,881,746	\$ 36,552,003
(e) Total Revenue from FY22 ISR Reconciliation	\$ (1,784,708)	\$ (159,314)	\$ (200,510)	\$ (173,029)	\$ (60,547)	\$ (19,543)	\$ (269,828)	\$ (2,667,479)
(f) Total Revenue from Base Distribution and ISR	\$ 157,897,681	\$ 18,458,450	\$ 23,361,188	\$ 9,860,870	\$ 3,350,187	\$ 1,227,500	\$ 4,722,768	\$ 218,878,644
(g) Percentage share of total revenue in (f)	72%	8%	11%	5%	2%	1%	2%	100%
(h) Total amount of Revenue Received through (non-ISR) DAC	\$ 54,173,204	\$ 6,977,923	\$ 13,341,272	\$ 6,188,545	\$ 2,406,442	\$ 2,400,627	\$ 9,354,351	\$ 94,842,363
(i) Total Revenue summed in rows (c), (d), (e) and (h)	\$ 212,070,885	\$ 25,436,373	\$ 36,702,459	\$ 16,049,415	\$ 5,756,629	\$ 3,628,127	\$ 14,077,119	\$ 313,721,007
(j) Percentage share of total Revenue from row (i)	68%	8%	12%	5%	2%	1%	4%	100%

- (a) Customer count is averaged across the 12 month period of April 2022 through March 2023, sourced from Classified Sales Report
- (b) Total therms across 12 month period of April 2022 through March 2023
- (c) Total Base Distribution Revenue by rate class
- (d) Total ISR revenue by rate class
- (e) Total ISR reconciliation by rate class
- (f) Sum of rows (c)+(d)+(e)
- (g) Row (g) divided by total (8)(g)
- (h) Total DAC revenue by rate class
- (i) Sum of rows (c)+(d)+(e)+(h)
- (j) Row (i) divided by total (8)(i)

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 Ninth Set of Data Requests
Issued on February 15, 2024

PUC 9-26
Size of Customer Base

Request:

What is the Company’s expectation regarding the degree of change in gas consumption and the number of gas distribution accounts in each rate class by 2030 and 2035? Specifically, does the Company expect the number of accounts to be approximately the same, significantly lower, or significantly higher? Does the Company expect continued growth in gas consumption, stable consumption, or a significant decrease in gas consumption from its customer base? Please explain the answer in light of the Act on Climate.

Response:

Use Per Customer (“UPC”) in the most recent forecast is flat to slightly declining due to increasing efficiencies. Based on historical trends and economics, the forecasted number of customers grows slightly as residential heating customers continue to transition from fuel oil to natural gas. As a result, total sales also grow slightly in the forecast primarily due to the uptick in residential heating customers. See the tables below.

Monthly Use Per Customer	2024	2030	2035	2024 - 2030 CAGR	2024 - 2035 CAGR
Therms per Month per Customer					
Residential – Non-Heat	17	16	16	-0.5%	-0.6%
Residential – Heat	71	70	70	-0.1%	-0.1%
Commercial & Industrial	250	248	247	-0.1%	-0.1%
Firm Transportation Services	4,493	4,466	4,449	-0.1%	-0.1%
Other	2,108	2,097	2,089	-0.1%	-0.1%
Average UPC	1,388	1,380	1,374	-0.1%	-0.1%

Average Monthly Customers	2024	2030	2035	2024 - 2030 CAGR	2024 - 2035 CAGR
Residential – Non-Heat	13,737	8,449	5,173	-7.8%	-8.5%
Residential – Heat	236,069	250,992	260,169	1.0%	0.9%
Commercial & Industrial	21,661	21,660	21,660	0.0%	0.0%
Firm Transportation Services	2,323	2,323	2,323	0.0%	0.0%
Other	776	776	776	0.0%	0.0%
Total Customers	274,566	284,200	290,102	0.6%	0.5%

The Narragansett Electric Company
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Issued on February 15, 2024

PUC 9-26, page 2
Size of Customer Base

Annual Retail Sales	2024	2030	2035	2024 - 2030 CAGR	2024 - 2035 CAGR
Dth					
Residential – Non-Heat	277,107	165,082	97,266	-8.3%	-9.1%
Residential – Heat	20,014,931	21,096,170	21,879,809	0.9%	0.8%
Commercial & Industrial	6,503,255	6,445,287	6,420,961	-0.1%	-0.1%
Firm Transportation Services	12,524,580	12,449,440	12,401,714	-0.1%	-0.1%
Other	1,964,066	1,953,644	1,946,131	-0.1%	-0.1%
Total Retail	41,283,939	42,109,623	42,745,881	0.3%	0.3%

The Act on Climate could indirectly decrease forecasts for both UPC and number of customers through incentives designed to assist in achievement of the Act on Climate’s goals including incentives for electric heating and building shell efficiency improvements. The Company’s forecast will reflect a reduction in gas demand resulting from these measures if the measures result in a reduction of demand that is exhibited in the historical data upon which the Company’s forecast is based.

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
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Issued on February 15, 2024

PUC 9-27
Budget Forecast Update

Request:

Please supplement PUC 1-2 with the most up-to-date forecast for FY 2024.

Response:

Please see Attachment PUC 9-27 which supplements PUC 1-2 with the FY2024 Forecast as of the end of Q3 FY2024.

As the Company indicated in its response to data request PUC 7-1, the Company is in the process of updating the FY2024 Q3 Gas ISR Report and will resubmit the FY2024 Q3 Gas ISR Report to the PUC in Docket 22-54-NG. The FY2024 Forecast as of the end of Q3 FY2024, which is included in Attachment PUC 9-27, will be the FY2024 forecast that will be included in the forthcoming update to the FY2024 Q3 Gas ISR Report.

Attachment PUC 9-27

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

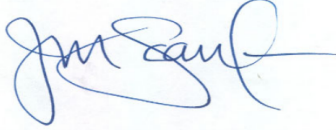
Investment Categories & Groups	FY 2025 Budget (a)	FY 2024 Budget Total (b)	FY2024 Forecast as of end of Q3 FY2024 (c - Supplemental)
NON-DISCRETIONARY			
Public Works			
CSC/Public Works - Non-Reimbursable	\$ 22,519	\$ 16,875	\$ 29,246
CSC/Public Works - Reimbursable	\$ 1,700	\$ 1,372	\$ 1,340
CSC/Public Works - Reimbursements	\$ (850)	\$ (1,070)	\$ (2,817)
Public Works Total	\$ 23,369	\$ 17,177	\$ 27,769
Mandated Programs			
Corrosion	\$ 1,918	\$ 1,534	\$ 634
Purchase Meters (Replacement)	\$ 5,646	\$ 7,095	\$ 4,555
Reactive Leaks (CI Joint Encapsulation/Service Replacement)	\$ 8,000	\$ 8,000	\$ 7,919
Service Replacements (Reactive) - Non-Leaks/Other	\$ 1,748	\$ 1,748	\$ 3,472
Main Replacement (Reactive) - Leak Prone Pipe & Maintenance	\$ 7,838	\$ 1,167	\$ 3,047
Low Pressure System Elimination (Proactive)	\$ 6,552	\$ 1,300	\$ 800
Transmission Station Integrity	\$ 5,891	\$ 4,201	\$ 2,410
Pipeline Integrity	\$ 10,020	\$ 575	\$ 450
Mandated Total	\$ 47,613	\$ 25,620	\$ 23,288
Damage / Failure (Reactive)			
Damage / Failure (Reactive)	\$ 25	\$ 25	\$ 25
NON-DISCRETIONARY TOTAL	\$ 71,007	\$ 42,822	\$ 51,081
DISCRETIONARY			
Proactive Main Replacement			
Main Replacement (Proactive) - Leak Prone Pipe	\$ 62,169	\$ 73,172	\$ 79,696
Main Replacement (Proactive) - Large Diameter LPCI Program	\$ 750	\$ 3,994	\$ 6,115
Atwells Avenue	\$ 750	\$ 1,100	\$ 1,100
Proactive Main Replacement Total	\$ 63,669	\$ 78,266	\$ 86,911
Proactive Service Replacement			
Proactive Service Replacement Total	\$ 250	\$ 559	\$ 372
Reliability			
System Automation	\$ 665	\$ 792	\$ 592
Heater Installation Program	\$ 400	\$ 5,006	\$ 3,618
Wampanoag Trail & Tiverton GS - Heaters Replacement and Ownership Transfer	\$ 10	\$ 190	\$ 697
Take Station Refurbishment	\$ 1,221	\$ 1,164	\$ 2,167
Pressure Regulating Facilities	\$ 5,888	\$ 5,200	\$ 4,930
Valve Installation/Replacement - Primary Valve Program & Aquidneck Island Low Pressure Valves	\$ 142	\$ 606	\$ 81
Gas System Reliability	\$ 4,580	\$ 2,530	\$ 2,636
I&R - Reactive	\$ 1,472	\$ 1,402	\$ 1,402
Distribution Station Over Pressure Protection	\$ 1,785	\$ 2,420	\$ 820
LNG	\$ 21,587	\$ 16,319	\$ 12,647
Old Mill Lane Site Upgrade*	\$ 6,000	\$ -	\$ -
Replace Pipe on Bridges	\$ 1,420	\$ 1,350	\$ 251
Access Protection Remediation	\$ 40	\$ 60	\$ 67
Tools & Equipment	\$ 1,211	\$ 1,033	\$ 1,034
Reliability Total	\$ 46,421	\$ 38,072	\$ 30,942
SUBTOTAL DISCRETIONARY (Without Gas Expansion)	\$ 110,340	\$ 116,897	\$ 118,225
Southern RI Gas Expansion Project			
Regulator Station Investment	\$ 4,060	\$ 3,700	\$ 1,733
Southern RI Gas Expansion Project Total	\$ 4,060	\$ 3,700	\$ 1,733
DISCRETIONARY TOTAL (With Gas Expansion)	\$ 114,400	\$ 120,597	\$ 119,958
CAPITAL ISR TOTAL (Base Capital - Without Gas Expansion)	\$ 181,347	\$ 159,719	\$ 169,306
CAPITAL ISR TOTAL (With Gas Expansion)	\$ 185,407	\$ 163,419	\$ 171,039
PHMSA - Gas Pipeline Leak Detection and Repair (LDAR)			
Reactive Leaks (CI Joint Encapsulation/Service Replacement) (PHMSA)	\$ 4,000	\$ -	\$ -
Main Replacement (Mandated) - Leak Prone Pipe (PHMSA)	\$ 6,589	\$ -	\$ -
Tools & Equipment (PHMSA)	\$ 200	\$ -	\$ -
PHMSA LDAR Total	\$ 10,789	\$ -	\$ -
CAPITAL ISR TOTAL (With Gas Expansion & PHMSA LDAR)	\$ 196,196	\$ 163,419	\$ 171,039
Notable Capital Projects Not Currently Included in the ISR			
Old Mill Lane*	\$ -	\$ 500	\$ 1,054
LNG - Cumberland Tank Replacement	\$ 375	\$ 500	\$ 200

*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.

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

February 28, 2024

Date

Docket No. 23-49-NG- RI Energy's Gas Infrastructure, Safety and Reliability (ISR) Plan 2025 - Service List 2/28/2024

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