STATE OF RHODE ISLAND

PUBLIC UTILITIES COMMISSION

IN RE:	**RHODE ISLAND ENERGY'S**	**)**	
	FY 2025 GAS INFRASTRUCTURE	**)**	**DOCKET NO. 23-49-NG**
	SAFETY, AND RELIABILITY PLAN	**)**	

DIRECT TESTIMONY

OF

ALBERICO MANCINI

ON BEHALF OF THE DIVISION OF PUBLIC UTILITIES AND CARRIERS

February 9, 2024

Direct Testimony of Alberico Mancini
On behalf of the Division of Public Utilities and Carriers
Docket No. 23-49-NG

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND THE BUSINESS ADDRESS OF YOUR EMPLOYER.

A. My name is Alberico Mancini. I am employed by the Rhode Island Division of Public Utilities and Carriers ("Division"). The Division is located at 89 Jefferson Blvd., Warwick, Rhode Island 02888.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS MATTER?

A. I am testifying on behalf of the Division.

Q. WHAT IS YOUR POSITION WITH THE DIVISION?

A. I am the Chief Regulatory Analyst for the Division. I have been employed in this position since September of 2020. Prior to being promoted to the position of Chief Regulatory Analyst, I was the Assistant to the Chief Accountant for the Division from April of 2019 through August of 2020, a Rate Analyst for the Division from May of 2014 through April of 2019, and a Public Utilities Engineering Specialist from February of 1999 through May of 2014.

Q. WHAT DOES YOUR POSITION WITH THE DIVISION ENTAIL?

A. As Chief Regulatory Analyst for the Division, I am responsible for detailed analysis of the accounting records and financial structure of utilities under the jurisdiction of the Public Utilities Commission ("Commission") and the Division. This includes reviewing utility filings in concert with Division consultants and presenting the Division's findings and recommendations to the Division Administrator and Commission.

Q. WOULD YOU PLEASE OUTLINE YOUR EDUCATIONAL BACKGROUND?

A. I graduated from the University of Rhode Island in 1994 with a Bachelor of Science degree in Civil Engineering.

Q. ARE YOU A MEMBER OF ANY PROFESSIONAL SOCIETIES?

A. I am a member of the American Water Works Association ("AWWA"), New England Water Works Association ("NEWWA"), and the Rhode Island Water Works Association ("RIWWA").

Q. PLEASE BRIEFLY DESCRIBE YOUR EXPERIENCE WITH NATURAL GAS UTILITIES.

A. I have worked in the natural gas field for the Division since May of 2014 when I was promoted to Rate Analyst. Over the past 10 years, I have familiarized myself with the gas business and gas distribution system of The Narragansett Electric Company, d/b/a Rhode Island Energy ("RIE" or "Company") through my review of the Company's annual Gas Cost Recovery filings, Distribution Adjustment Charge filings, Long Range Plan filings and Infrastructure, Safety, and Reliability ("ISR") Plan filings. In that time, I have also conducted site visits of facilities and capital projects throughout RIE's distribution system.

Q. HAVE YOU PREVIOUSLY TESTIFIED AS AN EXPERT BEFORE THE RHODE ISLAND PUBLIC UTILITIES COMMISSION?

A. Yes. Among other dockets, I have provided direct testimony in Dkt. 4996, relating to the FY 2021 Gas ISR Plan of The Narragansett Electric Company, d/b/a National Grid ("National Grid"); in Dkt. 5099, relating to the FY 2022 Gas ISR Plan of National Grid; in Dkt. 5210 relating to the FY 2023 Gas ISR Plan of National Grid; in Dkt. 22-54-NG relating to the Company's FY 2024 Gas ISR Plan; and in Dkt. 23-23-NG relating to the Company's reconciliation of Dkt. 5210.

II. PURPOSE OF TESTIMONY AND REVIEW

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe the review that was performed by the Division regarding the Company's FY 2025 Gas ISR Plan that was submitted to the Division on October 27, 2023 ("October Plan") and to provide an overall assessment of RIE's Gas ISR Plan that was submitted to the Commission on December 21, 2023 ("PUC Filing").

Q. WOULD YOU OUTLINE THE DIVISION'S REVIEW THAT PRECEDED THE COMPANY'S SUBMISSION OF THE PUC FILING?

A. On October 18, 2023, at the hearing in Dkt. 23-23-NG, the Division and the Company received a document entitled "Proposed Parameters and Principles for the Gas ISR."[1] On

[1] Dkt. 23-23-NG, Transcript of Hearing dated October 18, 2023 at 86-87.

October 27, 2023, the Company submitted the October Plan to the Division. As a first step in evaluating the filing, the Company walked the Division through the plan on November 6 and 8, 2023 ("Walkthrough").

After the Walkthrough was concluded, the Division issued a set of data requests to RIE on November 16, 2023. The Division participated in numerous telephone discussions and conferences with Company representatives to discuss the October Plan.

On November 9, 2023, the Commission established Dkt. 23-39-NG, seeking to "explore various options for new budget parameters and principles relating to the Company's Gas ISR Plan for future application in ISR filings and proceedings."[2] The Commission held a Technical Conference in Dkt. 23-39-NG on November 29, 2023. At the Technical Conference, the Company submitted a document designated "Rhode Island Energy Proposed Parameters and Principles for the Gas ISR."[3] The Division issued a second set of data requests to RIE on December 7, 2023. The Division received responses to its first set of data requests on December 7 & 11, 2023, and to some but not all of its second set of data requests on December 20, 2023.

The Division and RIE were unable to reach agreement regarding RIE's FY 2025 Gas ISR Plan within the sixty (60) day review period. On December 21, 2023, RIE submitted the

[2] Dkt. 23-39-NG, Notice of Technical Record Session.

[3] Dkt. 23-39-NG, Transcript of Technical Conference dated November 29, 2023 at 6.

PUC Filing with the Commission. On January 9, 2024, the Division received the remaining responses to its second set of data requests. The Division received a response to a third data request on January 31, 2024 that had been issued on January 10, 2024.

III. REVIEW AND ANALYSIS

A. THE PROPOSED REALIGNED CATEGORIES

Q. HOW DOES THE PUC FILING COMPARE TO THE OCTOBER PLAN?

A. The plans are similar. One material difference, however, is that the PUC Filing has been adjusted to take into consideration the Commission's comments that were made at the October 18, 2023 hearing in Dkt. 23-23-NG and the November 29, 2023 Technical Session in Dkt. 23-23-NG. With input from the Division, the Company re-aligned the budget categories in Table 1 into investment categories with sub-categories and sub-budgets according to similarity of work and/or resource needs.[4]

Q. DOES THE DIVISION HAVE AN OPINION REGARDING THE REALIGNMENT?

A. Yes. The Division supports the Company's realignment of Table 1 into investment categories with sub-categories and sub-budgets.

[4] PUC Plan at 11.

Q. WHY IS THAT?

A. As realigned, the Company's ISR plan provides greater visibility regarding project work that the Company is required to perform (*e.g.*, Mandated and Non-Main Reactive project categories) and those projects where there is somewhat more flexibility in terms of timing project execution (*e.g.*, Main Replacement and Rehabilitation).

Q. CAN YOU FURTHER DISCUSS THE DIVISION'S ASSESSMENT OF THE PROPOSED REALIGNMENT?

A. Yes, I can.

Main Replacement & Rehabilitation

The Main Replacement & Rehabilitation investment category consists of "all safety and reliability main installation, abandonment, replacement and/or rehabilitation work."[5] Grouping like project categories for these areas of work together affords the Company flexibility to execute project work without adversely impacting individual projects.

Realigning this investment category in this manner also enables the Company to better respond to the Commission's concern about budget discipline for non-reactive work. To that end, for the Main Replacement & Rehabilitation category the Company is proposing a 2.5% "overspending tolerance." If the Company overspends the 2.5% tolerance level,

[5] *Id.* at 11.

then the Company will adjust the revenue requirement attributable to the hypothetical capital additions placed in service equal to the dollar amount of the overspend including the 2.5% tolerance level.[6]

Q. WHAT IS YOUR ASSESSMENT OF THE PROPOSED TOLERANCE LEVEL?

A. Past overall gas ISR budgets have been effectively managed and have not been exceeded by unreasonable amounts. The gas ISR review and the reconciliation process required by statute, quarterly reviews, as well as prudency reviews, afford ratepayers additional protection against unreasonable ISR budget submission and project execution. Nonetheless, as the Company has included the 2.5% tolerance level for this category in its FY 2025 Gas ISR Plan to respond to the Commission's concern about budget discipline, the Division does not object to the tolerance level proposed in the plan.

Q. WHAT IS THE DIVISION'S OPINION ABOUT HOW THE COMPANY HAS SUBDIVIDED THE MAIN REPLACEMENT & REHABILITATION INVESTMENT CATEGORY?

A. The Division has reviewed the investment sub-categories in this category and concurs that they are appropriate.

[6] *Id.* at 16.

Mandated and Non-Main Reactive

Q. PLEASE PROCEED TO DESCRIBE THE NEXT INVESTMENT CATEGORY.

A. The Mandated and Non-Main Reactive investment category contains project sub-categories that are required by federal or state regulations or are compulsory due to external conditions.[7] They are of a shorter duration, running the gamut in duration from "one hour to a few days."[8] As a result of the compulsory nature of the projects, the category does not have any limit on overspending; however, the projects are still subject to review for appropriate categorization and prudency review.

Q. DOES THE DIVISION AGREE THAT THE MANDATED AND NON-MAIN REACTIVE INVESTMENT CATEGORY SHOULD NOT CONTAIN A TOLERANCE LEVEL?

A. Due to the sub-categories' compulsory nature, the Division concurs that an annual tolerance level should not be placed on this investment category.

Q. WHAT IS THE DIVISION'S OPINION ABOUT HOW THE COMPANY HAS SUBDIVIDED THE MANDATED AND NON-MAIN REACTIVE INVESTMENT CATEGORY?

A. The Division has reviewed the investment sub-categories in this investment category and concurs that they are appropriate.

[7] *Id.* at 12.

[8] *Id.*

Reliability & Pressure Regulation

Q. PLEASE DESCRIBE THE NEXT PROPOSED INVESTMENT CATEGORY.

A. The Reliability & Pressure Regulation category contains project sub-categories that are aimed to "reliably maintain system pressure under foreseeable circumstances and conditions."[9] As with the Main Replacement and Rehabilitation, the work associated with this category is not compulsory.[10] Accordingly, the Company has also proposed a 2.5% tolerance level for this category that will function as previously described for the Main Replacement & Rehabilitation category.

Q. DOES THE DIVISION AGREE WITH THE TOLERANCE LEVEL THAT THE COMPANY PROPOSES FOR THIS INVESTMENT CATEGORY?

A. The Division's observations regarding the 2.5% tolerance level for Main Replacement & Rehabilitation apply as well to Reliability & Pressure Regulation and will not be reiterated. The Division concurs with the proposed tolerance level as it has been proposed by the Company for this category.

Q. WHAT IS THE DIVISION'S OPINION ABOUT HOW THE COMPANY HAS SUBDIVIDED THE RELIABILITY & PRESSURE REGULATION INVESTMENT CATEGORY?

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[9] *Id.*

[10] *Id.* at 15.

A. The Division has reviewed the investment sub-categories in this category and concurs that they are appropriate.

Large Multi-Year Reliability Projects

Q. PLEASE DESCRIBE THE NEXT PROPOSED INVESTMENT CATEGORY?

A. The Large Multi-Year Reliability Project investment category includes projects with an "expected lifetime expenditure of greater than $10 million and time horizons greater than two years."[11] The Company states that "these projects are separate from the Reliability & Pressure Regulation category due to the potential variability in spend timing, allowing for budgets in the former category to be insulated from under- or over-spend on large project work that often entails cost variability."[12] The Company does not propose any tolerance level for this investment category.

Q. DOES THE DIVISION AGREE THAT A TOLERANCE LEVEL SHOULD NOT BE IMPOSED ON LARGE MULTI-YEAR RELIABILITY PROJECTS?

A. The Division acknowledges that for Large Multi-Year Reliability Projects the "New Budgeting Parameters and Principles for the Gas ISR" dated October 18, 2023, and distributed to the parties in Dkt. 23-23-NG provides as follows:

[11] *Id.* at 12.

[12] *Id.* at 12-13.

> Each individual project will have a self-standing aggregated total multi-year project budget, with an individual budget CAP to be established in the ISR process based on the aggregate approved forecasted project total cost.

The Company, however, does not have many large multi-year reliability projects in its gas ISR plans. The few that do exist have been well-planned and effectively managed. The ISR review process, quarterly reviews, the reconciliation process and prudency review, moreover, afford ratepayers protection against unreasonable expenditures on these projects. The Division, therefore, does not believe that a tolerance level needs to be imposed on the Large Multi-Year Reliability Projects at this time. Should the Company incur significant cost overruns in the future on the few large multi-year reliability projects that do exist, the Commission may wish to revisit this issue at that time.

Q. WHAT IS THE DIVISION'S OPINION ABOUT HOW THE COMPANY HAS SUBDIVIDED THE LARGE MULTI-YEAR RELIABILITY INVESTMENT CATEGORY?

A. The Division has reviewed the investment sub-categories in this category and concurs that they are appropriate.

Q. HOW WOULD YOU LIKE TO ORGANIZE THE REMAINDER OF YOUR TESTIMONY?

A. First, I will address the Company's overall leak-prone pipe installation and abandonment amounts. Secondly, I will discuss the Division's recommendations regarding certain specific investment sub-categories. Third, I will discuss highlights from the Company's 2022 System Integrity Report. Lastly, I will discuss the Division's recommendation regarding the Company's requested revenue requirements.

B. <u>LEAK-PRONE PIPE INSTALLATION & ABANDONMENT MILES</u>

Q. HOW MANY MILES OF LEAK-PRONE PIPE DOES THE COMPANY PROPOSE TO INSTALL AND ABANDON IN THE PUC FILING?

A. The Company is proposing to install 60.1 miles and abandon 61.2 miles[13] of leak-prone pipe across all investment categories.

Q. WHAT IS THE DIVISION'S OPINION OF RIE'S PROPOSED INSTALLATION AND ABANDONMENT TARGETS?

A. The Division believes the installation target is reasonable for another year but notes that the 61.2-mile abandonment target is below the 65-mile abandonment target that the Commission established in dockets prior to Dkt. 22-54-NG.

[13] *Id.* at 50.

Q. WHAT IS THE BASIS FOR THE DIVISION'S OPINION?

A. In Dkt. 22-54-NG, the Division recommended reducing the Company's proposed installation miles from 69.5 to 60 miles across all main replacement categories. The Division made this recommendation because the Company had an excessive number of carryover miles due to the Pandemic[14] that were scheduled to be abandoned in FY 2024. Due to the excessive carryover, the Division believed the Company could still achieve its goal of abandoning 65-70 miles of leak prone main even if it only installed 60 miles of main.

In Order No. 24802, the Commission reduced the Company's installation miles to 60 miles for FY 2024,[15] reasoning that the Division had not raised a significant risk to health and safety by its recommendation and that the reduction resulted in an incremental imputed-cost of carbon emission of only $26,000—a *de minimis* value.[16]

Q. DOES THE COMPANY'S PROPOSAL TO INSTALL 60.1 MILES AND ABANDON 61.2 MILES IN THE PUC FIILING RAISE CONCERNS FOR THE DIVISION?

A. Somewhat.

[14] Between 25 and 30 miles as opposed to the usual 10-15 miles. Dk. 22-54-NG, Direct Testimony of Alberico Mancini at 16.

[15] Dkt. 22-54-NG, Order No. 24802 at 37.

[16] *Id.* at 35.

Q. WHAT ARE THE DIVISION'S CONCERNS?

A. The Division concurs with the Company's installation target for FY 2025. The 60.1-mile figure is reasonable for FY 2025 as it is in line with the number of miles the Company targeted to install in FY 2022 and FY 2023 and slightly greater than the number of miles the Company actually installed in those years.[17] The 60.1 mile installation target is also in line with the 60-mile installation target the Commission set in Dkt. 22-54-NG.[18]

The 61.2-mile abandonment target, however, is below the 65-70 mile abandonment target the Commission has established in past dockets[19] and the actual abandonment amounts the Company achieved in FY 2022 and FY 2023.[20] The Division believes that the reduced target is a product of the Company's decision to "ensure that the riskiest mains and services are being replaced…"[21] The Company states in response to a Division data request that it "cannot predict what effect this change in prioritization will have on the integrity of the distribution system."[22] The Company further opines:

[17] For FY 2022, the Company targeted 62.7 installation miles and actually installed 52.1 miles. Dkt. 5099 Reconciliation Filing, Testimony of Nathan A. Kocon at 12. For FY 2023, the Company targeted 57.5 miles and actually installed 50.7 miles. Dkt. 5210, FY 2023 Quarterly Updated (4th Q) at 6. *See also* Div. 2-1.

[18] Dkt. 22-54-NG, Order No. 24802 at 37.

[19] *See e.g.,* Dkt. 4474, Order No. 21779 at 12-13; Dkt.4540, Order No. 22046 at 16.

[20] In FY 2022, the Company targeted 70.3 abandonment miles and actually abandoned 67.9 miles. Dkt. 5099 Reconciliation Filing, Testimony of Nathan A. Kocon at 12. In FY 2023, the Company targeted 64.5 miles and actually abandoned 65.5 miles. Dkt. 5210, FY 2023 Quarterly Updated (4th Q) at 6. *See also* Div. 2-1.

[21] Order No. 24802 at 37. *See also* Div. 1-18.

[22] Div. 1-18.

> It may seem plausible to think that reducing the number of miles replaced per year will necessarily extend the overall leak prone pipe replacement program beyond the initial 20-year scope; however, it may be possible in later years to execute more than 70 miles due to the relative ease and cost of the work that will remain. On the other hand, leaving greater quantities of leak prone pipe in service for longer periods of time represents a risk that could worsen in ways that are currently unpredictable.[23]

The Division's concern is that the abandonment target has been reduced from the 65-70 miles to 61.2 miles without any real assessment of whether such a reduction is reasonable or prudent.

The Division believes that over the long-term failing to achieve an abandonment rate between 65 and 70 miles will leave a greater number of miles of leak-prone pipe in the ground than would otherwise be the case. In prior dockets, testimony has suggested that the safety hazards presented by leaving leak-prone pipe in the ground have the potential to grow worse at an exponential rate.[24] Leaving leak-prone pipe in the ground that otherwise could be abandoned, thus, presents an unreasonable safety risk to customers over the long-term. This outcome conflicts with the language of the ISR statute which requires a finding

[23] *Id.*

[24] Dkt. 5210,Transcript of Hearing dated March 15, 2022 at 291-92.

that the Company's "investments and spending" contribute to "safe and reliable distribution service over the short and long term."[25]

Q. WHAT DOES THE DIVISION RECOMMEND AS INSTALLATION AND ABANDONMENT TARGETS FOR FY 2025?

A. For FY 2025, the Division recommends an installation target of 60.1 miles and an abandonment target of 65 miles.

Q. HOW WILL THE DIVISION'S RECOMMENDED TARGETS IMPACT THE COMPANY'S FY 2025 GAS ISR BUDGET?

A. The Division's recommendation of a 65-mile abandonment target should not have any material impact on the proposed FY 2025 Gas ISR budget.

Q. WHY IS THAT?

A. At the end of FY 2024, the Company estimates that it will have 18.5 miles of carryover.[26] While below the 25 to 30 miles of carryover the Company had at the end of FY 2023, 18.5 miles of carryover should still enable the Company to abandon 65 miles of leak-prone pipe if the Company installs the 60.1 miles of pipe it has proposed in FY 2025.

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[25] R.I. Gen. Laws § 39-1-27.7.1(d)(4).

[26] Div. 1-21.

C. SPECFIC INVESTMENT SUB-CATEGORIES

Reactive Main Replacement – Leak Prone Pipe & Maintenance

Q. THE COMPANY HAS INCLUDED $7.838 MILLION FOR REACTIVE MAIN REPLACEMENT RELATING TO LEAK-PRONE PIPE, WHY HAS THIS BUDGET INCREASED SIGNIFICANTLY COMPARED TO THE FY 2024 FORECAST OF $1.167 MILLION?

A. On February 2, 2022, a section of 12-inch bare steel main on Cumberland Hill Road in Woonsocket, experienced a significant gas leak as a result of a failed weld. After investigation, the Company determined that the remaining welds were at risk of failure, and therefore, decided to replace the entire 4-miles of leak prone pipe on Cumberland Hill Road. Due to the high risk of failure, replacement of the main commenced in FY 2024 and will continue in FY 2025. Due to the reactive nature of this project, the Company has included it in the Reactive Main Replacement – Leak Prone Pipe & Maintenance category.

Q. HAS THE DIVISION REVIEWED THIS PROJECT AND DOES IT AGREE THAT THIS PROJECT SHOULD BE INCLUDED IN THE REACTIVE MAIN REPLACEMENT – LEAK-PRONE PIPE & MAINTENANCE CATEGORY?

A. Yes. The Division has reviewed this project. Due to the high risk of failure, this segment of main is in need of immediate replacement. The Division concurs with the Company that this investment is appropriate and should be included in the Reactive Main Replacement –

Leak Prone Pipe & Maintenance category as it is not scheduled for replacement in the Proactive Main Replacement category and is in need of immediate replacement.

Proactive Low Pressure System Elimination

Q. THE COMPANY HAS INCLUDED $6.552 MILLION FOR PROACTIVE LOW PREESSURE SYSTEM ELIMINATION, WHY HAS THIS BUDGET INCREASED SIGNIFICANTLY COMPARED TO THE FY 2024 FORECAST OF $1.3 MILLION?

A. The Company has expanded this program targeting low pressure areas throughout the distribution system "in response to recommendations from Federal and State government agencies following the Columbia Gas incident in Massachusetts in 2018."[27] Projects within this category consist of replacing low pressure mains with high pressure mains and installing pressure regulators and excess flow valves on each service.

Q. DOES THE DIVISION AGREE WITH THE COMPANY'S PROPOSAL TO EXPAND THE PROACTIVE LOW PRESSURE ELIMINATION PROGRAM?

A. Yes. The Company has identified areas of low pressure that can be upgraded while addressing other risks in the area. Projects completed in this category increase pressure to the area, eliminate leak prone pipe, add two (2) additional layers of pressure protection per service (service pressure regulators and excess flow valves), and eliminates pressure regulating facilities that once were required to support the low pressure system. This

[27] *Id.* at 45.

holistic approach will result in a safer, more reliable service to ratepayers. This approach is also less expensive as high pressure mains are typically smaller and easier to install as the Company explains in response to Div. 1-6. The Division concurs that these investments are appropriate.

Pipeline Integrity

Q. THE COMPANY HAS INCLUDED $10.02 MILLION FOR PIPELINE INTEGRITY, WHY HAS THIS BUDGET INCREASED SIGNIFICANTLY COMPARED TO THE FY 2024 FORECAST OF $0.575 MILLION?

A. This budget category includes funding for the Wampanoag Trail Pipeline Replacement project which the Company began planning in FY 2024. Construction will begin in FY 2025 and continue into FY 2026. The Company plans to replace 1.6 miles of 12 and 16 inch 200 psig steel main in East Providence during the FY 2025 construction season. Cost estimates for this project carry a much higher cost per mile due to the large diameter and pipe material. The new steel main is more expensive to purchase and requires each joint to be welded in place, which in turn, increases installation costs.

Q. DOES THE DIVISION AGREE THAT THIS SEGMENT OF MAIN NEEDS TO BE REPLACED?

A. Yes. Due to the criticality, age, and suspected condition of this 200-psig main, the Company concluded that this main was high risk and made the decision to replace the 2-

mile length of main. The Division reviewed this project and concurs with the Company's decision to replace this segment of main.

LNG

Q. ARE THERE ANY ADJUSTMENTS YOU WOULD LIKE TO MAKE TO THE COMPANY'S LNG BUDGET OF $11.18 MILLION?

A. Yes. In response to Div. 2-11, referring the access staircase tower project to access the top of the Exeter LNG Tank, the Company explains that the "[e]stimated spend for FY 2025 is $0.500 million for engineering and foundation work. The estimated spend in FY 2026 is $2.300 million to install the switchback stairs."[28]

Q. HOW DOES THIS STATEMENT COMPARE WITH EXPEDITURES FOR THIS PROJECT REFLECTED IN THE PUC FILING?

A. In the PUC Filing, the Company has budgeted expenditures of $2.8 Million for this project in FY 2025.[29]

Q. WHAT ADJUSTMENT DO YOU RECOMMEND?

A. I recommend that the LNG sub-category budget within the Reliability & Pressure Regulation Investment category for FY 2025 be reduced by $2.3 million to reflect the Company's updated forecast spending.

[28] Div. 2-11.

[29] PUC Filing at 57.

Old Mill Lane

Q. THE COMPANY HAS INCLUDED $6 MILLION FOR OLD MILL LANE SITE UPGRADES IN THE FY 2025 GAS ISR BUDGET, WHY IS THIS PROPOSED EXPENDITURE APPROPRIATE WHEN THE ENERGY FACILITIES SITING BOARD ("EFSB") HAS NOT YET GRANTED A LICENSE TO THE COMPANY?

A. While it is true the EFSB has not yet ruled on the Company's application, the Commission has recommended to the EFSB that "there is a need for LNG vaporization on Aquidneck Island to meet the winter capacity constraint now and in the short-term, even if an island-wide moratorium on new service connections were to be imposed"[30] and that the EFSB "issue any license subject to periodic reviews for continued need commencing in 2028 after the Company files its Long Range Gas Supply Plan."[31] "Final hearings," the Company maintains, "are expected to be completed in early calendar year 2024."[32] According to the Company, the proposed site upgrades are expected to take approximately nine (9) months and construction will occur over two (2) construction seasons, *i.e.,* two (2) fiscal years.[33] If the EFSB decision is delayed or the proposed site upgrades are not approved, the $6 million in funding will not be expended or transferred to any other project or category per the Company's large multi-year project proposal. Inclusion of $6.0 Million for site improvements in the FY 2025 Gas ISR Plan serves as a reasonable placeholder so if the

[30] Dkt. 22-42-NG, Advisory Opinion at 12.

[31] *Id.*

[32] Div. 1-39.

[33] *Id.*

Company receives an affirmative EFSB decision in CY 2024, the Company can immediately proceed to begin the upgrade work. The $6.0 Million amount included in the plan, moreover, will not have any customer rate impact in FY 2025 as the site improvements, if initiated, will not be placed in-service until FY 2026.[34]

Q. THE COMPANY HAS INCLUDED $8.3 MILLION TO PURCHASE PORTABLE LNG FACILITIES AT OLD MILL LANE IN THE 2025 GAS ISR BUDGET, WHY IS THIS PROPOSED EXPENDITURE APPROPRIATE?

A. The Company provided the Division with an analysis that purchasing this equipment will reach the breakeven point in four (4) years.[35] Consistent with my testimony in Docket No. 22-54-NG, the Division does not oppose the Company's decision to purchase the Portable LNG Equipment at Old Mill Lane.[36] Including the $8.3 Million as a placeholder in the FY 2025 ISR Plan will not impact ratepayers in FY 2025 as the equipment purchases will not be placed in-service until FY 2026.[37] Moreover, if the purchase is delayed and funds are not expended in FY 2025, then the $8.3 million may not be transferred to any other project or category per the proposed plan.

[34] PUC Filing at 18.

[35] Dkt. 22-54-NG, Div. 1-39 & Div. 1-39-2.

[36] Dkt. 22-54-NG, Direct Testimony of Alberico Mancini at 36, n. 24.

[37] PUC Filing at 18.

Pipeline and Hazardous Materials Safety Administration's ("PHMSA")
Proposed Rulemaking re: Gas Pipeline Leak Detection and Repair ("LDAR")

Q. THE COMPANY HAS PROPOSED $10.789 MILLION IN ITS FY 2025 GAS ISR BUDGET FOR PHMSA GAS PIPELINE LDAR, DOES THE DIVISION HAVE AN OPINION REGARDING THE PROPRIETY OF THIS PROPOSED EXPENSE?

A. Yes. As the Company observes in its filing, on May 8, 2023, PHMSA issued a notice of proposed rulemaking pertaining to the detection, monitoring, and repair of leaks on gas infrastructure.[38] Originally due on July 17, 2023, public comment was extended to August 16, 2023.[39] Although the exact timetable for promulgation of the final rule is uncertain, the Company anticipates, in all probability, that the new rule will take affect some time in FY 2025.[40] Among other things, the proposed rule requires new timelines for the repair of previously discovered and new Grade 3 leaks.[41]

The Company has excluded gas pipeline LDAR costs from the ISR ratemaking calculation for FY 2025. The Company, however, proposes that "it be authorized to recover any in-service costs incurred for this program in FY 2025 through the reconciliation process if and when the proposed rules necessitate mandated reactive work during FY 2025."[42] Assuming the final rule is promulgated in FY 2025, the Company, in all probability, will

[38] *Id.* at 74.

[39] 88 Fed. Reg. 42284 (June 30, 2023).

[40] PUC Filing at 75-76.

[41] *Id.* at 75.
[42] *Id.* at 74-75.

begin to incur compliance costs in FY 2025. The Division does not object to the $10.789 million in the FY 2025 Gas ISR Plan for PHMSA Gas Pipeline LDAR serving as a placeholder. Nor is the Division opposed to the recovery of capital additions placed in-service through the reconciliation of the FY 2025 Gas ISR filing, subject to review.

D. THE 2022 SYSTEM INTEGRITY REPORT ("SIR")

Q. HAS THE DIVISION EXAMINED THE COMPANY'S SIR FOR CY 2022?

A. Yes. I examined the report as part of my review of the PUC Filing.

Q. WHAT ARE YOUR OBSERVATIONS REGARDING THE REPORT?

A. The Report contains positive trends and some concerns. Open leaks (for Types 1, 2A, 2 and 3) as of year-end of CY 2022 have all decreased since CY 2021.[43] The Company has made good progress in addressing its workable open backlog of leaks in 2022.[44] Another positive trend is that the leak receipts rate (excluding damages) per mile of pipe (main and service) continued to decline in 2022.[45]

[43] *Id.* at 94.

[44] *Id.* at 95.

[45] *Id.* at 98.

While the overall leak rate is declining, the number of Type 1 leaks actually increased from 472 in 2021 to 513 in 2022 or by about 8.6%.[46] Since most of the main leaks continue to occur on cast iron main,[47] this trend suggests that cast iron continues to be a problem material in the Company's distribution system. Although having declined slightly since 2021, the main leak rate for cast iron (.92)[48] remains elevated compared to other types of materials.[49] Additionally, the cast iron main break rate increased significantly in 2022 by 114%.[50] Two (2) through eight (8) inch cast iron mains are of particular concern.[51] These statistics suggest that the current inventory of two (2) through eight (8) inch cast iron mains are becoming more brittle and more prone to cracking the longer they remain in the ground. As the Company still has an inventory of 590 miles of cast iron main as of the end of CY 2022,[52] the Company's continued focus on reducing this type of main is imperative.

Although the overall service leak rate declined by 37.12% in 2022 from 2021, the overall service leak rate for the 2020 to 2022 time-period declined by only about 8.6% and only by about 4.6% for unprotected steel services.[53] In 2022, the majority of service leaks occur

[46] *Id.* at 101.

[47] *Id.* at 121.

[48] *Id.* at 120.

[49] *Id.*

[50] *Id.* at 86, 127.

[51] *Id.* at 128.

[52] *Id.* at 124.

[53] *Id.* at 146-47

on unprotected bare steel.[54] These are mostly Type 1 leaks and are due to corrosion.[55] As there are over 42,000 unprotected steel services remaining in its inventory, the Company's continued focus in this problem area is important to the overall safety of its distribution system.[56]

Q. DO YOU HAVE RECOMMENDATIONS REGARDING THE COMPANY'S SYSTEM INTEGRITY PERFORMANCE?

A. Consistent with its testimony in prior dockets, the Division would like to see cast iron main break rate and unprotected steel service leak rate consistently trend downward.[57] Thus, the Division concurs with the Company's effort to target approximately 90% of its cast iron mains.[58]

Q. DO YOU HAVE ANY OTHER CONCERNS ASSOCIATED WITH THE COMPANY'S SIR?

A. Yes. The Division is concerned with the Company's increasing trend of Gross and Net Unaccounted for Gas. In response to Div. 2-18, the Company explains that the Gross Unaccounted for Gas is the total unaccounted for gas within the distribution system and

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[54] *Id.* at 148.

[55] *Id.* at 143, 145.

[56] *Id.* at 135.

[57] Dkt. 4996, Transcript of Hearing, dated February 27, 2020 at 158.

[58] PUC Filing at 30.

the Net Unaccounted for Gas is the Gross Unaccounted for Gas less the estimated annual emissions from the distribution system.[59] As the estimated annual emissions from leaks decrease with the ongoing abandonment and reduction of leak-prone pipe, the Gross and Net Unaccounted for Gas has continued to trend higher since 2016.[60] The Company stated that "[t]here are a variety of factors that may contribute to unaccounted for gas"[61] but could not give a reason for the increase. The Company explained that they would review data sources and supplement their response as to a possible cause of the increasing unaccounted for gas.

Q. DO YOU HAVE ANY RECOMMENDATIONS REGARDING UNACCOUNTED FOR GAS?

A. Yes. The Division recommends that the Company investigate why the system's Gross and Net Unaccounted for Gas has been trending upward since 2016 and report those findings to the Division and Commission.

E. THE PROPOSED REVENUE REQUIREMENT

Q. WHAT IS THE DIVISION'S POSITION REGARDING THE COMPANY'S PROPOSED FY 2025 REVENUE REQUIREMENT?

[59] Div. 2-18.

[60] *Id.* at 156.

[61] Div. 2-18.

A. The Division and its consultant, David Effron, have reviewed RIE's revenue requirement calculations. As part of our review, we participated in a meeting with the Company to walk through their calculations and ask questions. There are still some outstanding issues the Division is reviewing and we plan to hold a follow-up meeting with the Company. Since our review is ongoing, we reserve our right to provide the Commission with our position and recommendation at the conclusion of our review and discussions with the Company.

IV. CONCLUSION

Q. PLEASE SUMMARIZE THE DIVISION'S RECOMMENDATIONS IN YOUR TESTIMONY?

A. The Division recommends the Commission:

1. Approve the Company's realignment of Table 1 into investment categories with the proposed sub-categories, sub-budgets, and allowable overspend tolerance percentages.
2. Establish an annual abandonment target for leak-prone pipe replacement of 65 miles.
3. Adjust the Company's proposed LNG sub-category budget within the Reliability & Pressure Regulation Investment category downward by $2.3 million.

4. Authorize the Company to recover any in-service costs incurred as a result of the proposed PHMSA Gas Pipeline LDAR rule change through the FY 2025 reconciliation process, subject to review.
5. Direct the Company to continue its efforts in targeting cast iron mains and unprotected steel services to counter increasing trends.
6. Direct the Company to investigate why the system's Gross and Net Unaccounted for Gas has been trending upward since 2016 and report those findings to the Division and Commission.
7. Approve a 12-month Gas ISR FY2025 Budget of $183.107 M.