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June 27, 2025

VIA ELECTRONIC MAIL AND HAND DELIVERY

Stephanie De La Rosa, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket No. 25-08-GE – The Narragansett Electric Company d/b/a Rhode Island Energy PUC’s Inquiry Into Rhode Island Energy’s Billing Systems Practices and Performance Billing Conversion and Stabilization Incremental Cost Tracking Report – June 2025

Dear Ms. De La Rosa:

Pursuant to the Public Utilities Commission’s (“Commission”) Open Meeting held on May 14, 2025 and its written order issued on May 16, 2025, enclosed for filing on behalf of Rhode Island Energy,¹ is the Company’s Billing Conversion and Stabilization Incremental Cost Tracking Report in the above-referenced matter.

The purpose of this filing is to confirm that the Company has been and will continue to account for and track the incremental costs it has incurred and may incur going forward relating to stabilizing billing and related operations commencing August 19, 2024. Within this filing, the Company provides an explanation of the process and methods it uses to identify and track such incremental costs. Schedule NECO-1 provides an accounting of such costs for the period of August 19, 2024, through May 31, 2025.

The Company will continue to track these incremental costs monthly and will file periodic updates with the Commission on the 30th day of each month that show the incremental costs for the prior month and the aggregate costs calculated from August 19, 2024.

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

Very truly yours,

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

Jennifer Brooks Hutchinson

Enclosure

cc: Docket No. 25-08-GE Service List

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

**Rhode Island Energy's Report
On the Incremental Costs Related to Billing Conversion and Stabilization
For the Period August 19, 2024 Through May 31, 2025**

I. Introduction

At the Open Meeting held on May 14, 2025, the Rhode Island Public Utilities Commission (“Commission”) ordered The Narragansett Company d/b/a Rhode Island Energy (“Rhode Island Energy” or the “Company”) to,

account for and track the incremental costs it has incurred and may incur going forward relating to inaccurate bills caused by customer information and billing system conversion problems, commencing August 19, 2024. . . . The Company shall make a filing with the Commission by no later than June 30, 2025, providing (i) an explanation of the process and methods that the Company is or will be using to identify and track such incremental costs, including without limitation an explanation of how the baseline cost was established from which the incremental cost is measured, and (ii) schedules providing an accounting of such incremental costs incurred from August 19, 2024 to the most recent date where such information was readily available. The Company is directed to file periodic updates that track these incremental costs on a monthly basis. Such updates shall show the incremental costs for the applicable month, and the aggregate costs calculated from August 19, 2024.¹

The purpose of this filing is to confirm that the Company has been and will continue to account for and track the incremental costs it has incurred and may incur going forward relating to stabilizing billing and related operations commencing August 19, 2024. Within this filing, the Company provides an explanation of the process and methods it uses to identify and track such incremental costs and provides a schedule of accounting of such costs from August 19, 2024, through May 31, 2025. To ensure these incremental costs have no impact on the ongoing financial operations of the electric and gas business units, they are charged directly to the PPL

¹ Commission Order No. 25352, Docket No. 25-08-GE at 16-17 (May 16, 2025).
<https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2025-05/Dkt.%2025-08-GE%20OM%20Decisions%20%285-14-25%29.pdf>

Rhode Island Holdings, LLC ("Rhode Island Holdings") business unit. The Company will file monthly updates to this schedule with both incremental and aggregate costs.²

The Company defines "incremental costs" as any costs that the Company has incurred that would not have otherwise been incurred except for the need to address, remediate, and resolve operations caused by customer information and billing system conversion problems. Such costs include incremental labor costs, capital expenditures, and third-party services, including but not limited to consultant and contractor costs; these costs relate to customer engagement, customer information and billing system software, and any other costs related to addressing, remediating, and resolving inaccurate bills and the underlying problems causing those inaccurate bills. Rhode Island Energy refers to these incremental costs throughout as "expenses for billing system conversion and stabilization." As these costs are charged to Rhode Island Holdings, they are excluded from annual earnings sharing reports and will not be included in the Company's test year, which forms the basis of the Company's revenue requirement for its forthcoming rate case.

II. Methodology to Track Incremental Costs

The Company recognized the importance of tracking its costs related to transitioning from National Grid systems to PPL systems well prior to system conversion on August 19, 2024 (referred to as "cutover"). The Company's strategy was and is to identify costs and assign appropriate accounting for those costs in real time. This real-time assessment is coupled with rigorous ongoing review to ensure accuracy. The following subsections describe the accounts used for tracking incremental costs, the review process to verify and validate cost accounting, how those accounts do or do not charge Rhode Island Energy, and the implications for developing the Company's revenue requirement for its forthcoming rate case.

A. Accounts used for tracking incremental costs and review process

Rhode Island Energy employs a methodology referred to as "carveout accounting," which generally refers to real-time identification and allocation of project costs. Generally, the Company has been tracking its unrecoverable transition costs related to the Acquisition³ this way; such costs are charged to Rhode Island Holdings rather than to Rhode Island Energy. Regarding costs specifically related to billing system conversion resulting from the Acquisition, the Company initiated its carveout accounting practice in Fall 2023, prior to the cutover from National Grid systems to PPL systems. The exact purpose of this carveout accounting is to

² The Company proposes to file its monthly updates on the 30th of each month.

³ On May 25, 2022, PPL Rhode Island Holdings, LLC, a wholly owned indirect subsidiary of PPL Corporation, acquired 100% of the outstanding shares of common stock of The Narragansett Electric Company (referred to hereinafter as the "Company") from National Grid USA ("National Grid") (the "Acquisition").

account for any costs that were redundant or duplicative of National Grid costs operating under the Transition Services Agreement ("TSA").⁴ Costs tracked within carveout accounting include costs to build, test, and deploy the customer information and billing systems. More specifically, carveout accounting includes labor cost, other expenses, and outside services (e.g., consultants and/or contractors).

In preparation for cutover, the Company directed internal staff to continue to charge carveout accounting through August 18, 2024. On August 19, 2024, internal staff were directed to continue to charge carveout accounting for the following items, each of which support billing system conversion and stabilization:

- Time actually spent developing, designing, and testing break-fixes directly related to intended functionality (that failed to work for one reason or another) or fast follow⁴ items;
- Costs that are supporting the transition off the Company's TSA incurred prior to August 19, 2024, and paid after cutover;
- Incremental costs incurred after cutover associated with completing TSA transition, supporting the new applications, and continuing to deliver additional functionality after cutover that was lost at cutover; and
- Staff overtime hours spent on hypercare.⁵

Cost accounting is reviewed on a monthly basis by the appropriate leadership teams and the Rhode Island Finance team. During these monthly reviews, accounting is scrutinized to verify and validate correct charging. Leadership reviews the total costs, the costs by vendor, and the costs by person to ensure accurate accounting of incremental costs. Schedule NECO-1, described within Section III, summarizes total expenses associated with billing system conversion and stabilization. Total expenses include both incremental costs, as described above, as well as a portion of *non*-incremental costs, described in Sub-Section B, below. To isolate incremental costs from total expenses would require the Company to make certain assumptions about portions of labor costs and other expenses that would have occurred in the absence of billing system conversion and stabilization to run the business. In Sub-Section B, below, the

⁴ Transition Services Agreement by and among National Grid USA Service Company, Inc., National Grid USA ("National Grid") (solely with respect to Section 4.6), and The Narragansett Electric Company (the "Company") entered into as of May 25, 2022 (the "TSA").

⁵ "Hypercare" and "fast follow" are industry terms referring to the time period of intensive support following a major change in software systems and the activities needed to achieve full project scope after initial deployment, respectively.

Company explains its methodology for ensuring the portion of total expense that represents *non*-incremental costs is accurately and appropriately considered within development of the Company's revenue requirement.

B. Implications for test year revenue requirement

The Company's anticipated test year for the revenue requirement in its upcoming base distribution rate case is September 1, 2024, through August 31, 2025. The revenue requirement is based on all costs for Rhode Island Energy incurred directly or indirectly by Rhode Island Energy. No carveout accounting, which includes the incremental costs to address, remediate, and resolve inaccurate bills caused by customer information and billing system conversion problems, is charged to Rhode Island Energy. Expenses charged to Rhode Island Holdings are not included in the calculation of revenue requirement. Therefore, none of the carveout accounting, including none of the incremental costs to address, remediate, and resolve operational challenges caused by customer information and billing system conversion problems, is contained within the unadjusted test year used in the revenue requirement.

It is important to note that the total expenses isolated through carveout accounting and shown in Schedule NECO-1 include both incremental and *non*-incremental costs of billing system conversion and stabilization. For example, a proportion of a full-time employee's hours may be charged to carveout accounting, resulting in less than 100 percent of that employee's salary being reflected in operational expenses in the test year revenue requirement. However, 100 percent of that employee's time will be spent on business-as-usual operations following the close of carveout accounting. By isolating all carveout accounting (in effect, by charging carveout accounting to Rhode Island Holdings), the total expenses being charged to Rhode Island Energy may be an understatement of the total cost of service. The Company may need to make normalizing adjustments to the unadjusted test year for such costs as (but not limited to) internal labor and outside services to account for a full rate year of costs to support the business-as-usual operations of the Company. All such normalizing adjustments will be described in full detail in the Company's forthcoming base distribution rate case.⁶

III. Incremental Costs Incurred

Generally, the Company has incurred three principal categories of expenses to address, remediate, and resolve operational challenges caused by customer information and billing system conversion problems. Schedule NECO-1 summarizes these expenses by month. Column A lists

⁶ The Commission's order directs the Company to describe "how the baseline cost was established from which the incremental cost is measured." The Company's method of accounting did not presume a baseline cost from which the incremental costs were measured, but rather defines and identifies the incremental costs, from which the baseline is inferred through normalizing adjustments to the revenue requirement.

the months from August 2024 through May 2025. Note that expenses shown for August represent a partial month (August 19, 2024, through August 31, 2024; 13 days out of 31 total days in August). All other months are full months (e.g., costs shown for May are for May 1, 2025, through May 31, 2025).

Expenses by category are shown in Columns B through D; the expenses in each of these columns include incremental costs of billing system conversion and stabilization. Column B shows operating expenses incurred by the Customer Organization within the Company. These operating expenses include labor costs, outside services, and other expenses. Labor costs include portions of time of full-time resources, incremental staffing expenses, and overtime costs related to billing system conversion and stabilization. Outside services include the expenses of relevant external service providers. Specifically, these vendors support the Company in providing front office and back-office support, customer communications, quality monitoring, and incremental costs for bill printing. Other expenses include miscellaneous costs incurred in the course of billing system conversion and stabilization (e.g., travel expenses for out-of-state resources).

Columns C and D show capital expense of billing system conversion and stabilization. Column C shows the costs to develop and deploy the billing system that continued to be incurred following cutover. Column D shows costs to complete "fast follow activities" and stabilization. "Fast follow activities" refers to the delivery of promised functionality that was not critical to deploy prior to cutover.

Monthly expenses are summed in Column E and totaled by category and aggregated in Row 12. In sum, the Company has incurred \$39,819,931 in expenses related to billing system conversion and stabilization, including incremental costs caused by customer information and billing system conversion problems from August 19, 2024, through May 31, 2025. These expenses are charged to Rhode Island Holdings and will not appear in the Company's unadjusted test year, which is the basis for the revenue requirement in its upcoming base distribution rate case. The Company will propose and justify appropriate normalizing adjustments to its revenue requirement to account for normal run-the-business expenses within that case.

In Re: Commission’s Inquiry into Billing Systems Practices and Performance
Billing Conversion and Stabilization Incremental Cost Tracking Report
Schedule NECO-1
June 30, 2025
Page 1 of 1

Schedule NECO-1
Total Expenses of Billing Stabilization
August 19, 2024, through May 31, 2025

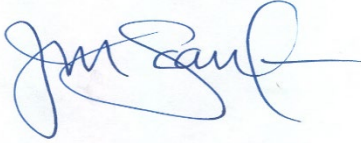
	(A)	(B)	(C)	(D)	(E)
(1)	Month	Customer Operations Expense	Develop and Deploy Billing System	Fast Follow and Stabilization	Total Expenses
(2)	August	\$ 1,207,154	\$ 1,775,614	\$ -	\$ 2,982,769
(3)	September	\$ 3,233,982	\$ 4,422,829	\$ -	\$ 7,656,811
(4)	October	\$ 920,208	\$ 3,114,653	\$ 5,228	\$ 4,046,021
(5)	November	\$ 1,104,232	\$ 2,642,041	\$ 272,990	\$ 4,013,330
(6)	December	\$ 1,395,282	\$ 2,100,430	\$ 514,196	\$ 4,009,907
(7)	January	\$ 1,631,582	\$ (752,725)	\$ 2,751,535	\$ 3,630,393
(8)	February	\$ 977,404	\$ 371,910	\$ 2,006,119	\$ 3,355,433
(9)	March	\$ 979,090	\$ 323,196	\$ 2,101,153	\$ 3,403,440
(10)	April	\$ 1,054,198	\$ 28,894	\$ 1,839,672	\$ 2,922,765
(11)	May	\$ 1,000,042	\$ (18,135)	\$ 2,817,158	\$ 3,799,064
(12)	Total	\$ 13,503,174	\$ 14,008,706	\$ 12,308,051	\$ 39,819,931

Notes: Data for August 19, 2024, through May 31, 2025 (Column A). Columns B, C, and D show expenses for Customer Operations, Develop and Deploy Billing System, and Fast Follow and Stabilization, respectively. Entries B2, C2, and D2 are prorated based on number of days; total expenses for the month of August were multiplied by 13/31. Total expenses by month are shown in Column E, which sums data in Columns B, C, and D by row. Total expenses from August 19, 2024, through May 31, 2025, are shown in Row 12.

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

June 27, 2025
Date

Docket No. 25-08-GE – PUC’s Inquiry Into Rhode Island Energy’s Billing Systems Practices and Performance
Service list updated on 6/4/2025

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