


MEMORANDUM

To: Stephanie De La Rosa, Commission Clerk
Rhode Island Public Utilities Commission

From: Gregory L. Booth, PE
President, Gregory L. Booth, PLLC 

Date: September 17, 2025

Subject: Docket No. 23-48-EL; Rhode Island Energy FY 2025 ISR Annual Reconciliation

On August 1, 2025, The Narragansett Electric Company d/b/a Rhode Island Energy (“RIE” or “Company”) filed with the Public Utilities Commission (“Commission” or “PUC”) its FY 2025 Infrastructure, Safety and Reliability (“ISR”) Plan Reconciliation. I prepared this Memorandum to document my review, on behalf of the Division of Public Utilities and Carriers (“Division”), of the variance between the ISR Plan approved budget and actual spend.¹ The Company reports that capital spending for FY 2025 totaled \$189.5 million,² compared to a budget of \$179.8 million. Capital spending excluding Advanced Metering Functionality (“AMF”) was \$140.9 million compared to a budget of \$131.6 million.³

¹ Sources used to evaluate variances include Docket 23-48-EL FY 2025 Electric ISR Plan Annual Reconciliation, FY 2025 Electric ISR Plan Quarterly Update – Fourth Quarter ending March 31, 2025, Company responses to data requests, and discussions with the Company.

² The Company’s FY 2025 ISR Plan Reconciliation Filing excludes \$1 million of pre-construction costs that were included in the FY 2025 ISR Plan Q4 report (see itemized projects in DIV 1-1 response). Those projects are being advanced separate from the Company’s ISR spending. Attachment E of the Reconciliation Filing includes the \$1 million of pre-construction costs. Therefore, minor inconsistencies may exist in variance calculations which does not change the observations or outcomes presented here.

³ On September 11, 2025, RIE submitted revised revenue requirement calculations to reflect a correction to the transformer spend. The correction reduced both the Plant in Service and the Capital Spending by \$2.6M, to \$112.5M and \$186.9M respectively.

	(a)	(b)	(c)	(d)
	FY 2025 ISR Plan Spend by Category (\$000)	Budget	Actual*	Variance (Over/(Under))
1	Customer Request/Public Requirement	\$32,862	\$44,668	\$11,806
2	Damage Failure	\$17,813	\$25,271	\$7,458
3	Total Non-Discretionary	\$50,675	\$69,939	\$19,264
4	Asset Condition	\$44,547	\$35,295	(\$9,252)
5	Non-Infrastructure	\$892	\$551	(\$341)
6	System Capacity & Performance	\$22,506	\$21,675	(\$831)
7	Study Costs - Fiber Network Study	\$200	\$100	(\$100)
8	Separately Tracked Major Projects	\$12,749	\$13,384	\$635
9	Total Discretionary	\$80,894	\$71,004	(\$9,890)
10	Capital Spending excluding AMF	\$131,569	\$140,943	\$9,374
11	Advanced Metering Functionality ("AMF")	\$48,192	\$48,598	\$406
12	Total Capital Spending including AMF	\$179,761	\$189,540	\$9,780

* Totals exclude a \$2.6 million reduction in Customer Requests/Public Requirements actual spend which was identified by RIE during the discovery process.

The FY 2025 ISR Plan is subject to a capital spending budget framework with an approved soft budget cap (Consolidated Soft Budget) of \$118.62 million.⁴ The Company exceeded the budget cap by \$8.8 million resulting in a 7% variance.

	(a)	(b)	(c)	(d)	(e)
	FY 2025 ISR Plan Soft Budget Cap (\$000)	Budget	Actual*	Variance (Over/(Under))	% Variance (Over/(Under))
1	Customer Request/Public Requirement	\$32,862	\$44,668	\$11,806	36%
2	Damage Failure	\$17,813	\$25,271	\$7,458	42%
3	Asset Condition	\$44,547	\$35,295	(\$9,252)	-21%
4	Non-Infrastructure	\$892	\$551	(\$341)	-38%
5	System Capacity & Performance	\$22,506	\$21,675	(\$831)	-4%
6	Consolidated Soft Budget	\$118,620	\$127,458	\$8,839	7%

* Totals exclude a \$2.6 million reduction in Customer Requests/Public Requirements actual spend which was identified by RIE during the discovery process.

Non-Discretionary Spend

In FY 2025, the Company was \$19.3 million over budget for non-discretionary spending. The Customer Request/Public Requirements category was over budget by \$11.8 million and Damage/Failure was over budget by \$7.5 million. Customer Request/Public Requirements major categories had varying results. Categories significantly under budget were Public Requirements due to fewer DOT projects and increased credits from joint ownership pole billing (\$4.6 million) which resulted in a \$1.5 million credit for actual spending. Distributed Generation also resulted in

⁴ Commission approval in Docket No. 23-48-EL, Open Meeting Decisions (March 26, 2024).

a \$1.6 million credit driven by a \$2.5 million reversal for material costs that had been recorded twice in the previous year. There were no plant additions associated with DG projects in the FY 2025 reconciliation filing. Offsetting the categories of underspend were New Business commercial and residential work which was \$10.2 million over budget. There were four commercial projects contributing nearly \$6 million to the New Business overspend.⁵ Increases in New Business spend were driven by both a higher number of work requests and increased material costs. The Division believes that future needs could be better anticipated, particularly for large commercial or industrial projects, by RIE exploring methods to improve forecasting such as coordinating with municipalities to determine upcoming building permits. The Company indicated that a majority of cities and towns have evolved to a newer streamlined portal experience for Rhode Island permit holders,⁶ but RIE does not acknowledge the benefit of utilizing this data in forecasting service requests. In conjunction with the Division's FY 2027 ISR Plan review, we plan to explore whether the streamlined portal will be useful to the Company in improving forecasting of new business. The Division believes that improved forecasting of new business will reduce the likelihood of significant spending variances for new business in the future.

The Company was \$9.5 million over budget in the Transformers and Related Equipment category which captures spend for distribution transformers, voltage regulators, capacitors, and network protectors. Assets in this category are pre-capitalized and placed into service when delivered and received.⁷ Since ISR Plan spend is incurred when the equipment is received⁸, the capital spend in a fiscal year should be equivalent to plant in service for the same year. The Company shows a slight variation between ISR Capital Spending and Plant in Service for FY 2021 - FY 2025. Regarding the \$9.5 million in FY 2025 overspend, the Company provided a root cause analysis⁹ summarized as follows:

Root Cause 1: A change in inventory management philosophy resulted in \$2.6 million in charges to the transformer blanket for materials that had already been in service. RIE identified the accounting error and reduced the reported spend of \$17.5 million to \$14.9 million.

Root Cause 2: COVID-19 long lead times stabilized and more material was delivered in FY 2025 that RIE had not expected until FY 2026 (+\$2M variance),

Root Cause 3: PPL accounting philosophies resulting in increased stores clearing rate from 16 percent to 30 percent from April through November (+\$1.6M variance), and

Root Cause 4: The formula used by National Grid to determine the number of units provided to RIE was based on the percentage of material used over the past 10 years and could have caused some excess inventory to be purchased by the Company (variance not quantified).

⁵ DIV 1-7 response.

⁶ DIV 1-6 response.

⁷ DIV 1-14 and DIV 1-15 responses.

⁸ DIV 1-13 response.

⁹ DIV 1-12 response.

Applying the root cause analysis shows that the variance decreased from \$9.5 million to \$6.9 million. RIE generally accounted for \$3.6 million of the variance leaving \$3.3 million unreconciled (summary shown below).

**FY 2025 ISR Plan
Transformers and Related Equipment (\$M)
Variance Summary**

	(a)	(b)	
1	Filed Actual ISR Plan Spend	\$ 17.5	
2	Inventory management change	\$ (2.6)	*Root Cause 1
3	Adjusted ISR Plan Spend	\$ 14.9	
4	<i>Budget</i>	\$ 8.0	
5	Adjusted Variance	\$ 6.9	
6	Unexpected equipment deliveries from prior orders	\$ (2.0)	*Root Cause 2
7	Increased stores clearing rate	\$ (1.6)	*Root Cause 3
8	Potential excess inventory purchases	\$ -	*Root Cause 4
9	Remaining Variance	\$ 3.3	

**see DIV 1-12 response for full Root Cause explanations*

The root cause analysis raised several concerns and potential inventory anomalies. For Root Cause 1, the accounting error that duplicated existing inventory as plant in service should have been recognized prior to the ISR Plan filing. The inaccuracy raises questions regarding the integrity of inventory amounts and costs that have been transferred between National Grid and RIE since the time of completing the PPL transition through FY 2025. This reconciliation concern also pertains to Root Cause 2, where the Company received materials in FY 2025 that were expected to be delivered in FY 2026. Examination of the source of FY 2025 inventory shows that 2,162 units were “systematically received by National Grid for Rhode Island” which can be correlated to purchase orders¹⁰ and appear to be appropriately included in FY 2025 capital spending. However, in addition to systematically receiving units from National Grid, the Company also indicated that 915 units were “transferred from National Grid to Rhode Island Energy” and that “no costs are associated with these transfers because there is not a clear way to differentiate in which fiscal year the material was received.”¹¹ The Company’s statements fail to properly account for the units transferred from National Grid and prompts questions regarding when the units were purchased, when they were received, the associated cost, if they were previously included for recovery in an ISR Plan, if there is actually a “cost” for the units included in the FY 2025 ISR Plan but not quantified, whether the units were already included in the inventory from the PPL acquisition and double counted, whether the units “transferred” are (or were) physically in RIE’s Service Centers, and how they have been accounted for separately from existing inventory. This is not a comprehensive list but highlights the confusion brought by RIE’s responses. The Company must explain exactly how the transfers from National Grid occurred and reconcile that material to FY

¹⁰ DIV 1-16 response explains inventory additions and reductions. Attachment DIV 1-16, FY 2025 tab shows 2,162 units systematically received and Attachment PUC 1-1 provides the purchase orders and receipt date for 2,162 units.

¹¹ DIV 1-16 response with Attachment.

2025 ISR Plan spend and ultimately plant in service. Additionally, in FY 2024 there were 1,831 units transferred from National Grid to RIE and 1,134 additional units that were “received by National Grid for RIE”.¹¹ The transfers were not explained or reconciled, therefore, the FY 2024 activity may warrant re-examination given the outcome of the current analysis. Furthermore, it is possible that there could be an inventory accounting deficiency associated with the acquisition of National Grid Rhode Island by PPL. It is unclear how the Company has assured that this is not happening and there is not a double payment occurring.

Additionally, the Company’s Root Cause 4 theorizes that the formula to guide material supply from National Grid to RIE under the Transition Service Agreement may have caused some excess inventory to be purchased. The formula was based on material used in the past 10 years. The Company’s rationale is not substantiated and seems counter-intuitive since the Company is using more material as time progresses, as evidenced by increasing ISR Plan investments. The Company did not quantify the potential excess inventory.

In summary, the Company’s Transformers and Related Equipment variance analysis does not clearly explain why the Company was \$6.9 million over budget in FY 2025. Information put forth by the Company raised additional questions and concerns regarding the Company’s accounting practices, material transfers from National Grid to RIE, cost validation, and inventory management among other items. Adding to the complexities, the ISR Plan includes \$14.9 million (adjusted per Root Cause 1) for Transformers and Related Equipment, yet RIE shows that only \$9.5 million¹² of material was received in FY 2025 and separately indicates that the same material cost \$12.4 million.¹³ This results in a \$2.5 million to \$5.4 million gap in actual spend that is not reconciled. To address each of the inventory anomalies I mentioned above, I recommend RIE conduct an audit of its transformer and related equipment inventory and the associated costs in order to provide assurance of its accuracy. My specific recommendation on this issue is included in my “Recommendations” section, *infra*.

The Damage/Failure category was \$7.5 million over budget. Of this, the Nasonville Substation switchgear failure work was over budget by \$2.0 million due to higher costs. Nasonville assets were placed into service in FY 2025 with closeout activities scheduled for FY 2026. This only completes the project to rebuild portions of the substation affected by the failed switchgear. The Damage/Failure blanket projects were \$5 million over budget. The Company continued its review of work for proper categorization and reclassified \$1.4 million to the Asset Replacement Blanket project. Storms and weather related events were over budget by \$1.3 million. This category is expected to be unpredictable and highly variable. Lastly, the Company did not expend reserves which were \$1 million under budget. Going forward, the Reserve category will not be a factor in reconciliation since the PUC has directed RIE to remove funding in the ISR Plan.

Discretionary Spend - Asset Condition

Overall, Asset Condition spend (excluding separately tracked major projects) was \$35.3 million which was \$9.3 million under budget. The Underground Cable Replacement program was over budget by \$0.6 million and the Underground Residential Cable (“URD”) replacement program was \$0.7 million under budget. The Company made proactive reductions to the URD program to offset

¹² Attachment DIV 1-16 response, FY 2025 tab.

¹³ PUC 1-3 response with Attachment.

overspend in other areas. The FY 2026 ISR Plan eliminates the URD budget and reduces the Underground Cable Replacement budget, indicating that the Company will modulate spend in these categories to prioritize other projects. Despite the reductions, the Division remains supportive of both programs which are expected to continue for a decade or more and are essential for reliability and safety associated with a critical component of the distribution infrastructure. While these budgets have been modulated, it is important to recognize that Damage/Failure may increase if a proactive program spend is lower and results in higher reactive spending due to failures. Inspection and maintenance work was \$2.5 million over budget due to construction on sub-transmission lines that had previously been deferred. The Asset Replacement Blanket was slightly over budget (\$0.2 million) after the Company reclassified \$1.4 million from the Damage/Failure Blanket. The Company was \$0.5 million under budget in the Vault Vent Blower program with Battery replacements concluding near budget. Notably, the Company also deferred \$0.5 million in downpayments for Substation Spare Transformers which is a spending line that was removed from the ISR Plan.¹⁴ RIE anticipates that it will not be seeking cost recovery of the investments for spare substation transformers through the ISR process,¹⁵ estimated at nearly \$60 million, which is a change in the Company's prior position.

Substation related projects had varying results. The largest variance was \$9.6 million lower spending for the Providence Area Study phases due to work shifting to other projects. Pawtucket Substation control house construction and Dyer Street distribution line cable replacement incurred \$1.2 million in spend that was unbudgeted. The Company continued work related to eleven Area Study projects with actual spend under budget by \$2.6 million due to delays and deferrals. Multiple transformer down payments were also deferred. Collectively, the Company has tempered Asset Condition program and project spend to meet the Consolidated Soft Budget. The level and type of work progressed raised no concerns.

Discretionary Spend - System Capacity & Performance

System Capacity & Performance spend (excluding separately tracked major projects) was \$21.7 million which was \$0.8 million under budget. Individual categories include EMS/RTU work and VVO with total underspend of \$0.5 million due to delays and deferrals. The Company has not funded VVO projects in FY 2026 which reflects the Commission's recommendation.¹⁶ The 3V0 program incurred \$314,000 in charges to be reclassified in FY 2026.¹⁷ Similar to Substation Spare Transformers, the Company deferred \$1.3 million in payments towards Mobile Substations. Lastly, the Other Projects and Programs category was \$1 million over budget due to work deferred from FY 2024.

Substation related projects had varying results with many achieving actual spend near budget including New Lafayette, East Providence distribution line, and Warren. Weaver Hill Road Substation was \$0.8 million under budget as the Company continues a site feasibility assessment due to archeological artifacts identified at the original location. The Tiverton Substation distribution line was \$3.5 million over budget. The Company accelerated and completed Tiverton

¹⁴ DIV 1-1 response.

¹⁵ PUC 1-2 response.

¹⁶ FY 2026 ISR Plan Report and Order, page 14.

¹⁷ DIV-2-9 requested an explanation for the reclassification. The response was pending as of the date of this memo.

in FY 2025 instead of over multiple years which, according to the Company, increased efficiencies, reduced team costs and avoided cost increases with inflation. The Company progressed work related to eight Area Study projects which were under budget by \$3 million, effectively offsetting the Tiverton overspend. Project deferrals and delays in design drawings accounted for a significant portion of the underspend. The Company advanced one new project to relocate a Woonsocket distribution line to accommodate transmission work associated with the Nasonville Substation project. Although the Company only expended \$121,000 in FY 2025, the project is estimated at \$1.375 million. The Division notes that this type of design change should have been identified in the Area Study. The unexpected budget item is an example of why the Division has advocated for more refined project cost estimates in the Area Study phase (-25%/+50%) which would require robust design and engineering earlier in the project cycle, leading to a more accurate scope and cost estimate that translate to efficient implementation.

Overall, the Company has proactively managed discretionary System Capacity and Performance spend to meet the Consolidated Soft Budget and appears to be an effective tool to encourage budget discipline within the ISR Plan.

Discretionary Spend – Separately Tracked Major Projects

Consistent with the PUC's FY 2025 ISR Plan Decision, the Company is separately tracking major projects equal to or greater than \$5 million. The Company identified fourteen projects meeting the criteria of which eight incurred spend in FY 2025. The Company expended minimal or no capital towards Apponaug, Phillipsdale, Centredale, Hospital, and Kingston Substations citing the Commission's directive to remove these projects from the FY 2026 ISR Plan under Docket No. 24-54-EL.¹⁸ RIE's spending adjustments in FY 2025 were appropriate given the directive. This group of projects was \$0.7 million under budget. Active projects with major equipment purchases and nearing final construction grade estimates were Admiral Street and East Providence Substations at nearly \$0.8 million under budget.

The Nasonville substation expansion project received a construction grade estimate of \$14.8 million in December 2024 and material procurement and construction activities have commenced. The Company exceeded the Nasonville budget by \$2.1 million in FY 2025, but it did not provide the reasons.¹⁹ The project will now be measured through completion, expected early 2027, and evaluated against the construction grade estimate under the Commission's capital spending budget framework. For transparency, I recommend that each major project with a construction grade estimate be tracked in the annual reconciliation to include the schedule, total budget, actual total spending, and forecasted variance so the Division and Commission have a clear ongoing picture of trending toward over or under budget performance. Overall, the Company was \$0.6 million over budget for Separately Tracked Major Projects. Although this category is not subject to the Consolidated Soft Budget, there is a continued expectation that the Company will manage the portfolio with the objective of maintaining reasonable overall ISR Plan budgets.

Discretionary Spend – Separately Tracked Fiber Study

The Company spent \$0.1 million towards a \$0.2 million budget to complete the Fiber Study. Necessary communication routes between substations were identified and then reviewed against

¹⁸ FY 2026 ISR Plan Report and Order, Order No. 3.

¹⁹ DIV-2-9 requested an explanation for the Nasonville variance. The response was pending as of the date of this memo.

pending projects to eliminate routes to stations that will be retired. The Company plans to conduct an economic evaluation comparing third party communication systems against the expansion of Company owned fiber lines.²⁰ The Division expects the Company to present a comprehensive benefit-cost analysis aligned with the Docket 4600 principles before including the project in a prospective ISR Plan. Even if a fiber optic deployment study points toward a fiber network, this is an area of capital spending deferral which could both help contain rate increases and would not compromise communication integrity.

Vegetation Management

The Company completed 100% of its Vegetation Management work plan at a cost of \$13.3 million which was \$0.2 million over budget. Additional spending was incurred for three miles of Cycle Pruning due to a feeder reconfiguration and also obtaining extra clearance for certain spans in the On-Cycle Risk Reduction category. RIE introduced the use of tree growth regulators (TGR) in FY 2025, expending \$51,000 to treat some municipally owned trees. The Company reported removing 1,464 trees which included 112 Ash trees. The program is critical to maintaining system reliability since trees remain the leading cause of interruptions. Overall, the Company continues to perform at a very high level, resulting in excellent vegetation management cost control which is expected to continue.

Non-Infrastructure

Overall, capital spending in this category was \$0.34 million under budget. Corporate Overheads reflected a minimal credit and General Equipment was \$0.14 million over budget. Remaining categories were under budget due to minimal spending which included Telecommunications (\$0.30 million) and deferred Copper to Fiber Conversions (\$0.18 million). There are no concerns with the Non-Infrastructure category.

AMF²¹

RIE expended \$48.6 million in the AMF category against a budget of \$48.2 million. The Company indicated that actual spending was higher due to the front loading of 41,647 meters from FY 2026 to FY 2025 which added \$6 million. Offsetting this was lower spending in the systems and program categories (\$5 million). No assets were placed in service in FY 2025. The Company is subject to a \$153 million cap for AMF deployment and has budgeted \$88 million for the program in FY 2026. The Division did not note any concerns surrounding AMF implementation and will continue to monitor the progress and spending.

Other O&M

This category was \$400,000 under budget driven by the deferral of the VVO/CVR program (\$365,000). The Opex Related to Capex was slightly under budget (\$85,000), offset by \$47,000 higher spend for I&M Repair & Inspection related costs.

Reliability

The Company continues to meet reliability goals in CY 2024 with SAIFI of 0.83 against a target

²⁰ DIV 1-26 response.

²¹ Under Docket 22-49-EL (“AMF Docket”), the PUC authorized AMF implementation and recovery of capital investments through a separate discretionary category in the ISR Plan. The Company submits compliance filings in the AMF Docket. The Division’s review of AMF within the ISR Plan is limited to a general assessment of spend, key activities, and progress.

of 1.05, and SAIDI of 60.98 minutes, against a target of 71.9 minutes. RIE earned an offset of \$27,989 under the Service Quality Plan for their SAIFI result. Although overall performance did not improve over CY 2023, the Company continues to achieve favorable results. I recommend that RIE provide in future ISR reconciliation filings, IEEE statistics and identify its specific position in these statistics so the Division and Commission can see where it stands compared to other utilities in the U.S.

Recommendations

Based upon my review of the Company's filings in this docket, I make the following recommendations:

1. To resolve the issues mentioned earlier concerning the Transformer and Related Equipment Category, I recommend that the Company perform an audit of the Transformer and Related Equipment category from the date of the PPL acquisition through FY 2025. In order to deliver a clear picture of the material which belongs in each ISR Plan reconciliation and most particularly the FY 2025 reconciliation there should be an accounting from day one of the acquisition. A baseline should be established reflecting the inventory and costs on the date of closing for the units in Rhode Island inventory and those held in Massachusetts inventory for Rhode Island. The Company should delineate units that were previously recovered from those with prospective recovery. Pending purchase orders and costs as of the date of closing should also be identified. From that point forward and for each fiscal year, RIE should identify material ordered, cost, and the entity initiating the purchase. For the same fiscal year, the Company should document material received, cost, and the entity receiving the material. The cost incurred during the transition should also be reconciled to establish if these were costs which per the PPL acquisition commitments should not be charged to RIE ratepayers. The cost of material received should be reconciled to the respective fiscal year ISR Plan capital spending. The information should be accumulated and presented in a detailed manner, grouping units by voltage class, capacity or other attributes to enable a granular evaluation of inventory flow. I recommend RIE provide the results of the audit when completed.
2. I recommend that RIE include in future ISR Reconciliation Filings, IEEE statistics and identify its specific position in these statistics to show where it stands compared to other utilities in the U.S.
3. I recommend that each major project with a construction grade estimate be tracked in the annual reconciliation to include the schedule, total budget, actual total spending, and forecasted variance so the Division and Commission have a clear ongoing picture of trending toward over or under budget performance.