



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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*Peter F. Kilmartin, Attorney General*

February 25, 2014

Luly Massaro, Clerk  
Public Utilities Commission  
89 Jefferson Blvd.  
Warwick, RI 02888

**Re: Docket No. 4474 - Gas Infrastructure, Safety, and Reliability Plan  
FY 2015 Proposal and Gas Expansion Pilot Program**

Dear Ms. Massaro,

Enclosed for filing with the Commission, please find the comments of the Division of Public Utilities and Carriers (“Division”) in connection with the above-entitled matter. These comments are focused on the programmatic aspects of the Plan. Our comments on the revenue requirement effects of the Plan will be addressed in a separate submission.

On December 20, 2013 the Narragansett Electric Company d/b/a National Grid (“National Grid”) submitted its proposed FY 2015 Gas Infrastructure, Safety, and Reliability Plan to the Commission. The Division met with the Company at a technical conference on November 22, 2014 to review the Company’s proposed FY 2015 ISR Plan. The Company developed the proposed Gas ISR Plan in compliance with Rhode Island’s recently enacted legislation, which provides for an annual infrastructure spending plan for each fiscal year. The recently enacted legislation also includes a reconcilable allowance for the anticipated capital investments and other spending relating to maintaining safety and reliability of the gas distribution system.<sup>1</sup> The Division has reviewed the proposed budget of \$71.7M and will comment on each of the six (6) components identified below.

- (1) Gas main and gas service replacement
- (2) Reactive gas main replacement
- (3) Public works projects

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<sup>1</sup> R.I.G.L. § 39-1-27.7.1

- (4) Mandated programs
- (5) Reliability programs
- (6) Special Projects

**1. Gas Main and Gas Service Replacement**

The Gas Main and Gas Service Replacement program is a continuous effort to replace existing miles of leak-prone gas mains and high-pressure, bare steel inside gas services. The Company will continue its planned effort to replace 60 miles (53 miles of Proactive Main Replacement and 7 miles of Public Works projects) of leak-prone gas mains in FY 2015. The Company anticipates that 25 miles of cast iron main will be abandoned during FY 2015 along with a projected increase in the percentage of cast iron main to be abandoned in FY 2016. The Division realizes that with such an aggressive replacement schedule the Company needs to hire additional resources and will incur associated incremental O&M expenses. The Division agreed to the proposed \$400,000 increase with the knowledge the actual O&M costs will be reconciled at year end.

**2. Reactive Gas Main Replacement**

The Reactive Gas Main Replacement program sets aside finances to be able to respond to emergency gas main breaks beyond the Company's control. Situations such as cast iron main breaks due to frost heave, gas mains undermined by water main breaks and gas mains and services damaged by excavators are unfortunately a common occurrence in the gas distribution system. For example, in 2013 alone, the Division recorded almost 106 gas mains or services were damaged in Rhode Island by homeowners or excavators, a number we will mention represents a four (4) year downward trend. The Division does not object to the Company reducing its request from \$0.5 million to \$0.2 million for FY 2015 due to the fact this category has not been active in recent years.

**3. Public Works Projects**

The Public Works Projects category sets aside finances to replace existing infrastructure while another utility project is taking place on the same street. By working together with another entity the Company may benefit by reducing its overall cost of installation. The Division has consistently advocated that the Company take advantage of such public works projects to reduce its paving costs, by far the highest cost component of any gas main installation. The Division supports the practice of the utilities scheduling their underground construction with planned public works projects to reduce paving costs that would be incurred by the utilities and ultimately their customers. In FY 2015 the Company will coordinate with the city of Newport to replace its gas mains and facilities on Broadway Street from Washington Square to Malbone Road starting in the spring of 2014. Broadway Street in Newport is a major artery in the City of Newport and the opportunity to replace its gas mains and facilities as part of a larger project will be in the best interest of the city of Newport and the ratepayers in general.

#### **4. Mandated Programs**

The Mandated Programs category is broken down into four (4) subprograms:

- (1) Corrosion, *i.e.* cathodic protection for existing steel-coated gas mains
- (2) Gas Meter Replacement
- (3) Capital Leak Repairs
- (4) Non-leak Other – Capital costs for service relocations, meter protection, service abandonments, and the installation of curb valves.

The Division does not have any additional comments for this category.

#### **5. Reliability**

The Reliability category is broken down into six (6) subprograms:

- (1) System automation and control
- (2) System pressure regulating, heaters, vent pole installations, control line integrity
- (3) System reliability enhancement
- (4) Water intrusion projects
- (5) LNG facilities
- (6) Primary valve installation and/or replacements.

The Division questions the \$350,000 expense associated with the replacement of the Old Mill Lane regulator station in Middletown, Rhode Island.<sup>2</sup> The Division is aware this regulator station was just recently replaced in June 2007 and the Company needs to explain in greater detail why the facility of such recent vintage would already be in need of replacement. Further, the Division notes that the budget for this category is greater than the detail provided in the filing. This has been discussed with the Company and the Company will supplement the Docket with a data response to give greater detail on the Reliability budget.

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<sup>2</sup> Exhibit 1-WFF & JML Docket No. 4474 The Narragansett Electric Company d/b/a National Grid FY 2015 Gas Infrastructure, Safety, and Reliability Plan, Section 2: Gas Capital Investment Plan, Page 12 of 18.

**6. Special Projects**

The Special Projects category is broken down into three (3) subprograms;

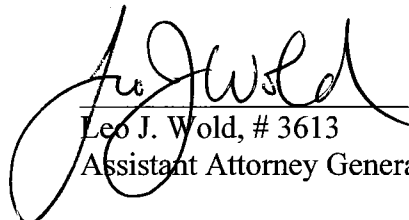
- (1) New gas main installation work associated with the Rhode Island Department of Transportation (“RIDOT”) project to relocate I-195 in the City of Providence as discussed in FY 2013/2014
- (2) Replacement of the existing two (2) boil-off compressors at the Exeter LNG facility
- (3) A revised Gas Expansion Pilot Program

The Division does not have any further questions on the RIDOT project. In regards to the revised Gas Expansion Pilot Project, the Division met with the Company on November 22, 2013 to review the Company’s proposed revised pilot program. The Division and National Grid discussed the Company’s experience and problems encountered in the first year of the pilot program. Although the FY 2014 Expansion Pilot Program was not successful in terms of achieving meaningful gas main expansion, the Company was able to identify the inherent problems, and National Grid is proposing a number of modifications to the original program. We believe the proposed changes, based on lessons learned and customer feedback in the first year of the pilot, will produce better results in the FY15 period. At this time the Company and the Division have agreed the revised Gas Expansion Pilot Program would continue to be funded at a level of \$3.0 million for the FY 2015 Gas ISR Plan.

Without waiving the aforementioned concerns, and subject to a satisfactory explanation of the aforementioned Middletown regulator station, the Division recommends that the Commission approve the Company’s proposed FY 2015 ISR Plan.

Respectfully submitted,

Division of Public Utilities and Carriers  
By its attorneys,

  
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Leo J. Wold, # 3613  
Assistant Attorney General

cc: Service List

**NATIONAL GRID - GAS**  
**FY2015 GAS INFRASTRUCTURE, SAFETY AND RELIABILITY PLAN**

**RIPUC DOCKET NO. 4474**

**BEFORE THE**  
**RHODE ISLAND PUBLIC UTILITIES COMMISSION**

**TESTIMONY OF DAVID J. EFFRON**  
**ON BEHALF OF THE**  
**DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**FEBRUARY 25, 2014**

RIPUC DOCKET NO. 4474  
DIRECT TESTIMONY  
OF DAVID J. EFFRON

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1 **I. STATEMENT OF QUALIFICATIONS**

2 Q. Please state your name and business address.

3 A. My name is David J. Effron. My business address is 12 Pond Path, North Hampton, New  
4 Hampshire, 03862.

5

6 Q. What is your present occupation?

7 A. I am a consultant specializing in utility regulation.

8

9 Q. Please summarize your professional experience.

10 A. My professional career includes over thirty years as a regulatory consultant, two years as  
11 a supervisor of capital investment analysis and controls at Gulf & Western Industries and  
12 two years at Touche Ross & Co. as a consultant and staff auditor. I am a Certified Public  
13 Accountant and I have served as an instructor in the business program at Western  
14 Connecticut State College.

15

16 Q. What experience do you have in the area of utility rate setting proceedings?

17 A. I have analyzed numerous electric, gas, telephone, and water filings in different  
18 jurisdictions. Pursuant to those analyses I have prepared testimony, assisted attorneys in  
19 case preparation, and provided assistance during settlement negotiations with various  
20 utility companies.

21 I have testified in over three hundred cases before regulatory commissions in  
22 Alabama, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky,  
23 Maryland, Massachusetts, Missouri, Nevada, New Jersey, New York, North Dakota,

1 Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, and  
2 Washington.

3

4 Q. Please describe your other work experience.

5 A. As a supervisor of capital investment analysis at Gulf & Western Industries, I was  
6 responsible for reports and analyses concerning capital spending programs, including  
7 project analysis, formulation of capital budgets, establishment of accounting procedures,  
8 monitoring capital spending and administration of the leasing program. At Touche Ross  
9 & Co., I was an associate consultant in management services for one year and a staff  
10 auditor for one year.

11

12 Q. Have you earned any distinctions as a Certified Public Accountant?

13 A. Yes. I received the Gold Charles Waldo Haskins Memorial Award for the highest scores  
14 in the May 1974 certified public accounting examination in New York State.

15

16 Q. Please describe your educational background.

17 A. I have a Bachelor's degree in Economics (with distinction) from Dartmouth College and  
18 a Masters of Business Administration Degree from Columbia University

19

20 **II. PURPOSE OF TESTIMONY AND CONCLUSIONS**

21 Q. On whose behalf are you testifying?

22 A. I am testifying on behalf of the Rhode Island Division of Public Utilities and Carriers  
23 ("the Division").



1

2 Q. What is the purpose of your testimony?

3 A. The Narragansett Electric Company d/b/a National Grid (“National Grid” or “the  
4 Company”) has submitted its Gas Infrastructure, Safety, and Reliability (“ISR”) Plan for  
5 the fiscal year (“FY”) ending March 31, 2015. I have reviewed the calculation of the  
6 revenue requirement in Section 3 of FY 2015 ISR proposal, and my testimony presents  
7 the results of that review.

8

9 Q. Please describe your review of the revenue requirement associated with the FY 2015 ISR  
10 Plan.

11 A. On October 4, 2013, the Company submitted its initial FY 2015 ISR Plan. I examined  
12 each element of the revenue requirement, and I verified that the ISR revenue requirement  
13 was properly synchronized with the plant investment included in rate base in Docket No.  
14 4323 so that there was no double counting. As the operation and maintenance component  
15 (“O&M”) of the ISR revenue requirement is a straight pass-through of the approved  
16 O&M allowance, my review concentrated on the capital investment component of the  
17 ISR. Pursuant to this review, the Division submitted certain informal information  
18 requests to the Company regarding the calculation of the revenue requirement.

19

20 Q. Were any necessary modifications to the calculation of the revenue requirement filed by  
21 the Company on October 4, 2013 identified?

22 A. Yes. On Attachment 1, Page 2 of Section 3, the property tax expense on Line 25 was  
23 calculated as Prior Year (Line 3 + Line 7 - Line 5 -Line 13) \* Property Tax Rate. The

1 Division and the Company discussed this formulation and determined that it did not  
2 properly incorporate the effect of plant retirements and the carry-forward of  
3 depreciation on Line 5 from year to year. The parties concluded that the property tax  
4 expense on Line 25 of Page 2 is appropriately calculated as Prior Year (Line 8 - Line  
5 13) \* Property Tax Rate, and the Company agreed to modify the calculation of the  
6 property tax expense on Page 2 (and the analogous property tax calculations on pages 4,  
7 6, and 8) accordingly.

8

9 Q. Did the Company revise its calculation of the property tax expense included in the ISR  
10 revenue requirement to incorporate these modifications?

11 A. Yes. The Company corrected the calculation of property taxes in its ISR filing of  
12 December 20, 2013.

13

14 Q. Does this conclude your direct testimony?

15 A. Yes.