

**STATE OF RHODE ISLAND  
PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC )  
COMPANY, D/B/A NATIONAL GRID'S )  
FY 2020 GAS INFRASTRUCTURE )  
SAFETY, AND RELIABILITY PLAN )

DOCKET NO. 4916

**PREFILED SURREBUTTAL TESTIMONY OF**

**Rod Walker,  
CEO & President  
Rod Walker & Associates  
Consultancy, Inc.**

**On Behalf of the Rhode Island Division of Public Utilities and Carriers**

**February 26, 2019**

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1           **SURREBUTTAL TESTIMONY OF JOHN RODNEY (ROD) WALKER**

2  
3   **I. INTRODUCTION**

4  
5   **Q. PLEASE STATE YOUR NAME AND THE BUSINESS ADDRESS OF YOUR**  
6   **EMPLOYER.**

7   A. My name is John Rodney (Rod) Walker. I am employed by Rod Walker & Associates  
8   Consultancy, Inc. (“RW&AC”). RW&AC is located at 1320 Mayes Road, Toccoa,  
9   Georgia 30577.

10  
11   **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS MATTER?**

12   A. I am testifying on behalf of the Rhode Island Division of Public Utilities and Carriers  
13   (“Division”).

14  
15   **Q. WHAT DOES YOUR POSITION WITH RW&AC ENTAIL?**

16   A. RW&AC is a technical advisory and management consulting firm. As CEO and President  
17   of RW&AC, I am responsible for the overall development, direction, supervision, and  
18   preparation of technical advisory and management consulting projects for our clients,  
19   including involvement in capital replacement program reviews, system modeling and  
20   planning reviews, project engineering, planning and design reviews, construction  
21   management, organizational assessments, due diligence reviews, strategic planning,  
22   regulatory compliance and providing expert witness testimony.

1 Q. ARE YOU THE SAME ROD WALKER WHO HAS PREVIOUSLY FILED  
2 DIRECT TESTIMONY IN THIS PROCEEDING ON BEHALF OF THE  
3 DIVISION?

4 A. Yes, I am.

5

6 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

7 A. This surrebuttal testimony responds to the reply comments of The Narragansett Electric  
8 Company d/b/a National Grid (“National Grid” or “Company”) that the Company  
9 submitted to the Commission in correspondence dated February 13, 2019 that addresses  
10 the four recommendations I made in my pre-filed direct testimony dated February 4, 2019.

11

12 **II. DISCUSSION OF ISSUES**

13

14 Q. DO YOU HAVE ANY RESPONSE TO THE COMPANY’S DISCUSSION OF THE  
15 TIMING THE COMPANY HAS PROPOSED FOR IMPLEMENTING NEW  
16 ASSET RISK MANAGEMENT SOFTWARE?

17 A. Yes, I do. In the Division’s discussions with the Company, the Division requested the  
18 Company to provide a list of all the aging leak prone main segments ranked by risk that  
19 are included in the Company’s main replacement program overall and in National Grid’s  
20 Gas Infrastructure, Safety and Reliability FY 2020 Proposal (“Filed ISR Plan”). The  
21 Division requested this information to understand how many “worst offenders” remain for  
22 the Company to replace as opposed to medium risk and low risk segments, and to identify  
23 the location of these segments. Based on its discussions with the Company it was the

1 Division's understanding that the Company needed new asset risk management software  
2 to provide such a list.

3  
4 In its reply comments, the Company stated: "The Company is not changing prioritization  
5 factors and, for the reasons described above, does not expect that the new software will  
6 produce a list of high-priority segments that would not be captured under the Company's  
7 current methodology." It is now the Division's understanding that the Company possesses  
8 the list of leak prone main that the Division originally had requested from the Company.

9  
10 The Division continues to believe it is imperative, as best industry practice and also to meet  
11 the requirements of the Distribution Integrity Management Program (DIMP) rule to  
12 "evaluate and rank risks of its natural gas infrastructure and identify and implement  
13 measures to address risks," for the Company to develop and maintain a global list of all the  
14 aging leak prone infrastructure segments risk ranked in its overall replacement program. If  
15 the Company has developed and maintains such a list, then the Company should provide  
16 the list to the Division. If it does not possess such a list, it should clarify what is needed to  
17 develop such a list in the shortest timeframe possible.

18  
19 **Q. DO YOU HAVE ANY RESPONSE TO THE COMPANY'S DISCUSSION**  
20 **REGARDING THE REPLACEMENT OF ISOLATED SERVICES?**

21 A. Yes, I do. In discussions that the Division had with the Company on the issue of isolated  
22 services, the Company was not sure of the exact number of isolated services it maintains  
23 in its system, the type of material the services are made of, or the leak risk associated with

1 each service. Accordingly, in my direct testimony, I recommended that the Company  
2 develop a list of isolated services (metallic services attached to plastic or non-metallic  
3 mains) that details as specifically as possible the material type, size, condition, and risk of  
4 isolated services in the Company’s gas distribution system. Walker at 9. I also  
5 recommended that once the Company develops such a list, the Company should replace all  
6 the services within the shortest time-frame possible, starting with the riskiest.

7  
8 In the Company’s reply comments, the Company indicates that it “has a list of  
9 *approximately* 700 of these services on its distribution system” (emphasis added). The  
10 Company’s reply confirms the concerns I expressed in my direct testimony that the  
11 Company does not know the exact number of isolated services it maintains in its system,  
12 the type of material the services are made of, or the leak risk associated with each service.  
13 While the Division commends the Company for its response to “prioritize approximately  
14 70 leak-prone services for annual replacement based on an asset risk prioritization  
15 algorithm . . . expected to begin in FY 2021 . . .,” the Division remains concerned about the  
16 safety of each customer that has an isolated service with potential leak prone material. It  
17 is highly probable that isolated services on mains that the Company has already replaced  
18 under its proactive pipe replacement program require imminent replacement themselves.  
19 It is imperative, therefore, that the Company identify and develop a comprehensive list of  
20 these services as I recommended in my direct testimony.

21  
22 Due to my concern that these services present a high safety risk to customers, I do not  
23 believe that “prioritizing 70 leak-prone services for annual replacement” in a program

1 “expected to begin in FY 2021” is adequate as it will take 10 years or more to replace them  
2 at that rate. Rather, once the comprehensive risk-based list is developed, the Company  
3 must *commit* to replace all these services completely in four to five years or less, starting  
4 in FY 2021. The Division can always re-evaluate the proposed duration of the program in  
5 the next year’s ISR plan if it turns out the risk associated with a material number of these  
6 services is less than anticipated.

7  
8 **Q. DO YOU HAVE ANY RESPONSE TO THE COMPANY’S DISCUSSION OF THE**  
9 **DIVISION’S RECOMMENDATION REQUIRING THE COMPANY TO TRACK**  
10 **UNIT COSTS BY PROJECT?**

11 A. Yes, I do. First, in my direct testimony I indicated that my evaluation of the cost of the  
12 Company’s proactive main replacement program was only preliminary because the limited  
13 detailed cost breakdowns provided by the Company are not sufficient to evaluate whether  
14 main replacement costs are high or reasonable for the Rhode Island area. In my direct  
15 testimony, I also indicated the Division had expressed a similar concern in last year’s ISR  
16 proceeding. Walker at 10.

17  
18 On Page 2 of its reply comments, the Company indicated it uses a customized Excel  
19 template to estimate the cost of its main replacement projects. According to the Company,  
20 the calculation generated by the template is based on specific project attributes such as  
21 region, length (in feet), number of services and number of main connections per work  
22 order. Unit cost factors are assigned to each of these attributes based on historical costs  
23 and then adjusted annually as needed. Each main replacement project is assigned a unique

1 order number, which allows for tracking of actual costs by project. The Company  
2 concludes that for future gas ISR plan filings, the Company agrees to include average unit  
3 costs for the proactive main replacement program. The costs will distinguish between  
4 urban and rural locations.

5  
6 In my discussions with the Company during the pendency of the Division's review of this  
7 matter, the Division requested the Company to provide detailed cost information regarding  
8 its proactive main replacement program. While the Company provided some high-level  
9 cost information, the Company did not provide the Division with the Excel template  
10 containing detailed cost information by project as described in the Company's reply  
11 comments. The Division agrees that the Company should include average unit costs for  
12 the proactive main replacement program in future gas ISR plan filings. However,  
13 providing such information, in all probability, will not address the Division's concern  
14 regarding its ability to assess the reasonableness of the cost of each program in the  
15 proactive main replacement program relative to main location, size and material.  
16 Accordingly, the Division recommends that the Commission direct the Company to  
17 provide the Division with the current Excel template in this filing and in future Gas ISR  
18 filings in addition to its initial recommendation to direct the Company to "track unit costs  
19 by project and produce an annual set of standard unit cost tables showing typical costs by  
20 size and material type with sensitivity for projects in congested areas, rural areas,  
21 replacement versus new construction, etc."



1 Secondly, in my direct testimony, while I acknowledged the general need for the Southern  
2 Rhode Gas Expansion Project (“Southern Rhode Island Gas Project”), I expressed concern  
3 regarding the cost of the project, and reserved the Division’s right to comment further  
4 regarding both need and cost of the project in this testimony. Walker at 11.

5  
6 The Division and the Company held a telephone conference on February 8, 2019. In that  
7 telephone conference the Company provided additional information regarding the project.  
8 Based on those discussions, the Division is satisfied regarding the need for the project but  
9 remains concerned regarding the magnitude of the costs the Company estimates it will  
10 incur for the project.

11  
12 The cost estimate for the 20” steel main installation portion of the project is \$16-17  
13 million/mile based on the latest cost figures provided by the Company. Subject to the  
14 receipt of more detailed data and information, my opinion is that this estimate is 4 to 5  
15 times more expensive than similar work performed under similar conditions by other  
16 utilities.

17  
18 To assess the reasonableness of the Company’s cost estimates regarding the project, the  
19 Division will need to review information and data that is much more detailed than that  
20 which has been provided to the agency to date. The Division recommends that the  
21 Commission direct the Company to provide the Division with cost information and data of  
22 such sufficient detail to satisfy the Division as to the reasonableness of the cost estimates  
23 for the various components of the Southern Rhode Island Gas Project. After the receipt

1 and review of such information, the Division will file a memorandum with the Commission  
2 updating the Commission as to the Division's assessment of this issue.

3  
4 The construction of the Southern Rhode Island Gas Project will take place over a 3-year  
5 period. The project's costs will be tracked and reconciled separately over that period.  
6 Therefore, the assessment of this issue by the Division through the filing of the Division's  
7 memorandum need not delay Commission decision-making regarding the Filed ISR Plan.

8  
9 **III. RECOMMENDATIONS**

10  
11 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS BASED UPON YOUR**  
12 **DIRECT TESTIMONY AND YOUR REVIEW OF THE COMPANY'S REPLY**  
13 **COMMENTS.**

14  
15 A. First, the Company should develop, maintain and provide to the Division the global list of  
16 all the aging leak prone infrastructure segments risk ranked in its overall replacement  
17 program as I described above and in my direct testimony. If the list does not currently  
18 exist, then the Company needs to clarify what is needed to produce such a list.

19  
20 Second, the Company should identify and develop a comprehensive risk-based list of its  
21 isolated services as I recommended in my direct testimony and must commit to replacing  
22 all of these services within a four or five-year period commencing in FY 2021.

1 Third, the Division agrees that the Company should include average unit costs for its  
2 proactive main replacement program and all capital expenditures in future gas ISR plan  
3 filings in keeping with its previous recommendation to direct the Company to “track unit  
4 costs by project and produce an annual set of standard unit cost tables showing typical costs  
5 by size and material type with sensitivity for projects in congested areas, rural areas,  
6 replacement versus new construction, etc.” In addition to average unit cost information,  
7 the Commission should direct the Company to provide the Division with the current Excel  
8 template in this filing and in future Gas ISR filings.

9  
10 Fourth, the Commission should direct the Company to provide the Division with cost  
11 information and data of such sufficient detail to satisfy the Division as to the  
12 reasonableness of the cost estimates of the various components of the Southern Rhode  
13 Island Gas Project. After the receipt and review of such information, the Division will file  
14 a memorandum with the Commission updating the Commission as to the assessment of  
15 this issue. The Division’s assessment of this issue need not delay Commission decision-  
16 making regarding the Filed ISR Plan.

17  
18 Subject to the foregoing four recommendations, the Division recommends that the  
19 Commission approve the Company’s Filed ISR Plan.

20  
21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 **A. Yes.**