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# Rhode Island Gas Infrastructure, Safety and Reliability Plan FY 2015



Rhode Island Public Utilities Commission  
Hearing and Technical Session – Docket No. 4474  
March 20, 2014



# Agenda

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- **Plan Overview**
- **FY 2015 Plan**
- **Revenue Requirement**
- **Annual Bill Impacts**

# Plan Overview - FY2015

- Total \$71.7 million for Gas Investment Plan

■ <u>Proactive Main and Service Replacement</u>	\$38.0 million
■ <u>Reactive Main Replacement</u>	\$0.2 million
■ <u>Public Works Program</u>	\$3.9 million
■ <u>Mandated Programs</u>	\$14.1 million
■ <u>Gas System Reliability</u>	\$10.4 million
■ <u>Special Projects</u>	\$4.7 million
■ <u>Incremental O&amp;M Expense</u>	\$0.4 million

# Proactive Main & Service Replacement Program

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- Capital investment spending for the replacement of leak-prone gas mains and services
- \$38.0 million or 53% of the proposed Plan
- Major Components
  - Replacement of 53 miles leak-prone mains (\$36.5M)
  - Replacement of 500 services (\$1.5M)
    - Bare Steel, HP services with inside meter sets
- \$0.40 million of Incremental O&M Expense
  - Additional personnel to support increased main replacement

## Reactive Main Replacement

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- Capital investment spending for emergency main replacements due to leaks or where main condition dictates immediate replacement
- \$0.2 million, less than 1/2% of the proposed Plan
- Approximately ½ mile of emergency main replacements

# Public Works Program

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- Capital investment spending in conjunction with Public Works projects
  - Coordinate with planned paving, street reconstruction and water/sewer/drain projects
- \$3.9 million, or 5% of the proposed Plan
- Category also includes \$1.3 million of reimbursable projects
  - RI DOT projects

# Mandated Programs

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- Capital investment spending needed for corrosion, meter replacement, capital leak repairs and non-leak, other work
- \$14.1 million, or 20% of the proposed Plan
- Major Programs
  - Corrosion Program adds cathodic protection (“CP”) to existing pre-1971 steel mains, CP upgrades and control lines
  - Meter Replacement Program is funding for the procurement of replacement meters
  - Capital Leak Repair Program is funding for leaking gas services and cast iron joint encapsulation
  - Non-leak, Other Program is funding for service relocations, meter protection, service abandonments and curb valve installation

# Gas System Reliability

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- Capital investment spending for:
  - System Automation and Control
  - Pressure Regulating Facilities
  - Gas Planning
  - Water Intrusion Projects
  - LNG Facilities
  - Valve Installation / Replacement
  - Capital Tools & Equipment
- \$10.4 million, or 15% of the Proposed Plan

# Special Projects

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- Capital investment spending for Special Projects that support safety, reliability, and public policy objectives
- \$4.7 million, or 7% of the Proposed plan
- Major Programs
  - RI DOT I-195 relocation
  - Replacement of Exeter LNG boiler-off compressor
  - Gas Expansion Pilot Program

# Gas Expansion Pilot – FY 2014

## Key Learnings to Inform – FY 2015

- Offers to customers that vary based on number of participating customers are too complicated and uncertain
  - *Provide a simple, fixed offer to customers*
- Customer economics remain strained by customer conversion costs, leaving little/no margin for other costs like CIACs
  - *Provide a special, significantly reduced offer for the Pilot*
- Customer interest can vary significantly project-to-project and within projects, as well as beyond identified project list
  - *Provide criteria that enable flexibility to respond to interest*

# Gas Expansion Pilot – FY 2015

## Proposed Changes

- New, simplified eligibility criteria for projects
  - Density test: Max 70 feet of main per prospective customer on a project basis
  - Commitment test: Minimum of 10% of prospective customers must commit, and minimum of three customers must commit
- Replace variable CIAC with modest, fixed increase to service charge
  - \$150, for total of \$950 vs. \$800 standard service fee

## Gas Expansion Pilot – FY 2015 Proposed Changes (continued)

- Add market-based approach by reserving \$750k for customer-initiated projects that meet eligibility criteria
- Previously identified 12 projects from FY 2014 remain eligible for revised FY 2015 offer
- Full cost of mains drawn from ISR pilot funds
  - Service fee premiums and unspent funds (if any) to be credited in ISR reconciliation
- Plan includes \$3M total in FY 2015 to support revised pilot

# 5-Year Gas Investment Plan



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Gas ISR Spending Forecast (000's)								
Investment Categories	FY13 Actual	FY14 Budget	FY15	FY16	FY17	FY18	FY19	FY15 to FY19 TOTAL
Main Replacement Program (1)	\$32,120	\$33,362	\$36,500	\$39,991	\$43,705	\$44,579	\$45,471	\$210,246
Service Replacement Program (2)	\$3,740	\$3,100	\$1,500	\$0	\$0	\$0	\$0	\$1,500
Sub-total	\$35,860	\$36,462	\$38,000	\$39,991	\$43,705	\$44,579	\$45,471	\$211,746
Public Works	\$3,730	\$1,821	\$3,857	\$3,857	\$3,857	\$3,857	\$3,857	\$19,285
Reactive Main Replacement	\$250	\$500	\$200	\$200	\$200	\$200	\$200	\$1,000
Mandated Program	\$11,800	\$13,522	\$14,140	\$14,413	\$14,623	\$14,838	\$15,056	\$73,070
Reliability	\$7,960	\$8,987	\$10,424	\$9,680	\$9,424	\$10,816	\$10,824	\$51,168
Special Projects	\$0	\$4,000	\$4,675	\$0	\$0	\$0	\$0	\$4,675
Sub-total	\$23,740	\$28,830	\$33,296	\$33,296	\$28,150	\$29,711	\$29,937	\$149,198
Capital Total (excluding Growth)			\$71,296	\$68,141	\$71,809	\$74,290	\$75,408	\$360,944
O&M Total	N/A	N/A	\$400	\$400	\$400	\$400	\$400	\$2,000
<b>GAS ISR TOTAL</b>	<b>\$59,600</b>	<b>\$65,292</b>	<b>\$71,696</b>	<b>\$68,541</b>	<b>\$72,209</b>	<b>\$74,690</b>	<b>\$75,808</b>	<b>\$362,944</b>
	(1) Main Replacement mileage increases annually (from 53 miles in FY15 to 60 miles in FY17 and beyond) (2) Service Replacement Program is projected to conclude in FY15							

# Revenue Requirements - Gas

- Designed to recover revenue requirement on incremental non-growth Capital Investment, plus estimate of incremental O&M costs
- Revenue requirement capital investment reflects return on net investment, depreciation expense and property tax expense
- Covers Capital Investments for FY 15, and incremental investment from the level reflected in Base Rates for FY 12, FY 13 and FY 14

Revenue Requirement on Incremental Capital Investment	\$3,992,480
Incremental Gas ISR FY 15 O&M expenses	<u>\$ 400,000</u>
Total Revenue Requirement	\$4,392,480
Incremental FY 15 Revenue Requirement	\$3,727,972



# Bill Impacts - Gas

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Rate Class	Annual Average Use (Therms)	ISR Rate Change Impact* (\$)	ISR Rate Change Impact (%)
Res-NH	214	\$3.92	0.9%
Res-NH-LI			1.0%
Res-H	846	\$10.82	0.9%
Res-H-LI			0.9%
Small	1,352	\$18.00	0.9%
Medium	12,217	\$122.18	0.9%
Large LL	63,179	\$508.05	0.8%
Large HL	77,558	\$583.67	0.8%
XL-LL	268,243	\$636.02	0.3%
XL-HL	688,340	\$2,128.88	0.4%

\* Impact includes RI GET