



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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*Peter F. Kilmartin, Attorney General*

February 27, 2015

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

**Re: Docket No. 4540 - Gas Infrastructure, Safety, and Reliability Plan  
FY 2016 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 23, 2014 the Narragansett Electric Company d/b/a National Grid (“National Grid”) submitted its proposed FY 2016 Gas Infrastructure, Safety, and Reliability Plan to the Commission. The Division met with the Company at a technical conference on September 3, 2014 to review a draft of the Company’s proposed FY 2016 ISR Plan. The Company developed the proposed Gas ISR Plan in compliance with Rhode Island General Law § 39-1-27.7.1, which provides for an annual infrastructure spending plan for each fiscal year. The statute also includes a reconcilable allowance for the anticipated capital investments and other spending relating to maintaining safety and reliability of the gas distribution system. The Division has reviewed the proposed budget of \$78.5M (77.94M in capital expenditures and \$0.56M in operating and maintenance expenditures) 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
- (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. Regarding the replacement of all existing high-pressure, bare steel inside gas services, the Division will note for the record once again that the Company has failed to complete their goal of replacing all existing high-pressure, bare steel inside gas services in five years, by 2013 as stated below. For the record 200 still remain. Also, as stated below, the Company agreed to replace approximately 2,000 to 3,000 additional services each year which are not associated with the main replacement program using a risk-based prioritization approach. The Division requests that after the 200 services discussed above are replaced the manpower associated with this work should be used on a going forward basis to begin on the replacement of the approximately 2,000 to 3,000 additional services per year discussed in response to the following data response:

**Response to Division Data Request NEGWA 1-30, issued on August 6, 2008.**

*"In addition to the service replacements associated with the main replacement program, the Company plans to replace approximately 2,000 to 3,000 additional services each year using a risk-based prioritization approach (i.e. addressing high-pressure services with inside regulators first, low-pressure services with inside meters second, and high-pressure services with outside regulators third). By replacing services along with main replacement projects and replacing an additional 2,000 to 3,000 services under a risk-based prioritization approach annually, National Grid will replace all (62,000) unprotected steel services in Rhode Island in 15 years."*

Regarding the gas main replacement program, the Company once again plans to increase its planned effort from 60 to 65 miles (56 miles of Proactive Main Replacement, 8 miles of Public Works projects, and 1 mile of Reliability project replacement work) of leak-prone gas main replacement in FY 2016. The Company anticipates that 38 miles of cast iron main will be abandoned during FY 2016 and 27 miles of unprotected steel will be replaced. The incremental pipe replacement schedule requires the Company to continue to pay for 11 full-time equivalent (FTEs) hired in FY 2015 and to hire and train 5 additional FTEs to support the additional mileage. The Division, therefore, agrees to the proposed \$560,000 increase in associated incremental O&M expenses with the understanding that actual O&M costs will be reconciled at year end. Cognizant of the fact that with every increase in the miles of LPP replaced there is an additional financial burden placed on the ratepayer, the Division supports the 21-year replacement program over the more aggressive and expensive 19-year replacement program discussed.

## **2. Reactive Gas Main Replacement**

The Reactive Gas Main Replacement program sets aside finances to be able to respond to emergency gas main breaks that are 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 2014 alone, the Division recorded almost 104 gas mains or services that were damaged in Rhode Island by homeowners or excavators, a number that represents an end to a four (4) year downward trend. The Division does not object to a minimal amount of \$0.2 million for FY 2016 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, a high cost component of any gas main installation. The Division supports the practice of utilities scheduling their underground construction with planned public works projects in order to reduce paving costs that would be incurred by the utilities and ultimately their customers.

## **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 (Gas Planning Program)
- (4) Water intrusion projects
- (5) LNG facilities
- (6) Primary valve installation and/or replacements.

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

**6. Special Projects**

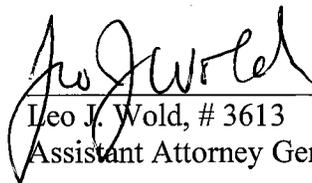
One Special Project has been identified for FY16.

In regards to the Special Project, the Division met with the Company on December 2, 2014 to review the Company's proposed revised Gas Expansion Pilot Program. The Division and the Company discussed prior experiences and reviewed the proposed changes to the program. We believe the proposed changes will produce better results in the FY16 period. At this time the Company and the Division have agreed that the revised Gas Expansion Pilot Program will continue to be funded at a level of \$3.0 million for the FY 2016 Gas ISR Plan.

Without waiving the aforementioned concerns, the Division recommends that the Commission approve the Company's proposed FY 2016 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