

April 29, 2019

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket 4770 – Application of The Narragansett Electric Company d/b/a National Grid for Approval of a Change in Electric and Gas Base Distribution Rates Gas Business Enablement Program Quarterly Report – Second Quarter of Rate Year 1

Dear Ms. Massaro:

On behalf of National Grid,¹ I enclose for filing with the Public Utilities Commission (PUC) in the above-referenced docket one original and nine copies of the Company's Gas Business Enablement Program quarterly report for the second quarter of Rate Year 1, pursuant to Article II, Section C.12.f. of the Amended Settlement Agreement approved by the PUC at its August 24, 2018 Open Meeting.

Thank you for your attention to this matter. If you have any questions, please contact me at 781-907-2153.

Very truly yours,



Celia B. O'Brien

Enclosures

cc: Docket 4770 Service List
Kevin Lynch, Division
Jonathan Schrag, Division
John Bell, Division
Al Mancini, Division
Christy Hetherington, Esq.
Leo Wold, Esq.

¹The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

Joanne M. Scanlon

April 29, 2019

Date

Docket No. 4770 - National Grid – Rate Application
Service list updated 3/12/2019

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The Narragansett Electric Company
d/b/a National Grid

**Gas Business Enablement
Program Quarterly Report**
Second Quarter of Rate Year 1

April 29, 2019

Docket No. 4770

Submitted to:
Rhode Island Public Utilities Commission

Submitted by:

nationalgrid

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I. Introduction

The Narragansett Electric Company d/b/a National Grid (the Company)¹ submits its quarterly report on the Gas Business Enablement Program for the second quarter of Rate Year (RY) 1² ended February 28, 2019 (Q2 RY1) in compliance with Article II, Section C.12.f. of the Amended Settlement Agreement filed in Docket No. 4770 and approved by the Rhode Island Public Utilities Commission (PUC or the Commission) at its Open Meeting on August 24, 2018.

The Gas Business Enablement Program is a comprehensive business transformational program focused on strengthening and improving the performance of National Grid USA's (National Grid) gas business with regard to managing assets, delivering work, and serving customers. Specifically, the Gas Business Enablement Program will replace a number of aged computer systems; support continuous improvement in gas safety performance, including the implementation of American Petroleum Institute (API) Recommended Practice 1173 (API 1173); facilitate more effective and efficient delivery of the overall work plan; and progress the satisfaction of evolving customer expectations.

The Gas Business Enablement Program will implement the following capabilities:

- an industry-standard enterprise asset and work management platform;
- a scheduling platform to support optimized scheduling, work bundling, and routing of work;
- a Geographic Information System (GIS) with accurate foundation maps and conversion of gas service records and sketches, available with offline mobile functionality;
- a field mobility solution with base capabilities that include views of work assignment, electronic work packages, capture of work status and completion data, and capabilities to initiate work, attach pictures, and view legacy maps;
- an enterprise asset investment planning project portfolio management platform for project routing and approval, with the ability to forecast costs, integrated with scheduling and design;
- an Asset Risk Management tool integrated with the GIS to assess asset condition and perform risk ranking/prioritization for asset replacement;
- a new Customer Contact Center “front end” solution to allow order creation and provide visibility of field work; and

¹ The term “Company” refers to The Narragansett Electric Company’s electric and gas distribution operations on a collective basis. The electric and gas operations of The Narragansett Electric Company together represent the entirety of the regulated operations conducted in Rhode Island by the Company. In this report, the regulated entity is referred to as the Company. Where there is a need to refer to the individual electric and gas distribution operations of the Company, the terms “Narragansett Electric” or “Narragansett Gas,” respectively, are used in this report.

² Rate Year 1 is the twelve-month period beginning September 1, 2018 and ending August 31, 2019.

- enhancements to existing customer platforms/portal to allow interactions between National Grid and the customer based on customer channel preferences to enable customers to have greater visibility and control of work to be completed at their premises.

The Gas Business Enablement Program also includes a comprehensive approach to change management to support delivery of the anticipated benefits associated with the Program's newly implemented capabilities.

Gas Business Enablement Program investments are shared investments that are implemented and owned by National Grid USA Service Company, Inc. (Service Company) and allocated to the US operating companies that benefit from these shared investments, including the Company. Gas Business Enablement Program capital expenses are allocated to benefitting US operating companies in the form of an annual Service Company rent expense once the investments are in-service. The Service Company rent expense includes a return on the capital investment (net of deferred taxes) plus booked depreciation expense. Gas Business Enablement Program operating expenses are allocated to benefitting US operating companies as they are incurred.

II. Overall Program Status

The Program made good progress in 2018 with three successful releases in Rhode Island in April, October, and December 2018, respectively. Development and deployment preparations including business engagement and readiness activities for the next major releases to Rhode Island in July 2019 and to Niagara Mohawk Power Corporation in September 2019 also continued.

Overall, the Gas Business Enablement Program remains on track to deliver its scope of work within the estimated total Service Company costs for capital expenses and project operating expenses relating to the capital investment (excluding run the business costs) of \$458.1 million plus a sanctioned contingency of \$61 million through FY 2023. With the Program updates in March 2019 described below, the roadmap timeline with enhanced capabilities has been accelerated to complete by December 2020.

A. Q2 RY1 Major Activities and Program Updates

During this quarter ended February 28, 2019, Gas Business Enablement's activities have focused primarily on delivery of the third major release (PA2.2) in December 2018 and the preparations for delivery of the release in April 2019 (PA 2.2.5) as well as the fourth major release (PA2.3) in July 2019. The December PA2.2 release delivered the minimum viable product (MVP) of the Asset Risk Modeling software (Synergi Pipeline) in Rhode Island. This release included a stand-alone asset risk management solution for distribution integrity management (DIMP) and

enhancements to the existing investment planning application Copperleaf C55 that automate and improve workflows for investment decision processes.

With the conclusion of the December release, the Program has been focusing on the activities and preparations of the two following deployments:

- PA2.2.5 April 2019: This small scope release delivers expanded capabilities of the Asset Risk Management application to include risk ranking and scoring for Pressure Regulation facility assets (district regulator stations and custody transfer stations). National Grid has partnered with DNV-GL to develop these capabilities in the Synergi Pipeline tool.
- PA2.3 July 2019: This release includes new and expanded Customer Meter Services solution for the Rhode Island business enabling gas and electric capabilities and Massachusetts electric businesses. This release also includes the first deployment of the Salesforce customer relationship management solution in the Customer Contact Center integrated with the legacy customer information/billing system and the Salesforce field mobile application. Additionally, the release includes further enhancements to Instrumentation & Regulation and Corrosion end to end solution (i.e., Maximo, Salesforce, and GIS), including expanded work types, and features enhancements and expanded functionality for the resource management solution (i.e., Workforce). The Asset Risk Management software enhancements include integration with the ESRI GIS solution to support asset risk ranking for distribution system assets and GIS enhancements in the ESRI and Lemur solutions. The release also delivers an MVP solution for leak management accelerating the delivery of these capabilities to Rhode Island that originally were planned to be delivered in 2020.

Program activities include regular engagement with the business to review and validate business requirements and processes, solution design and development, testing the solution including user acceptance testing, data conversion and data load activities, business stakeholder engagement including readiness activities, and other deployment-related tasks.

In addition, with the benefit of several months of program experience and in the interest of identifying the optimal delivery model for the next phases of the Program, a strategic review of the Gas Business Enablement Program was launched to recommend program adjustments with the objectives to strengthen program delivery, improve accountability, reduce risks, provide greater cost assurance, and ensure clarity with regard to program roles and responsibilities going forward. As a result of the strategic review and with Steering Committee approval, the Program adjusted the roadmap, a copy of which is provided as Attachment 2, to account for experience to date and re-phase program releases to better manage risks and priorities, restructured the multi-vendor integrator construct to streamline program delivery and create clearer vendor accountability, and adjusted program operating model to clarify accountability for delivery. In

March 2019, the Gas Business Enablement Steering Committee approved the transition to a single system integrator consultant for the completion of design, development, and delivery of the remainder of the scope of the Gas Business Enablement Program. This decision to transition to one system integrator and restructuring the contract with the consultant creates cost certainty to deliver the Gas Business Enablement Program within the original budget and contingency, shortened the duration of the overall program with substantial completion of enhanced capabilities by December 2020, and re-confirmed delivery against the planned releases in the revised roadmap with consultant fees at risk for missed delivery dates and a cap on future change orders.

The Company has selected PricewaterhouseCoopers as the single system integrator for the Gas Business Enablement Program and established a Transition Management Office dedicated to overseeing and managing transition activities. The Company is confident that this shift to a single solution integrator model will further ensure end-to-end accountability and help address challenges the Program faced with regard to role clarity, testing, solution performance, and IT integration.

B. On-Going Implementation Plans for the Company

In addition to the releases and activities to strengthen program delivery described above, the “GBE on the Road” engagement efforts to provide managers and supervisors with the knowledge and techniques needed to facilitate their organization’s adoption of the Gas Business Enablement solution continues across all regions ahead of all trainings.

The Gas Business Enablement Program continues to demonstrate its agile approach to development and deployment, delivering small releases that included both solution fixes prioritized with business input and enhancements to users serving the Rhode Island business. Rhode Island users will continue to benefit from the periodic deployment of enhancements to the Gas Business Enablement solution, either as mini-releases or concurrent with deployments in other jurisdictions through December 2020.

III. Overview of Budgets to Actual Spending

The Gas Business Enablement Program spend (total Service Company capital and operating costs) allocated to the Company for RY1 through Q2 was \$6.9 million compared to a budget of \$7.0 million. The difference in capital costs on Attachment 1, Schedule 1 is caused primarily by the change orders with anticipated payments of \$7.8 million to the System Integrators as part of the re-planning exercise, which offset the underspend reported in the Q1 RY1 report.

Attachment 1, Schedule 1 provides the Gas Business Enablement Program cumulative budget versus actual results for RY1 through Q2. Attachment 1, Schedule 2 provides the RY1 through Q2 Gas Business Enablement Program spend allocated to the Company.

IV. Deferral Balance

As of February 28, 2019, \$841,960 has been deferred on the books of Narragansett Gas and \$32,864 has been deferred on the books of Narragansett Electric for recovery of Gas Business Enablement Program costs incurred during Q1 and Q2 RY1 that exceeded the level of recovery allowed under the Amended Settlement Agreement. Of the \$841,960 deferred for Narragansett Gas, \$28,142 is related to Gas Business Enablement Program capital investment and \$813,818 is related to incremental Gas Business Enablement Program operating expenses. All the \$32,864 deferred for Narragansett Electric is related to Gas Business Enablement Program capital investment.

V. Conclusion

As noted in this report for Rate Year 1 through the second quarter ending February 28, 2019, National Grid has made good progress not only with the previous three major releases impacting 524 employees in Rhode Island, the Gas Business Enablement Program also conducted an extensive strategic review and made necessary adjustments described above to address delivery challenges while providing more benefits to customers with the shortened overall roadmap timeline to December 2020.

Overall, the Gas Business Enablement Program remains on track to deliver its scope of work as planned and anticipates coming in within the original planned budget of \$458.1 million plus a sanctioned contingency of \$61 million. The Program will continue to incorporate lessons learned into future deployments, effectively manage risks and controls, and provide timely updates on program status to ensure transparency and deliver long-term success.

TOTAL SERVICE COMPANY SPEND BY COST CENTER
September 2018 - February 2019
GAS BUSINESS ENABLEMENT

		Q1 & Q2 RY1				
GBE - COST CENTER DESCRIPTION	GBE - COST CENTER #	Sept'18-Feb'19 BUDGET	Sept'18-Feb'19 ACTUALS	Sept'18-Feb'19 VARIANCE \$	Sept'18-Feb'19 VARIANCE %	Variance Explanation ⁽¹⁾
Processes & Business Requirements	4386	\$38,695,352	\$42,472,206	(\$3,776,854)	-6.01%	
Information Services	4387	\$14,471,842	\$17,535,254	(\$3,063,412)	-4.88%	
Business Design, Readiness & Deployment	4388	\$5,487,359	\$226,555	\$5,260,804	8.38%	
Portfolio Management	4389	\$4,148,142	\$4,257,528	(\$109,385)	-0.17%	
TOTAL GBE - CAPEX		\$62,802,695	\$64,491,543	(\$1,688,848)	-2.69%	
TOTAL GBE SPEND - TOTEX		\$89,594,984	\$82,209,668	\$7,385,316	8.24%	

⁽¹⁾ Comments only for variance above threshold +/- 10%.

THE NARRAGANSETT ELECTRIC COMPANY
ALLOCATED SPEND BY CATEGORY
September 2018 - February 2019
GAS BUSINESS ENABLEMENT

GBE - COST CENTER DESCRIPTION	GBE - COST CENTER #	Q1 & Q2 RY1		
		Sept'18-Feb'19 BUDGET	Sept'18-Feb'19 ACTUALS	Sept'18-Feb'19 VARIANCE \$
Processes & Business Requirements	4386	\$3,256,801	\$3,654,266	(\$397,465)
Information Services	4387	\$1,061,348	\$1,584,958	(\$523,610)
Business Design, Readiness & Deployment	4388	\$402,507	\$16,697	\$385,810
Portfolio Management	4389	\$304,078	\$313,780	(\$9,701)
TOTAL GBE - CAPEX		\$5,024,735	\$5,569,701	(\$544,966)
TOTAL GBE SPEND - TOTEX		\$7,031,036	\$6,922,557	\$108,478

Note: Amount reflects Capital Spending for September 2018 - February 2019 only and does not reflect actual rent expense charged to The Narragansett Electric Company through National Grid USA Service Company, Inc. (Service Company). Cumulative Capital Spend, once placed in service, will be charged as rent expense through the Service Company.

GBE Roadmap

March 2019

