

State of Rhode Island
Division of Public
Utilities & Carriers

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PUBLIC UTILITIES COMMISSION

October 16, 2018

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

RE: GCR Docket 4872

Enclosed for filing with the Commission in this Docket is the Direct Testimony of Bruce R. Oliver. Please note that this testimony contains confidential information. The Division will coordinate with the Company to redact confidential material and file a redacted version of this Testimony that can be made publicly available.

As supported in the Testimony of Mr. Oliver, the Division has not found any calculation errors in the filing. However, the Division is making three main recommendations.

(1) ENGIE Contract Costs

The first recommendation relates to the costs associated with one of the Company's supply contracts (referred to as the ENGIE contract). The Division does not believe that the contract has been economically justified by the Company. For that reason, the Division recommends that those costs be excluded from the GCR, pending a further review by the Division. This will allow a more complete review of this contractual commitment, before a definitive decision regarding cost recovery is made by the Commission;

(2) Incremental Costs from Cumberland LNG Tank Failure

The second recommendation relates to certain incremental costs incurred by the Company resulting from the premature failure of the LNG Tank in Cumberland. The Division is recommending that the Commission open a separate docket to examine the prudence of the Company's maintenance practices in connection with the tank failure. In connection with that prudence review, the Division recommends that these incremental costs be excluded from the GCR, pending the completion of the prudence proceeding; and

(3) Increase in Supplier Demand Charges

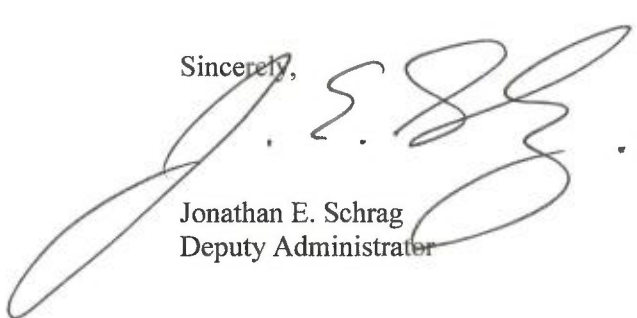
The third recommendation relates to the costs associated with the Company's so-called "Supplier Demand Charges." The Division is concerned about the substantial increase in these costs (over \$23 million more than what was included in GCR rates last year). Further, the GCR proceeding does not allow enough time for a complete review. In contrast to the other two recommendations described above, however, the Division is not objecting to these costs flowing through the GCR at this time. But the Division recommends this flow-through not constitute a final decision on cost recovery. Rather, the Commission should allow further review of these costs to be examined without prejudice

to the Division recommending, and the Commission accepting, adjustments to the GCR in 2019 relating to these fixed costs.

In comparison with the electricity procurement process for Standard Offer Service, procuring natural gas supply is far more complex. There is not a meaningful process in Rhode Island to review and investigate the reasonableness of both the long-term and short-term procurement decisions.

The annual GCR docket is on a fast track to put new rates into effect before the heating season. In that regard, the Division understands why setting rates for November 1 is necessary and appropriate. Nevertheless, the Company's procurement activities are becoming more and more complicated, implicating many issues that need to be examined. Further, the GCR schedule requires the Company to provide responses to the Division's information requests in a short timeframe. The responses often include complex explanations which leave the Division with too little time to develop its response. The Division respectfully requests the Commission recognize the new complexity of gas-related issues and grant the Division's requests, as supported in the testimony.

Sincerely,



Jonathan E. Schrag
Deputy Administrator

Cc: Service List