



State of Rhode Island
Division of Public
Utilities & Carriers

Administration
89 Jefferson Blvd.
Warwick, R.I. 02888
(401) 941-4500

Fax: (401) 941-9207
TDD: (401) 941-4500

July 26, 2019

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

Docket No. 4893

Dear Ms. Massaro,

On or about February 23, 2018, the Division of Public Utilities and Carriers (“Division”) and The Narragansett Electric Company, d/b/a National Grid (“National Grid” or “Company”) (collectively referred to as “Parties”) entered into a partial settlement wherein National Grid agreed, without admitting culpability, that it would be responsible for a total of \$1.3 million in capital costs related to the decommissioning of the Cumberland LNG facility (“Facility” or “Tank”) and vaporization. Among other terms in the partial settlement, the Parties agreed that the Division would not “challenge the prudence of the Company’s Interim Solution to replace the supply lost from decommissioning the Cumberland LNG tank . . . However the Division reserves its right to (i) challenge the prudence of the Company’s operation and maintenance of the Cumberland LNG tank and (ii) oppose cost recovery through the GCR of any direct costs resulting from the interim solution that are incremental to the costs the Company would have incurred had the Cumberland LNG tank still been in service, but only to the extent based on the claim that, had the tank been prudently maintained, the incremental costs would have been avoided.”

In Docket No. 4872, the Division requested the Commission to open a separate docket to conduct a prudence review of the Company’s maintenance practices of the Facility under the partial settlement. Pursuant to the Division’s request, the Commission opened Docket No. 4893, directing the Division to report back to the Commission no later than April 1, 2019.

On April 1, 2019, the Division filed a memorandum with the Commission which indicated that the Division needed to “continue its review, which it will need to conduct in conjunction with the other issues surrounding the Company’s purchasing strategies and outcomes.”

On April 25, 2019, the Commission forwarded a letter to the Division requesting the Division to file a motion to enlarge time together with any supporting information pertaining to what steps it has undertaken in its investigation, what information it needs to complete its investigation and a specific timetable for the completion of the investigation.

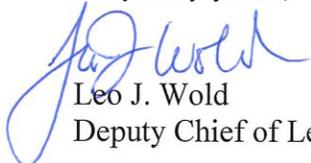
The Division requested its consultant, Rod Walker & Associates Consultancy, to review the matter, including a review of the inspection and maintenance practices of the Company. After completing his review, Mr. Walker concluded, among other things, that the Company could have been more proactive in inspections, maintenance, and planning. While the Division believes Mr. Walker's expert assessment has merit, the Division also believes it would be extremely difficult to present a *prima facie* case to the Commission showing with the necessary specificity what (if any) incremental costs were directly caused by poor planning on the part of the Company, beyond the amount that was already recovered in Docket 4872.

Similarly, it would be difficult to show what (if any) incremental costs were directly caused by improper inspection and/or maintenance practices on the part of the Company. While there may be immediate incremental costs that were incurred by ratepayers due to the premature demolition of the Tank, what (if any) of these costs would have been avoided had the Tank been properly maintained and inspected, particularly in a period of rising long-term contract costs, is speculative at best. In fact, one conclusion might be that the Company should have shut down the Tank earlier, in light of the risks that were apparent at the time. An early shut down could have prudently eliminated the risks, but actually resulted in higher supply costs to ratepayers, compared to the costs actually incurred while the deteriorating Tank was still be used for service.

For the aforementioned reasons, the Division will not be seeking an extension of time to pursue this matter further. The above-entitled docket may now be closed.

Thank you for your attention to this matter.

Very truly yours,



Leo J. Wold

Deputy Chief of Legal Services, DPUC