STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS
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Memo To: Luly Massaro, Commission Clerk

From : Alberico Mancini, Chief Regulatory Analyst

Date : September 23, 2020

Subject : Dockets 4916, National Grid's Gas Infrastructure, Safety, and Reliability Plan Fiscal Year 2020 Reconciliation Filing

The purpose of this memo is to provide the Public Utilities Commission (PUC) with the Division of Public Utilities and Carrier's ("Division") position concerning National Grid's Gas Infrastructure, Safety, and Reliability (ISR) Plan's Annual Reconciliation for Fiscal Year 2020.

On August 3, 2020, National Grid ("NGrid" or "Company") submitted its Annual Gas ISR Reconciliation filing to the Public Utilities Commission for the period April 1, 2019 through March 31, 2020. Also, on August 3, 2020, the Company made its annual gas Distribution Adjustment Charge (DAC) filing. As detailed in Section 3, Schedule A of the Company's tariff, the DAC provides for the recovery and reconciliation of several adjustment factors including the gas ISR reconciliation. The DAC factors other than the ISR reconciliation will be addressed by the Division in a separate memo by its consultants, Lafayette Morgan and Jerome Mierzwa of Exeter Associates.

The Company's filing was supported by the testimony of Amy S. Smith who provided an overview and description of the $154.28 million of actual capital investment spending and an explanation of major variances to the budget of $162.46 million as approved by the Commission in Docket 4916. The filing was also supported by the testimony of Melissa A. Little who presented the updated FY2020 revenue requirement of $5,502,510 which resulted in a $972,209 decrease from the $6,474,720 approved by the Commission in Docket 4916. According to the Company's tariff, the ISR Reconciliation Mechanism "reconciles the actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to the actual billed revenue for the prior fiscal year". As part of our review of the Company's filing, the Division reviewed spending variances and the calculation of the updated revenue requirements.

The FY2020 approved plan included $162.46 million in capital spending for the period April 1, 2019 through March 31, 2020. Throughout the year, the Company submitted quarterly reports to the Commission and Division detailing construction progress and reporting funds expended to date as well as forecasts through the end of the year. The Division reviewed each quarterly report and met with the Company to discuss each progress report.

The Company's actual capital spending for FY2020 of $154.28 million is $8.18 million below the approved $162.46 budget. There are several factors that contributed to this underspend by the Company. The main issue that the Company experienced was that the City of Providence delayed issuing road opening permits with the exception of emergencies. As a result, the Company was forced to delay most projects within the City of Providence and in some cases, defer projects until FY2021. Due to the significant number of planned projects in the City of Providence, the delay resulted in underspending in many categories with the most significant impact on the Pressure Regulating Facilities and the Proactive Large Diameter Leak Prone Pipe categories. These two categories alone resulted in a $6.482 million underspend as most of the planned projects were deferred to FY2021. The Company was able to divert construction crews to other cities and towns thereby reaching its goal of abandoning 60 miles of leak prone pipe.

The Company also experienced fewer leaks than estimated throughout the year resulting in an underspend of $3.127 million in the Reactive Main Leaks, Reactive Service Leaks, and Reactive Damage/Failure categories.

Although the Company experienced some delays due to the Providence Permit issue, a warmer than expected winter allowed the Company to continue working through the winter thereby completing additional projects and in some cases, the Company was able to complete some projects earlier than scheduled as was the case for the Allen's Avenue Multi-Station Rebuild.

The Division believes that the Company's underspend of $8.18 million below the approved budget of $162.46 million is reasonable. The Division also reviewed calculations supporting the updated FY2020 revenue requirement of $5,502,510 and has no recommended adjustments.

Based on its review of the Company's filing, the Division recommends its approval.