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June 29, 2022

VIA ELECTRONIC MAIL

Luly E. Massaro, Clerk
Rhode Island Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket 5210 - Gas FY 2023 Infrastructure, Safety and Reliability Plan
June 1, 2022 Technical Session
Responses to Record Requests

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company,[1] I have enclosed the electronic version of the Company's responses to the record requests that were issued at the Public Utilities Commission's technical session on June 1 in the above-referenced matter.[2]

Thank you for your attention to this matter. Please contact me if you have any questions.

Very truly yours,

Steven J. Boyajian

Enclosure

cc: Docket 5210 Service List
Leo Wold, Esq., Division

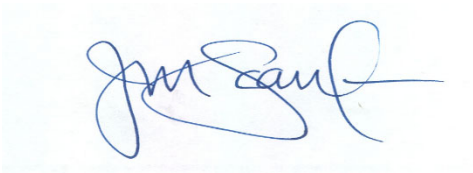
[1] The Narragansett Electric Company d/b/a Rhode Island Energy ("Rhode Island Energy" or the "Company")

[2] Per a communication from Commission counsel on October 4, 2021, the Company is submitting an electronic version of this filing followed by six (6) hard copies filed with the Clerk within 24 hours of the electronic filing.

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

June 29, 2022
Date

Docket No. 5210 - National Grid's FY 2023 Gas Infrastructure, Safety and Reliability (ISR) Plan - Service List 6/1/2022

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Record Request No. 17

Request:

Referring to Attachment RR-3, with respect to projects numbered 4-6, 21 and 22, please:

a. Indicate when each new main related to those projects was placed into service;
b. Provide a description of the reasons that the old main has not been abandoned if there are no services remaining to be transferred; and
c. Provide description of the project and of the reasons that those projects with uncompleted services have not yet had the services transferred.

Response:

The table below provides the In-Service Date and Job Status for each of the projects requested.

Reference	WO#	Project Name	In-Service Date	Job Status
4	90000194373	Terrace Av, PVD, Providence	4/5/2021	In Progress
5	90000185694	Sessions St, PVD, Providence	9/27/2019	Completed 4/25/2022
6	90000211226	S Main St PVD, Providence	8/4/2021	Ready for Abandonment
21	90000185679	1315-1477 Broad St, PVD, Providence	10/5/2020	Completed 06/08/2022
22	90000143075	1207-1275 Elmwood Av, PVD, Providence	3/26/2021	Ready for Abandonment

It should be noted concerning the sum of all 22 projects on the RR-3 list that the Capital Additions Placed In-Service prior to FY2022 represented only 27% of the total expected project spend, despite many of the projects on the list being placed in-service in Fiscal Years pre-dating 2021. The Capital Additions Placed In-Service for FY2022 totaled 54% of the total expected project spend. This demonstrates the progressive nature of how project costs are added to rate base commensurate with project advancement, and not by adding 100% of the estimated project costs to rate base at the time they are placed in-service. Additionally, a significant portion of the cost of the project is only incurred and added to the rate base at and after the conclusion of the project due to abandonment, final restoration, and other close out costs.

A description and statement of remaining work appears below for the projects for which abandonment is not yet complete. These three projects are incomplete because other emergent work has been prioritized ahead of them for various reasons, including, but not limited to, actively leaking main replacements, encroachments, mains associated with municipal paving projects that are expected to become high risk within the guarantee period, reliability and

reinforcement projects, including regulator station replacements, with specific system load requirements, etc.

Project Description and Status:

4. Terrace Av, PVD – This is an Integrity project in Providence to relay 2,755 feet of 4" and 6" Cast Iron mains on Terrace Av, Clarence St, Shafter, and Elmdale St. This project has 2 services remaining to be transferred to the new main and one cut off to abandon the old main. Final abandonment on this project is anticipated in August 2022.

6. S. Main St, PVD – This is a Public Works project in Providence to relay 2075 feet of 6", 8", and 12" Cast Iron main on S. Main St, N. Main St., and Steeple St. This project has two cut offs remaining to abandon the old main. Final abandonment on this project is scheduled for the week ending July 15, 2022.

22. 1207-1275 Elmwood Av, PVD – This is an Integrity project in Providence to relay 3050 feet of 4" and 6" Cast Iron and 4" Coated Steel mains on Elmwood Av., Sawyer St., Spooner St., Bissell St., and Hathaway St. This project has one service transfer remaining and 3 cut offs remaining to abandon the old mains. Final abandonment on this project is scheduled for the week ending July 8, 2022.

Record Request No. 18

Request:

Referring to Attachment RR-4, with respect to projects numbered 17, 24-28, 36, 37 and 39, please:

a. Indicate when each new main related to those projects was placed into service;
b. Provide a description of the reasons that the old main has not been abandoned if there are no services remaining to be transferred; and
c. Provide description of the project and of the reasons that those projects with uncompleted services have not yet had the services transferred.

Response:

The table below provides the In-Service Date and Job Status for each of the projects requested.

Reference	Work Order	Project Name	**In-Service Date**	Job Status
17	90000207983	Reservoir Ave Bridge, Providence	7/29/2021	In Progress; RIDOT Contingent
24	90000175638	N Main St NSF, North Smithfield	1/4/2022	Completed 3/28/2022
25	90000204753	Myrtle St, PAW, Pawtucket	8/11/2021	Completed 3/22/2022
26	90000208260	Market St WAN, Warren	10/19/2021	Completed 3/22/2022
27	90000219454	Lisbon St, Providence	11/12/2021	In Progress
28	90000196730	Legion Way, Barrington	4/13/2021	Completed 3/29/2022
36	90000194356	Felix St, PVD, Providence	10/5/2021	Ready for Abandonment
37	90000210246	Ernest St, Providence	9/17/2021	Ready for Abandonment
39	90000211188	Cherry St, Pawtucket	12/15/2021	Completed 4/27/2022

It should be noted concerning the sum of all 58 projects on the RR-4 list that the Capital Additions Placed In-Service prior to FY2022 represented less than 1% of the total expected project spend. The Capital Additions Placed In-Service for FY2022 totaled 43% of the total expected project spend. This demonstrates the progressive nature of how project costs are added to rate base commensurate with project advancement, and not by adding 100% of the estimated project costs to rate base at the time they are placed in-service. Additionally, a significant portion of the cost of the project is only incurred and added to the rate base at and after the conclusion of the project due to abandonment, final restoration, and other close out costs.

Record Request No. 18, page 2

A description and statement of remaining work appears below for the projects for which abandonment is not yet complete. One of these projects is a Public Works project undertaken at the request of the Rhode Island Department of Transportation and progresses according to RIDOT's timeframe and schedule. The remaining three projects are incomplete because other emergent work has been prioritized ahead of them for various reasons, including, but not limited to, actively leaking main replacements, encroachments, mains associated with municipal paving projects that are expected to become high risk within the guarantee period, reliability and reinforcement projects, including regulator station replacements, with specific system load requirements, etc.

Project Description and Status:

17. Reservoir Av. Bridge, PVD – This is a Public Works project to relay 729 feet of 6" and 12" Cast Iron mains with 12" and 16" Coated Steel on the Reservoir Ave. bridge between Downing St. & Adelaide Ave. This project is necessary due to RIDOT reconstruction activity and is conducted according to RIDOT's timeframe and schedule. There is not currently an expected completion date.

27. Lisbon St, PVD – This is an Integrity project in Providence to relay in 4200 feet of 4" and 6" Cast Iron main on Regent Av, Wolcott St, Robin St., Berkley St, Lisbon St, and Bryant St. This project has 9 tie-in and cut off connections remaining to abandon the old main. Final abandonment on this project is anticipated in early September.

36. Felix St, PVD – This is an Integrity project in Providence to relay 1570 feet of 4" and 6" Cast Iron main in Felix St and Valley St. This project has 5 tie-in and cut off connections remaining to abandon the old main. Final abandonment on this project is anticipated in early August.

37. Ernest St, PVD – This is an Integrity project in Providence to relay 3880 feet of 6", 8", and 12" Cast Iron and Bare Steel mains on Allens Av, Ernest St, Chapman St., and on Company property. This project is a pre-requisite for the abandonment of the Allens Av @ Georgia Av regulator station. This project has one cut off remaining. Final abandonment is scheduled for the week ending July 15.

Record Request No. 19

Request:

Please explain the flow issues that have delayed the abandonment of old main with respect to project number 16 identified in Attachment RR-4.

Response:

The Fairmount St. project listed as number 16 in Attachment RR-3 was designed to increase the pressure from low pressure to 60 psi on a section of main that connects to a single-feed (dead-end) section of main in Woonsocket. To accomplish this project, the Company needed to install a segment of new 60 psi main, running in parallel to an old low-pressure main, and then transfer the services from the old low-pressure main to the new, 60 psi main. The entire length of old low-pressure main running in parallel to the section of new high-pressure main was intended to be abandoned since the grid layout of the adjoining neighborhood forms a network, allowing low pressure gas to feed the neighborhood from multiple directions and sources.

When the abandonment of the old low pressure main in the original segment was attempted, the Company observed an unanticipated drop in pressure. Per Company operating procedures, the abandonment attempt was stopped so the condition could be reviewed and resolved.

The Company's review did not indicate a specific cause for the pressure drop. However, it is likely that a partial obstruction or unknown pinch point in the main contributed to the cause. Subsequent steps have been taken to attempt to resolve the issue including increasing the scope of the initial project to remove additional low-pressure main segments and services from the adjacent network and connect those segments to the high-pressure system. The increase in scope has extended the timeline to fully complete the project, including abandonment of the segment of main initially identified.

Thus, the Fairmount St. project work order is being closed out and a new project has been initiated to extend the original scope of this project for the remainder of the existing low-pressure neighborhood. This will resolve the pressure and flow issues and allow the Company to abandon the remainder of the old low pressure main. This new project will be prioritized in relation to the relative risk ranking of the Company's current portfolio of work.

The Narragansett Electric Company
d/b/a Rhode Island Energy
RIPUC Docket No. 5210
In Re: Gas Infrastructure, Safety, and Reliability Plan FY2023
Responses to the Record Requests
Issued at the Commission's Evidentiary Hearing
On June 1, 2022,

Record Request No. 20

Request:

When gas is purged from an abandoned pipe indicate the circumstances in which is it recaptured and the circumstances under which it is released to the atmosphere. Please also indicate the relative frequency of each of these means of purging gas from abandoned pipes and the percentage of each that occurs.

Response:

The Company has used gas capture technology when removing long length, elevated pressure mains from service for maintenance. Capture technology is not currently employed in the abandonment of leak prone main.

For perspective, the amount of gas released from a typical main abandonment during FY 2022 was about 240 standard cubic feet. This is the same amount of gas used by an average, single Rhode Island Energy gas customer in about 1 day on a 365-day average basis.

Prepared by or under the supervision of: Phil LaFond

The Narragansett Electric Company
d/b/a Rhode Island Energy
RIPUC Docket No. 5210
In Re: Gas Infrastructure, Safety, and Reliability Plan FY2023
Responses to the Record Requests
Issued at the Commission's Evidentiary Hearing
On June 1, 2022,

Record Request No. 21

Request:

Please indicate the present accrual rate for the Allowance of Funds Used During Construction ("AFUDC"), the variation of the AFUDC accrual rate over the last twelve months, and the factors that establish the rate.

Response:

The annual rate for AFUDC for May 2022 is 7.23% for The Narragansett Electric Company. Please see Attachment 1 for the AFUDC annualized accrual rates for the period May 2021 through May 2022 including the factor components that establish the rates.

Prepared by or under the supervision of: Stephanie Briggs

Narragansett Electric Company Annualized AFUDC Rates from PowerPlan

		May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Debt	(1)	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	1.94%	1.94%	1.94%	1.94%	1.94%
Equity	(2)	5.08%	5.08%	5.08%	5.08%	5.08%	5.08%	5.08%	5.08%	5.30%	5.30%	5.30%	5.30%	5.30%
Total		7.16%	7.16%	7.16%	7.16%	7.16%	7.16%	7.16%	7.16%	7.23%	7.23%	7.23%	7.23%	7.23%

(1) Includes Short-Term and Long-Term Debt
(2) Includes Common Equity and Preferred Stock

The Narragansett Electric Company
d/b/a Rhode Island Energy
RIPUC Docket No. 5210
In Re: Gas Infrastructure, Safety, and Reliability Plan FY2023
Responses to the Record Requests
Issued at the Commission's Evidentiary Hearing
On June 1, 2022,

Record Request No. 22

Request:

If the in-service date for newly installed mains was ordered to be the date of the associated abandonment of old main, please identify and describe any administrative difficulties that would result from that adjustment and what measure the Company would need to take to address any administrative difficulties.

Response:

As discussed, during the continued Hearing on Proactive Main Replacements on June 1, 2022, the Company is responding to this question from a "going forward" perspective. meaning, projects where new main has been installed and already placed in-service would retain their original in-service classification, regardless of whether or not the associated old main has been abandoned. Therefore, the Company's response pertains to proactive main replacement projects that are not yet classified as "in-service" as of a future date when the PUC may make a ruling on this matter.

It is the Company's position that, for proactive main replacement, a newly installed main becomes used and useful and should be placed in-service once the main is installed, gassed in[1], and the new main has one or more active services (where services are applicable).[2] Once an active service(s) is connected, the new main is used and useful, with the active service(s) receiving the benefit of enhanced reliability by being connected to a non leak-prone main. This has been the methodology followed throughout the life of Rhode Island's Gas ISR ("ISR") program and is consistent with Federal Energy Regulatory Commission ("FERC") Accounting Regulations and Generally Accepted Accounting Principles ("GAAP"). As detailed in PUC 6-3, the typical flow of construction for a main replacement project (aside from installations during the COVID-19 Pandemic in FY2021) is as follows:

1) Main Installation - new main is installed by a contractor main crew.
2) Gassing in the Main - new main is gassed in by a Company internal live gas crew.
3) Service Installation

[1] Gassed in means the new main is connected to the Company's existing system. Once the process is complete, gas is flowing through the newly installed main.

[2] Please also see the Company's response to Record Request 23 in connection with application of the used and useful standard.

Prepared by or under the supervision of: Nathan Kocon and Stephanie Briggs

a. Contractor service crew runs new service lines and installs a new valve riser at the customer's facility, then connects the new service line to the new main and gasses in the service.
b. Once the new service line is installed, internal CMS technicians perform "fitting" work in which they disconnect the customer owned piping from the old gas service line and reconnect it to the new service line. This involves entering customer premises and relighting the gas equipment.

Contractor service crews typically work project to project, meaning they strive to complete as many services as feasible for a specific project before moving onto the next project. Service installations that cannot be completed in sequence with the initial bulk of services are often a result of third-party factors, such as town permit restrictions (including winter moratoriums), customer schedule requests, or interactions with other utilities. The timing of when the contractor service crew returns to that project are then influenced by remedying the third-party "delay" and crew availability/prioritization. The contractor service work and follow-on CMS service work may be performed immediately in sequence or may be separated by some time depending on resource availability and access to customer premises. Please note, it is atypical for work crews to connect one initial service on a job, which changes the project classification to "in-service", and then leave that project idle to move on to complete service installations on other projects. Rather, the contractor service crew and CMS strive to complete the service installation stage of the project as soon as possible so that the project can proceed to the main abandonment and eventual final restoration.

The costs associated with main and service installation phases of a project correspond with the volume and sequencing of work that have actually been performed on the project. Costs associated with any last few remaining services on a project, the abandonment of the old main, and/or the final restoration costs, which have not yet been incurred, are not included in the ISR revenue requirement[3] until the year(s) in which those activities are completed, and actual costs are incurred.

On a going forward basis, if the in-service date for a newly installed main was ordered to be the date of abandonment of the associated old main, the Company could implement that specific change; however, in order to align with standard rate making principles, and as explained in response to Record Request 23, the current financial treatment for projects in progress is that Allowance for Funds Used During Construction ("AFUDC") charges continue being applied to

[3] Capital additions placed in-service follow a half-year convention for the first year they are reflected in the ISR revenue requirement.

the accumulated Construction Work in Progress ("CWIP") balance on active projects until the project is placed in-service. The AFUDC charges are systematically applied monthly by the Company's Plant Accounting Software to capital projects until the assets are placed in-service.

If the PUC were to order the Company to stop accumulating AFUDC[4] once the new main is installed, gassed in, and the new main has one or more active services (where services are applicable), it would create a manual administrative burden for the Company as it cannot be systematically applied by the Company's Plant Accounting Software. To comply with such an order, it would require the Company to manually turn off AFUDC on each individual project once the new main has been installed and one or more active services are connected ("current in-service date"), until the associated old main has been abandoned (theoretical new in-service date). This would require the Company to create a new process by which the Resource Coordination group would manually track the date on which the first customer is connected to the new main (current in-service date) for each applicable project (over 200 per fiscal year). On a monthly basis, Resource Coordination would send a list of workorders/projects that triggered the currently defined "in-service" classification to the Plant Accounting group. Plant Accounting would then need to manually turn off AFUDC for each of those workorders/projects prior to AFUDC being run for the month. At that point, AFUDC would be turned off for the remaining lifecycle of that workorder.

[4] As referenced in PUC Record Request No. 23(ii) and No. 24.

Record Request No. 23

Request:

Given the high degree of importance that the Act on Climate places on reducing greenhouse gas emissions, please provide comment on the reasonableness of the Commission adopting a revised ratemaking rule for the Gas ISR for the purpose of incentivizing the Company to complete each project all the way through to abandonment of the old leak-prone main. The proposal would have two parameters:

(i) New gas mains under the Company's main replacement program would not be considered to be "in-service" for ratemaking purposes until the old main with which the new replacement main is associated is abandoned; and

(ii) The Company would be directed to stop the charging of AFUDC as of the date that the Company connects the first customer to the new main or, if it is a gas main that would not be expected to have any service connections, the date the main is "gassed-in."

Response:

The Company is committed to advancing Rhode Island's Act on Climate net-zero targets. As the Company works to enable net-zero, it is committed to keeping affordability and equity, safety, and reliability at the forefront of everything we do. One of the approaches the Company is evaluating is a net zero gas network. This approach would eliminate and mitigate fossil fuel emissions from its existing gas network no later than 2050 through continuing leak-prone pipe ("LPP") replacement with pipe suitable for low and zero carbon fuels, and by ultimately delivering such fuel – renewable natural gas and hydrogen – to our customers. Thus, the elimination of leak-prone pipe from the Company's gas system is a cornerstone of operating a net zero gas network, in the future.

One of the Company's top key performance indicators ("KPI") is achieving the annual target for leak-prone pipe abandonment. Another leading KPI that has a strong correlation to the abandonment of LPP is Leak-Call Response.

In alignment with the primary purpose of the Gas Infrastructure, Safety, and Reliability ("ISR") program and the Company's Distribution Integrity Management Plan ("DIMP"), the Company evaluates the prioritization of the projects at all stages of execution within its capital portfolio on an on-going basis, which are impacted by a variety of factors, both internal and external. The capital portfolio includes activities such as live gas work on leak-prone pipe, mandated projects, and reliability projects. The pool of in-house union personnel that complete our leak-prone pipe

abandonment work (actual process of abandoning the old main) are also responsible for completing live gas work on Mandated, Reliability, and Growth projects[1]; these projects often have specific/limited schedule windows in which the works needs to be completed. One example are Public Works jobs, which are typically being completed before municipal paving and/or in conjunction with the work of another utility; therefore, specific project completion deadlines need to be achieved. Public Works projects contribute towards the abandonment of leak-prone pipe (approximately 14 miles per year); they help minimize the instances of construction disruptions for residents in the construction area, and they provide good value for Rhode Island Gas Customers by reducing or avoiding final restoration costs. Many Public Works projects are emergent, due to events such as Cast Iron Encroachment, late-notice municipal paving decisions and other causes, and require swift response. A second example is live gas work being completed on Company Regulator Stations, or more broadly work in the Reliability categories, which often have the project schedule window set by the Company's Gas Control department, and in those cases the live gas work needs to be completed during non-peak months to minimize the risk of a gas outage during the winter heating months.

Within the Proactive Main Replacement Program, the Company and its Contractors strive to progress active projects to their completion as expeditiously as possible while actively managing the prioritization of all the projects within that category and balancing the priorities of the entire capital portfolio. Along with the Mandated and Reliability projects, throughout a construction season the Company may need to reprioritize projects within the Proactive Main Replacement Program for various reasons. For example, if the Company started a project on Broad Street in the Fall of FY 2022 (10 services and the abandonment were planned to be completed in the FY 2023 construction season), but over the course of the Winter of FY 2022, a high prevalence of leaks emerged on Smith Street. As a result, the Company, in consultation with that town, expedited a new main replacement project on Smith Street and began construction in the Spring of FY 2023. The newly prioritized Smith Street project caused the Broad Street project to remain in queue while the Company abandoned the emergent high risk main on Smith Street. This type of example arose this year on Bicentennial Way in North Providence, which had multiple active leaks from rapidly deteriorating facilities and resulted in multiple Company leak responses and customer complaints. Based on the Company's assessment of asset conditions and customers concerns, the Company worked with the town to expedite the new main replacement

[1] Per union contract rules, the Company may use contractors to complete some live gas work, including abandonments in the 310b (Cumberland Yard) territory only. All live gas work in the Providence Yards territory is completed by in-house union personnel.

project. This type of reprioritization is in line with the management of the ISR portfolio and the Company's DIMP plan. Maintaining this type of operational flexibility is extremely important to the Company's ability to execute the right work at the right times and is in the best interest of the Rhode Island gas rate payers.

(i) As stated in Record Request No. 22, it is the Company's position that, for proactive main replacement, a newly installed main becomes used and useful and should be placed in-service once the main is installed, gassed in, and the new main has one or more active services (where applicable). This has been the methodology followed throughout the life of Rhode Island's Gas ISR program, is consistent with Federal Energy Regulatory Commission ("FERC") Accounting Regulations and Generally Accepted Accounting Principles ("GAAP") and is consistent with the used and useful standard employed by the Rhode Island Supreme Court.

Newly installed mains are used and useful once gassed in and, for those mains to which services are connected, the main is fulfilling its purpose in providing service when a customer service is connected. For a new segment of main for which the project plan does not include service connections, the main is fulfilling its purpose in providing service when gassed in. In other words, it is used and useful in that it is actually being devoted to the provision of the regulated service. In analyzing what property should be considered used and useful in the provision of regulated service by a utility, the Rhode Island Supreme Court explained that a horse and buggy might be used, but not useful while newly ordered assets not yet installed could be useful, but not used. Newport Elec. Corp. v. Pub. Utilities Comm'n, 624 A.2d 1098, 1101 (R.I. 1993). Newly installed mains that are providing actual service as intended are both used and useful under the Supreme Court's standard. See id.

The Company endeavors to complete main replacement sequentially such that installation, service connections and abandonment occur in relatively quick succession. There are circumstances where that is not possible, or not advisable, as any number of external factors might interfere with the Company's effort to abandon a leak prone pipe for which a replacement has been installed. Consequently, in the context of pursuing the goals of the Act on Climate and creating a financial incentive, or what is tantamount to a financial penalty by delaying cost recovery, the Company does not believe it appropriate to delay the in-service date of newly installed main. In alignment with the Act on Climate goals, the Company believes it is important to prioritize the right segments of main to abandon, as explained above, to achieve the aggregate annual target for leak-prone pipe abandonment, rather than implementing a first in, first out type of

prioritization for projects. The Company is prudent in its scheduling of work, and therefore, with the exception of a small number of jobs impacted by factors beyond the control of the Company[2], the gap in time between main installation and main retirement is not the result of an internal delay. Prudence demands that the Company responsibly prioritize its work to manage risk across its system.

While the Act on Climate's mandates will inevitably affect the Company's work plans, and state agencies' oversight thereof, there is nothing contained in the Act on Climate, either explicitly or implicitly, that can be construed to override the Rhode Island Supreme Court's enunciations regarding what property is used and useful in the Company's delivery of service to its customers. See Bloomfield v. Brown, 67 R.I. 452, 25 A.2d 354, 357 (1942) (stating, "It will also be presumed that, in enacting a statute, the legislature did not intend to make any alteration in the common law, unless the language used naturally and necessarily leads to that conclusion or, as this court expressed itself in State v. Shapiro, 29 R.I. 133, at page 139, 69 A. 340, 342, 'unless the intent to alter it [the common law] is clearly expressed.'").

(ii) In a scenario where the PUC ordered that new gas mains installed under the Company's main replacement program would not be considered to be "in-service" until the old associated main is abandoned, it is the Company's position that it would not be appropriate to direct the Company to stop the charging of AFUDC as of the date the new main is installed, gassed in, and the new main has one or more active services (where services are applicable). Denying AFUDC for that phase of a main replacement project would effectively prevent the Company from recovering carrying costs associated with the funds expended to replace leak-prone pipe on the Company's system. AFUDC is a traditional method of compensating regulated utilities for the costs that are incurred to obtain cash resources for construction of assets that will eventually be used and useful in providing service to customers. The Rhode Island Supreme Court has recognized that capitalization of interest of a utility's expenditures on construction work in process is the mechanism through which a plant in service model of ratemaking remains fair and reasonable. New England Tel. & Tel. Co. v. Pub. Utilities Comm'n, 116 R.I. 356, 386-87, 358 A.2d 1, 19 (1976). The Act on Climate did not expressly, or even implicitly, address the Rhode Island Supreme Court's precedent in this regard, and, therefore, it cannot be presumed to have overridden it. See Bloomfield, 25 A.2d at 357. The financial treatment whereby AFUDC charges continue being applied to the accumulated Construction Work in Progress ("CWIP") balance on active projects until the project is

[2] Please see RIPUC Docket No. 5210, PUC 6-1, 6-2, and 6-4 (page 2).

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placed in-service is also consistent with Federal Energy Regulatory Commission ("FERC") Accounting Regulations and Generally Accepted Accounting Principles ("GAAP").

The inclusion of AFUDC is necessary to compensate the Company for the cost of financing leak-prone pipe main replacement projects. In the context of pursuing the goals of the Act on Climate and creating a financial incentive, or what is tantamount to a financial penalty, the Company does not believe it is appropriate to deny AFUDC for a theoretical construction phase of a main installation project, before it is placed in-service. The Act on Climate does not provide any explicit or implicit basis to presume that the legislature has overridden the Supreme Court's indication that the capitalization of interest on funds expended in construction is the means through which utility rates remain fair and reasonable when a plan in-service model of accounting is employed. New England Tel. & Tel. Co., 358 A.2d at 19.

Record Request No. 24

Request:

If the Commission were to order that AFUDC would not accrue from the date of connection of a service to new main until abandonment of the associated old main, would that be administratively feasible? Why or why not?

Response:

As discussed in the Company's response to Record Requests Nos. 22 and 23, pursuant to standard ratemaking principles, the current financial treatment for projects in process is that Allowance for Funds Used During Construction ("AFUDC") charges continue being applied to the accumulated Construction Work in Progress ("CWIP") balance on active projects until the project is placed in-service. That treatment of AFUDC is consistent with Federal Energy Regulatory Commission ("FERC") Accounting Regulations and Generally Accepted Accounting Principles ("GAAP") and Rhode Island Supreme Court precedent regarding plant in service accounting. The AFUDC charges are systematically applied monthly by the Company's Plant Accounting Software to capital projects until the assets are placed in-service. It would be administratively burdensome for the Company to implement a change in which a leak prone pipe replacement project does not receive an in-service classification until the associated old main is abandoned and AFUDC stops accruing once the new main has been installed and one or more actives services are connected (existing in-service date trigger). Please refer to the Company's response to Record Request No. 22 regarding the manual process that would need to be established in order to turn off AFUDC for every individual project, as this does not align with the current process established by the Plant Accounting Software system for all other capital projects.

Record Request No. 25

Request:

Who should bear the risk of the delay in abandoning old main, the Company or ratepayers? (If you intend to answer this in the memorandum of law, just cross reference that here.)

Response:

The Company is responsible for bearing and managing the risk on its system. In addition, the Company is prudent in its scheduling of work, and therefore, with the exception of a small number of jobs impacted by factors beyond the control of the Company[1], the Company does not consider the gap in time between main installation and main retirement as an internal delay. Rather, any gap in time that may occur results from the Company's prudent prioritization of work to manage risk across its system.

The Company is responsible for managing risk on its system in accordance with its Distribution Integrity Management Plan ("DIMP".) The DIMP is governed by the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration ("PHMSA"). The DIMP regulation requires that each Local Distribution Company ("LDC") develop, write, and implement an integrity management ("IM") program in order to: (1) understand system design and material characteristics, operating conditions and environment, and maintenance and operating history; (2) identify existing and potential threats; (3) evaluate and rank risks; (4) identify and implement measures to address risks; (5) measure integrity management program performance, monitor results, and evaluate effectiveness; (6) periodically assess and improve the integrity management program; and (7) report performance results to PHMSA and, where applicable, also to states.

The Company considers its responsibility for managing risk in accordance with its DIMP in developing and implementing its workplan. DIMP requires risk be managed not just on individual jobs, but across all its jobs and programs. Thus, the Company's workplan prioritizes work using risk as a primary factor, along with other considerations such as permit requirements, work hour restrictions, coordination with municipal work, and availability of resources to determine when work will be performed.

During the early stages of the COVID-19 Pandemic ("Pandemic"), Spring/Summer 2020 – FY 2021, the Company was primarily only performing service work on an emergency basis, which hindered the ability to abandon segments of leak-prone pipe. However, due the nature of the

[1] Please see RIPUC Docket No. 5210, PUC 6-1, 6-2, and 6-4 (page 2).

work (outdoors, social distanced), the Company's Contractors were able to continue installing new main on leak-prone pipe replacement projects. This created a larger than normal delta between the miles of new replacement main installed (55.9) versus miles of leak-prone pipe abandoned (30.1). However, this was an impactful strategy that allowed some phases of work to progress in the multi-year Proactive Main Replacement Program. In FY 2022, the Company and its contractors installed 50.7 miles of new replacement main and abandoned 67.9 miles of leak-prone pipe, which was accomplished in part by focusing more contractor resources on service work during the second half of FY 2021 and in FY 2022. The FY 2023 ISR plan calls for the installation of 57.5 miles of new replacement main and the abandonment of 64.5 miles of leak-prone pipe; the Company, in consultation with the Division of Public of Utilities ("Division"), decided to decrease replacement main installations by 5 miles and the budget by approximately $5.03 million. The overall strategy to decrease the FY 2023 installation miles is to slightly reduce number of miles associated with carryover or in-progress main replacement projects. The Company will continue making efforts to close out main replacement projects in an expeditious fashion while also managing and prioritizing work according to the Company's DIMP plan, as stated above.

Please see also the Company's response to Record Request 23 with respect to the ratemaking issues implicated by this record request.

Record Request No. 26

Request:

Referring to the Company's response to RR-19, please describe the rate treatment of any portions of main abandoned in connection with the identified project.

Response:

The main abandoned in this project will fall into two categories: main abandoned under the initial project (Project 1) and work order and main abandoned under a follow-on work order (Project 2). In the former case, main abandoned under Project 1 has been charged to the original work order. These charges will be included as part of the Fiscal Year 2022 reconciliation. Charges incurred for main abandoned under Project 2 will be charged to the new work order and included in the Capital Additions Placed In-Service in the Fiscal Year in which the abandonment takes place.

Record Request No. 27

Request:

Please describe the rate treatment of repairs performed on pipes yet to abandoned after installation of associated new mains. Include in your response the rate treatment of those repairs before and after abandonment.

Response:

The rate treatment of repairs performed on pipes yet to be abandoned after installation of associated new mains depends on the nature of the repair. Repairs such as Cast Iron Joint Encapsulation or Service Relay are considered capital repairs and are included in the ISR budget. Other types of repairs are considered maintenance repairs and are included in the operations budget. It would be anomalous to perform repairs on abandoned main; however, in such an instance, there is no difference in the categorization of repairs after abandonment.

When an active leak develops on a section of main undergoing replacement, or on a section of main scheduled for replacement in the near future, the Company reprioritizes projects, to the extent that it is capable considering resources, permits, weather, and other factors, with the aim to resolve the leak through the abandonment of the associated old main. Reprioritization is possible because of the portfolio approach to the Company's leak prone pipe replacement program. Projects in progress, those scheduled to start soon, and emergent projects are frequently re-evaluated to ensure that execution takes place in the most efficient sequence to ensure current risk is balanced with future risk as it relates to state and municipal utility and paving work. This means that projects do not always proceed or complete in the same order they started.