STATE OF RHODE ISLAND

PUBLIC UTILITIES COMMISSION

IN RE:	**RHODE ISLAND ENERGY'S FY 2023 GAS INFRASTRUCTURE SAFETY, AND RELIABILITY PLAN (ANNUAL RECONCILIATION)**	))))	**DOCKET NO. 5210**

DIRECT TESTIMONY

OF

ALBERICO MANCINI

September 29, 2023

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND THE BUSINESS ADDRESS OF YOUR EMPLOYER.

A. My name is Alberico Mancini. I am employed by the Rhode Island Division of Public Utilities and Carriers ("Division"). The Division is located at 89 Jefferson Blvd., Warwick, Rhode Island 02888.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS MATTER?

A. I am testifying on behalf of the Division.

Q. WHAT IS YOUR POSITION WITH THE DIVISION?

A. I am the Chief Regulatory Analyst for the Division. I have been employed in this position since September of 2020. Prior to being promoted to the Chief Regulatory Analyst, I was the Assistant to the Chief Accountant for the Division from April of 2019 through August of 2020, a Rate Analyst for the Division from May of 2014 through April of 2019, and a Public Utilities Engineering Specialist from February of 1999 through May of 2014.

Q. WHAT DOES YOUR POSITION WITH THE DIVISION ENTAIL?

A. As Chief Regulatory Analyst for the Division, I am responsible for detailed analysis of the accounting records and financial structure of utilities under the jurisdiction of the Public Utilities Commission ("Commission") and the Division. This includes reviewing utility filings in concert with Division consultants and presenting the Division's findings and recommendations to the Division Administrator and Commission.

Q. WOULD YOU PLEASE OUTLINE YOUR EDUCATIONAL BACKGROUND?

A. I graduated from the University of Rhode Island in 1994 with a Bachelor of Science degree in Civil Engineering.

Q. ARE YOU A MEMBER OF ANY PROFESSIONAL SOCIETIES?

A. I am a member of the American Water Works Association ("AWWA"), New England Water Works Association ("NEWWA"), and the Rhode Island Water Works Association ("RIWWA").

Q. PLEASE BRIEFLY DESCRIBE YOUR EXPERIENCE WITH NATURAL GAS UTILITIES.

A. I have worked in the natural gas industry for the Division since May of 2014 when I was promoted to Rate Analyst. Over the past 9 years, I have familiarized myself with the gas business and gas distribution system of The Narragansett Electric Company, d/b/a Rhode Island Energy ("RIE" or "Company") through my review of the Company's annual Gas Cost Recovery filings, Distribution Adjustment Charge filings, Long Range Plan filings and Infrastructure, Safety, and Reliability ("ISR") Plan filings. In that time, I have also conducted site visits of facilities and capital projects throughout RIE's distribution system.

Q. HAVE YOU PREVIOUSLY TESTIFIED AS AN EXPERT BEFORE THE RHODE ISLAND PUBLIC UTILITIES COMMISSION?

A. Yes. Among other dockets, I have provided direct testimony in Docket 4996, relating to the FY 2021 Gas ISR Plan of The Narragansett Electric Company, d/b/a National Grid; in Docket No. 5099, relating to the FY 2022 Gas ISR Plan of National Grid; in Docket No.

5210 relating to the FY 2023 Gas ISR Plan of National Grid; and in Docket No. 22-54-NG relating to Rhode Island Energy's FY 2024 Gas ISR Plan.

II. PURPOSE OF TESTIMONY AND REVIEW

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. On August 1, 2023, Rhode Island Energy ("RIE" or "Company") submitted its Annual Gas ISR Reconciliation filing to the Public Utilities Commission ("Commission") for the period April 1, 2022 through March 31, 2023. Also, on August 1, 2023, 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 memorandum by its consultant, Lafayette Morgan of Exeter Associates. The purpose of this testimony is to provide the Division's position concerning RIE's Gas ISR Plan's Annual Reconciliation for Fiscal Year 2023 for effect November 1, 2023.

Q. PLEASE DESCRIBE THE BACKGROUND OF THE COMPANY'S FY 2023 GAS ISR PLAN RECONCILIATION FILING.

A. The Company's filing is supported by the testimony of Nathan Kocon, who provides an overview and description of the $171.086 million of actual capital investment spending and an explanation of major variances to the budget of $175.655 million approved by the Commission in Docket 5210. In Docket No. 5210, the Commission approved a gas ISR plan and budget that included $175.655 million in capital spending for the period April 1, 2022 through March 31, 2023. 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 discussed major variances with the Company throughout FY 2023.

Q. WHAT DID YOU OBSERVE IN THE COURSE OF YOUR REVIEW?

A. The Company's actual capital spend for FY 2023 of $171.086 million is $4.569 million below the approved $175.655 million budget. That the FY 2023 capital spend came in below budget is a product of Company underspend in several categories that was partially offset by overspend in other categories. Several factors contributed to the overall underspend which includes prioritizing certain projects while deferring other projects until FY 2024, limited Company resources, and a decrease in reactive main replacement and leak repair. The following reflects the budget categories with the most significant underspend:

Budget Category		Amount of Underspend
• CSC/Public Works		$5.319 million
• Transmission Station Integrity		$4.248 million
• Gas System Reliability		$2.964 million
• Reactive Leaks (CI Joint Encapsulation/Service Replacements)		$2.789 million
• Southern RI Gas Expansion Project		$2.731 million
• Pressure Regulating Facilities		$2.613 million
• Low Pressure Elimination		$1.909 million
• Main Replacement (Reactive)		$1.573 million
	Total	**$24.146 million**

The $24.146 million underspend was partially offset by additional work completed in other categories. The most significant overspend is reflected in the following budget categories:

• Main Replacement (Proactive)	$9.469 million
• LNG – Portable Equipment Purchase	$7.138 million
• Main Replacement – Large Diameter LPCI Program	$2.553 million
• Tools and Equipment	$1.417 million
• Atwells Avenue Main Replacement	$1.290 million
Total	**$21.867 million**

Q. WAS THE COMPANY'S SPENDING UNDER ITS FY 2023 GAS ISR PLAN CONSISTENT WITH THE DIVISION'S RECOMMENDATION IN DOCKET NO. 5210?

A. Yes, except for spending on the Cumberland Portable LNG equipment which I discuss below. For now, I would like to discuss the consistencies between the actual spending and our recommendation in Docket No. 5210. As part of the initial FY 2023 Gas ISR review by the Division, the Division and the Company agreed to reduce the Proactive Main Replacement budget by $5 million and concentrate on reducing the 38 miles of forecasted carryover miles. In its Memorandum filed on February 18, 2022, the Division recommended that if the Company reduces its forecasted carryover miles and has available resources, then the Company should continue replacing leak prone pipe through its Proactive Main Replacement Program while still not exceeding the overall approved budget. By reallocating resources as it did between ISR Plan budget categories, the Company installed 50.7 miles of main across all ISR programs enabling achievement of the 65-mile abandonment target recommended by the Division and ultimately approved by the Commission in Order No. 24452 in this docket.[1] In total, the Company abandoned 65.5 miles while reducing the FY 2023 carryover miles to approximately 25 miles.

Furthermore, by utilizing funds from underspent project categories, the Company was able to take advantage of contractor availability and project readiness to complete two additional projects and begin a third project as part of its Large Diameter LPCI Rehabilitation Program. The Division supported the additional work completed in this program as several hundred additional joints were resealed preventing future methane leaks and costly repairs on large diameter cast iron mains.

Q. IS THERE OTHER FY 2023 GAS ISR PLAN BUDGET SPEND THAT YOU WISH TO COMMENT ON?

A. Yes. The spend for "LNG – Portable Equipment Purchase" ($7.138 million) and spend for "Tools and Equipment" ($1.417 million). With respect to the former, in May of 2022, prior to the consummation of the sale of Narragansett Electric to PPL, National Grid notified the Division that Narragansett Electric intended to purchase the Cumberland portable LNG equipment. National Grid provided the Division with a "Portable Equipment Purchase Plan" and indicated that the purchase was not included in its approved FY 2023 Plan but that it intended to include the purchase as part of the FY 2023 Gas ISR spend. Based on the plan and discussions with National Grid representatives, the Division

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[1] Where the Company maintained an abandonment target of 65 miles and the Commission ordered the Division and the Company to adjust the ISR plan "to ensure that the actual rate of replacement keeps up with the targeted replacement rate." *In Re: The Narragansett Electric Company Gas FY 2023 ISR Plan Proposal*, Dkt. 5210, Order No. 24452 at 21 (RIPUC July 27, 2022).

indicated that it did not oppose the purchase but did not have the authority to approve the purchase, and that National Grid should notify the Commission of its intentions and obtain whatever authority it believed was necessary to achieve its goals.

By correspondence dated November 16, 2022, the Division received the Company's 2nd Quarter Update. In that report, the Company stated that it would "incur charges of $7.00 million in FY 2023, which was not originally in the budget, for costs associated with down payments for Portable LNG Equipment that will primarily be used at the Cumberland LNG Facility." The Company explained that the contract for the equipment, which had been extended during the Covid-19 pandemic, expired at the close of Winter 2022-2023; that the Company had performed a cost-benefit analysis that showed purchasing the equipment was in the best interest of Rhode Island ratepayers; and that the purchased equipment would be placed in service in FY 2024.[2]

Q. DOES THE DIVISION STILL SUPPORT THE COMPANY'S DECISION TO PURCHASE THE CUMBERLAND PORTABLE LNG EQUIPMENT?

A. Yes, for the reasons set forth above.[3] Additionally, it is the Division's understanding that had the Company continued to lease the Portable LNG equipment in Cumberland, the rental payments under a new lease arrangement would have increased as reflected in the Company's cost-benefit analysis that has been provided to the Division and Commission. As a result, leasing costs associated with the Cumberland LNG Facility have now been

[2] Dkt 22-54-NG, Response to Div. 1-39 and Attachment 1-39-1 at 310-313.

[3] The Company included the $7.138 million for the purchase of the tanks in the FY 2024 Gas ISR Plan revenue requirement. The $7.138 million appears as a budget category variance in the reconciliation filing (Table B) and does not impact the revenue requirement of the filing.

eliminated from the Company's 2023 Gas Cost Recovery Filing where previous portable LNG leasing cost were recovered by the Company.

Q. WHAT COMMENTS WOULD YOU LIKE TO MAKE ABOUT THE "TOOLS AND EQUIPMENT" SPEND VARIANCE?

A. As part of a proposed settlement in Docket 22-54-NG (the Company's FY2024 Gas ISR Plan) the Company had agreed to reduce its Tools and Equipment budget by $583 thousand due to specific specialty tools being purchased and delivered in FY 2023.[4] These tools, the T.D. Williamson ProStopp equipment and a specialty saw, were scheduled to be delivered in FY 2024 due to long lead times but actually arrived in February 2023. The Company also testified in Docket No. 22-54-NG that these tools could not have been borrowed from National Grid.[5] Accounting for the proposed settlement reduction, the original FY 2023 budget in this category would have increased from $824 thousand to $1.407 million. With respect to the additional $834 thousand spend, the Company explained that throughout 2023 it spent additional monies on tools and equipment due to incremental live gas work being performed by in-house crews and overall wear and tear over the past several years. [6]

Q. DOES THE DIVISION ACCEPT THE SPENDING VARIANCE FOR TOOLS AND EQUIPMENT?

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[4] The Commission did not approve this settlement but rather reserved decision-making on the subject of the additional "Tools and Equipment" spend and the like until this filing. *In Re: The Narragansett Electric Company Gas FY 2024 ISR Plan Proposal,* Dkt 22-54-NG, Order No. 22802 at 36 (RIPUC August 22, 2023).

[5] Dkt. No. 22-54-NG, *Transcript of Hearing* at 57-58 (March 14, 2023).

[6] *Pre-Filed Direct Testimony of Nathan Kocon* at Bates Page 19.

A. Yes. In total, the Company overspent $1.417 million in this category from its original budget but only $834 thousand if the proposed settlement is taken into consideration. The Division accepts the Company's testimony that the T.D. Williamson ProStopp equipment and a specialty saw could not have been borrowed from National Grid. Thus, the cost for these items cannot be characterized as costs incurred in the transition from The Narragansett Electric Company under National's Grid's regional service organization to Rhode Island Energy owned and operated by PPL Corporation. The Division also accepts the Company's explanation that throughout 2023 the Company spent additional monies on tools and equipment due to incremental live gas work being performed by in-house crews and overall wear and tear over the past several years.[7] The additional work being performed in all main replacement categories, in all probability, necessitated the purchase of a higher than usual amount of tools and equipment.

Q. WHAT COMMENTS WOULD YOU LIKE TO MAKE ABOUT THE "ATWELLS AVENUE MAIN REPLACEMENT" SPEND VARIANCE?

A. The Company's original budget of $1.464 million for the Atwells Avenue Main Replacement project included $1.10 million associated with the Atwells Avenue Segment 3 work but this phase of the project was deferred and included in the approved FY 2024 budget. Also, $400 thousand in restoration costs that was originally budgeted for FY 2024 was removed and included in the FY 2023 budget due to restoration work being completed ahead of schedule. Adjusting for these changes, the FY 2023 budget would have been

[7] *Pre-Filed Direct Testimony of Nathan Kocon* at Bates Page 19.

reduced to $764 thousand. Actual spend for FY 2023 increased to $2.754 million as final restoration costs exceeded the $400 thousand original estimate. This results in a $1.29 million overspend from the original approved budget of $1.464 million. The Division will continue to monitor total costs associated with the completion of the Atwells Avenue Main Replacement project.

Q. DOES THE DIVISION HAVE ANY COMMENTS ABOUT THE COMPANY'S UPDATED REVENUE REQUIREMENTS FOR ITS FY 2023 GAS ISR PLAN?

A. The Company's Filing was also supported by the testimony of Stephanie Briggs, Jeffrey Oliveira, and Natalie Hawk who presented the updated FY 2023 revenue requirement of $44,292,572 which results in a $1,855,603 increase from the projected $42,436,970 previously approved by the Commission in Docket 5210. 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 the calculation of the updated revenue requirements.

In Order No. 24042 in Docket No. 5099, the Commission directed the Company "to commence using the plant-in-service methodology for the Gas ISR (revenue requirement) that is currently employed for the Electric ISR."[8] The Company's approved FY 2023 Gas ISR Plan included incremental revenues of $6,439,207 to support an estimated $162.924

[8] *In Re: The Narragansett Electric Company Gas FY 2022 ISR Plan Proposal,* Dkt. 5099, Order No. 24042 at 19 (RIPUC May 6, 2021).

million in Capital Additions. The actual Capital Additions for FY 2023 totaled $151.651 million which reduced the associated incremental revenue requirement to $4,321,656. While the approved FY 2023 revenue requirement associated with the FY 2023 Capital Additions decreased from $6,439,207 to $4,321,656, the net impact of several other factors as explained in the Company's testimony results in a cumulative total revenue requirement of $44,292,572.[9]

The proposed FY 2023 adjusted revenue requirement of $44,292,572 also includes a hold harmless credit reduction of $1,727,500 related to the sale of Narragansett Electric to PPL. The Division, along with its consultant, David Effron, have reviewed all calculations supporting the updated FY 2023 revenue requirement of $44,292,572 and have no recommended adjustments.

III. <u>CONCLUSION</u>

Q. DOES THE DIVISION HAVE A RECOMMENDATION REGARDING THE COMPANY'S RECONCILIATION FILING FOR THE FY 2023 GAS ISR PLAN?

A. Yes.

Q. WHAT IS THE DIVISION'S RECOMMENDATION?

A. The Company underspent $4.569 million below the approved budget of $175.655 million. The underspend is 2.6% below the approved budget level. Given the overall complexity of the gas ISR plan projects, an underspend that is 2.6% *below* the approved budget is

[9] Joint Pre-Filed Direct Testimony of Stephanie A. Briggs, Jeffrey D. Olivera and Natalie Hawk at Bates Page 54-55 and also calculated in attachment SAB/JDO-1, Bates Page 1.

reasonable. The Division recommends approval of the Company's Annual Reconciliation Filing for Docket No. 5210 as filed.