

February 28, 2008

VIA HAND DELIVERY AND ELECTRONIC MAIL

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

**RE: Semi-Annual Environmental Report for Gas Service
Period July 1, 2007 through December 31, 2007**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's Semi-Annual Environmental Report for natural gas service ("Report") for the period July 1, 2007 through December 31, 2007. This Report contains a description of the environmental remediation sites as well as the expenses incurred during the six-month period of July through December 2007.

Thank you for your attention to this filing. Should you have any questions please feel free to contact me at (401) 784-7667.

Very truly yours,



Laura S. Olton

Enclosures

cc: Docket 3859 Service List
David Effron
Bruce Oliver

National Grid

**Environmental Report for
Gas Service**

Period of July 1, 2007 – December 31, 2007

February 28, 2008

**Submitted to:
RI Public Utilities Commission
RIPUC Docket 3859**

Submitted by
nationalgrid

ENVIRONMENTAL REPORT
For Period
July 1, 2007 – December 31, 2007

642 Allens Avenue, Providence, Rhode Island

This site is the former Sassafras Point Manufactured Gas Plant (“MGP”), which operated from 1910 until 1953. The site abuts the Providence River in a heavily industrialized area and is currently the location of the Company’s central gas supply facility. The Phase 1 remediation project (addressing 4.5 acres) was completed in October 2002 and a Closure Report was filed with the Rhode Island Department of Environmental Management (“RIDEM”) in December 2002. A Site Investigation Report (“SIR”) addressing the remaining 37.5 acres of the site was submitted to RIDEM in April 2003. To date, the Company has not received a response from RIDEM regarding the Closure Report or the SIR. Remediation of the remaining 37.5 acres of the site (known as the “Phase 2” remediation project) is not scheduled at this time. Until National Grid receives a closure letter from RIDEM for Phase 1 remedial activities and approval of the April 2003 SIR, it is unclear what, if any, additional investigation or remediation will be necessary. In the meantime, the Company continues to maintain a containment boom in the Providence River and conduct groundwater monitoring and NAPL gauging at the site. Costs reported this period are for boom maintenance and gauging/sampling activities.

Project 907, 908, 908-01

This project is associated with the initial site investigation activities of the former manufactured gas plant, the remediation of the original 4.2 acres of the former manufactured gas plant, and the investigation and potential remediation of the remaining 37.5 acres.

		Bal @	Bal @	July 1-Dec 31
I. Environmental Expenses		6/30/2007	12/31/2007	Activity
907+908	642 Allens Ave	\$ 18,628,481	\$ 18,641,495	\$ 13,014
	Sub-Total	\$ 18,628,481	\$ 18,641,495	\$ 13,014

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170 Allens Avenue, Providence, Rhode Island

Citizens Gas Light began manufactured gas plant operations at this site circa 1875. After Providence Gas acquired the plant in 1877, it was known as the South Station Plant. This former MGP operated until 1916. Subsequent to its use as a gas plant, this site was operated for over eighty years as a bulk fuel oil storage yard by a succession of companies including Cargill, Inc. (“Cargill”). In November 1998, Providence Gas received a letter of responsibility from RIDEM relating to possible contamination. Cargill has also received a letter of responsibility from RIDEM for the site. An investigation was initiated to determine the extent of contamination, as well as the extent of the Company’s responsibility. Providence Gas entered into a cost-sharing agreement with Cargill, under which Providence Gas is responsible for approximately twenty percent (20%) of the investigation costs. During this period, Cargill submitted a revised investigation work plan and RIDEM provided comments. In addition, the Company entered into initial discussions with Cargill regarding this matter. Until the site investigation is complete, and the Company knows its ultimate responsibility relative to other potentially responsible parties with respect to the site, the Company cannot offer any conclusions as to its ultimate financial responsibility with respect to the site. Costs incurred during this period relate to consultant fees and National Grid project management associated with researching the status of the project.

		Bal @	Bal @	July 1-Dec 31
I. Environmental Expenses		6/30/2007	12/31/2007	Activity
379	170 Allens Ave.	\$ 510,034	\$ 513,445	\$ 3,411
	Sub-Total	\$ 510,034	\$ 513,445	\$ 3,411

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Valley Resources Sites in Rhode Island

The Narragansett Electric Company's ("NEC") contribution action against Southern Union relating to the remediation of the Mendon Road site in Attleboro, Massachusetts is in the process of being dismissed following the sale of Southern Union's ("SU") New England Gas assets to NEC in August 2006. The suit, which alleged that SU shared liability for the Mendon Road site, which was allegedly contaminated with coal gas manufacturing waste transported from a former MGP in Pawtucket, Rhode Island, is being dismissed by NEC because the Purchase and Sale Agreement between NEC and SU allocated to NEC the environmental liability for the Mendon Road site, the Tidewater MGP site in Pawtucket and the Hamlet Avenue MGP site in Woonsocket.

Project 781

This project is associated with the Mendon Road remediation following discovery of manufactured gas plant wastes at this location.

		Bal @		Bal @		July 1-Dec 31
I. Environmental Expenses		6/30/2007		12/31/2007		Activity
781	Mendon Rd, Cumberland	\$ 121,355		\$ 121,355		\$ -
	Sub-Total	\$ 121,355		\$ 121,355		\$ -

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Pawtucket (Tidewater) MGP, Rhode Island

This project is associated with the site investigation activities at the former MGP at this location. Following the Purchase and Sale Agreement between NEC and SU, eighty percent (80%) of the costs associated with the former MGP site are assumed by NEC, with the remaining twenty percent (20%) assumed by the gas operations of the Company.

The 28-acre site was the location of a former MGP which operated from the 1880's until 1954. In addition the property housed a power station that operated from the 1890's until 1976. The site currently houses gas and electrical operations, including a gas regulator station, an electrical substation and two transmission towers. Site investigation activities have been performed at the site since 1986. In late 2006, the site investigation activities were completed and a draft Site Investigation Report was prepared. In addition, the Company prepared a Short-Term Remedial Action Plan ("STRAP") to address certain impacted areas of the site. The Company anticipates completing the STRAP work and Site Investigation Report in the first half of 2008. Costs incurred during this reporting period are associated with the Site Investigation Report preparation and final planning for the STRAP activities.

		Bal @		Bal @		July 1-Dec 31
I. Environmental Expenses		6/30/2007		12/31/2007		Activity
782	Tidewater St, Pawtucket	\$ 375,281		\$ 390,586		\$ 15,305
	Sub-Total	\$ 375,281		\$ 390,586		\$ 15,305

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Woonsocket (Hamlet Ave.) MGP, Rhode Island

This project is associated with the site investigation activities at the former manufactured gas plant at this location. Following the Purchase and Sale Agreement between NEC and SU, eighty percent (80%) of the costs associated with the former MGP site are assumed by NEC, with the remaining twenty percent (20%) assumed by the gas operations of the Company.

The site was the location of a MGP which operated from 1852 until approximately 1913. The site currently houses a gas regulator station. Site investigation activities were performed at the site in the late 1990's and a draft Site Investigation Report was prepared. No activity occurred at this site during this reporting period.

		Bal @		Bal @		July 1-Dec 31
I. Environmental Expenses		6/30/2007		12/31/2007		Activity
783	Clean-up, Hamlet Ave, Woonsocket	\$ 104,928		\$ 104,928		\$ -
	Sub-Total	\$ 104,928		\$ 104,928		\$ -

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PCB Regulated Pipe Abandonment, Rhode Island

In 1998, EPA enacted a major change to regulations 40 CFR Parts 750 and 761 governing polychlorinated biphenyls (“PCBs”). These new regulations are commonly referred to as the “MegaRule.” Among other matters, the MegaRule addresses the testing, characterization, and disposal of PCB-contaminated pipe in natural gas distribution systems. This project tracks costs associated with the analytical testing of condensate and wipe test samples and disposal of PCB-contaminated condensate, drip water, and pipe.

		Bal @	Bal @	July 1-Dec 31
I. Environmental Expenses		6/30/2007	12/31/2007	Activity
307	PCB Reg - Pipe Abandonment	\$ 151,865	\$ 163,229	\$ 11,364
	Sub-Total	\$ 151,865	\$ 163,229	\$ 11,364

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18 and 21 Holders at 642 Allens Avenue, Providence, Rhode Island

This project tracks environmental costs associated with the proposed decommissioning of the No. 18 and No. 21 former gas holders at this former MGP. The superstructures of the holders have been dismantled, however the holders currently contain collected precipitation. A discharge permit was secured from the Narragansett Bay Commission and discharge of the collected precipitation commenced in January 2006. Costs reported during this period relate to the discharge permit fee and costs associated with the analytical testing prescribed by the discharge permit, as well as initial assessment of holder decontamination and demolition.

		Bal @	Bal @	July 1-Dec 31
I. Environmental Expenses		6/30/2007	12/31/2007	Activity
700	18 & 21 Holders Allens Av	\$ 103,943	\$ 108,029	\$ 4,086
	Sub-Total	\$ 103,943	\$ 108,029	\$ 4,086

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18 Canal Street, Westerly, Rhode Island

On December 9, 1996, approximately half an ounce of mercury was released to the site soils and RIDEM was notified. Remediation contractors conducted various remedial activities at the site to address the release including the shipment of approximately 14 cubic yards of contaminated soil offsite for disposal. In a February 10, 1999 letter, RIDEM requested additional information and a response was submitted to RIDEM on December 22, 1999. The Company then submitted a letter to RIDEM on February 7, 2000 requesting No Further Action with regard to the mercury release. RIDEM has not yet responded. No future costs are anticipated with this project.

		Bal @		Bal @		July 1-Dec 31
I. Environmental Expenses		6/30/2007		12/31/2007		Activity
161	Mercury Spill Canal St Westerly	\$ 29,133		\$ 29,133		\$ -
	Sub-Total	\$ 29,133		\$ 29,133		\$ -

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18 Canal Street, Westerly, Rhode Island

This property is a former MGP that NEC operated at this location from 1885 to 1953. New England Gas Company owned this property prior to its acquisition by National Grid. Future environmental costs associated with the former MGP will be assumed by NEC.

		Bal @		Bal @		July 1-Dec 31
I. Environmental Expenses		6/30/2007		12/31/2007		Activity
144	Soil Invest Canal St Westerly	\$ 82,184		\$ 82,184		\$ -
	Sub-Total	\$ 82,184		\$ 82,184		\$ -

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9 JT Connell Highway, Newport, Rhode Island

This property is the Company’s former Newport operations center. Low levels of environmental contamination were discovered during due diligence investigations related to a sale of the property. The Company no longer owns the property. Groundwater contamination necessitated continued groundwater monitoring and reporting.

All remedial actions are now complete and RIDEM issued a Letter of Compliance to the Company on January 13, 2005 indicating no further action is required. The groundwater monitoring wells were closed in July 2005 and no future costs are anticipated.

		Bal @		Bal @		July 1-Dec 31
I. Environmental Expenses		6/30/2007		12/31/2007		Activity
178	Site Inv Connell Hwy Newport	\$ 44,092		\$ 44,092		\$ -
	Sub-Total	\$ 44,092		\$ 44,092		\$ -

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Thames & Wellington, Newport, Rhode Island

On June 28, 2006, the Company received a Letter of Responsibility from RIDEM for the property located at this location requesting a site investigation. A manufactured gas plant operated at this location from the early 1890's until approximately 1955. In the 1980's the site was developed for mixed residential and commercial use with the construction of condominiums, commercial buildings and a marina. The Company is currently monitoring and maintaining a containment boom located near shore and proceeding with the site investigation activities under RIDEM's regulations. This period, the Company completed the Site Data Report documenting the investigation activities performed in Spring 2007 (submitted to RIDEM on September 4, 2007) and planned for the next phase of site investigation activities to be conducted in early 2008. Costs reported this period are for work associated with regular boom inspection and maintenance, completion of the Site Data Report, implementation of the Short Term Response Action in late May 2007 and planning for the upcoming investigation activities.

		Bal @	Bal @	July 1-Dec 31
I. Environmental Expenses		6/30/2007	12/31/2007	Activity
	Thames & Wellington Inv.	\$ 230,321	\$ 394,383	\$ 164,062
	Sub-Total	\$ 230,321	\$ 394,383	\$ 164,062

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Mercury Seal Regulator Replacement Program, Rhode Island

This project is associated with the Company’s current mercury seal regulator (“MSR”) replacement program. This program has a proactive goal to remove all known MSRs from the distribution system. Over 9,000 MSRs have been replaced to date. The work is continuing and includes independent real-time vapor screening and follow-up analytical testing at an independent laboratory of all MSR locations prior to, during, and following MSR removal to document that all mercury was properly contained. Actions taking place during this reporting period include removal of 95 MSRs.

		Bal @	Bal @	July 1-Dec 31
I. Environmental Expenses		6/30/2007	12/31/2007	Activity
171	Mercury Reg Replace Programs	\$ 1,660,364	\$ 1,712,703	\$ 52,339
	Sub-Total	\$ 1,660,364	\$ 1,712,703	\$ 52,339

Docket No. 3859 – National Grid – Annual Distribution Adjustment Clause Filing (“DAC”) - Service List as of 1/11/08

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