

November 21, 2011

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4218 - Electric Infrastructure, Safety, and Reliability Plan FY 2012
Quarterly Report – 2nd Quarter FY 2012**

Dear Ms. Massaro:

On behalf of National Grid¹, I have enclosed ten (10) copies of the Company's Second Quarter Report for period ending September 30, 2011, regarding the Electric Infrastructure, Safety and Reliability ("ISR") Plan for FY 2012. Pursuant to the provisions of the approved ISR plan, the Company committed to providing quarterly reports on the progress of its Electric ISR programs to both the Commission and the Division.

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

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Docket 4218 Service List
Leo Wold, Esq.
Steve Scialabba
James Lanni
Al Contente

¹ The Narragansett Electric Company d/b/a National Grid (hereinafter referred to as "National Grid" or the "Company").

Electric Infrastructure, Safety and Reliability Plan

FY12 Quarterly Update

Second Quarter Ending September 30, 2011

Executive Summary

Overall, in the first six months of fiscal year 2012 (FY 2012), the company spent \$22.7 million for capital investment projects against an annual approved budget of \$58.4 million, representing 39% of the total FY 2012 budget. The Company originally anticipated spending through the second quarter to be equal to 56% of the total FY 2012 budget. In the sections below relating to specific spending rationale, we explain the primary drivers for the lower spend during the first six months of FY 2012.

We currently anticipate that the Company's overall spend for the entire fiscal year will be approximately \$7.7M below budget, primarily driven by lower spending in the non-discretionary category for statutory/regulatory work, as discussed below.

FY12 Capital Outlays by Key Driver Category

Statutory/Regulatory - \$2.8M under budget year to date

There has been a significant reduction in the amount of new business and public requirement projects undertaken through the second quarter of FY12 in comparison to historical projections. This is mainly due to economic influences and it is currently projected that at fiscal year end this category will be \$7.0 million under budget.

Damage/Failure - \$1.3M over budget year to date

Through the second quarter the Damage/Failure spend is higher than historical trends. This is primarily driven by storm activity, including some costs from restoration following Tropical Storm Irene. It is currently projected that at fiscal year end this category will be \$0.6 million over budget. It should be noted that not all capital costs from Tropical Storm Irene are included in the current forecast, nor are there any capital costs from the October Snowstorm yet included in the forecast. The forecast will be revised upwards in the next quarterly forecast.

Asset Condition - \$1.0M under budget year to date

Overall spending is lower in the Asset Condition category through the second quarter primarily due to the following:

The RTU replacement program has been delayed to FY 2014 based on the current condition of the remaining three RTUs in the program.

The Nasonville Metalclad project was also deferred after a more detailed review which indicated the condition of the switchgear did not warrant replacement at this time.

The estimated costs for the flood mitigation projects are under budget. Engineering is progressing on the flood studies with lower spending than anticipated. In addition, the spending to mitigate flooding at the Westerly Substation by installing additional feeders at the Hopkinton substation is lower than anticipated this fiscal year due to substation permitting delays.

It is currently projected that at fiscal year end the Asset Condition category will be \$0.8 million under budget. This category will be reviewed for potential adjustments through the next quarter.

System Capacity and Performance - \$2.6M under budget year to date

Overall spending is lower in the System Capacity and Performance category through the second quarter primarily due to the following:

Longer than expected permitting timelines for substation work for the Coventry and Hopkinton projects have delayed both of these projects.

Load Relief to the 9J3, Brown Street project has been deferred to FY 2013 to accommodate scheduling pole sets with the Telephone Company.

The schedule for the Johnston Substation 12.47kV expansion has been reviewed and only preliminary engineering will occur in FY 2012.

Due to the reduced spending for these projects, the purchase of land for the Newport Substation project will be accelerated and purchased in FY 2012.

With these adjustments, it is currently projected that at fiscal year end the System Capacity and Performance category will be \$0.2 million under budget. This category will be reviewed for potential adjustments through the next quarter.

Investment Placed in Service

Through the second quarter of FY 2012, \$21.8 million, or 39% of projected plant additions, has been placed in service. It is currently anticipated that plant in service will be approximately \$6.8M above the forecast for plant in service for FY 2102. Details by spending rationale can be seen in Attachment B.

Vegetation Management

Through the second quarter of FY 2012, 42% of the annual distribution mileage trimming goal has been completed with an associated spend of 43% of the FY 2012 budget for the program. The vegetation management program is forecast to complete the planned work for \$8.2 million, or 2%, above the original ISR forecast. The increase above the budget is primarily driven by work on the 3302 sub-transmission line from Quonset Point to Narragansett, which exceeded standard hourly estimates due to the complexities involved in performing vegetation management work on this right of way which passes through backyards in residential areas.

Details can be seen in Attachment C.

Inspection and Maintenance

Through the second quarter of FY 2012, 37% of the annual inspection goal has been completed with an associated spend of 50% of the FY 2012 budget. Tropical Storm Irene has impacted the inspection work plan and costs have been running slightly higher than estimated. This work will be reviewed for adjustments in the next quarter.

Expense costs related to cutout replacements are less than anticipated, and it is expected that the work will be completed under budget. Expense costs for feeder hardening are projected to be slightly higher than budgeted due to the volume of work on the scheduled feeders.

Overall, the inspection and Maintenance program forecast is \$1.3 million, or 10%, above the original ISR forecast.

Attachment D provides the spending to date for all components in this category.

US Electricity Distribution - Rhode Island
Capital Spend by Spending Rationale
FY12 thru September 30, 2011

in \$000's	FYTD			FY2012 Total		
	Actual	Budget	Variance	Forecast	Budget	Variance
Statutory/Regulatory	7,502	10,385	2,883	14,619	21,637	7,018
Damage/Failure	5,983	4,659	(1,324)	10,303	9,705	(598)
<i>Subtotal</i>	<u>13,485</u>	<u>15,044</u>	<u>1,559</u>	<u>24,922</u>	<u>31,342</u>	<u>6,420</u>
Asset Condition	4,305	5,363	1,058	10,176	10,937	761
Non-Infrastructure	12	133	121	37	278	241
System Capacity & Performance	4,886	7,480	2,594	15,586	15,821	235
<i>Subtotal</i>	<u>9,203</u>	<u>12,976</u>	<u>3,773</u>	<u>25,799</u>	<u>27,036</u>	<u>1,237</u>
Total Capital Investment in Systems	<u>22,688</u>	<u>28,020</u>	<u>5,332</u>	<u>50,721</u>	<u>58,378</u>	<u>7,657</u>

US Electricity Distribution - Rhode Island
Plant Additions by Spending Rationale
FY12 thru September 30, 2011

in \$000's		% of Current			
		FYTD Actual In Service	FY12 Annual ISR Forecast	Current FY12 Yr End Forecast	Forecast Placed In Service
Statutory/Regulatory		8,230	20,612	15,916	52%
Damage/Failure		5,503	9,475	9,550	58%
	<i>Subtotal</i>	13,733	30,087	25,466	54%
Asset Condition		2121	5,805	15,626	14%
Non-Infrastructure		60	278	60	100%
System Capacity & Performance		5,845	12,632	14,411	41%
	<i>Subtotal</i>	8,026	18,715	30,097	27%
Total Capital Investment in Systems		21,759	48,802	55,563	39%

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 Attachment C
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US Electricity Distribution - Rhode Island
 O&M Vegetation Management Expenditures
 FY12 thru September 30, 2011

in \$000's	FYTD			FY2012 Total		
	Actual	Budget	Variance	Forecast	Budget	Variance
Veg Management						
Cycle Trimming	2,035	2,357	322	5,300	5,300	0
Hazard Tree	541	312	(229)	700	750	50
SubT (on and off road)	319	209	(110)	461	267	(194)
Police Detail	255	214	(41)	479	491	12
Core Crew (all other activities)	465	573	108	1,268	1,261	(7)
			0			0
Total Veg Management	3,615	3,665	50	8,208	8,069	(139)

	FY12 Goal	FYTD Goal	FYTD Complete	% Complete vs Scheduled FYTD	Annual % Complete vs FY12 Goal
Distribution Mileage Trimming	1,416	708	588	83%	42%

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US Electricity Distribution - Rhode Island
Inspection and Maintenance Program Progress Update
FY12 thru September 30, 2011

FYTD Actual O&M Spend (\$000's)	FYTD Actual Spend	FY12 Annual ISR Forecast	Current FY12 Yr End Forecast	% Complete
Potted Porcelain Cutouts	\$42	\$171	\$94	45%
Feeder Hardening	\$173	\$823	\$985	18%
<i>Subtotal</i>	\$215	\$994	\$1,079	20%
Inspections - Related Costs	\$90	\$145	\$180	50%
Total Operation and Maintenance Expenses	\$305	\$1,139	\$1,259	24%

	FY12 Goal	FYTD Goal	FYTD Complete	% Complete vs Scheduled FYTD	Annual % Complete vs FY12 Goal
RI Distribution Overhead Structures Inspected	48,567	24,288	17,796	73%	37%