

June 1, 2012

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 – 4th Quarter FY 2012**

Dear Ms. Massaro:

On behalf of National Grid¹, I have enclosed ten (10) copies of the Company's Fourth Quarter Report for period ending March 31, 2012, 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

Fourth Quarter Ending March 31, 2012

Executive Summary

Overall, for fiscal year 2012 (FY 2012), Narragansett Electric Company (“Company”) spent \$50.5 million for capital investment, \$7.9 million under budget against an annual approved budget of \$58.4 million. In the sections below relating to specific spending rationale, we explain the primary drivers for the lower spend during FY 2012.

In the third quarter ISR report, the Company anticipated that the overall spend for the entire fiscal year would be approximately \$7.6M below budget, primarily driven by lower spending in the non-discretionary category for statutory/regulatory work and lower spending in the discretionary category for system capacity and performance work. The FY 2012 actual results are in line with that forecast and are discussed in greater detail below.

FY12 Capital Outlays by Key Driver Category

Statutory/Regulatory - \$8.4M under budget for FY 2012

The 3rd Quarter FY 2012 Report¹ projected this category to be \$7.6 million under budget. As discussed in that report, throughout FY 2012 there was a significant reduction in the amount of new business and public requirement projects in comparison to historical projections, mainly due to economic influences that contributed to this under spend.

Damage/Failure - \$3.3M over budget for FY 2012

The 3rd Quarter FY 2012 Report projected this category to be \$3.9 million over budget. For FY 2012 the Damage/Failure spend is higher than historical trends driven primarily by storm activity associated with the costs from restoration following Tropical Storm Irene in August and September and the October Snow Event. Capital replacement work during major storm events is not recovered through the storm fund.

Asset Condition - \$0.3M under budget for FY 2012

The 3rd Quarter FY 2012 Report projected this category to be \$0.7 million under budget.

¹ The 3rd Quarter FY 2012 report was filed with the Commission on March 2, 2012.

Overall spending is lower in the Asset Condition category for FY 2012 primarily driven by the following projects, previously discussed in the quarterly updates:

- 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 indicated that the condition of the switchgear did not warrant replacement at this time.
- The estimated costs for the flood mitigation projects were 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 was lower than anticipated this fiscal year due to substation permitting delays.

To compensate for a portion of the underspend in the Asset Condition category, the purchase of a mobile substation replacement was accelerated and purchased in FY 2012.

Non-Infrastructure - \$0.1M under budget for FY 2012

The 3rd Quarter FY 2012 Report projected this category to be \$0.2 million under budget. Overall spending was lower in the non-infrastructure category for FY 2012 primarily due to reduced demand for general equipment.

System Capacity and Performance - \$2.2M under budget for FY 2012

The 3rd Quarter FY 2012 Report projected this category to be \$2.5 million under budget. Overall spending was lower in the System Capacity and Performance category for FY 2012 primarily driven by the following projects, previously discussed in the quarterly updates.

- Longer than expected permitting timelines for substation work for the Coventry and Hopkinton projects 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 was started in FY 2012.
- The EMS project has been delayed, and was under budget in FY 2012. This work has recently been approved and has now progressed to engineering.
- The storm activity in Rhode Island in FY 2012 had an impact on resource availability to perform overhead capital work. Moreover, once Rhode Island

customers were restored after the October snow event, a significant number of Rhode Island crews were dispatched to Massachusetts for mutual aid to restore customers still out of service in Massachusetts. Rhode Island crews also provided mutual aid to Massachusetts customers two previous times in the summer of 2011, after the tornado and the microburst experienced in the western part of the state.² This limitation on resource availability impacted the following projects:

- Load Relief Blanket: this project was under budget at the end of the fiscal year due to resources being shifted to higher priority work.
- Reliability Blanket: this project was under budget at the end of the fiscal year due to resources being shifted to higher priority work.
- Overloaded distribution transformers were completed by the end of the fiscal year, with more units replaced than originally forecasted, however, the total costs were under budget due to lower installed unit costs than estimated.
- Potted porcelain cutout replacements were completed by the end of the fiscal year, with more units replaced than originally forecasted, however, the total costs were under budget due to lower installed unit costs gained by efficiencies in scheduling work requiring customer outages.
- As discussed in the 2nd Quarter FY 2012 Report, the purchase of land for the Newport Substation project was accelerated and purchased in the 3rd quarter.
- Feeder Hardening was performed primarily in the 3rd and 4th quarters, completing the 225 miles of FY 2012 Feeder Hardening. In addition, approximately 75 miles out of the 130 miles of the FY 2013 Feeder Hardening was started in the 4th quarter of FY 2012. This work was accelerated as external resources were available and able to be efficiently mobilized without exceeding the total discretionary capital budget for System Capacity and Performance. This FY 2013 Feeder Hardening work had been agreed to with the Division in the FY 2013 ISR filed with the Commission on December 29, 2012. Total capital spending on Feeder Hardening in FY 2012, including the FY 2013 miles worked in FY 2102, was \$2.6 million against a FY 2012 budget of \$2.4 million. The Company does not expect to exceed the FY 2013 capital budget for Feeder Hardening, with total projected capital spending on Feeder Hardening for FY 2013 forecasted to be \$1.0 million against a budget of \$1.5 million.

² The costs to provide mutual aid to Massachusetts are directly charged to Massachusetts at the time the mutual aid is provided.

Investment Placed in Service

For FY 2012, \$51.6 million was placed in service, which was \$2.8M above the forecast for plant in service for FY 2102. Details by spending rationale are set forth in Attachment B.

Vegetation Management

For FY 2012, 100% of the annual distribution mileage cycle trimming goal was completed with an associated spend of 103% of the FY 2012 cycle trimming budget. As discussed in the previous quarterly reports this increase above the budget was primarily driven by work on the 3302 sub-transmission line from Quonset Point to Narragansett. The overall vegetation management spending for FY 2012 was \$7.9 million with an approved budget of \$8.1 million.

More specific details are set forth in Attachment C.

Inspection and Maintenance

For FY 2012, 73% of the annual inspection goal was completed with an associated spend of 103% of the FY 2012 inspection budget. Tropical Storm Irene and the October snow event impacted the inspection work plan and costs are running higher than estimated. This deferral of inspections is not expected to have an impact on the proposed level of repairs to be performed as there are sufficient inspections completed to support the funding for repairs, both capital and O&M, in the FY 2013 ISR³.

For cutout replacements the number of replacements exceeded the target by 50% (4,601 vs. 3,100), and the program was under budget, due to lower installed unit costs gained by efficiencies in scheduling work requiring customer outages.

As discussed in the System Capacity and Performance section of this report, approximately 75 miles out of the 130 miles of the FY 2013 Feeder Hardening was started in the 4th quarter of FY 2012. Total expense spending on Feeder Hardening in FY 2012, including the FY 2013 miles worked in FY 2012, was \$1.2 million against a FY 2012 budget of \$822,500. While capital costs were within 10% of the FY 2012 capital budget for Feeder Hardening, expense costs for Feeder Hardening came in at 48% higher than budgeted due to this additional work, and a higher than anticipated percentage of expense related repairs. The Company does not expect to exceed the FY 2013 expense budget for Feeder Hardening, with total projected expense spending on Feeder Hardening for FY 2013 forecasted for \$350,000 against a budget of \$530,000.

Overall, the Inspection and Maintenance program forecast was approximately \$1.5 million, approximately \$300K higher than the original ISR budget.

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

³ The FY 2013 funding level for repairs resulting from inspections was reduced by half in the negotiations with the Division, as a result of Greg Booth's recommendation.

**US Electricity Distribution - Rhode Island
 Capital Spend by Spending Rationale
 FY12 thru March 31, 2012**

in \$000's	FY2012 Total		
	Actual	Budget	Variance
Statutory/Regulatory	13,151	21,637	8,486
Damage/Failure	12,988	9,705	(3,283)
<i>Subtotal</i>	<i>26,139</i>	<i>31,342</i>	<i>5,203</i>
Asset Condition	10,630	10,937	307
Non-Infrastructure	159	278	119
System Capacity & Performance	13,611	15,821	2,210
<i>Subtotal</i>	<i>24,400</i>	<i>27,036</i>	<i>2,636</i>
Total Capital Investment in Systems	50,539	58,378	7,839

**US Electricity Distribution - Rhode Island
 Plant Additions by Spending Rationale
 FY12 thru March 31, 2012**

in \$000's		% of Current		
		FYTD Actual In Service	FY12 Annual ISR Forecast	Forecast Placed In Service
Statutory/Regulatory		15,144	20,612	73%
Damage/Failure		13,628	9,475	144%
	<i>Subtotal</i>	28,772	30,087	96%
Asset Condition		13,018	5,805	224%
Non-Infrastructure		60	278	22%
System Capacity & Performance		9,797	12,632	78%
	<i>Subtotal</i>	22,875	18,715	122%
Total Capital Investment in Systems		51,647	48,802	106%

**O&M Vegetation Management Expenditures
 FY12 thru March 31, 2012**

in \$000's

Veg Management

	FY2012 Total		
	Actual	Budget	Variance
Cycle Trimming	5,451	5,300	(151)
Hazard Tree	806	750	(56)
Sub T (on and off road)	71	267	196
Police Detail	461	491	30
Core Crew (all other activities)	1,066	1,261	195
			0

Total Veg Management

	7,855	8,069	214
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	FY12 Goal	FYTD Complete	Annual % Complete vs FY12 Goal
Distribution Mileage Trimming	1,416	1,418	100%

**US Electricity Distribution - Rhode Island
 Inspection and Maintenance Program Progress Update
 FY12 thru March 31, 2012**

FYTD Actual O&M Spend (\$000's)	FY12 Annual ISR		
	FYTD Actual Spend	Forecast	% Complete
Potted Porcelain Cutouts	\$99	\$171	58%
Feeder Hardening	\$1,217	\$823	148%
<i>Subtotal</i>	\$1,316	\$994	132%
Inspections - Related Costs	\$150	\$145	103%
Total Operation and Maintenance Expenses	\$1,466	\$1,139	129%

RI Distribution Overhead Structures Inspected	FY12 Goal	FYTD Complete	Annual % Complete vs FY12 Goal
		48,567	35,677