

September 30, 2013

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4382 - Electric Infrastructure, Safety, and Reliability Plan FY 2014  
Quarterly Report – 1st Quarter FY 2014**

Dear Ms. Massaro:

On behalf of National Grid<sup>1</sup>, I have enclosed ten (10) copies of the Company's quarterly report for the first quarter of FY 2014 regarding the Company's Electric Infrastructure, Safety and Reliability ("ISR") Plan for FY 2014. 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 4282 Service List  
Leo Wold, Esq.  
Steve Scialabba  
James Lanni  
Al Contente

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

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted to the individuals listed below. Paper copies of this filing were hand delivered to the Rhode Island Public Utilities Commission and to the RI Division of Public Utilities and Carriers.

September 30, 2013

Joanne M. Scanlon

Date

**Docket No. 4382 National Grid's FY 2014 Electric Infrastructure, Safety and Reliability Plan - Service List as of 1/29/13**

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<b>File an original &amp; 11 copies w/:</b> Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:Lmassaro@puc.state.ri.us">Lmassaro@puc.state.ri.us</a>	401-780-2107
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## **Electric Infrastructure, Safety and Reliability Plan**

### **FY14 Quarterly Update**

#### **First Quarter Ending June 30, 2013**

##### **Executive Summary**

Overall, in the first quarter of fiscal year 2014 (FY14), the Company has spent \$13.5 million for capital investment projects against an annual approved budget of \$59.6 million, representing approximately 23% of the total FY14 budget which is on target with the Company's FY14 forecast through the first quarter.

The Company currently anticipates that overall spend for the entire fiscal year will be approximately \$6.0 million above budget, primarily driven by higher spending in the discretionary category for system capacity and performance work, and partially offset by lower spending in the discretionary category for asset condition and the non-discretionary categories for statutory/regulatory work and damage/failure, as discussed below. Additionally, in the sections below relating to specific spending rationales, the Company explains the primary drivers for variances over or under budget during the first quarter of FY14.

##### **FY14 Capital Spending by Key Driver Category**

###### ***Statutory/Regulatory - \$2.1M under budget year to date***

Through the first quarter of FY14 the Statutory/Regulatory spending is lower than budgeted primarily due to timing of payments on public requirement projects, with more credits received than anticipated. It is currently projected that at fiscal year end this category will be \$1.1 million under budget.

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

Through the first quarter of FY14 the Damage/Failure spending is higher than historical trends, primarily driven by capital charges from prior year major storms. However, given the recent trends for Distribution Line Damage/Failure, it is currently projected that at fiscal year end this category will be \$1.1million under budget.

***Asset Condition - \$0.8M under budget year to date***

Overall spending is lower in the Asset Condition category through the first quarter of FY14 primarily driven by the following projects:

- The Inspection & Maintenance program spending is \$1.4 million below budget year to date. Total capital spending for FY14 at fiscal year end is projected to be \$6.0 million, \$2.5 million below budget. The spending variance is primarily driven by system changes made to appropriately capture grounding as a capital item in the Company's work management system, which delayed the full implementation of the program. This program has increased significantly in FY14 over the \$1.1 million total capital spend in FY13
- Also contributing to the projected under spending variance is the Memorial Blvd Easton Beach ductline and cable project in Newport which has been delayed due to delays in scope definition. Engineering and Design for the sea level ductline installation will be completed in FY15, with construction in FY16.
- Offsetting a portion of these above noted projects is a projected spending above budget on the Governor Street Providence ductline project, which was deferred from FY13 to FY14 to best coordinate with a gas project schedule on Governor Street.

It is currently projected that at fiscal year end the Asset Condition category will be approximately \$2.0 million under budget, primarily driven by the projects listed above.

***Non-Infrastructure - \$430K over budget year to date***

Spending was higher in the non-infrastructure category through the first quarter of FY14, primarily due to carryover from FY13 on a radio improvement project that is designed to upgrade the radio system for Rhode Island and replace the electric mobile fleet communications. This upgrade is necessary to maintain compatibility with radio systems between Rhode Island and Massachusetts for emergency restoration. Due to spending on this radio upgrade project, it is currently projected that at fiscal year end the non-infrastructure category will be \$260K over budget.

***System Capacity and Performance - \$1.7M over budget year to date***

Overall spending is higher in the System Capacity and Performance category through the first quarter of FY14 primarily driven by the Highland Drive substation and Johnston substation projects discussed below:

- A significant portion of the Highland Drive project was initially and incorrectly budgeted as Transmission, when it should have been budgeted as Distribution. The actual charges for this project are being reassigned to Distribution, but this adjustment resulted in a spending variance of \$1.0 million over budget year to date and a projected \$4.7 million variance over budget at fiscal year end.
- The Johnston #18 Substation spending is over budget year to date due to a payment on a transformer and associated materials in June of this quarter. However, this project is expected to be within budget at fiscal year end.
- The Kilvert St. distribution line work spending is projected to be \$1.2 million above budget. Work that was not dependent on the substation completion was advanced into FY14 due an earlier than expected completion of permitting and the availability of resources to begin construction.
- The Energy Management System (EMS)/Remote Terminal projects in the FY13 budget were delayed as discussed in the FY13 Electric ISR Reconciliation Filing, and carryover spending into FY14 has created a variance above the FY14 budgets for these projects.

It is currently projected that at fiscal year end the System Capacity and Performance category will be \$9.9 million over budget, primarily driven by the projects discussed above.

**Investment Placed in Service**

Through the first quarter of FY14, \$7.7 million has been placed in service. It is currently anticipated that plant-in-service will be approximately \$53.6 million, which is within 1% of the forecast for plant-in-service for FY14. Details by spending rationale can be seen in Attachment B.

## **Vegetation Management**

Through the first quarter of FY14, 34% of the annual distribution mileage cycle pruning goal has been completed with an associated spend of 9% of the FY14 budget for the cycle pruning program. The costs for the program typically lag behind the work performed. Costs for police details have exceeded the budget estimate due to several factors. In an effort to reduce costs and create more accurate reporting, in FY14 police costs for our cycle pruning program were removed from the bidding process and placed exclusively into the police and flagging budget accounts. In addition to this, some towns are requiring police officers instead of flaggers. Because of these factors, National Grid expects to spend approximately \$100,000 over budget for police in FY14. Despite being over budget in police costs, the Company expects to be on track for the overall budget in FY14. The Company estimates that removing police and flagging costs from the pruning bid should save \$50,000 from pruning costs. In addition, the sub-transmission expenses have been slightly less than anticipated and at this time, the Company is projecting to be about \$50,000 under budget this fiscal year. Details by category can be seen in Attachment C.

## **Inspection and Maintenance (I&M)**

Through the first quarter of FY14, 29% of the annual inspection structure goal has been completed. The Company expects to complete all inspections in FY14.

Through the first quarter of FY14, 18% of the total I&M budget has been spent. The mobile elevated voltage testing and associated repairs completed between March and May 2013 are included in the costs shown in Attachment D. While the surveying and testing activities for mobile testing occurred in FY13, the vendor payments were not received and processed until FY14. As such, none of these costs were included in the FY13 Electric ISR Reconciliation Filing submitted on August 1, 2013. Also included in the forecasted costs shown in Attachment D are the forecasted costs for the FY14 mobile elevated voltage testing<sup>1</sup>.

As discussed in the System Capacity and Performance section above, capital spending on I&M is \$1.4 million below budget, and the expense costs resulting from repairs due to inspections (both Opex related to Capex and Repair Related Costs) are therefore lower than anticipated in the first quarter of FY14 as well. At this time, the Inspection and Maintenance program forecast is approximately \$3.0 million, or 21% below the original ISR budget. This is primarily driven by the lower volume of capital work to be performed in the program.

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

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<sup>1</sup> The Company's Annual Contact Voltage Compliance Report filed on August 29, 2013, in Docket 4237-A recommends testing 100% of the mobile contact voltage areas in Rhode Island in FY14, and adding approximately 1,500 feet in Westerly as a designated contact voltage risk area.

**Attachment A**

**US Electricity Distribution - Rhode Island**  
**Capital Spend by Spending Rationale**  
**FY14 through June 30, 2013**  
**(\$000)**

	FYTD			FY 2014 Total		
	Budget	Actual	Variance	Budget	Forecast	Variance
<b>Statutory/Regulatory</b>	\$4,217	\$2,160	(\$2,057)	\$16,509	\$15,436	(\$1,073)
<b>Damage Failure</b>	\$2,467	\$3,789	\$1,322	\$10,050	\$8,964	(\$1,086)
<i>Subtotal Non-Discretionary</i>	\$6,684	\$5,949	(\$735)	\$26,559	\$24,400	(\$2,159)
<b>Asset Condition</b>	\$3,436	\$2,595	(\$841)	\$20,242	\$18,279	(\$1,963)
<b>Non- Infrastructure</b>	\$35	\$465	\$430	\$255	\$515	\$260
<b>System Capacity &amp; Performance</b>	\$2,796	\$4,483	\$1,687	\$12,544	\$22,414	\$9,870
<i>Subtotal Discretionary</i>	\$6,267	\$7,542	\$1,276	\$33,041	\$41,208	\$8,167
<b>Total Capital Investment in Systems</b>	<b>\$12,951</b>	<b>\$13,491</b>	<b>\$541</b>	<b>\$59,600</b>	<b>\$65,609</b>	<b>\$6,009</b>



**Attachment B**

**US Electricity Distribution - Rhode Island**  
**Plant Additions By Spending Rationale**  
**FY14 through June 30, 2013**  
**(\$000)**

	<b>FY 14 Annual ISR Forecast</b>	<b>FYTD Actual in Service</b>	<b>Current FY14 Year End Forecast</b>	<b>% of Current Forecast Placed in Service</b>
<b>Statutory/Regulatory</b>	\$16,319	\$86	\$16,319	1%
<b>Damage Failure</b>	\$9,977	\$5,056	\$9,977	51%
<i>Subtotal Non-Discretionary</i>	\$26,296	\$5,141	\$26,296	20%
<b>Asset Condition</b>	\$17,954	\$929	\$17,954	5%
<b>Non- Infrastructure</b>	\$257	\$299	\$470	64%
<b>System Capacity &amp; Performance</b>	\$8,866	\$1,298	\$8,866	15%
<i>Subtotal Discretionary</i>	\$27,077	\$2,525	\$27,290	9%
<b>Total Capital Investment in Systems</b>	<b>\$53,373</b>	<b>\$7,667</b>	<b>\$53,586</b>	<b>14%</b>

**Attachment C**

**US Electricity Distribution - Rhode Island**  
**O&M Vegetation Management Expenditures**  
**FY14 through June 30, 2013**  
**(\$000)**

	FY 2014 Total	FYTD	FY 2014 Total	
	Budget	Actual	Forecast	Variance
<b>Vegetation Management</b>				
Cycle Pruning (Base)	\$5,230	\$476	\$5,180	(\$50)
Hazard Tree	\$750	\$173	\$750	\$0
Sub-T (on & off road)	\$724	\$2	\$674	(\$50)
Police/Flagman Details	\$525	\$231	\$625	\$100
Core Crew (all other actives)	\$1,247	\$686	\$1,247	\$0
<b>Total Vegetation Management</b>	<b>\$8,476</b>	<b>\$1,568</b>	<b>\$8,476</b>	<b>\$0</b>

	FY14 Goal	FYTD Goal	FYTD Complete	% Complete vs. Scheduled FYTD	Annual % Complete vs. FY14 Goal
<b>Distribution Mileage Trimming</b>	1,353	338	455	135%	34%

**Attachment D**

**US Electricity Distribution - Rhode Island**  
**Inspection and Maintenance Program Progress Update**  
**FY14 through June 30, 2013**  
**(\$000)**

	<b>FY14 Annual ISR Budget</b>	<b>FYTD Actual Spend</b>	<b>Current FY14 Year End Forecast</b>	<b>% Completed</b>
Opex Related to Capex	\$1,286	\$70	\$1,762	4%
Repair & Inspections Related Costs	\$2,493	\$455	\$1,224	37%
<b>Total Operation &amp; Maintenance Expense</b>	<b>\$3,779</b>	<b>\$525</b>	<b>\$2,986</b>	<b>18%</b>

	<b>FY14 Goal</b>	<b>FYTD Goal</b>	<b>FYTD Complete</b>	<b>% Complete vs. Scheduled FYTD</b>	<b>Annual % Complete vs. FY14</b>
<b>RI Distribution Overhead Structures Inspected</b>	57,352	14,331	16,344	114.04%	28.49%