

May 22, 2015

BY HAND DELIVERY AND ELECTRONIC MAIL

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

**RE: Docket 4474 - Gas Infrastructure, Safety, and Reliability Plan
Quarterly Update – Third Quarter Ending March 31, 2014**

Dear Ms. Massaro:

On behalf of National Grid¹, I have enclosed for filing in the above-referenced docket, ten (10) copies of the Company's fiscal year (FY) 2015 Gas Infrastructure, Safety, and Reliability (ISR) Plan quarterly update for the fourth quarter ending March 31, 2014. Pursuant to the provisions of the approved FY 2015 Gas ISR Plan, the Company committed to providing quarterly updates on the progress of its Gas ISR program to the Rhode Island Public Utilities Commission and the Rhode Island Division of Public Utilities and Carriers.

Thank you for your attention to this matter. If you have any questions, please contact me at 781-907-2121.

Very truly yours,



Raquel J. Webster

Enclosure

cc: Leo Wold, Esq.
Steve Scialabba
James Lanni
Al Contente

¹ The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

Paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



Joanne M. Scanlon

May 22, 2015
Date

Docket No. 4474 National Grid's FY 2015 Gas Infrastructure, Safety and Reliability Plan - Service List 10/30/14

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Gas Infrastructure, Safety, and Reliability Plan
The Narragansett Electric Company d/b/a National Grid – RI Gas
FY 2015 Quarterly Update
Fourth Quarter - Ending March 31, 2015

Executive Summary

Fiscal year (FY) 2015 results (*Attachment A*) reflect that the Company¹ spent approximately \$77.79 million against a budget of \$71.69 million, resulting in a fiscal year over-spending variance of \$6.10 million. This includes actual spending of \$77.29 million for non-growth capital investment projects as compared to a fiscal year budget of approximately \$71.29 million and an actual spending of \$0.50 million for Operations and Maintenance (O&M) expenses against the fiscal year budget of \$0.40 million. Below, the Company explains in more detail the primary drivers for spending for the fiscal year for each category.

FY 2015 Capital Spending by Category

Proactive Main Replacement Program – \$4.40 million over-spending variance to fiscal year budget

For FY 2015, the Company spent approximately \$40.90 million of a fiscal year budget of \$36.50 million, resulting in an over-spending variance of \$4.40 million. For the fiscal year, the Company has installed 44.9 miles of new main and has abandoned 46.3 miles of leak-prone pipe. This is approximately 8.1 miles or 15% less than the FY 2015 proposed replacement of 53 miles of proactive leak-prone gas main for the fiscal year. One of the key drivers for this spending variance is attributed to higher unit costs resulting from increased replacement in more

¹ The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

congested urban areas. The Company replaced fewer miles than it planned to replace because, as further explained below, the Company needed to retrain contractors early in the FY 2015 construction season. In addition, the extreme weather at the end of the FY 2015 construction season prevented the Company from replacing all proposed miles, as planned.

With respect to higher unit costs, as the Company noted in its FY 2016 Annual Gas ISR Plan filing², in general, the replacement of more cast-iron main segments in urban areas, such as in the City of Providence, require the replacement of more difficult main and a greater number of services than in more sparsely populated areas. These include more multi-unit dwellings that typically need to be replaced up to the gas meter. In addition, the Company is required to take additional safety measures in highly populated urban areas to locate, verify, and protect other utility facilities. Moreover, restoration requirements for more urban areas are greater due to the need for both sidewalk and street repaving. Finally, because of the higher traffic and public presence in urban areas, the time and cost to obtain permits (which may have work time restrictions) and the need for increased traffic control for purposes of public and employee safety, are greater. All of these factors contributed to the higher units costs and spending variance for the Proactive Main Replacement Program for FY 2015.

As previously noted, during the FY 2015 construction season, the Company had to retrain contractors. Through its work inspection and oversight process, the Company learned that it needed to retrain its contractors that were responsible for the replacement of mains. Specifically, additional training was necessary for contractor personnel to ensure compliance with Company documentation and safety standards for main and service replacements. Consequently, the Company halted main replacement work for an equivalent period of two weeks at the beginning of the construction season until all the contractor personnel were

² See the Company's response to PUC 1-3 in Docket No. 4540.

retrained.³ In addition, construction was also suspended for two weeks in November of FY 2015 for the Company to investigate and review safety measures after a contractor fatality. This loss of four critical weeks during the construction season also contributed to the under-replacement of miles of leak-prone pipe for FY 2015.

Finally, the heavy snow and extremely cold weather experienced in late January through March of 2015 eliminated the possibility of completing any additional work for the Proactive Main Replacement Program for FY 2015.

Service Replacement Program – \$0.38 million under-spending variance to fiscal year budget

For FY 2015, the Company spent approximately \$1.12 million of a fiscal year budget of \$1.50 million, resulting in a fiscal year under-spending variance of approximately \$0.38 million. Under the Service Replacement Program, the Company has replaced 322 services of the targeted 665 high-pressure inside services. At this time, there are 343 remaining high pressure services, and the Company has committed to completing these remaining replacements by the end of FY 2016.

Public Works Program –\$3.35 million over-spending variance to fiscal year budget

For FY 2015, the Company spent approximately \$7.21 million against a fiscal year budget of approximately \$3.86 million, resulting in an over-spending variance of \$3.35 million. The Public Works spending reflects the coordination of gas replacement and/or relocation work with state and municipal entities. A key driver of this over-spending variance was the inclusion of more complex project work in the program. For example, the public works project on Broadway in Newport required the replacement of approximately 3,800 feet of 6-inch and 12-inch cast iron pipe in three separate sections. In addition to the Newport project, the following

³ The Company has since supplemented its contractor resources and has established an additional contracting firm to provide for greater effectiveness associated with its FY 2016 main replacement plan.

five projects account for approximately 40% of the public works spending: Work Order (WO)# 90000141638 located at Freeborn Ave & Lyon Ave, East Providence, with a scope of relaying 1,845 feet with 6-in plastic main; WO# 90000141273 located at Ocean Ave, Cranston, with a scope of relaying 1,132 feet of main with 6-inch plastic main; WO# 90000140424 located at East Bowery St, Newport, with a scope of relaying approximately 1,176 feet of main with 2-in plastic main; WO# 90000141901 located at Frederick/Thatcher St, East Providence, with a scope of relaying 880 feet of main with 2-inch plastic main; WO# 90000138646 located at Mauran Ave, East Providence with a scope of relaying 642 feet of main. For FY 2015, the Company has installed 6.5 miles of new gas main and has abandoned 6.6 miles of leak prone pipe as part of Public Works projects.

Reactive Main Replacement Program – \$0.03 million under-spending variance to fiscal year budget

For FY 2015, the Company spent approximately \$0.17 million for Reactive Main Replacements compared to a fiscal year budget of \$0.20 million, which resulted in a fiscal year under-spending variance of \$0.03 million. As noted in prior FY 2015 quarterly reports, the Company's aggressive spending in the Proactive Main Replacement Program has decreased the need for reactive main replacements.

Mandated Programs – \$1.11 million over-spending variance to fiscal year budget

For FY 2015, the Company spent approximately \$15.25 million against a fiscal year budget of \$14.14 million, resulting in an over-spending variance of approximately \$1.11 million. The primary driver of the over-spending variance was an increase in capital leak repairs totaling \$10.88 million, which reflects higher unit costs that were driven in part by the unusually cold and snowy winter. This weather required increased man hours to clear and break frozen ground.

Reliability Programs – \$1.50 million under-spending variance to fiscal year budget

For FY 2015, the Company spent \$8.92 million of a fiscal year budget of \$10.42 million, resulting in an under-spending variance of approximately \$1.50 million for this category. The primary drivers of the variance were an increase in liquefied natural gas (LNG) spending that was offset by reduced spending associated with system controls, pressure regulation work, and system valve replacements.

Special Projects (I-195, Exeter LNG Boil-Off Compressor, and Gas Expansion Pilot) – \$0.95 million under-spending variance to fiscal year budget

For FY 2015, the Company spent approximately \$3.73 million of a fiscal year budget of \$4.67 million, resulting in an under-spending variance of \$0.95 million for all FY 2015 special projects.

For the Gas Pilot Expansion Program, the Company spent approximately \$1.33 million against a fiscal year budget of \$3.00 million, resulting in a fiscal year variance of \$1.67 million. As noted in the Company's prior FY 2016 Gas ISR Filing, the Gas Expansion Program received sufficient customer commitments in FY 2015 related to six projects, five of which were completed during FY2015. The Company has installed approximately 22,000 feet of main and 97 services with the potential to serve a total of 370 customers.

Finally, during the third quarter of FY 2015, the project team working on the Exeter LNG Boil-off Compressor project completed the physical construction of the new equipment and systems. The Company completed the commissioning for this project in the fourth quarter of FY 2015. For FY 2015, the Company spent \$2.40 million on this project against a fiscal year budget of \$1.50 million, resulting in a fiscal year variance of \$0.90 million for the project.

FY 2015 O&M Spending

O&M spending for Main Replacement - \$0.10 million over-spending variance to fiscal year budget

In the FY 2015 Gas ISR Plan, the Company agreed to track the incremental O&M expenses associated with the hiring, training, and work of eleven new-hires required for the acceleration of replacement of leak-prone pipe relating to the Proactive Main and Public Works work in FY 2015. For FY 2015, the Company incurred O&M expenses totaling approximately \$0.50 million for these eleven new hires against a fiscal year budget of \$0.40 million, resulting in an over-spending variance of \$0.10 million. The primary driver of this over-spending variance was due to the extremely harsh cold and heavy snow winter, which required the Company to these technicians to do additional expense work, as the weather prevented the Company from performing capital main replacement work in the fourth quarter of FY 2015.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4474
FY 2015 Gas Infrastructure, Safety and Reliability Plan
FY 2015 Quarterly Update
Fourth Quarter Ending March 31, 2015
Attachment A

Attachment A				
US Gas-Distribution				
The Narragansett Electric Company				
d/b/a National Grid - RI Gas				
Capital Spending by Investment Categories				
FY 2105 through March 31, 2015				
(\$000)				
			FY 2015	
INVESTMENT CATEGORIES	Budget	Actual	Variance	
Proactive Main Replacement Program	\$36,500	\$40,904	\$4,404	
Service Replacement Program	\$1,500	\$1,121	(\$379)	
Public Works Program*	\$3,857	\$7,207	\$3,350	
Reactive Main Replacement Program	\$200	\$167	(\$33)	
Mandated Program	\$14,140	\$15,248	\$1,108	
Reliability Programs	\$10,424	\$8,919	(\$1,505)	
Special Projects (I-195, Exeter, LNG and Gas Pilot)	\$4,675	\$3,728	(\$947)	
TOTAL CAPITAL INVESTMENTS	\$71,296	\$77,294	\$5,998	
O&M	\$400	\$503	\$103	
TOTAL CAPITAL and O&M	\$71,696	\$77,797	\$6,101	
() denotes an under-spend				
*Public Works Program includes reimbursements which will be credited as received throughout the year.				