

November 17, 2014

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 FY 2015
Quarterly Update – Second Quarter Ending September 30, 2014**

Dear Ms. Massaro:

On behalf of National Grid¹, I have enclosed for filing in the above-referenced docket, ten copies of the Company's fiscal year (FY) 2015 Gas Infrastructure, Safety, and Reliability (ISR) Plan quarterly update for the second quarter ending September 30, 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 programs to the PUC and the Division.

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
Don Ledversis

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

Copies of this filing will be hand delivered to the RI Public Utilities Commission and to the RI Division of Public Utilities and Carriers.

Joanne M. Scanlon

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Docket No. 4474 National Grid's FY 2015 Gas Infrastructure, Safety and Reliability Plan - Service List 01/07/14

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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
Second Quarter - Ending September 30, 2014

Executive Summary

Fiscal year (FY) 2015 second quarter results (*Attachment A*) reflect that the Company¹ spent approximately \$40.20 million of a year-to-date budget of \$37.79 million, resulting in a year-to-date over-spending variance of \$2.41 million. This includes actual spending of \$39.99 million for non-growth capital investment projects as compared to a year-to-date budget of approximately \$37.59 million and an actual spending of \$202,899 for Operations and Maintenance (O&M) expenses against a year-to-date budget of \$200,000. To date, the total capital and O&M spend of \$40.20 million represents approximately 56% of the total FY 2015 annual Gas ISR Plan budget of \$71.70 million. Below, the Company explains in more detail the primary drivers for spending to-date for each category.

FY 2015 Capital Spending by Category

Proactive Main Replacement Program – \$2.57 million over-spending variance to budget year-to-date

Through the second quarter of FY 2015, the Company spent approximately \$21.20 million of a projected second quarter year-to-date budget of \$18.63 million, resulting in an over-spending variance of \$2.57 million. The primary drivers of this over-spending were increased costs

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

associated with the installation of mains and services. For the fiscal year-to-date, the Company has installed 34.3 miles of new main and has abandoned 14.8 miles of leak-prone pipe. At this pace, the Company is on target to meet its proposed replacement of 53 miles of leak-prone gas main for the fiscal year. As the Company noted in its FY 2014 Annual Gas ISR Reconciliation Filing, the Company is replacing more cast-iron main segments in urban areas, such as in the City of Providence, which has resulted in higher unit costs for the program. The replacement of cast-iron mains in more population-dense areas has continued in the first half of this fiscal year. The Company is currently assessing the remaining main replacement candidates to gain a better understanding of their overall impact on the full Proactive Main Replacement Program budget. The Company will provide further information and insights regarding future budget forecasts and impacts in its third quarter report. As a result of this year-to-date spending, the Company anticipates that the Proactive Main Replacement Program will be \$3.00 million over-budget at year-end.

Service Replacement Program – \$0.42 million under-spending variance to budget year-to-date

Through the second quarter of FY 2015, the Company spent approximately \$695,000 of a projected quarterly year-to-date budget of \$1.11 million, resulting in a year-to-date under-spending variance of approximately \$0.42 million. To date, under the Service Replacement Program, the Company has replaced 212 services of the total 519 high-pressure services planned through the second quarter. The Company is committed to addressing the remaining replacements and addressing the future scheduling and cost challenges. The Company anticipates that the Proactive Service Replacement Program will be on budget at year-end.

Public Works Program –\$1.28 million over-spending variance to budget year-to-date

Through the second quarter of FY 2015, the Company spent \$3.87 million of a projected quarterly year-to-date budget of \$2.59 million, resulting in an over-spending year-to date

variance of \$1.28 million. The Public Works spending to date reflects the coordination of work with state and municipal entities. To date, the Company has installed 4.9 miles of new gas main and has abandoned 2.1 miles of leak prone pipe. At this time, the Company anticipates that the Public Works Program will be on budget at year-end.

Reactive Main Replacement Program – \$0.064 million over-spending variance to budget year-to-date

Through the second quarter of FY 2015, the Company spent approximately \$117,000 for Reactive Main Replacements compared to a year-to-date budget of \$54,000, which resulted in a year-to-date over-spending variance of \$64,000. As noted in the Company's FY 2015 Gas ISR Plan, the Company's aggressive spending in the Proactive Main Replacement Program has lessened the need for the level of projected spending and reactive main replacements. Also, as noted in the FY 2015 first quarter report, the Company stated that it would continue to examine the classification of certain projects associated with the Reactive Main Replacement category and, once completed, may reclassify some or all of the FY 2015 first quarter \$0.85 million costs to other categories. The Company completed that examination during the second quarter of FY 2015, resulting in the re-classification of some work to other categories. As such, the Reactive Main Replacement Program has been adjusted to reflect only \$117,000 year-to-date capital spending. Consequently, the Reactive Main Replacement Program category is now projected to be on budget at the fiscal year-end.

Mandated Programs – \$0.65 million over-spending variance to budget year-to-date

Through the second quarter of FY 2015, the Company spent approximately \$8.92 million of a projected second quarter year-to-date budget of \$8.27 million, resulting in an over-spending variance of \$0.65 million. To date, the primary driver of the over-spending is an increase in Leaks and Non-Leak work. Because of this increase in leak associated work, at this time, the

Mandated Programs category is projected to be approximately \$0.23 million over-budget at fiscal year-end.

Reliability Programs – \$0.31 million under-spending variance to budget year-to-date

Through the second quarter of FY 2015, the Company spent \$4.81 million of a projected quarterly year-to-date budget of \$5.12 million, resulting in an under-spending variance of \$0.31 million for this category. At this time, the Company expects spending for this category to be slightly under-budget at the end of the fiscal year by approximately \$0.29 million.

Special Projects (I-195, Exeter LNG Boil-Off Compressor, and Gas Expansion Pilot) – \$1.45 million under-spending variance to budget year-to-date

Through the second quarter of FY 2015, the Company spent \$0.38 million of a year-to-date budget of \$1.83 million, resulting in a year-to-date under-spending variance of \$1.45 million. At this time, the Company continues to coordinate its proposed work for the I-195 project for FY 2015 with the Rhode Island Department of Transportation, with only 50 feet of main replacement outstanding.

In addition, as noted in the Company's FY 2015 first quarter report, the Company has been aggressively marketing the Gas Expansion Program and has received sufficient customer commitments related to four projects, which are either in-progress or complete. At this time, the Company expects that those projects will result in the installation of 22,000 feet of main with the potential to serve approximately 360 customers. Through the second quarter of FY 2015, the Company spent \$0.2 million on these efforts.

Finally, during the first quarter of FY 2015, the project team working on the Exeter LNG Boil-off Compressor project completed its review of the initial engineering and design-related documents for the project provided by a third-party vendor. Construction on this project began

at the end of the first quarter of FY 2015. Through the second quarter, the Company spent \$0.17 million on this project.

FY 2015 O&M Spending

O&M spending for Main Replacement - \$3,000 over-spending variance to budget year-to-date

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. Through the second quarter of FY 2015, the Company incurred O&M expenses totaling approximately \$203,000 for these eleven new hires against a second quarter year-to-date budget of \$200,000, resulting in an over-spending variance of \$3,000 through the second quarter. At this time, the Company expects the O&M category to complete the fiscal year on budget.

