

February 25, 2015

VIA 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 – Third Quarter Ending December 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 third quarter ending December 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 781-907-2153.

Very truly yours,



Celia B. O'Brien

Enclosure

cc: Docket 4474 Service List
Leo Wold, Esq.
Steve Scialabba
James Lanni
Don Ledversis

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/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.

February 25, 2015

Joanne M. Scanlon

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
Third Quarter - Ending December 31, 2014

Executive Summary

Fiscal year (FY) 2015 second quarter results (*Attachment A*) reflect that the Company¹ spent approximately \$64.56 million of a year-to-date budget of \$60.31 million, resulting in a year-to-date over-spending variance of \$4.21 million. This includes actual spending of \$64.22 million for non-growth capital investment projects as compared to a year-to-date budget of approximately \$60.01 million, and an actual spending of \$340,000 for Operations and Maintenance (O&M) expenses against a year-to-date budget of \$300,000. To date, the total capital and O&M spend of \$64.56 million represents approximately 90% 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 – \$1.75 million over-spending variance to budget year-to-date

Through the third quarter of FY 2015, the Company spent approximately \$32.13 million of a projected year-to-date budget of \$30.37 million, resulting in an over-spending variance of \$1.75

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

million. The primary drivers of this over-spending were increased costs associated with the installation of mains and services. For the fiscal year-to-date, the Company has installed 45.45 miles of new main and has abandoned 32.0 miles of leak-prone pipe. At this pace, the Company is forecasted to be slightly behind 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 into the third quarter of FY 2015. This has resulted in a reduction of the completion rate of main replacements and continued higher spend for the fiscal year. As a result of the combination of these factors, the Company anticipates that the Proactive Main Replacement Program will be approximately \$1.00 million under-budget at fiscal year-end.

Service Replacement Program – \$0.36 million under-spending variance to budget year-to-date

Through the third quarter of FY 2015, the Company spent approximately \$1.08 million of a projected year-to-date budget of \$1.44 million, resulting in a year-to-date under-spending variance of approximately \$0.36 million. To date, under the Service Replacement Program, the Company has replaced 319 services of the total 606 high-pressure services planned through the third 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 slightly under budget at fiscal year-end by \$0.30 million.

Public Works Program – \$2.39 million over-spending variance to budget year-to-date

Through the third quarter of FY 2015, the Company spent \$6.23 million of a projected year-to-date budget of \$3.84 million, resulting in an over-spending year-to date variance of \$2.39

million. The Public Works spending to date reflects the coordination of work with state and municipal entities. A key driver of this over-spending variance is the inclusion of more complex project work in the program, such as the significant project on Broadway in Newport requiring the replacement of approximately 3,800 feet of 6-inch and 12-inch cast iron pipe. To date, the Company has installed 6.48 miles of new gas main and has abandoned 4.3 miles of leak prone pipe. At this time, the Company anticipates that the Public Works Program will be over budget at fiscal year-end by \$2.17 million.

Reactive Main Replacement Program – \$0.08 million over-spending variance to budget year-to-date

Through the third quarter of FY 2015, the Company spent approximately \$161,000 for Reactive Main Replacements compared to a projected year-to-date budget of \$79,000, which resulted in a year-to-date over-spending variance of \$81,000. 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. At this time, the Reactive Main Replacement Program category is now projected to be under budget at the fiscal year-end by \$31,000.

Mandated Programs – \$4.59 million over-spending variance to budget year-to-date

Through the third quarter of FY 2015, the Company spent approximately \$15.18 million of a projected year-to-date budget of \$10.59 million, resulting in an over-spending variance of \$4.59 million. To date, the primary driver of the over-spending is an increase in Leaks and Non-Leak work. Because of this increase in leaks and associated leak work, at this time, the Mandated Programs category is projected to be approximately \$1.34 million over-budget at fiscal year-end.

Reliability Programs – \$2.66 million under-spending variance to budget year-to-date

Through the third quarter of FY 2015, the Company spent \$6.35 million of a projected year-to-date budget of \$9.01 million, resulting in an under-spending variance of \$2.66 million for this category. At this time, the Company expects spending for this category to be minimal for the fourth quarter and to be under-budget at the end of the fiscal year by approximately \$3.90 million. The primary drivers of the variance were reduced spending associated with district regulator work, system valve replacements and on equipment and tools.

Special Projects (I-195, Exeter LNG Boil-Off Compressor, and Gas Expansion Pilot) – \$1.58 million under-spending variance to budget year-to-date

Through the third quarter of FY 2015, the Company spent approximately \$3.10 million of a year-to-date budget of \$4.68 million, resulting in a year-to-date under-spending variance of \$1.58 million. At this time, the Company continues to coordinate its proposed work for the I-195 project with the Rhode Island Department of Transportation which is near completion.

In addition, as noted in the Company's FY 2015 first and second quarter reports, the Company has been aggressively marketing the Gas Expansion Program and has received sufficient customer commitments related to six projects, five of which are completed. At this time, the Company expects that those projects will result in the installation of 24,000 feet of main with the potential to serve approximately 395 customers. Ninety-one (91) individuals have committed to new service as part of these gas expansion projects. Through the third quarter of FY 2015, the Company spent \$1.21 million on these efforts.

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. Commissioning on this project is scheduled for the fourth quarter of FY 2015. Through the third quarter, the Company spent \$1.89 million on this project.

FY 2015 O&M Spending

O&M spending for Main Replacement – \$40,000 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 third quarter of FY 2015, the Company incurred O&M expenses totaling approximately \$340,000 for these eleven new hires against a year-to-date budget of \$300,000, resulting in an over-spending variance of \$40,000 through the third quarter. At this time, the Company expects the O&M category to complete the fiscal year on budget.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4474
Gas ISR Plan FY 2015 Quarterly Report
Third Quarter Ending December 31, 2014
Attachment A

Attachment A							
US Gas-Distribution							
Narragansett Electric Company d/b/a National Grid - RI Gas							
Capital Spending by Investment Categories							
FY 2104 thru December 31, 2014							
(\$000)							
		FYTD			FY15 - Total		
INVESTMENT CATEGORIES	Budget	Actual	Variance		Budget	Forecast	Variance
Proactive Main Replacement Program	\$30,374	\$32,128	\$1,754		\$36,500	\$35,491	(\$1,009)
Service Replacement Program	\$1,440	\$1,078	(\$362)		\$1,500	\$1,183	(\$317)
Public Works Program*	\$3,842	\$6,228	\$2,385		\$3,857	\$6,029	\$2,172
Reactive Main Replacement Program	\$79	\$161	\$81		\$200	\$169	(\$31)
Mandated Program	\$10,588	\$15,175	\$4,586		\$14,140	\$15,478	\$1,338
Reliability Programs	\$9,011	\$6,350	(\$2,661)		\$10,424	\$6,522	(\$3,902)
Special Projects (I-195, Exeter, LNG and Gas Pilot)	\$4,675	\$3,099	(\$1,577)		\$4,675	\$3,236	(\$1,439)
TOTAL CAPITAL INVESTMENTS	\$60,010	\$64,218	\$4,208		\$71,296	\$68,108	(\$3,188)
O&M	\$300	\$340	\$40		\$400	\$400	\$0
TOTAL CAPITAL & O&M	\$60,310	\$64,558	\$4,248		\$71,696	\$68,508	(\$3,188)
() denotes an under-spend							
*Public Works Program includes reimbursements which will be credited as received throughout the year.							