

November 15, 2016

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4590 - Gas Infrastructure, Safety, and Reliability Plan  
Quarterly Update – Second Quarter Ending September 30, 2016**

Dear Ms. Massaro:

On behalf of National Grid,<sup>1</sup> I have enclosed for filing in the above-referenced docket, ten (10) copies of the Company's fiscal year (FY) 2017 Gas Infrastructure, Safety, and Reliability (ISR) Plan quarterly update for the second quarter ending September 30, 2016. Pursuant to the provisions of the approved FY 2017 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 regarding this filing, please contact me at 401-784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4590 Service List  
Leo Wold, Esq.  
Steve Scialabba  
Don Ledversis

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

**Gas Infrastructure, Safety and Reliability Plan**  
**The Narragansett Electric Company**  
**FY 2017 Quarterly Update**  
**Second Quarter - Ending September 30, 2016**

**Executive Summary**

Fiscal year 2017 (FY 2017) through the second quarter results (*Attachment A*) reflect that the Company<sup>1</sup> spent approximately \$56.67 million of an estimated budget of \$59.44 million, resulting in an under-spending variance of \$2.77 million. This includes actual spending of \$13.72 million of an estimated year-to-date budget of \$17.33 million for non-discretionary work (i.e., work required by legal, regulatory code, and/or agreement or a result of damage or failure), resulting in a YTD second quarter under-spending variance of \$3.62 million primarily due to delayed public works projects that are mostly scheduled to be completed in the second half of the fiscal year. In addition, the YTD second quarter variance includes actual spending of \$42.73 million compared to an estimated year-to-date budget of \$41.82 million on discretionary work, resulting in a YTD second quarter over-spending variance of \$0.91 million. Gas Infrastructure, Safety, and Reliability Operations and Maintenance (O&M) expenses total \$0.22 million on a budget of \$0.29 million, resulting in an under-spending variance of \$.06 million. To date, the \$56.67 million represents approximately 66% of the total FY 2017 annual Gas ISR budget of \$86.05 million. Total year-end spend is currently projected at \$91.18 million. This reflects an anticipated over-spending variance of \$5.14 million, which is primarily the result of previously unforeseen spending on Non-Discretionary remediation projects including the Allens

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Avenue (Filter/Separator), Dey Street pressure equipment modifications and Cumberland LNG tank demolition. In the sections below, the Company explains in more detail the primary drivers for each category.

### **FY 2017 Capital Spending by Category**

#### ***Non-Discretionary Work<sup>2</sup>***

##### ***Public Works Program – \$3.02 million under-spending variance to budget year-to-date***

Through the second quarter of FY 2017, the Company spent \$5.12 million of a projected year-to-date budget of \$8.15 million, resulting in an under-spending variance of \$3.02 million. The key driver for this under-spending is the lower than anticipated installation and abandonment of gas mains and services in the public works program during the first and second quarters. This is attributed to timing of the work that is performed in conjunction with state and municipal schedules. There are several projects located on the east side of Providence that will be starting in the third quarter, and will re-align spending with the budget. To date for FY 2017, the Company has installed 5.1 miles of new gas main and has abandoned 4.1 miles of leak-prone pipe. The increase in miles of abandoned leak-prone pipe is a result of work that was initiated during FY 2016 and completed in FY 2017. With this level of spending, the current project mix in the plan and projected reimbursement funds for prior work, the Company anticipates that the Public Works Program will be under-budget by approximately \$0.73 million at fiscal year-end. The original FY 2017 plan for 11 miles has been adjusted to 10 miles in the current forecast.

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<sup>2</sup> Non-Discretionary programs include those required by legal, regulatory code and/or agreement or a result of damage or failure with limited exceptions.

***Mandated Programs – \$0.95 million under-spending variance to budget year-to-date***

Through the second quarter of FY 2017, the Company spent approximately \$8.24 million of a projected year-to-date budget of \$9.19 million, resulting in an under-spending variance of \$0.95 million. To date, the primary drivers contributing to the lower spending are the IMP pipeline integrity, Non- Leaks Other, CI Joint Encapsulation and Meter Purchase categories. This was partially offset by higher spending in Leaks. Through the second quarter the number of leaks repaired was 610 against a plan of 725 and the total plan for leaks this Fiscal Year is 1,446. At this time, the Mandated Programs category is projected to be over-budget by \$1.30 million at fiscal year-end driven by higher than budget unit costs. Leaks are contributing \$1.02 million of the projected over spend.

***Remediation Projects – \$0.35 million over-spending variance to budget year-to-date***

Three projects have been identified to address adverse operating conditions on the gas distribution network for which the FY 2017 Gas ISR Plan did not contain a budget. The first project requires a filter separator vessel to be installed at the Allens Avenue gas interchange in Providence for the purposes of collecting condensates prior to entry into the gas distribution system to prevent customer disruptions. The second project includes modification of pressure regulation equipment at the Dey Street, East Providence gate station to provide over-pressure protection on the system. The third project involves the initial phases of the Cumberland LNG tank demolition. This includes plant modifications to allow for vaporization of LNG from tanker trucks and for the purging of the remaining tank liquids and purging of gaseous vapors. These issues were unforeseen at the time of the ISR development and, therefore, not identified for funding in the original plan. The projected fiscal year-end spend and budget over-spend on these remediation projects is projected at \$4.08 million. This includes \$1.12 million for Allens Avenue, \$0.6 million for Dey Street and \$2.36 million for Cumberland LNG.

### ***Discretionary Work<sup>3</sup>***

#### ***Proactive Main Replacement Program – \$0.39 million over-spending variance to budget year-to-date***

Through the second quarter of FY 2017, the Company has spent approximately \$36.62 million of a projected year-to-date budget of \$36.23 million, resulting in an over-spending variance of \$0.39 million. The primary drivers of this budget over spend is due to carryover costs associated with mains installed in FY 2016 and the mix of work for mains installed in the first six months of FY 2017. To date, for FY 2017, the Company has installed 34.8 miles of new main and has abandoned 33.6 miles of leak-prone pipe against a planned abandonment of 33.8 miles. The Company anticipates that the Proactive Main Replacement category to be over-budget by approximately \$0.18 million at fiscal year-end due to carryover costs associated with projects installed in Fiscal Year 2016 but completed in Fiscal Year 2017. The Company remains on target for forecasted abandonment miles at 55 miles by Fiscal Year End, of which 12 miles are carried over from FY16.

#### ***Reliability Programs – \$0.53 million over-spending variance to budget year-to-date***

Through the second quarter of FY 2017, the Company spent \$6.12 million of a projected year-to-date budget of \$5.59 million, resulting in an over-spending variance of \$0.53 million for this category. To date, the primary driver of this over-spending variance is the higher than anticipated spending in the Pressure Regulating Facilities category (Bentley Street regulator station replacement) and Allens Avenue. These items are partially offset by underspending on Gas Planning/RCV programs and LNG. At this time, spending for this category is expected to be over-budget by \$0.31 million at the end of the fiscal year driven by higher spending at

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<sup>3</sup> Discretionary program are not required by legal, regulatory code or agreement or a result of damage or failure with limited exceptions.

Bentley Street Regulator Station and Allens Avenue Regulator Station Rebuild projects that are partially offset by the walkout of various LNG projects. The Bentley Street project had additional spend due to the logistics of the location requiring additional safety items being used, ranging from additional police / flaggers, temporary fencing, pit relocation and a requirement for Hydro testing. The increase on the Allens Avenue Regulator Station Rebuild was the result of a scope of work change due to a location of the facility that now required larger diameter pipe than what was originally assumed in the plan. LNG includes Cumberland SCADA and back-up generator projects that have been cancelled as a result of the decision to retire the LNG tank (See Remediation section above). These cancellations mitigate the net impact of the overall FY 2017 spend on the Cumberland LNG demolition project.

### **FY 2017 O&M Spending**

#### ***O&M – \$0.06 million under-spend variance to budget year-to-date***

In the FY 2017 Gas ISR Plan, the Company agreed to track the incremental O&M expenses associated with the hiring, training, and work of 16 additional personnel required for the acceleration of replacement of leak-prone pipe relating to the Proactive Main and Public Works work in FY 2017. Through the second quarter of FY 2017, the Company has slightly under-spent to budget for this category having incurred O&M expenses totaling approximately \$0.22 million for these 16 individuals against a year-to-date budget of \$0.29 million. At this time, the Company expects the O&M category to complete the year on-budget at fiscal year-end.

