nationalgrid

Jennifer Brooks Hutchinson
Senior Counsel

May 15, 2017

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4590 – FY 2017 Gas Infrastructure, Safety, and Reliability Plan
<u>Quarterly Update – Fourth Quarter Ending March 31, 2017</u>

Dear Ms. Massaro:

On behalf of National Grid,[1] I have enclosed 10 copies of National Grid's fiscal year (FY) 2017 Gas Infrastructure, Safety, and Reliability (ISR) Plan quarterly update for the fourth quarter ending March 31, 2017 in the above-referenced docket.

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 programs to the Public Utilities Commission and the 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

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

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Gas Infrastructure, Safety and Reliability Plan

The Narragansett Electric Company

FY 2017 Quarterly Update

Fourth Quarter - Ending March 31, 2017

Executive Summary

In total, actual spending was $87.88 million as compared to the annual plan budget of $86.05 million. This represents an over spend of $1.83 million. Fiscal year 2017 (FY 2017) results (*Attachment A*) reflect that National Grid[1] spent approximately $30.12 million of a YTD budget of $26.59 million, resulting in a fiscal year over-spending variance of $3.52 million for non-discretionary work (i.e., work required by legal, regulatory code, and/or agreement or a result of damage or failure). In addition, National Grid spent $57.27 million of a YTD budget of $58.88 million, resulting in a fiscal year under-spending variance of $1.61 million on discretionary work. Gas Infrastructure, Safety, and Reliability (ISR) Operations and Maintenance (O&M) expenses total $0.49 million on a budget of $0.57 million, resulting in an under-spending variance of $0.08 million. The $1.83 million over spend is primarily the result of $5.02 million of spending on Non-Discretionary remediation projects, including the Allens Avenue (Filter/Separator), Dey Street (pressure regulation equipment), and Cumberland LNG projects. Public Works Program under spending of $2.63 million was the most significant item that partially offset the remediation work. In the sections below, the Company explains in more detail the primary drivers for spending for the fiscal year for each category.

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

FY 2017 Capital Spending by Category

Non-Discretionary Work[2]

Public Works Program – $2.63 million under-spending variance to fiscal year budget

For FY 2017, the Company spent a net of $8.60 million against a year-to-date budget of $11.23 million, resulting in a total net variance of $2.63 million. The total net spend includes project spending of $9.93 million and reimbursements of $1.33 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. 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 started in the third quarter. Due to the weather in March, the City of Providence did not allow the Company to resume work on these projects. This will result in additional spend to be incurred in FY 2018 for FY 2017 carry-over. The Company has installed 8.4 miles of new gas main and has abandoned 9.5 miles of leak-prone pipe under this program. Significant projects completed during the year include University Avenue, Providence (9783 feet), Earl Street, Lincoln (3695 feet) and Sherman Street, Providence (2542 feet).

Mandated Programs – $1.14 million over-spending variance to fiscal-year budget

For FY 2017, the Company spent approximately $16.50 million of a year-to-date budget of $15.36 million, resulting in an over-spending variance of $1.14 million. The primary drivers contributing to the over spending include Leaks and CI Joint Encapsulation. This was partially offset by lower spending in Purchase Meter Replacements. Leak over-spend is due to a

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

combination of unit costs and total leak repairs coming in higher than planned. The number of leaks repaired was 1,526 against a total plan of 1,446. The mild winter was a contributing factor that enabled the Company to complete an increased number of CI Joint Encapsulations. Leaks and CI Joint Encapsulation are contributing $1.36 million to the over-spend. This was partially offset by meter changes coming in lower than plan due to a shift in resources to completing other ISR programs.

Remediation Projects – $5.02 million over-spending variance to fiscal year budget

Three projects were 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 required 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. Scope changes, including increased overtime to maintain schedule, contributed to an increase in the overall costs as the project progressed throughout the year. The second project involved the modification of pressure regulation equipment at the Dey Street, East Providence gate station to provide over-pressure protection on the system. The third project was completion of the initial two phases of the Cumberland LNG tank decommissioning and demolition. This included plant modifications to allow for vaporization of LNG from tanker trucks and for the purging of the remaining liquids and gaseous vapors from the tank. These issues were unforeseen at the time of the FY 2017 Gas ISR development and, therefore, not identified for funding in the original plan. To mitigate such over-spending in the future, the Company began including funding for a Damage/Failure Program in the FY 2018 Gas ISR Plan to address this type of unforeseen work that requires immediate action.

The spending on these remediation projects includes $1.91 million for Allens Avenue, $0.78 million for Dey Street, and $2.32 million for Cumberland LNG.

Discretionary Work[3]

Proactive Main Replacement Program – $0.76 million under-spending variance to fiscal year budget

For FY 2017, the Company spent approximately $48.87 million of a year-to-date budget of $49.63 million, resulting in an under-spending variance of $0.76 million. The primary drivers of this under-spend is due to total miles coming in under plan. In FY 2017, the Company installed 45.8 miles of new main and abandoned 53.0 miles of leak-prone pipe within the pro-active main replacement program This represents completion of 98.0% of 54 planned abandonment miles.

Reliability Programs – $0.85 million under-spending variance to fiscal year budget

For FY 2017, the Company spent $8.40 million of a year-to-date budget of $9.25 million, resulting in an under-spending variance of $0.85 million for this category. This includes lower spending on LNG projects, Gas Planning, and System Automation that is partially offset by higher spending at Bentley Street Regulator Station and Allens Avenue Regulator Station Rebuild projects. Certain LNG projects, including Cumberland SCADA and back-up generator projects, were 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. The Bentley Street project had additional spend due to the logistics of the location requiring the use of additional safety items, ranging from additional police / flaggers, temporary fencing, pit relocation, and a requirement for hydro testing (originally planned as pneumatic testing). The Allens Avenue Regulator Station Rebuild increases were the result of dewatering during the foundation installation, additional costs

[3] Discretionary program are not required by legal, regulatory code or agreement or a result of damage or failure with limited exceptions.

associated with the inlet side pipe installation, and challenges with underground interference. The Company abandoned 1.3 miles of leak-prone pipe through the Gas Planning program.

FY 2017 O&M Spending

O&M – $0.08 million under-spend variance to fiscal year budget

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 the replacement of leak-prone pipe relating to the Proactive Main and Public Works work in FY 2017. For FY 2017, the Company has slightly under-spent the budget for this category, having incurred O&M expenses totaling approximately $0.49 million for the 16 individuals against a YTD budget of $0.57 million.

Attachment A

US Gas-Distribution
The Narragansett Electric Company
d/b/a National Grid - RI Gas
Capital Spending by Investment Categories
FY 2107 through March 31, 2017
($000)

INVESTMENT CATEGORIES	Budget	Actual	Variance
NON-DISCRETIONARY			
Public Works Program	$11,230	$8,597	($2,633)
Mandated Program*	$15,364	$16,503	$1,139
Remediation Proejcts	$0	$5,020	$5,020
NON-DISCRETIONARY SUB-TOTAL	**$26,594**	**$30,119**	**$3,525**
DISCRETIONARY			
Proactive Main Replacement Program	$49,632	$48,872	($760)
Reliability Programs	$9,250	$8,403	($847)
DISCRETIONARY SUB-TOTAL	**$58,882**	**$57,275**	**($1,607)**
TOTAL CAPITAL INVESTMENTS	**$85,476**	**$87,394**	**$1,918**
O&M	**$571**	**$488**	**($83)**
TOTAL CAPITAL and O&M	**$86,047**	**$87,882**	**$1,835**

( ) denotes an under-spend

* Mandated Program includes proactive service replacement and reactive main replacement.