

August 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 4678 – FY 2018 Gas Infrastructure, Safety, and Reliability Plan
Quarterly Update – First Quarter Ending June 30, 2017**

Dear Ms. Massaro:

On behalf of National Grid,¹ I have enclosed 10 copies of National Grid's fiscal year (FY) 2018 Gas Infrastructure, Safety, and Reliability (ISR) Plan quarterly update for the first quarter ending June 30, 2017 in the above-referenced docket.

Pursuant to the provisions of the approved FY 2018 Gas ISR Plan, National Grid 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 401-784-7415.

Very truly yours,



Robert J. Humm

Enclosures

cc: Docket 4678 Service List
Leo Wold, Esq.
Steve Scialabba
Don Ledversis

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

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.

The 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

August 15, 2017
Date

Docket No. 4678 - National Grid's FY 2018 Gas Infrastructure, Safety and Reliability (ISR) Plan - Service List 1/11/17

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Gas Infrastructure, Safety, and Reliability Plan

The Narragansett Electric Company

FY 2018 Quarterly Update

First Quarter - Ending June 30, 2017

Executive Summary

Fiscal year 2018 (FY 2018) first quarter results (*Attachment A*) reflect that the Company¹ spent approximately \$21.18 million of an estimated quarterly budget of \$29.51 million, resulting in a first quarter under-spending variance of \$8.33 million. The first quarter spend includes actual spending of \$7.18 million of an estimated year-to-date budget of \$9.52 million for non-discretionary work (i.e., work required by legal, regulatory code, and/or agreement, or as a result of damage or failure), resulting in a first quarter under-spending variance of \$2.34 million. In addition, the first quarter spend includes actual spending of \$13.85 million compared to an estimated quarterly budget of \$19.84 million on discretionary work, resulting in a first quarter under-spending variance of \$5.99 million. Gas Infrastructure, Safety, and Reliability (ISR) Operations and Maintenance (O&M) expenses total \$0.14 million on a budget of \$0.14 million. To date, the \$21.18 million of actual spend represents approximately 21% of the total FY 2018 annual Gas ISR budget of \$101.76 million. Total year-end spend is currently forecast to be at the budgeted total of \$101.76 million. Projected under spend for the decommissioning of the Cumberland liquefied natural gas (LNG) tank is partially offset by increased spending in Mandated Programs. In the sections below, the Company explains in more detail the primary drivers for spending to-date and the forecast for each category.

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

FY 2018 Capital Spending by Category

Non-Discretionary Work²

Public Works Program – \$1.71 million under-spending variance to budget year-to-date

Through the first quarter of FY 2018, the Company spent \$2.33 million of a projected year-to-date budget of \$4.03 million for the Public Works program, resulting in an under-spending variance of \$1.71 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 quarter. This is attributed to timing of the work that is performed in conjunction with state and municipal schedules and is expected to re-align with the budgeted plan as the year continues. To date for FY 2018, the Company has installed 2.0 miles of a plan of 4.0 miles for new gas main and has abandoned 2.5 miles of a plan of 2.8 miles of leak-prone pipe through the Public Works program. With this level of spending, based on the current project mix in the plan and projected reimbursement funds for prior work, the Company anticipates that the Public Works program will be on-budget at fiscal year-end.

Mandated Programs – \$0.07 million over-spending variance to budget year-to-date

Through the first quarter of FY 2018, the Company spent approximately \$4.78 million of a projected year-to-date budget of \$4.71 million for Mandated Programs, resulting in an over-spending variance of \$0.07 million. The primary drivers for the over-spend to date include higher spending on purchase meter replacements attributed to increased customer meter changes, which was partially offset by lower spending within Pipeline Integrity due to delays in

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

initiating work on the Providence River Crossing riser replacements. At this time, the Mandated Programs category is projected to be over-budget by \$0.93 million at fiscal year-end, in large part due to carryover of the Providence River Crossing signage project along with increases in the projected costs for completing the replacement of piping at the Laten Knight take station in Cranston. Weather issues, gas safety coordination, and the need to coordinate with the FY 2018 riser replacements contributed to the carryover of the signage project. The Laten Knight take station increase is due to the contractor bid coming in higher than the original estimate.

Damage/Failure Reactive Program – \$0.06 million under-spending variance to budget year-to-date

Through the first quarter of FY 2018, the Company spent \$0.0 million of a projected year-to-date budget of \$0.06 million for the Damage/Failure Reactive program, resulting in an under-spending variance of \$0.06 million. At this time the Damage/Failure Reactive program category is projected to be on-budget at fiscal year-end.

Cumberland LNG Decommissioning Project – \$0.64 million under-spending variance to budget year-to-date

Through the first quarter of FY 2018, the Company spent \$0.07 million of a projected year-to-date budget of \$0.72 million for the Cumberland LNG Decommissioning Project, resulting in an under-spending variance of \$0.64 million. This variance is due to the execution of the work plan occurring later than the assumptions used for phasing the budget. At this time, the Cumberland LNG Decommissioning Project is projected to be under-budget by \$0.99 million at fiscal year-end. This reduction is due to the contractor bid process resulting in lower pricing than the amounts that were assumed in the budget. Camera inspection of the interior of the LNG tank was conducted on August 9, 2017 and August 10, 2017. Demolition site mobilization is scheduled for August 14, 2017. Forensic analysis procedures were provided to

the Division of Public Utilities and Carriers (Division) in advance of the camera inspection. In addition, the Company has met with the Division to review disposition plans associated with a listing of major Cumberland LNG plant components. Disposition methods typically include internal use, scrap, or third-party sale. The Company will continue to update the Division as additional information becomes available.

Discretionary Work³

Proactive Main Replacement Program – \$5.60 million under-spending variance to budget year-to-date

Through the first quarter of FY 2018, the Company has spent approximately \$11.47 million of a projected year-to-date budget of \$17.07 million for the Proactive Main Replacement program, resulting in an under-spending variance of \$5.60 million. There are a number of factors contributing to the first quarter under-spend, including the pace of crew ramp up in the first quarter, concentration of larger diameter work in Providence, and budget phasing. These factors contributed to installed miles coming in behind plan at this point. To date for FY 2018, the Company has installed 15.4 miles of 17.2 planned miles of new main and has abandoned 8.3 miles of leak-prone pipe against a plan of 10.0 miles. Full ramp up of crews and remaining work mix supports the Company's objective to deliver the Proactive Main Replacement program on plan and on budget at fiscal year-end.

³ Discretionary programs are not required by legal, regulatory code, and/or agreement, or as a result of damage or failure with limited exceptions.

Proactive Service Replacement Program – \$0.33 million under-spending variance to budget year-to-date

Through the first quarter of FY 2018, the Company spent \$0.0 million of a projected year-to-date budget of \$0.33 million for the Proactive Service Replacement program, resulting in an under-spending variance of \$0.33 million. First quarter Leak and Growth Service backlogs diverted resources from the Proactive Service Replacement program. Jobs are currently being permitted and packaged to prepare for scheduling. As a result, the Company expects this category to be on plan and on budget by fiscal year-end.

Reliability Programs – \$0.06 million under-spending variance to budget year-to-date

Through the first quarter of FY 2018, the Company spent \$2.38 million of a projected year-to-date budget of \$2.44 million for Reliability programs, resulting in an under-spending variance of \$0.06 million for this category. The primary drivers of this under-spending variance are Allens Avenue Multi Station Rebuild, System Automation, and LNG. Change in current year scope for Allens Avenue will result in the deferral of some work until FY 2019. System Automation and LNG are attributed to in-year timing of work plan completion. This under-spend is partially offset by higher spend in the areas of Pressure Regulation Facilities and Gas System Control. In-year work plan timing and carryover of unplanned costs at Dey Street are contributing to the increased spending for Pressure Regulation Facilities. Gas System Control includes costs associated with control room video monitors that were not included in the current year budget. At this time, spending for this category is expected to be over-budget by \$0.71 million at the end of the fiscal year, driven by increased costs in Pressure Regulation Facilities and carryover costs from the Allens Avenue Filter Separator. These items were partially offset by the deferral of the completion of Allens Avenue Multi Station Rebuild Phase II until FY 2019.

FY 2018 O&M Spending

O&M – on budget

In the FY 2018 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 2018. Through the first quarter of FY 2018, the Company is on budget having incurred O&M expenses totaling approximately \$0.14 million for these 16 individuals against a year-to-date budget of \$0.14 million. At this time, the Company expects the O&M category to be on-budget at fiscal year-end.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4678
FY 2018 Gas Infrastructure, Safety, and Reliability Plan
FY 2018 Quarterly Update
First Quarter Ending June 30, 2017
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Attachment A						
US Gas-Distribution The Narragansett Electric Company d/b/a National Grid - RI Gas Capital Spending by Investment Categories FY 2108 through June 30, 2017 (\$000)						
INVESTMENT CATEGORIES	Budget	FYTD Actual	Variance	Budget	FY18 - Total Forecast	Variance
NON-DISCRETIONARY						
Public Works Program*	\$4,032	\$2,326	(\$1,706)	\$12,218	\$12,218	0
Mandated Program	\$4,708	\$4,784	\$75	\$18,672	\$19,598	\$926
Damage / Failure Reactive	\$62	\$0	(\$62)	\$250	\$250	\$0
Cumberland LNG Decommissioning	\$718	\$74	(\$644)	\$3,589	\$2,592	(\$997)
NON-DISCRETIONARY SUB-TOTAL	\$9,521	\$7,183	(\$2,337)	\$34,729	\$34,658	(\$71)
DISCRETIONARY						
Proactive Main Replacement	\$17,067	\$11,469	(\$5,598)	\$54,106	\$54,106	\$0
Proactive Service Replacement	\$333	\$1	(\$332)	\$900	\$900	\$0
Reliability Programs	\$2,443	\$2,383	(\$60)	\$11,450	\$11,521	\$71
DISCRETIONARY SUB-TOTAL	\$19,844	\$13,853	(\$5,991)	\$66,456	\$66,527	\$71
TOTAL CAPITAL INVESTMENT	\$29,364	\$21,037	(\$8,328)	\$101,185	\$101,185	(\$0)
O&M	\$143	\$140	(\$3)	\$571	\$571	\$0
TOTAL CAPITAL and O&M **	\$29,507	\$21,177	(\$8,331)	\$101,756	\$101,756	(\$0)
() denotes under-spend						
* Public Works Program includes reimbursements which will be credited as received throughout the year.						
** FY 2018 impact of change in capital overhead distribution method is under review. No impact to total capital clearing costs, but is expected to result in shifts between program categories.						