

November 14, 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 – Second Quarter Ending September 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 second quarter ending September 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.

Gas Infrastructure, Safety, and Reliability Plan
The Narragansett Electric Company
FY 2018 Quarterly Update
Second Quarter - Ending September 30, 2017

Executive Summary

Fiscal year (FY) 2018 second quarter results (*Attachment A*) reflect that the Company¹ spent approximately \$60.18 million of an estimated quarterly budget of \$69.79 million, resulting in a second quarter under-spending variance of \$9.61 million. The second quarter spend includes actual spending of \$19.54 million for Non-Discretionary work compared to an estimated year-to-date budget of \$22.12 million, resulting in a second quarter under-spending variance of \$2.58 million. In addition, the second quarter spend includes actual spending of \$40.38 million for Discretionary work compared to an estimated quarterly budget of \$47.39 million, resulting in a second quarter under-spending variance of \$7.01 million. Gas Infrastructure, Safety, and Reliability (ISR) operations and maintenance (O&M) expenses total \$0.27 million compared to a budget of \$0.29 million. To date, the \$60.18 million of actual spend represents approximately 59% of the total FY 2018 annual Gas ISR budget of \$101.76 million. Total year-end spend is currently forecast at \$103.46 million. The primary driver for the projected over-spend is the \$1.70 million replacement of the Admiral Street at Charles Street Regulator Station in Providence under the Damage/Failure category. Other items of note include forecasted under-spend for the decommissioning of the Cumberland liquefied natural gas (LNG) tank and large diameter pipeline replacement. This is offset by forecasted over-spend for the Allens Avenue

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

Take Station in Providence and various Pipeline Integrity projects. In the sections below, the Company explains in more detail the primary drivers for spending to-date and the forecast for each category.

FY 2018 Capital Spending by Category

Non-Discretionary Work²

Public Works Program – \$1.16 million under-spending variance to budget year-to-date

Through the second quarter of FY 2018, the Company spent \$7.79 million of a projected year-to-date budget of \$8.94 million for the Public Works program, resulting in an under-spending variance of \$1.16 million. The key driver for this under-spending is that the mix of work completed to date is not aligned with the assumptions included in the phased budget because of the timing of the work performed in conjunction with state and municipal schedules. The Company expects that the work under the Public Works program will re-align with the budgeted plan as the year continues. To date for FY 2018, the Company has installed 8.2 miles of a planned 6.4 miles for new gas main and has abandoned 5.0 miles of a planned 4.0 miles of leak-prone pipe through the Public Works program. With this level of spending and the current project mix in the plan, the Company anticipates that the Public Works program will be on-budget at fiscal year-end.

Mandated Programs – \$1.58 million over-spending variance to budget year-to-date

Through the second quarter of FY 2018, the Company spent approximately \$11.18 million of a projected year-to-date budget of \$9.60 million for Mandated Programs, resulting in an over-

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.

spending variance of \$1.58 million. The primary drivers for the over-spend to date include higher spending on purchase meter replacements attributed to increased customer meter changes and higher spending within Pipeline Integrity projects largely due to cost increases associated with the Laten Knight Road Take Station in Cranston due to large wall pipe welding and hydrostatic testing that was not included in the original budget. This over-spend is partially offset by under-spending in the reactive Service Replacement leaks category. At this time, the Company projects the Mandated Programs category will be over-budget by \$2.68 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 Road Take Station. Weather issues, gas safety coordination, and the need to coordinate with the FY 2018 riser replacements contributed to the carryover of the signage project. In addition, cost increases are included in the forecast to address corrosion issues identified in the signage foundations.

Damage/Failure Reactive Program – \$0.04 million under-spending variance to budget year-to-date

Through the second quarter of FY 2018, the Company spent \$0.08 million of a projected year-to-date budget of \$0.12 million for the Damage/Failure Reactive program, resulting in an under-spending variance of \$0.04 million. At this time, the Company projects the Damage/Failure Reactive program category will be \$1.70 million over-budget at fiscal year-end. The primary driver for the projected over-spend is the replacement of the Admiral Street at Charles Street Regulator Station in Providence. This project relates to a cinder block regulator station vault that the Company found had been significantly damaged by the City contractor following a sewer main replacement job. Prior to the initiation of the sewer project the Company worked closely with the City and the contractor to agree on a Damage Prevention plan. While the Damage Prevention plan was followed, settlement occurred around the vault, which unexpectedly affected the Company's facilities. The Admiral at Charles Regulator Station is not currently in

operation, but will be required for the upcoming heating season. In addition the forecast includes \$0.20 million to fund two remote operated valves at the Manchester Street Take Station in Providence. The Manchester Street project will install new actuated valves that will provide the Gas Control center with remote shutdown capability. This capability will enable the Company to take action immediately in the event of abnormal operating conditions, which will significantly decrease response time. Additionally, in the event that abnormal operating conditions make the site unsafe for personnel access, the remote shutdown option can still be exercised safely.

Cumberland LNG Decommissioning Project – \$2.96 million under-spending variance to budget year-to-date

Through the second quarter of FY 2018, the Company spent \$0.48 million of a projected year-to-date budget of \$3.44 million for the Cumberland LNG Decommissioning Project, resulting in an under-spending variance of \$2.96 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 Company projects the Cumberland LNG Decommissioning Project will be under-budget by \$1.13 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. On August 9 and 10, 2017, the Company engaged a third party to conduct a camera inspection, which included mapping of the entire interior surface area of the LNG tank using a high resolution camera. Preliminary assessments did not reveal any definitive surface discontinuities. The external forensic inspection was completed on November 8, 2017. A full report will be provided upon completion of the review of the results of both the internal and external inspections. Demolition commenced on October 10, 2017, and the Company expects the majority of the demolition work will be completed by the end of November 2017. Forensic analysis procedures were provided to the Division of Public Utilities and Carriers (the 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 – \$8.11 million under-spending variance to budget year-to-date

Through the second quarter of FY 2018, the Company has spent approximately \$31.24 million of a projected year-to-date budget of \$39.35 million for the Proactive Main Replacement program, resulting in an under-spending variance of \$8.11 million. There are a number of factors contributing to the second quarter under-spend, including the pace of crew ramp-up in the first quarter, concentration of larger diameter work in Providence at the beginning of the construction season, and budget phasing. To date for FY 2018, the Company has installed 32.9 miles of 35.0 planned miles of new main and has abandoned 19.7 miles of leak-prone pipe against a plan of 25.4 miles. The year-to-date under-spend will continue to decline in the third quarter as the Company continues to deploy a full crew complement and shifts focus to completing abandonments. The Proactive Main Replacement program is forecast to end the fiscal year at \$1.99 million under budget. This is attributed to the deferral of a significant portion of the Large Diameter program combined with projected cost reductions in the leak-prone pipe category.

Proactive Service Replacement Program – \$0.70 million under-spending variance to budget year-to-date

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

Through the second quarter of FY 2018, the Company spent \$0.00 million of a projected year-to-date budget of \$0.70 million for the Proactive Service Replacement program, resulting in an under-spending variance of \$0.70 million. 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 will be \$0.60 under planned spend of \$0.90 at fiscal year-end with a forecast to complete 50 to 70 out of 200 planned service replacements.

Reliability Programs – \$1.80 million over-spending variance to budget year-to-date

Through the second quarter of FY 2018, the Company spent \$9.14 million of a projected year-to-date budget of \$7.34 million for Reliability programs, resulting in an over-spending variance of \$1.80 million for this category. The primary drivers of this over-spending variance are the Allens Avenue Multi Station Rebuild and Instrumentation and Regulation (I&R) Reactive, with partial offsets due to under-spending in Pressure Regulation Facilities. Prior year carryover and environmental mitigation factors are contributing to higher costs for the Allens Avenue Multi Station Rebuild project that are partially offset by cost reductions associated with the deferral of elements of the fiscal year 2018 work plan. I&R Reactive over-spend is largely due regulator station abandonment costs. In-year work plan timing associated with two locations on Roger Williams Avenue in East Providence is contributing to the decreased spending for Pressure Regulation Facilities. At this time, the Company expects that spending for this category will be over-budget by \$1.043 million at the end of the fiscal year, driven by increased costs in the Allens Avenue Multi Station Rebuild that are offset by lower spending in Gas Planning due to the deferral of the Halidon Avenue relay project in Newport and the Wood Street at Woodlawn Avenue Regulator Station project in Bristol.

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 16 additional personnel required for the acceleration of replacement of leak-prone pipe relating to the Proactive Main and Public Works programs in FY 2018. Through the second quarter of FY 2018, the Company is on budget, having incurred O&M expenses totaling approximately \$0.27 million for the 16 individuals against a year-to-date budget of \$0.29 million. At this time, the Company expects the O&M category will remain 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
Second Quarter Ending September 30, 2017
Page 8 of 8

Attachment A						
US Gas-Distribution The Narragansett Electric Company d/b/a National Grid - RI Gas Capital Spending by Investment Categories FY 2108 through September 30, 2017 (\$000)						
INVESTMENT CATEGORIES	Budget	FYTD Actual	Variance	Budget	FY18 - Total Forecast	Variance
NON-DISCRETIONARY						
Public Works Program*	\$8,944	\$7,786	(\$1,158)	\$12,218	\$12,219	\$ 1
Mandated Program	\$9,605	\$11,185	\$1,580	\$18,672	\$21,350	\$2,678
Damage / Failure Reactive	\$125	\$84	(\$41)	\$250	\$1,948	\$1,698
Cumberland LNG Decommissioning	\$3,445	\$480	(\$2,965)	\$3,589	\$2,457	(\$1,132)
NON-DISCRETIONARY SUB-TOTAL	\$22,119	\$19,536	(\$2,583)	\$34,729	\$37,974	\$3,245
DISCRETIONARY						
Proactive Main Replacement	\$39,351	\$31,239	(\$8,113)	\$54,106	\$52,120	(\$1,986)
Proactive Service Replacement	\$698	(\$1)	(\$698)	\$900	\$300	(\$600)
Reliability Programs	\$7,339	\$9,141	\$1,802	\$11,450	\$12,492	\$1,042
DISCRETIONARY SUB-TOTAL	\$47,388	\$40,379	(\$7,009)	\$66,456	\$64,912	(\$1,544)
TOTAL CAPITAL INVESTMENT	\$69,507	\$59,915	(\$9,593)	\$101,185	\$102,886	\$1,701
O&M	\$286	\$267	(\$19.00)	\$571	\$571	\$0
TOTAL CAPITAL and O&M **	\$69,793	\$60,182	(\$9,612)	\$101,756	\$103,457	\$1,701
() 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.						

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

November 14, 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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