

August 15, 2018

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4781 – FY 2019 Gas Infrastructure, Safety, and Reliability Plan  
Quarterly Update – First Quarter Ending June 30, 2018**

Dear Ms. Massaro:

On behalf of National Grid,<sup>1</sup> I have enclosed 10 copies of National Grid's fiscal year (FY) 2019 Gas Infrastructure, Safety, and Reliability (ISR) Plan quarterly update for the fourth quarter ending June 30, 2018 in the above-referenced docket.

Pursuant to the provisions of the approved FY 2019 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 4781 Service List  
Leo Wold, Esq.  
John Bell, Division  
Al Mancini, Division

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<sup>1</sup> 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.



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Robert J. Humm, Esq.

August 15, 2018

Date

**Docket No. 4781 - National Grid's FY 2019 Gas Infrastructure, Safety and Reliability (ISR) Plan  
- Service List 2/21/18**

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<b>File an original &amp; nine (9) copies w/:</b> Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02888	<a href="mailto:Luly.massaro@puc.ri.gov">Luly.massaro@puc.ri.gov</a> ;	401-780-2107
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## **Gas Infrastructure, Safety, and Reliability Plan**

### **The Narragansett Electric Company**

#### **FY 2019 Quarterly Update**

#### **First Quarter - Ending June 30, 2018**

#### **Executive Summary**

Fiscal year (FY) 2019 first quarter results (Attachment A) reflect that the Company<sup>1</sup> spent approximately \$31.56 million of an estimated quarterly budget of \$35.99 million, resulting in a first quarter under-spending variance of \$4.43 million. The first quarter spend includes actual spending of \$12.37 million of an estimated year-to-date budget of \$13.87 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 \$1.50 million. In addition, the first quarter spend includes actual spending of \$19.06 million compared to an estimated quarterly budget of \$21.99 million on Discretionary work, resulting in a first quarter under-spending variance of \$2.93 million. Gas Infrastructure, Safety, and Reliability (ISR) operation and maintenance (O&M) expenses totaled \$0.13 million on a budget of \$0.13 million. To date, the \$31.56 million of actual spend represents approximately 30% of the total FY 2019 annual Gas ISR budget of \$106.71 million. Total year-end spend is currently forecast to be slightly above the budgeted total at \$106.78 million. Projected over-spend for the Public Works program is offset by projected under-spend in the Reliability programs. A summary level forecast has been provided in Attachment A. Additional details supporting this

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

forecast are provided in Attachment B. In the sections below, the Company explains in more detail the primary drivers for spending to-date and the forecast for each category.

### **FY 2019 Capital Spending by Category**

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

##### ***Public Works Program – \$2.64 million over-spending variance to budget year-to-date***

Through the first quarter of FY 2019, the Company spent \$6.40 million of a projected year-to-date budget of \$3.77 million for the Public Works program, resulting in an over-spending variance of \$2.64 million. Installation miles ahead of plan are contributing to this over-spend. In addition, this over-spend is partially offset by under-spend in the Proactive Main Replacement program and is a reflection of the balance that the Company looks to achieve in the management of the two programs. To date for FY 2019, the Company has installed 5.2 miles against a plan of 4.5 miles for new gas main and has abandoned 3.6 miles against a plan of 3.5 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 over-spend by \$0.86 million at fiscal year-end.

##### ***Mandated Programs – \$0.37 million under-spending variance to budget year-to-date***

Through the first quarter of FY 2019, the Company spent approximately \$5.27 million of a projected year-to-date budget of \$5.63 million for Mandated Programs, resulting in an under-spending variance of \$0.37 million. The primary drivers in this category include under-spend in

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

purchase of meters, which is attributed to timing of meter receipts. This is partially offset by over-spend in reactive leaks that is, in part, the result of the number of leak repairs exceeding plan. At this time, the Mandated Programs are forecast to be on-budget at fiscal year-end.

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

Through the first quarter of FY 2019, 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.

***Special Projects – \$3.71 million under-spending variance to budget year-to-date***

Through the first quarter of FY 2019, the Company spent \$0.70 million of a projected year-to-date budget of \$4.41 million for Special Projects, resulting in an under-spending variance of \$3.71 million. The primary drivers for the under-spend are based on the status of the Allens Avenue 200 pounds per square inch gauge (psig) Main Replacement and the Veterans Memorial 200 psig Main Replacement projects. In each project, the implementation of the work plan is later than that assumed in the phased budget. For the Allens Avenue Main Replacement project, construction is expected to be completed by the start of the upcoming heating season. For the Veterans Memorial Main Replacement project, the Company expects to begin construction on the vault portion of the project in August 2018. Construction of the vault is scheduled for completion in October 2018. At this time, the Company expects to under-spend this category by \$0.07 million at fiscal year-end.

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

#### ***Proactive Main Replacement Program – \$1.30 million under-spending variance to budget year-to-date***

Through the first quarter of FY 2019, the Company has spent approximately \$16.65 million of a projected year-to-date budget of \$17.95 million for the Proactive Main Replacement program, resulting in an under-spending variance of \$1.30 million. The under-spend is considered to be timing related and is, in part, the result of year-to-date abandonments that are behind plan. These factors contributed to installed miles coming in behind plan at this point. To date for FY 2019, the Company has installed 17.4 miles against a plan of 16.2 miles of new main and has abandoned 6.5 miles of leak-prone pipe of a plan of 11.5 miles. At this time, the Company expects an acceleration of abandonment miles as the construction season progresses. The Proactive Main Replacement program forecast is on-budget for fiscal year-end.

#### ***Reliability Programs – \$1.63 million under-spending variance to budget year-to-date***

Through the first quarter of FY 2019, the Company spent \$2.41 million of a projected year-to-date budget of \$4.04 million for Reliability programs, resulting in an under-spending variance of \$1.63 million for this category. The primary driver of this under-spending variance is construction delays for the Allens Avenue Multi Station Rebuild project, primarily resulting from delays associated with vendor contract negotiations. At this time, the Reliability programs are expected to under-spend by \$0.72 million at fiscal year-end. This includes projected under-spend associated with the deferral of a portion of the Heater Program work plan and identification of Allens Avenue Multi Station Rebuild construction that will be completed to support liquefied natural gas (LNG) operations. The Allens Avenue LNG related costs will be

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

excluded from the ISR. These items are partially offset by projected over-spend for Pressure Regulating Facilities as a result of carryover from the FY 2018 work plan that included the final abandonment of two regulator stations.

### **FY 2019 O&M Spending**

#### ***O&M – on budget***

In the FY 2019 Gas ISR Plan, the Company agreed to track the incremental O&M expenses associated with the hiring, training, and work of 16 additional full-time equivalent personnel required for the acceleration of replacement of leak-prone pipe relating to the Public Works and Proactive Main Replacement work in FY 2019. The Company is on budget through the first quarter of FY 2019, having incurred O&M expenses totaling approximately \$0.13 million for these 16 individuals against a year-to-date budget of \$0.13 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. 4781  
FY 2019 Gas Infrastructure, Safety, and Reliability Plan  
FY 2019 Quarterly Update  
First Quarter Ending June 30, 2018  
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Attachment A							
The Narragansett Electric Company d/b/a National Grid - RI Gas Capital Spending by Investment Categories FY 2019 through June 30, 2018 (\$000)							
Investment Categories	Budget	FYTD Actual	Variance	Budget	FY19 - Total Forecast	Variance	
NON-DISCRETIONARY							
Public Works Program*	\$3,769	\$6,405	\$2,637	\$11,084	\$11,944	\$860	
Mandated Program	\$5,630	\$5,265	(\$365)	\$19,925	\$19,923	(\$2)	
Damage / Failure Reactive	\$63	\$0	(\$63)	\$250	\$250	\$0	
Special Projects	\$4,411	\$700	(\$3,711)	\$8,768	\$8,694	(\$74)	
NON-DISCRETIONARY SUB-TOTAL	\$13,873	\$12,371	(\$1,502)	\$40,027	\$40,811	\$784	
DISCRETIONARY							
Proactive Main Replacement	\$17,953	\$16,654	(\$1,299)	\$52,802	\$52,802	(\$0)	
Reliability Programs	\$4,041	\$2,409	(\$1,632)	\$13,382	\$12,660	(\$722)	
DISCRETIONARY SUB-TOTAL	\$21,994	\$19,063	(\$2,930)	\$66,184	\$65,462	(\$723)	
TOTAL CAPITAL INVESTMENT	\$35,867	\$31,434	(\$4,432)	\$106,212	\$106,273	\$61	
O&M	\$126	\$130	\$4	\$502	\$502	\$0	
TOTAL CAPITAL and O&M	\$35,993	\$31,564	(\$4,428)	\$106,714	\$106,775	\$61	
() denotes under-spend							
*Public Works Program includes reimbursements which will be credited as received throughout the year.							

The Narragansett Electric Company  
d/b/a National Grid  
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Attachment B

Narragansett Gas  
Fiscal Year 2019 Forecast  
(\$000)

Category	FY 2019 Budget	FY 2019 Forecast	Variance
<b>NON-DISCRETIONARY</b>			
<b>Public Works</b>			
City State Construction - Non-Reimbursable	\$11,084	\$11,944	\$860
City State Construction - Reimbursable	\$1,354	\$1,354	\$0
City State Construction - Reimbursements	-\$1,354	-\$1,354	\$0
<b>Public Works Total</b>	<b>\$11,084</b>	<b>\$11,944</b>	<b>\$860</b>
<b>Mandated Programs</b>			
Corrosion	\$1,144	\$1,144	\$0
Purchase Meters (Replacements)	\$4,371	\$4,271	(\$100)
Pipeline Integrity IVP (Integrity Verification Program)	\$252	\$252	\$0
Service Replacements (Reactive) - Non-Leaks/Other	\$2,331	\$2,331	\$0
Other Mandated	\$0	\$97	\$97
Main Replacement (Reactive) - Maintenance	\$670	\$670	\$0
Main Replacement (Reactive) - CI Joint Encapsulation	\$4,012	\$7,041	\$3,029
Service Replacement (Reactive) - Leaks	\$7,146	\$4,117	(\$3,029)
<b>Sub-Total Reactive Leaks</b>	<b>\$11,827</b>	<b>\$11,828</b>	<b>\$1</b>
<b>Mandated Total</b>	<b>\$19,925</b>	<b>\$19,923</b>	<b>(\$2)</b>
<b>Damage / Failure (Reactive)</b>	<b>\$250</b>	<b>\$250</b>	<b>\$0</b>
<b>Special Project</b>			
Gas Expansion Plan	\$1,500	\$1,000	(\$500)
Pipeline Integrity IVP - Allens Ave 200 psig main replacement due to weld issue	\$4,735	\$5,161	\$426
Pipeline Integrity IVP - Veterans Memorial Drive 200 psig main replacement	\$2,533	\$2,533	\$0
<b>Special Project Total</b>	<b>\$8,768</b>	<b>\$8,694</b>	<b>(\$74)</b>
<b>NON-DISCRETIONARY TOTAL</b>	<b>\$40,027</b>	<b>\$40,811</b>	<b>\$784</b>
<b>DISCRETIONARY</b>			
<b>Proactive Main Replacement</b>			
Main Replacement (Proactive) - Leak Prone Pipe	\$52,802	\$52,802	\$0
<b>Reliability</b>			
Gas System Control	\$550	\$550	\$0
Valve Installation/Replacement	\$159	\$159	\$0
System Automation	\$1,033	\$1,033	\$0
Heater Program	\$800	\$275	(\$525)
Pressure Regulating Facilities	\$2,666	\$3,639	\$973
Allens Ave Multi Station Rebuild	\$2,970	\$1,693	(\$1,277)
Take Stations	\$1,000	\$595	(\$405)
Gas System Reliability - Gas Planning	\$1,472	\$1,472	\$0
I&R - Reactive	\$1,202	\$1,202	\$0
LNG	\$903	\$905	\$2
Replace Pipe on Bridges	\$100	\$100	\$0
Access Protection Remediation	\$100	\$100	\$0
Other Reliability	\$0	\$410	\$410
Tools & Equipment	\$427	\$527	\$100
<b>Reliability Total</b>	<b>\$13,382</b>	<b>\$12,660</b>	<b>(\$722)</b>
<b>DISCRETIONARY TOTAL</b>	<b>\$66,184</b>	<b>\$65,462</b>	<b>(\$722)</b>
<b>Capital Spending Total</b>	<b>\$106,211</b>	<b>\$106,272</b>	<b>\$61</b>
<b>O&amp;M</b>	<b>\$502</b>	<b>\$502</b>	<b>\$0</b>
<b>Gas ISR Plan Total</b>	<b>\$106,712</b>	<b>\$106,774</b>	<b>\$61</b>