

February 12, 2019

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 – Third Quarter Ending December 31, 2018**

Dear Ms. Massaro:

On behalf of National Grid,¹ I have enclosed 10 copies of the Company's fiscal year (FY) 2019 Gas Infrastructure, Safety, and Reliability (ISR) Plan quarterly update for the third quarter ending December 31, 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

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

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

February 12, 2019
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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Gas Infrastructure, Safety, and Reliability Plan

The Narragansett Electric Company

FY 2019 Quarterly Update

Third Quarter - Ending December 31, 2018

Executive Summary

Fiscal year (FY) 2019 Gas Infrastructure, Safety, and Reliability (ISR) third quarter results (Attachment A) reflect that the Company¹ has spent approximately \$94.19 million of an estimated year-to-date budget of \$97.03 million, resulting in a third quarter under-spending variance of \$2.84 million. The third quarter spend includes actual spending of \$36.30 million against an estimated year-to-date budget of \$35.49 million for Non-Discretionary work, resulting in a third quarter over-spending variance of \$0.81 million. In addition, the third quarter spend includes actual spending of \$57.48 million of an estimated quarterly budget of \$61.16 million on Discretionary work, resulting in a third quarter under-spending variance of \$3.69 million. Gas ISR operation and maintenance (O&M) expenses totaled \$0.41 million against a budget of \$0.38 million. To date, the \$94.19 million of actual spend represents approximately 88 percent of the total FY 2019 annual Gas ISR budget of \$106.71 million. Total year-end spend is currently forecast to be \$1.69 million above the budgeted total, at \$108.40 million. Projected over-spend for the Public Works and Proactive Main Replacement programs are partially offset by projected under-spend in the Reliability, Mandated, and Special Project programs. A summary level forecast is provided in Attachment A. Additional details supporting this 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.

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

FY 2019 Capital Spending by Category

Non-Discretionary Work²

Public Works Program – \$2.18 million over-spending variance to budget year-to-date

Through the third quarter of FY 2019, the Company has spent \$12.60 million against a projected year-to-date budget of \$10.42 million for the Public Works program, resulting in an over-spending variance of \$2.18 million. The mix of work, which includes increasing amounts of cast iron and concrete road base, are contributing to this over-spend. To date for FY 2019, the Company has installed 8.9 miles of a plan of 11.0 miles for new gas main and has abandoned 10.3 miles of a plan of 11.0 miles of leak-prone pipe through the Public Works program. Current forecasts call for total abandonment of 11.6 miles in FY 2019. 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 \$2.00 million at fiscal year-end.

Mandated Programs – \$0.80 million under-spending variance to budget year-to-date

Through the third quarter of FY 2019, the Company has spent approximately \$15.69 million of a projected year-to-date budget of \$16.49 million for Mandated Programs, resulting in an under-spending variance of \$0.80 million. The primary drivers in this category include under-spend in the Corrosion and Non-Leaks/Other categories. This is largely 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 under-spend by \$1.30 million at fiscal year-end.

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.

Damage/Failure Reactive Program – \$0.19 million under-spending variance to budget year-to-date

Through the third quarter of FY 2019, the Company has spent \$0.00 million of a projected year-to-date budget of \$0.19 million for the Damage/Failure Reactive program, resulting in an under-spending variance of \$0.19 million. At this time, the Damage/Failure Reactive program category is projected to be on-budget at fiscal year-end.

Special Projects – \$0.38 million under-spending variance to budget year-to-date

Through the third quarter of FY 2019, the Company spent \$8.01 million of a projected year-to-date budget of \$8.39 million for Special Projects, resulting in an under-spending variance of \$0.38 million. The primary driver for the under-spend is based on the status of the Veterans Memorial Main Replacement projects. Plans for developing the Veterans Memorial property have been put on hold by the property owner, which has resulted in the Company deferring all work associated with the 200 pounds per square inch gauge (psig) replacement portion of the Veterans Memorial Main Replacement project. The vault portion of the Veterans Memorial Main Replacement project, prioritized based on asset condition, was completed in October 2018. The under-spending on the Veterans Memorial Main Replacement projects is partially offset by over-spend on the Gas Expansion projects and the Allens Avenue 200 psig Main Replacement project. Factors contributing to the over-spend on the Gas Expansion project include increased spending in the Engineering and Environmental and Permitting categories due to the existence of contaminated sites along the route that required extensive review and subsurface exploration and monitoring wells. Additional factors include design and engineering costs for horizontal directional drilling for multiple bridge crossings and traffic management plans. The Allens Avenue 200 psig main replacement project cost increases are attributed to post-estimate market condition changes that impacted project oversight, materials, and Non-

Destructive Examination. The Company expects to under-spend the Special Projects category by \$0.40 million at fiscal year-end.

Discretionary Work³

Proactive Main Replacement Program – \$0.63 million over-spending variance to budget year-to-date

Through the third quarter of FY 2019, the Company has spent approximately \$49.73 million against a projected year-to-date budget of \$49.11 million for the Proactive Main Replacement program, resulting in an over-spending variance of approximately \$0.63 million. To date for FY 2019, the Company has installed 44.1 miles of new main against a plan of 40.6 miles, and has abandoned 36.5 miles of leak-prone pipe of a plan of 47.1 miles. The Company has accumulated an inventory of main ready for abandonment and is forecasting in combination with the Public Works program to achieve the FY 2019 plan of 60 abandonment miles. The Proactive Main Replacement program is forecast to be \$3.00 million over-budget for fiscal year-end. Forecasted under-spend in other program categories are partially offsetting this amount, which is contributing to the projected overall ISR over-spend of \$1.69 million for FY 2019. The over-spend for the Proactive Main Replacement program at fiscal year-end is attributed to a current projection of installing an additional four miles of main, which will support the FY 2020 abandonment miles. This will support the Company's overall Proactive Main Replacement program objectives as it seeks to increase the percentage of cast iron miles to replace, which have historically presented challenges such as permit restrictions and underground congestion.

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

Reliability Programs – \$4.31 million under-spending variance to budget year-to-date

Through the third quarter of FY 2019, the Company has spent \$7.74 million of a projected year-to-date budget of \$12.06 million for Reliability programs, resulting in an under-spending variance of \$4.31 million for this category. The primary drivers of this under-spending variance are the Allens Avenue Multi Station Rebuild project and the Gas System Reliability program. Under spending for the Allens Avenue Multi Station Rebuild project has resulted from delays associated with contractor mobilization, significant weather impacts, and environmental dewatering. The Company expects that these timing delays will be remediated in the fourth quarter of FY 2019. Gas System Reliability is under spending due to siting delays associated with the installation of a new regulator station. At this time, the Reliability programs are expected to under-spend by \$1.62 million at fiscal year-end. This includes projected under-spend associated with the deferral of a portion of the Heater Program and Take Station work plans, 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 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 – \$0.03 million over-spending variance to budget year-to-date

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 slightly over-budget through the third quarter of FY 2019, having incurred O&M expenses totaling approximately \$0.41

million for these 16 individuals against a year-to-date budget of \$0.38 million. At this time, the Company expects the O&M category will be on budget at fiscal year-end.

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d/b/a National Grid
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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 December, 2018 (\$000)							
Investment Categories	Budget	FYTD Actual	Variance	Budget	FY19 - Total Forecast	Variance	
NON-DISCRETIONARY							
Public Works Program*	\$10,419	\$12,595	\$2,176	\$11,084	\$13,084	\$2,000	
Mandated Program	\$16,488	\$15,690	(\$798)	\$19,926	\$18,629	(\$1,297)	
Damage / Failure Reactive	\$188	\$0	(\$188)	\$250	\$250	\$0	
Special Projects	\$8,393	\$8,014	(\$379)	\$8,768	\$8,368	(\$400)	
NON-DISCRETIONARY SUB-TOTAL	\$35,487	\$36,299	\$812	\$40,028	\$40,331	\$303	
DISCRETIONARY							
Proactive Main Replacement	\$49,105	\$49,731	\$626	\$52,802	\$55,802	\$3,000	
Reliability Programs	\$12,056	\$7,744	(\$4,313)	\$13,382	\$11,764	(\$1,618)	
DISCRETIONARY SUB-TOTAL	\$61,162	\$57,475	(\$3,687)	\$66,184	\$67,566	\$1,382	
TOTAL CAPITAL INVESTMENT	\$96,649	\$93,774	(\$2,875)	\$106,211	\$107,897	\$1,685	
O&M	\$377	\$413	\$37	\$502	\$502	\$0	
TOTAL CAPITAL and O&M	\$97,026	\$94,187	(\$2,839)	\$106,713	\$108,399	\$1,685	
() denotes under-spend							
*Public Works Program includes reimbursements which will be credited as received throughout the year.							

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**Fiscal Year 2019 Forecast
(\$000)**

Category	FY 2019 Budget	FY 2019 Forecast	Variance
NON-DISCRETIONARY			
Public Works			
City State Construction - Non-Reimbursable	\$11,084	\$13,084	\$2,000
City State Construction - Reimbursable	\$1,354	\$1,354	\$0
City State Construction - Reimbursements	-\$1,354	-\$1,354	\$0
Public Works Total	\$11,084	\$13,084	\$2,000
Mandated Programs			
Corrosion	\$1,144	\$480	(\$664)
Purchase Meters (Replacements)	\$4,371	\$3,742	(\$629)
Pipeline Integrity IVP (Integrity Verification Program)	\$252	\$0	(\$252)
Service Replacements (Reactive) - Non-Leaks/Other	\$2,331	\$2,041	(\$290)
Other Mandated	\$0	\$98	\$98
Main Replacement (Reactive) - Maintenance	\$670	\$670	\$0
Main Replacement (Reactive) - CI Joint Encapsulation	\$4,012	\$7,481	\$3,469
Service Replacement (Reactive) - Leaks	\$7,146	\$4,117	(\$3,029)
Sub-Total Reactive Leaks	\$11,828	\$12,268	\$440
Mandated Total	\$19,926	\$18,629	(\$1,297)
Damage / Failure (Reactive)	\$250	\$250	\$0
Special Project			
Gas Expansion Plan	\$1,500	\$1,979	\$479
Pipeline Integrity IVP - Allens Ave 200 psig main replacement due to weld issue	\$4,735	\$5,264	\$529
Pipeline Integrity IVP - Veterans Memorial Drive 200 psig main replacement	\$2,533	\$1,125	(\$1,408)
Special Project Total	\$8,768	\$8,368	(\$400)
NON-DISCRETIONARY TOTAL	\$40,028	\$40,331	\$303
DISCRETIONARY			
Proactive Main Replacement			
Main Replacement (Proactive) - Leak Prone Pipe	\$52,802	\$55,802	\$3,000
Reliability			
Gas System Control	\$550	\$550	\$0
Valve Installation/Replacement	\$159	\$137	(\$22)
System Automation	\$1,033	\$1,033	\$0
Heater Program	\$800	\$275	(\$525)
Pressure Regulating Facilities	\$2,666	\$3,957	\$1,291
Allens Ave Multi Station Rebuild	\$2,970	\$1,693	(\$1,277)
Take Stations	\$1,000	\$422	(\$578)
Gas System Reliability - Gas Planning	\$1,472	\$1,472	\$0
I&R - Reactive	\$1,202	\$1,202	\$0
LNG	\$903	\$494	(\$409)
Replace Pipe on Bridges	\$100	\$0	(\$100)
Access Protection Remediation	\$100	\$100	(\$0)
Other Reliability	\$0	-\$98	(\$98)
Tools & Equipment	\$427	\$527	\$100
Reliability Total	\$13,382	\$11,764	(\$1,618)
DISCRETIONARY TOTAL	\$66,184	\$67,566	\$1,382
Capital Spending Total	\$106,211	\$107,897	\$1,685
O&M	\$502	\$502	\$0
Gas ISR Plan Total	\$106,713	\$108,399	\$1,685