

May 15, 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 – Fourth Quarter Ending March 31, 2019**

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 fourth quarter ending March 31, 2019 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
Rod Walker, 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

May 15, 2019

Date

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

Name/Address	E-mail Distribution	Phone
Robert Humm, Esq. National Grid 280 Melrose St. Providence, RI 02907	robert.humm@nationalgrid.com;	
	celia.obrien@nationalgrid.com;	
	Joanne.scanlon@nationalgrid.com;	
John Currie William Richer Melissa Little Ann Leary	John.currie@nationalgrid.com;	
	William.richer@nationalgrid.com;	
	Melissa.Little@nationalgrid.com;	
	Ann.leary@nationalgrid.com;	
Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	Lwold@riag.ri.gov;	401-274-4400
	dmacrae@riag.ri.gov;	
	jmunoz@riag.ri.gov;	
Al Mancini Division of Public Utilities	Al.mancini@dpuc.ri.gov;	
	John.bell@dpuc.ri.gov;	
	John.spirito@dpuc.ri.gov;	
	Jonathan.Schrag@dpuc.ri.gov;	
	Ronald.gerwatowski@dpuc.ri.gov;	
	Thomas.kogut@dpuc.ri.gov; Kevin.Lynch@dpuc.ri.gov;	
Rod Walter, CEO/President Rod Walker & Associates	Rwalker@RWalkerConsultancy.com;	706-244-0894
File an original & nine (9) copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02888	Luly.massaro@puc.ri.gov;	401-780-2107
	Todd.bianco@puc.ri.gov;	
	Cynthia.WilsonFrias@puc.ri.gov;	
	Margaret.hogan@puc.ri.gov;	
	Sharon.ColbyCamara@puc.ri.gov;	
Christopher Kearns, OER	Christopher.Kearns@energy.ri.gov;	
	Danny.Musher@energy.ri.gov;	
	Nicholas.ucci@energy.ri.gov;	

Gas Infrastructure, Safety, and Reliability Plan

The Narragansett Electric Company

FY 2019 Quarterly Update

Fourth Quarter - Ending March 31, 2019

Executive Summary

In total, fiscal year (FY) 2019 actual spending was \$104.33 million as compared to the annual budget of \$106.71 million. This represents an under-spend of \$2.39 million. FY 2019 results (*see* Attachment A) reflect that National Grid¹ spent approximately \$40.93 million for Non-Discretionary work compared to an annual budget of \$40.03 million, resulting in a fiscal year over-spending variance of \$0.90 million. In addition, National Grid spent \$62.91 million for Discretionary work compared to an annual budget of \$66.18 million, resulting in a fiscal year under-spending variance of \$3.28 million. Gas Infrastructure, Safety, and Reliability (ISR) Operations and Maintenance (O&M) expenses totaled \$0.49 million compared to a budget of \$0.50 million, resulting in an under-spending variance of \$0.01 million. The \$2.39 million total under-spend includes \$3.10 million of spending lower than planned in the Reliability category, which is driven by the Allens Avenue Multi Station Rebuild project and Gas System Reliability program. An additional \$1.03 million of under-spend occurred in the Mandated category due to lower than planned spending for Reactive Leak repairs. The total under-spend is partially offset by \$2.47 million of over-spend in the Public Works category. A summary level budget-to-actual spending variance is provided in Attachment A. Additional details supporting the budget-to-actual spending variance are provided in Attachment B. In the sections below, the Company explains in more detail the primary drivers for the FY 2019 spending for each category.

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

Through the FY 2019 ISR Plan, the Company completed abandonment of a total of 60.4 miles of leak-prone pipe compared to a plan of 60.0 miles. This amount includes 12.2 miles for the Public Works program, 47.7 miles for the Proactive Leak-Prone Pipe program, and 0.5 miles for the Reliability program. In addition, the Company completed abandonment of an additional 3.1 miles of non-ISR leak-prone pipe in the Gas System Reinforcement main replacement program. In summary, the Company abandoned 63.5 miles of leak-prone pipe during FY 2019.

FY 2019 Capital Spending by Category

Non-Discretionary Work²

Public Works Program – \$2.47 million over-spending variance to fiscal year budget

For FY 2019, the Company spent a net of \$13.55 million compared to an annual budget of \$11.08 million for the Public Works program, resulting in a net over-spending variance of \$2.47 million. The total net spend includes project spending of \$14.80 million and reimbursements of \$1.25 million. The key drivers for the over-spend include leak-prone pipe abandonment miles exceeding the amount planned and the mix of work, which included a greater percentage of cast iron pipe abandonment than planned and restoration of concrete road base. The over-spend for these items was partially offset by a net decrease associated with timing of reimbursements on billable jobs.

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

In addition, the Company installed 8.9 miles of a planned 11.0 miles of new gas main and abandoned 12.2 miles compared to a planned 11.0 miles of leak-prone pipe through the Public Works program. Significant projects completed during the year include those on Newport Avenue, Pawtucket (installed 3,218 feet and abandoned 3,354 feet); Centre Street, East Providence (installed 2,181 feet, abandoned 2,160 feet); and North Main Street, Providence (installed 1,751 feet and abandoned 1,665 feet).

Mandated Programs – \$1.03 million under-spending variance to fiscal year budget

For FY 2019, the Company spent approximately \$18.89 million of an annual budget of \$19.93 million for Mandated programs, resulting in an under-spending variance of \$1.03 million. The primary driver in this category includes an under-spend on Corrosion projects, along with smaller amounts of under-spend in other Mandated categories. The main driver of the Corrosion under-spend was that the Company completed only 2 of 10 bridge recoats included in the FY 2019 ISR plan because of resource constraints. The bridge recoat resource constraint has been remediated and is not anticipated to be an issue in FY 2020. The eight bridge recoats not performed in FY 2019 and two additional recoats are included in FY 2020 ISR Plan. The under-spend for these items was partially offset by over-spend in three leak-related capital categories, including Reactive/Maintenance, Cast Iron Joint, and Service Replacement/Reactive Leaks. An overall increase in leak repairs, combined with higher than planned water intrusion reactive main replacement, contributed to the over-spend in this area.

Damage/Failure Reactive Program – \$0.25 million under-spending variance to fiscal year budget

For FY 2019, the Company spent \$0.00 million of an annual budget of \$0.25 million for the Damage/Failure Reactive program, resulting in an under-spending variance of \$0.25 million. The Company did not experience any reactive projects that qualified for this program in FY 2019.

Special Projects – \$0.28 million under-spending variance to fiscal year budget

For FY 2019, the Company spent \$8.49 million of an annual budget of \$8.77 million for Special Projects, resulting in an under-spending variance of \$0.28 million. The primary driver for the under-spend is the status of the Veterans Memorial Main Replacement Project. Plans for developing the Veterans Memorial property have been put on hold by the property owner, which resulted in the Company deferring all work associated with the 200 pounds per square inch gauge (psig) main portion of the Veterans Memorial Main Replacement Project. The vault portion of the Veterans Memorial Main Replacement Project, which was prioritized based on asset condition, was completed in October 2018. The under-spending on the Veterans Memorial Main Replacement Project 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 projects include increased spending in the Engineering and Environmental and Permitting categories for the Southern Rhode Island Gas Expansion Project because of 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 Company continues to work towards a decision regarding a long-term solution for Northern Rhode Island and, as a result, has not incurred any capital costs. The Allens Avenue 200 psig Main Replacement Project cost increase is attributed to post-estimate market condition changes that impacted project oversight, materials, and Non-Destructive Examination.

Discretionary Work³

Proactive Main Replacement Program – \$0.17 million under-spending variance to fiscal year budget

For FY 2019, the Company spent approximately \$52.63 million of an annual budget of \$52.80 million for the Proactive Main Replacement program, resulting in an under-spending variance of \$0.17 million. In FY 2019, the Company installed 46.6 miles of new main compared to a plan of 40.6 miles and abandoned 47.7 miles of leak-prone pipe compared to a plan of 47.5 miles within the Proactive Main Replacement program. Due to permit delays in Providence, the Company substituted some planned miles for that city with less expensive main replacement work in other areas. This contributed to lower actual spending than previously forecasted amounts.

Reliability Programs – \$3.10 million under-spending variance to fiscal year budget

For FY 2019, the Company spent \$10.28 million of an annual budget of \$13.38 million for Reliability programs, resulting in an under-spending variance of \$3.10 million for this category. The primary drivers of this under-spending variance include the Allens Avenue Multi Station Rebuild project and the Gas System Reliability program, along with the deferral of a portion of the Heater Program and Take Station work plans. These items were partially offset by over-spending for Pressure Regulating Facilities due to carryover from the FY 2018 ISR Plan that included the final abandonment of two regulator stations. Under-spending for the Allens Avenue Multi Station Rebuild project resulted from a portion of the construction being completed to support liquefied natural gas (LNG) operations. These costs are excluded from the ISR and are the primary driver for the recovery amount being lower than planned. Under-spending for the

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

Gas System Reliability program was driven by a project deferral resulting from delays in project progression caused by underground utility conflicts and public work conflicts.

FY 2019 O&M Spending

O&M – \$0.01 million under-spending variance to fiscal year 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 personnel required for the acceleration of the replacement of leak-prone pipe relating to the Public Works and Proactive Main Replacement work in FY 2019. The Company had a slight under-spend for this category, incurring O&M expenses totaling \$0.49 million for the 16 individuals against a year-to-date budget of \$0.50 million. In the FY 2019 Gas ISR Plan Reconciliation filing, due on August 1, 2019, the Company will adjust this total to \$0.18 million. This amount represents incremental O&M expenses incurred for the five months ending August 31, 2018. O&M costs incurred beginning September 1, 2018 will be recovered as part of base rates.

Attachment A

**The Narragansett Electric Company
d/b/a National Grid - RI Gas
Capital Spending by Investment Categories
FY 2019 through March 31, 2019
(\$000)**

INVESTMENT CATEGORIES	Budget	Actual	Variance
NON-DISCRETIONARY			
Public Works Program*	\$11,084	\$13,550	\$2,466
Mandated Program	\$19,925	\$18,892	(\$1,033)
Damage / Failure Reactive	\$250	\$0	(\$250)
Special Projects	\$8,768	\$8,486	(\$282)
NON-DISCRETIONARY SUB-TOTAL	\$40,027	\$40,927	\$900
DISCRETIONARY			
Proactive Main Replacement	\$52,802	\$52,629	(\$173)
Reliability Programs	\$13,382	\$10,280	(\$3,102)
DISCRETIONARY SUB-TOTAL	\$66,184	\$62,909	(\$3,275)
TOTAL CAPITAL INVESTMENTS	\$106,212	\$103,836	(\$2,376)
O&M	\$502	\$493	(\$9)
TOTAL CAPITAL and O&M	\$106,714	\$104,329	(\$2,385)

() denotes an under-spend

* Public Works program includes reimbursements that will be credited as received throughout the year

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

The Narragansett Electric Company
d/b/a National Grid - RI Gas
Capital Spending by Investment Categories - Detail
FY 2019 through March 31, 2019
(\$000)

Category	YTD Budget	YTD Actual	Variance
NON-DISCRETIONARY			
Public Works			
City State Construction - Non-Reimbursable	\$11,084	\$14,265	\$3,181
City State Construction - Reimbursable	\$1,354	\$537	(\$817)
City State Construction - Reimbursements	(\$1,354)	(\$1,252)	\$102
Public Works Total	\$11,084	\$13,550	\$2,466
Mandated Programs			
Corrosion	\$1,144	\$273	(\$871)
Purchase Meters (Replacements)	\$4,371	\$4,151	(\$220)
Pipeline Integrity IVP (Integrity Verification Program)	\$252	\$0	(\$252)
Service Replacements (Reactive) - Non-Leaks/Other	\$2,331	\$1,700	(\$631)
Other Mandated	\$0	\$96	\$96
Main Replacement (Reactive) - Maintenance	\$670	\$1,258	\$588
Main Replacement (Reactive) - CI Joint Encapsulation	\$4,012	\$7,034	\$3,022
Service Replacement (Reactive) - Leaks	\$7,146	\$4,380	(\$2,766)
Sub-Total Reactive Leaks	\$11,828	\$12,672	\$844
Mandated Total	\$19,925	\$18,892	(\$1,033)
Damage / Failure (Reactive)	\$250	\$0	(\$250)
Special Project			
Gas Expansion Plan	\$1,500	\$2,388	\$888
Pipeline Integrity IVP - Allens Ave 200 psig main replacement due to weld issue	\$4,735	\$5,016	\$281
Pipeline Integrity IVP - Veterans Memorial Drive 200 psig main replacement	\$2,533	\$1,081	(\$1,452)
Special Project Total	\$8,768	\$8,486	(\$282)
NON-DISCRETIONARY TOTAL	\$40,027	\$40,927	\$900
DISCRETIONARY			
Proactive Main Replacement			
Main Replacement (Proactive) - Leak Prone Pipe	\$52,802	\$52,629	(\$173)
Reliability			
Gas System Control	\$550	\$230	(\$320)
Valve Installation/Replacement	\$159	\$0	(\$159)
System Automation	\$1,033	\$904	(\$129)
Heater Program	\$800	\$364	(\$436)
Pressure Regulating Facilities	\$2,666	\$3,984	\$1,318
Allens Ave Multi Station Rebuild	\$2,970	\$1,608	(\$1,362)
Take Stations	\$1,000	\$344	(\$656)
Gas System Reliability - Gas Planning	\$1,472	\$311	(\$1,160)
I&R - Reactive	\$1,202	\$1,165	(\$37)
LNG	\$903	\$641	(\$262)
Replace Pipe on Bridges	\$100	\$0	(\$100)
Access Protection Remediation	\$100	\$8	(\$92)
Other Reliability	\$0	\$0	\$0
Tools & Equipment	\$427	\$721	\$294
Reliability Total	\$13,382	\$10,280	(\$3,102)
DISCRETIONARY TOTAL	\$66,184	\$62,909	(\$3,275)
Capital Spending Total	\$106,212	\$103,836	(\$2,376)
O&M	\$502	\$493	(\$9)
Gas ISR Plan Total	\$106,714	\$104,329	(\$2,385)

() in Variance column denotes an under-spend