

February 17, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Semi-Annual Environmental Report for Gas Service
Period July 1, 2008 through December 31, 2008**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's Semi-Annual Environmental Report for natural gas service ("Report") for the period July 1, 2008 through December 31, 2008. This Report contains a description of the environmental remediation sites as well as the expenses incurred during the six-month period of July through December 2008.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 3977 Service List

National Grid

**Environmental Report for
Gas Service**

**Period of
July 1, 2008 – December 31, 2008**

February 17, 2009

**Submitted to:
RI Public Utilities Commission
RIPUC Docket 3977**

Submitted by
nationalgrid

ENVIRONMENTAL REPORT
For Period
July 1, 2008 – December 31, 2008

642 Allens Avenue, Providence, Rhode Island

This site is the former Sassafras Point Manufactured Gas Plant (“MGP”), which operated from 1910 until 1953. The site abuts the Providence River in a heavily industrialized area and is currently the location of the Company’s central gas supply facility. The Phase 1 remediation project (addressing 4.5 acres) was completed in October 2002 and a Closure Report was filed with the Rhode Island Department of Environmental Management (“RIDEM”) in December 2002. A Site Investigation Report (“SIR”) addressing the remaining 37.5 acres of the site was submitted to RIDEM in April 2003. To date, the Company has not received a response from RIDEM regarding the Closure Report or the SIR. Remediation of the remaining 37.5 acres of the site (known as the “Phase 2” remediation project) is not scheduled at this time. Until National Grid receives a closure letter from RIDEM for Phase 1 remedial activities and approval of the April 2003 SIR, it is unclear what, if any, additional investigation or remediation will be necessary. In the meantime, the Company continues to maintain a containment boom in the Providence River and conduct groundwater monitoring and NAPL gauging at the site. Costs reported this period are for boom maintenance, gauging/sampling activities, and additional investigation of the former oxide box area. In addition, the Company is evaluating potential interim response actions at the site which currently include remediation of the former oxide box area at the site. The proposed remedial alternative for the former oxide box area includes excavation of subsurface material exceeding RIDEM GB Leachability criteria, excavation of shallow surface soil in the oxide box area, and subsequent capping of the area with fill material.

		Bal @	Bal @	July 1-Dec 31
I. Environmental Expenses		6/30/2008	12/31/2008	Activity
907+908	642 Allens Ave	\$ 18,691,345	\$ 18,740,556	\$ 49,211
Sub-Total		\$ 18,691,345	\$ 18,740,556	\$ 49,211

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170 Allens Avenue, Providence, Rhode Island

Citizens Gas Light began manufactured gas plant operations at this site circa 1875. After Providence Gas acquired the plant in 1877, it was known as the South Station Plant. This former MGP operated until 1916. Subsequent to its use as a gas plant, this site was operated for over eighty years as a bulk fuel oil storage yard by a succession of companies including Cargill, Inc. (“Cargill”). In November 1998, Providence Gas received a letter of responsibility from RIDEM relating to possible contamination. Cargill has also received a letter of responsibility from RIDEM for the site. An investigation was initiated to determine the extent of contamination, as well as the extent of the Company’s responsibility. Providence Gas entered into a cost-sharing agreement with Cargill, under which Providence Gas is responsible for approximately twenty percent (20%) of the investigation costs. Until RIDEM provides its final response to the investigation, and the Company knows its ultimate responsibility relative to other potentially responsible parties with respect to the site, the Company cannot offer any conclusions as to its ultimate financial responsibility with respect to the site. Costs incurred during this period relate to legal and consultant fees and National Grid project management associated with researching the status of the project.

		Bal @	Bal @	July 1-Dec 31
I. Environmental Expenses		6/30/2008	12/31/2008	Activity
379	170 Allens Ave.	\$ 513,817	\$ 516,637	\$ 2,820
	Sub-Total	\$ 513,817	\$ 516,637	\$ 2,820

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Valley Resources Sites in Rhode Island

The Narragansett Electric Company's ("NEC") contribution action against Southern Union relating to the remediation of the Mendon Road site in Attleboro, Massachusetts is in the process of being dismissed following the sale of Southern Union's ("SU") New England Gas assets to NEC in August 2006. The suit, which alleged that SU shared liability for the Mendon Road site, which was allegedly contaminated with coal gas manufacturing waste transported from a former MGP in Pawtucket, Rhode Island, is being dismissed by NEC because the Purchase and Sale Agreement between NEC and SU allocated to NEC the environmental liability for the Mendon Road site, the Tidewater MGP site in Pawtucket and the Hamlet Avenue MGP site in Woonsocket.

As a further result of the allocation of environmental liability in the Purchase and Sale Agreement, the proceeds from the bankruptcy claim by NEC and SU against the Stone and Webster entities of approximately \$6.129 million, which had been held in an escrow account pending the resolution of the contribution dispute between NEC and SU, were liquidated to NEC in January 2007 and have been applied to the Rhode Island gas and electric environmental response funds.

Mendon Road, MA

This project is associated with the Mendon Road remediation following discovery of manufactured gas plant wastes at this location. No further work is anticipated on this project.

		Bal @		Bal @		July 1-Dec 31
I. Environmental Expenses		6/30/2008		12/31/2008		Activity
781	Mendon Rd, Cumberland	\$	121,355	\$	121,355	\$ -
Sub-Total		\$	121,355	\$	121,355	\$ -

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Pawtucket (Tidewater) MGP, Rhode Island

This project is associated with the site investigation activities at the former MGP at this location. Following the Purchase and Sale Agreement between NEC and SU, 80 percent of the costs associated with the former MGP site are assumed by electric operations of the Company, with the remaining 20 percent assumed by the gas operations of the Company.

The 28-acre site was the location of a former MGP which operated from the 1880's until 1954. In addition the property housed a power station that operated from the 1890's until 1976. The site currently houses gas and electrical operations, including a gas regulator station, an electrical substation and two transmission towers. Site investigation activities have been performed at the site since 1986. In late 2006, the upland site investigation activities were completed and a draft Site Investigation Report was prepared. In addition, the Company prepared a Short-Term Remedial Action Plan ("STRAP") to address certain impacted areas of the site. The Company anticipates completing the STRAP work and Site Investigation Report in 2009. In July 2008, the Company permitted and performed a RIDEM-approved sediment investigation program at the site and is currently preparing a sediment data report. Costs incurred during this reporting period are associated with permitting and performing the sediment sampling program, site monitoring and additional permitting activities associated with the proposed STRAP work.

		Bal @		Bal @		July 1-Dec 31
I. Environmental Expenses		6/30/2008		12/31/2008		Activity
782	Tidewater St, Pawtucket	\$ 383,693		\$ 411,697		\$ 28,004
	Sub-Total	\$ 383,693		\$ 411,697		\$ 28,004

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Woonsocket (Hamlet Ave.) MGP, Rhode Island

This project is associated with the site investigation activities at the former manufactured gas plant at this location. Following the Purchase and Sale Agreement between NEC and SU, 80 percent of the costs associated with the former MGP site are assumed by electric operations, with the remaining 20 percent assumed by the gas operations of the Company.

The site was the location of a MGP which operated from 1852 until approximately 1913. The site currently houses a gas regulator station. Site investigation activities were performed at the site in the late 1990's and a draft Site Investigation Report was prepared. Minor activity occurred at this site during this reporting period related to City of Woonsocket sewer work on the site.

		Bal @		Bal @		July 1-Dec 31
I. Environmental Expenses		6/30/2008		12/31/2008		Activity
783	Hamlet Ave, Woonsocket	\$ 104,928		\$ 105,017		\$ 89
	Sub-Total	\$ 104,928		\$ 105,017		\$ 89

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PCB Regulated Pipe Abandonment, Rhode Island

In 1998, EPA enacted a major change to regulations 40 CFR Parts 750 and 761 governing polychlorinated biphenyls (“PCBs”). These new regulations are commonly referred to as the “MegaRule.” Among other matters, the MegaRule addresses the testing, characterization, and disposal of PCB-contaminated pipe in natural gas distribution systems. This project tracks costs associated with the analytical testing of condensate and wipe test samples and disposal of PCB-contaminated condensate, drip water, and pipe.

		Bal @	Bal @	July 1-Dec 31
I. Environmental Expenses		6/30/2008	12/31/2008	Activity
307	PCB Reg - Pipe Abandonment	\$ 186,165	\$ 268,024	\$ 81,859
	Sub-Total	\$ 186,165	\$ 268,024	\$ 81,859

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18 and 21 Holders at 642 Allens Avenue, Providence, Rhode Island

This project tracks environmental costs associated with the proposed decommissioning of the No. 18 and No. 21 former gas holders at this former MGP. The superstructures of the holders have been dismantled, however the holders currently contain collected precipitation. A discharge permit was secured from the Narragansett Bay Commission and discharge of the collected precipitation commenced in January 2006. Costs reported during this period relate to the discharge permit fee and costs associated with the analytical testing prescribed by the discharge permit, as well as continued assessment and feasibility analysis of holder decontamination and demolition.

		Bal @	Bal @	July 1-Dec 31
		6/30/2008	12/31/2008	Activity
I. Environmental Expenses				
700	18 & 21 Holders Allens Av	\$ 133,505	\$ 157,604	\$ 24,099
	Sub-Total	\$ 133,505	\$ 157,604	\$ 24,099

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18 Canal Street, Westerly, Rhode Island

On December 9, 1996, approximately half an ounce of mercury was released to the site soils and RIDEM was notified. Remediation contractors conducted various remedial activities at the site to address the release including the shipment of approximately 14 cubic yards of contaminated soil offsite for disposal. In a February 10, 1999 letter, RIDEM requested additional information and a response was submitted to RIDEM on December 22, 1999. The Company then submitted a letter to RIDEM on February 7, 2000 requesting No Further Action with regard to the mercury release. RIDEM has not yet responded. No future costs are anticipated with this project.

		Bal @		Bal @		July 1-Dec 31
I. Environmental Expenses		6/30/2008		12/31/2008		Activity
161	Mercury Spill Canal St Westerly	\$ 29,133		\$ 29,133		\$ -
	Sub-Total	\$ 29,133		\$ 29,133		\$ -

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18 Canal Street, Westerly, Rhode Island

This property is a former MGP that NEC operated at this location from 1885 to 1953. SU owned this property prior to its acquisition by NEC. Future environmental costs associated with the former MGP will be assumed by electric operations.

		Bal @		Bal @		July 1-Dec 31
I. Environmental Expenses		6/30/2008		12/31/2008		Activity
144	Soil Invest Canal St Westerly	\$ 82,184		\$ 82,184		\$ -
Sub-Total		\$ 82,184		\$ 82,184		\$ -

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9 JT Connell Highway, Newport, Rhode Island

This property is the Company's former Newport operations center. Low levels of environmental contamination were discovered during due diligence investigations related to a sale of the property. The Company no longer owns the property. Groundwater contamination necessitated continued groundwater monitoring and reporting.

All remedial actions are now complete and RIDEM issued a Letter of Compliance to the Company on January 13, 2005 indicating no further action is required. The groundwater monitoring wells were closed in July 2005 and no future costs are anticipated.

		Bal @		Bal @		July 1-Dec 31
I. Environmental Expenses		6/30/2008		12/31/2008		Activity
178	Site Inv Connell Hwy Newport	\$ 44,092		\$ 44,092		\$ -
	Sub-Total	\$ 44,092		\$ 44,092		\$ -

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Thames & Wellington, Newport, Rhode Island

On June 28, 2006, the Company received a Letter of Responsibility from RIDEM requesting a site investigation for this property. A manufactured gas plant operated at this location from the early 1890's until approximately 1955. In the 1980's the site was developed for mixed residential and commercial use with the construction of condominiums, commercial buildings and a marina. The Company is performing site investigation activities under the RIDEM regulations, as well as monitoring and maintaining a containment boom along the shoreline. Costs reported this period are for work associated with regular boom inspection and maintenance; completion of the Spring/Summer RIDEM-approved upland site investigation activities (including surface soil, subsurface soil and groundwater sampling, as well as tidal surveys and DNAPL and groundwater level gauging); preparation of the 2008 Site Data Report Addendum documenting the Spring/Summer 2008 investigation activities (submitted to RIDEM in December 2008); permitting and preparation for the January 2009 RIDEM-approved sediment sampling program at the site; and development of a Short-Term Response Action Plan (and associated permit applications) to mitigate migration of sheens to the harbor. Costs reported this period also include reimbursement of past environmental costs to the property owner.

		Bal @	Bal @	July 1-Dec 31
I. Environmental Expenses		6/30/2008	12/31/2008	Activity
	Thames & Wellington Inv.	\$ 541,729	\$ 1,060,907	\$ 519,178
	Sub-Total	\$ 541,729	\$ 1,060,907	\$ 519,178

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Mercury Seal Regulator Replacement Program, Rhode Island

This project is associated with the Company’s current mercury seal regulator (“MSR”) replacement program. This program has a proactive goal to remove all known MSRs from the distribution system. The work is continuing and includes independent real-time vapor screening of all MSR locations prior to, during, and following MSR removal to document that all mercury was properly contained. Actions taking place during this reporting period include removal of 72 MSRs, three spill cleanups, and removal of impacted vent piping at 11 additional locations. The average cost per MSR removal during this six-month period was \$1,871 excluding the cost of remediation and impacted vent pipe. This cost is higher than the average cost in the early years of the program due to a number of factors. A major contributor to increased costs for each MSR removal has been the changes in the protocol used. For example, when the program was first initiated, there were not the requirements for independent real-time vapor screening. Another factor is that the units are now being removed pretty much on a one-at-a-time basis since we do not have large quantities of them in concentrated areas. We currently have less than 50 confirmed units left in the system although we expect to find an additional unknown 10 to 20 units each year for the next several years. These unknown units come to our attention as we do periodic meter testing or other activities at an individual site.

		Bal @		Bal @		July 1-Dec 31
I. Environmental Expenses		6/30/2008		12/31/2008		Activity
171	Mercury Regulator Replace Program	\$ 2,195,383		\$ 2,387,617		\$ 192,234
	Sub-Total	\$ 2,195,383		\$ 2,387,617		\$ 192,234

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Miscellaneous MGP, Rhode Island

Costs for this project aREs associated with general environmental consulting costs and Company project management costs for the gas operations MGP program.

		Bal @	Bal @	July 1-Dec 31
I. Environmental Expenses		6/30/2008	12/31/2008	Activity
	Miscellaneous MGP	\$ 1,938	\$ 8,472	\$ 6,534
	Sub-Total	\$ 1,938	\$ 8,472	\$ 6,534