

March 2, 2012

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4218 - Electric Infrastructure, Safety, and Reliability Plan FY 2012**

Dear Ms. Massaro:

On behalf of National Grid<sup>1</sup>, I have enclosed ten (10) copies of the third quarterly report regarding the Electric Infrastructure, Safety and Reliability (“ISR”) Plan for FY 2012. Pursuant to the provisions of the approved ISR plan, the Company committed to providing quarterly reports on the progress of its Electric ISR programs to both the Commission and the Division.

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

Enclosure

cc: Docket 4218 Service List  
Leo Wold, Esq.  
Steve Scialabba  
James Lanni  
Al Contente

---

<sup>1</sup> The Narragansett Electric Company d/b/a National Grid (hereinafter referred to as “National Grid” or the “Company”).

## **Electric Infrastructure, Safety and Reliability Plan**

### **FY12 Quarterly Update**

#### **Third Quarter Ending December 31, 2011**

#### **Executive Summary**

Overall, in the first nine months of fiscal year 2012 (FY 2012), the company spent \$36.2 million for capital investment projects against an annual approved budget of \$58.4 million, representing 62% of the total FY 2012 budget. The Company originally anticipated spending through the third quarter to be equal to 73% of the total FY 2012 budget. In the sections below relating to specific spending rationale, we explain the primary drivers for the lower spend during the first nine months of FY 2012.

We currently anticipate that the Company's overall spend for the entire fiscal year will be approximately \$7.6M below budget, primarily driven by lower spending in the non-discretionary category for statutory/regulatory work and lower spending in the discretionary category for system capacity and performance work, as discussed below.

#### **FY12 Capital Outlays by Key Driver Category**

##### ***Statutory/Regulatory - \$5.3M under budget year to date***

As discussed in the 2<sup>nd</sup> Quarter FY 2012 Report<sup>1</sup>, there continues to be a significant reduction in the amount of new business and public requirement projects in comparison to historical projections. This is mainly due to economic influences and it is currently projected that at fiscal year end this category will be \$7.6 million under budget.

##### ***Damage/Failure - \$3.9M over budget year to date***

Through the third quarter the Damage/Failure spend is higher than historical trends. This is primarily driven by storm activity, including costs from restoration following Tropical Storm Irene and the October Snow Event. It is currently projected that at fiscal year end this category will be \$3.4 million over budget.

---

<sup>1</sup> The 2<sup>nd</sup> Quarter FY 2012 report was filed with the Commission on November 21, 2011.

***Asset Condition - \$0.9M under budget year to date***

Overall spending is lower in the Asset Condition category through the third quarter primarily driven by the following projects, previously discussed in the 2<sup>nd</sup> Quarter FY 2012 Report:

The RTU replacement program has been delayed to FY 2014 based on the current condition of the remaining three RTUs in the program.

The Nasonville Metalclad project was also deferred after a more detailed review which indicated the condition of the switchgear did not warrant replacement at this time.

The estimated costs for the flood mitigation projects are under budget. Engineering is progressing on the flood studies with lower spending than anticipated. In addition, the spending to mitigate flooding at the Westerly Substation by installing additional feeders at the Hopkinton substation is lower than anticipated this fiscal year due to substation permitting delays.

It is currently projected that at fiscal year end the Asset Condition category will be \$0.7 million under budget.

***Non-Infrastructure - \$0.2M under budget year to date***

Overall spending is lower in the non-infrastructure category through the third quarter primarily due to reduced demand for general equipment.

It is currently projected that at fiscal year end the non-infrastructure category will be \$0.2 million under budget.

***System Capacity and Performance - \$4.0M under budget year to date***

Overall spending is lower in the System Capacity and Performance category through the third quarter primarily driven by the following projects, previously discussed in the 2<sup>nd</sup> Quarter FY 2012 Report:

Longer than expected permitting timelines for substation work for the Coventry and Hopkinton projects have delayed both of these projects.

Load Relief to the 9J3, Brown Street project has been deferred to FY 2013 to accommodate scheduling pole sets with the Telephone Company.

The schedule for the Johnston Substation 12.47kV expansion has been reviewed and only preliminary engineering will occur in FY 2012.

In addition, there are several other projects which are forecasted to be significantly below budget, as discussed below.

The EMS project has been delayed, and is forecasted to be under budget in FY 2012. This work has recently been approved and is now in engineering.

The storm activity in Rhode Island in FY 2012 has had an impact on resource availability to perform overhead capital work; furthermore, once Rhode Island customers were restored after the October snow event, a significant number of Rhode Island crews went to Massachusetts for mutual aid to restore customers still out of service in Massachusetts. Rhode Island crews also provided mutual aid to Massachusetts customers two previous times in the summer of 2011, after the tornado and the microburst experienced in the western part of the state.<sup>2</sup> This limitation on resource availability has impacted the following projects:

Overloaded distribution transformers: this project is behind schedule year to date, but expected to be completed by the end of the fiscal year. The total costs will come in under budget due to lower installed unit costs than estimated.

Potted porcelain cutout replacements: this project is behind schedule year to date, but expected to be completed by the end of the fiscal year. The total costs will come in under budget due to lower installed unit costs gained by efficiencies in scheduling work requiring customer outages

Load Relief Blanket: this project is forecasted to be under budget at the end of the fiscal year due to resources being shifted to higher priority work.

Reliability Blanket: this project is forecasted to be under budget at the end of the fiscal year due to resources being shifted to higher priority work.

The purchase of land for the Newport Substation project was accelerated and purchased in the 3<sup>rd</sup> quarter, as discussed in the 2<sup>nd</sup> Quarter FY 2012 Report.

It is currently projected that at fiscal year end the System Capacity and Performance category will be \$2.5 million under budget.

### **Investment Placed in Service**

Through the third quarter of FY 2012, \$32.2 million has been placed in service. It is currently anticipated that plant in service will be approximately \$5.0M above the forecast for plant in service for FY 2012. Details by spending rationale can be seen in Attachment B.

---

<sup>2</sup> The costs to provide mutual aid to Massachusetts are directly charged to Massachusetts at the time the mutual aid is provided.

## **Vegetation Management**

Through the third quarter of FY 2012, 63% of the annual distribution mileage trimming goal has been completed with an associated spend of 69% of the FY 2012 budget for the program. The vegetation management program is forecast to complete the planned work for \$8.2 million, or 2% above the original ISR forecast. As discussed in the 2<sup>nd</sup> Quarter FY 2012 Report, this increase above the budget is primarily driven by work on the 3302 sub-transmission line from Quonset Point to Narragansett.

Details can be seen in Attachment C.

## **Inspection and Maintenance**

Through the third quarter of FY 2012, 53% of the annual inspection goal has been completed with an associated spend of 60% of the FY 2012 budget. Tropical Storm Irene and the October snow event have impacted the inspection work plan and costs have been running slightly higher than estimated. At this time the proposal for year end is to complete approximately 77% of inspections, and defer the remaining inspections to FY 2013. This deferral of inspections will not have an impact on the proposed level of repairs to be performed as a result of the inspections as there are sufficient inspections completed to support the funding for repairs, both capital and O&M, in the FY 2013 ISR<sup>3</sup>. The year end forecast for this category has been revised downward from the 2<sup>nd</sup> Quarter FY 2012 report, but is still above budget.

Expense costs related to cutout replacements are less than anticipated, and it is expected that the work will be completed under budget. Expense costs for feeder hardening are projected to be slightly higher than budgeted due to the volume of work on the scheduled feeders.

Overall, the Inspection and Maintenance program forecast is approximately \$1.1 million, equal to the original ISR budget.

Attachment D provides the spending to date for all components in this category.

---

<sup>3</sup> The FY 2013 funding level for repairs resulting from inspections was reduced by half in the negotiations with the Division, as a result of Greg Booth's recommendation.

**US Electricity Distribution - Rhode Island  
 Capital Spend by Spending Rationale  
 FY12 thru December 31, 2011**

in \$000's	FYTD			FY2012 Total		
	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Statutory/Regulatory</b>	10,541	15,795	5,254	14,063	21,637	7,574
<b>Damage/Failure</b>	10,944	7,084	(3,860)	13,133	9,705	(3,428)
<i>Subtotal</i>	<i>21,485</i>	<i>22,879</i>	<i>1,394</i>	<i>27,196</i>	<i>31,342</i>	<i>4,146</i>
<b>Asset Condition</b>	7,266	8,157	891	10,226	10,937	711
<b>Non-Infrastructure</b>	53	203	150	53	278	225
<b>System Capacity &amp; Performance</b>	7,365	11,376	4,011	13,285	15,821	2,536
<i>Subtotal</i>	<i>14,684</i>	<i>19,736</i>	<i>5,052</i>	<i>23,564</i>	<i>27,036</i>	<i>3,472</i>
<b>Total Capital Investment in Systems</b>	<b>36,169</b>	<b>42,615</b>	<b>6,446</b>	<b>50,760</b>	<b>58,378</b>	<b>7,618</b>

**US Electricity Distribution - Rhode Island  
 Plant Additions by Spending Rationale  
 FY12 thru December 31, 2011**

in \$000's		% of Current		
		FYTD Actual In Service	FY12 Annual ISR Forecast	Current FY12 Yr End Forecast Forecast Placed In Service
	<b>Statutory/Regulatory</b>	10,862	20,612	71%
	<b>Damage/Failure</b>	10,658	9,475	76%
	<i>Subtotal</i>	<i>21,520</i>	<i>30,087</i>	<i>73%</i>
	<b>Asset Condition</b>	3416	5,805	27%
	<b>Non-Infrastructure</b>	60	278	100%
	<b>System Capacity &amp; Performance</b>	7,175	12,632	61%
	<i>Subtotal</i>	<i>10,651</i>	<i>18,715</i>	<i>44%</i>
	<b>Total Capital Investment in Systems</b>	<b>32,171</b>	<b>48,802</b>	<b>60%</b>

**US Electricity Distribution - Rhode Island  
 O&M Vegetation Management Expenditures  
 FY12 thru December 31, 2011**

in \$000's	FYTD			FY2012 Total		
	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Veg Management</b>						
Cycle Trimming	3,632	3,683	51	5,300	5,300	0
Hazard Tree	650	486	(164)	700	750	50
SubT (on and off road)	319	340	21	461	267	(194)
Police Detail	320	333	13	479	491	12
Core Crew (all other activities)	689	889	200	1,268	1,261	(7)
			0			0
<b>Total Veg Management</b>	<b>5,610</b>	<b>5,731</b>	<b>121</b>	<b>8,208</b>	<b>8,069</b>	<b>(139)</b>

	FY12 Goal	FYTD Goal	FYTD Complete	% Complete vs Scheduled FYTD	Annual % Complete vs FY12 Goal
<b>Distribution Mileage Trimming</b>	1,416	1062	899	85%	63%

**US Electricity Distribution - Rhode Island  
 Inspection and Maintenance Program Progress Update  
 FY12 thru December 31, 2011**

FYTD Actual O&M Spend (\$000's)	FYTD Actual Spend	FY12 Annual ISR Forecast	Current FY12 Yr End Forecast	% Complete
Potted Porcelain Cutouts	\$64	\$171	\$94	68%
Feeder Hardening	\$493	\$823	\$854	58%
<i>Subtotal</i>	<i>\$557</i>	<i>\$994</i>	<i>\$948</i>	<i>59%</i>
Inspections - Related Costs	\$125	\$145	\$167	75%
<b>Total Operation and Maintenance Expenses</b>	<b>\$682</b>	<b>\$1,139</b>	<b>\$1,115</b>	<b>61%</b>

	FY12 Goal	FYTD Goal	FYTD Complete	% Complete vs Scheduled FYTD	Annual % Complete vs FY12 Goal
<b>RI Distribution Overhead Structures Inspected</b>	48,567	36,425	25,695	71%	53%