

November 21, 2011

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4219 - Gas Infrastructure, Safety, and Reliability Plan FY 2012  
Quarterly Report – 2nd Quarter FY 2012**

Dear Ms. Massaro:

On behalf of National Grid<sup>1</sup>, I have enclosed ten (10) copies of the Company's Second Quarter Report for period ending September 30, 2011, regarding the Gas 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 Gas 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

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

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

### **The Narragansett Gas Company**

#### **FY2012 Quarterly Update**

#### **Second Quarter - Ending September 30, 2011**

##### **Executive Summary**

Fiscal year 2012 (FY12) second quarter results (*Attachment A*) show the Company spent \$31.8m for non-growth capital investment projects against an annual approved budget of \$53.4m, representing 60% of the total FY12 budget. The Company originally anticipated spending through the second quarter to be equal to 53% of the total FY12 budget. In the sections below relating to specific investment categories, the Company explains the primary drivers for the higher/lower spend through the second quarter.

The Company anticipates that the overall spend for the entire fiscal year will be approximately \$4.3m over the FY12 budget. The projected over spend is associated with the Public Works and Mandated Programs categories as described below. However, as noted below, the additional Public Works spend may be deferred until FY2013.

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

###### ***Proactive Main Replacement Program:***

To date, the Company has replaced 37 miles of the planned 45 miles of leak prone gas pipe for FY12 (82% complete to-date). The Company's total leak prone gas pipe replacement program continues to be ahead of planned mileage and spend, but is forecast to be on budget for year-end.

***Service Replacement Program:***

As stated previously in the first quarter update, the Company intends to eliminate 306 farm taps<sup>1</sup> as part of the overall FY12 Service Replacement Program ("SRP"), thus keeping this year's program replacements at the original total of 2,125 services. To-date the Company has eliminated 191 of the 306 farm taps identified, and has replaced 597 bare steel services for a total of 788 units. (37% completion) The Company anticipated that farm tap eliminations would be more costly than a typical bare steel service replacement. Currently, the farm tap elimination unit cost is approximately 23% higher than the service replacement unit costs. The Company continues to monitor spending and update the Division with any changes to that program that might result from the inclusion of the farm tap work.

***Public Works:***

City / State construction activity is ahead of plan for FY12 second quarter. The Company projects that Public Works spending will exceed the FY12 budget by approximately \$2.4m primarily due to two additional phases of the Narragansett Bay Commission projects (NBC) that were agreed to after the ISR filing was approved by the Commission. However, the NBC has recently made the Company aware that portions of this project may be deferred until FY2013. Additional updates to this category will be identified in the third quarter report, along with the impact to the Company forecast.

***Reactive Main Replacement:***

To-date the Company has not replaced any leak prone gas main under this program.

***Mandated Programs:***

The mandated program actual spending is approximately \$3.1m over the forecast spending for the second quarter of FY12. The over run is primarily due to spending in the Capital Leak Repair and Meter Work categories. The Company continues to monitor these categories to determine the drivers associated with the variance.

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<sup>1</sup> As discussed with the Division on April 1, 2011, National Grid has identified approximately 306 farm taps on its system that require timely remediation.

***Reliability:***

Reliability programs for the second quarter of FY12 are currently under budget \$2.6m. The Company currently anticipates Reliability spend for the entire fiscal year to be approximately \$905k under budget for FY2012. The two primary reasons the Company is expected to come in under budget in this category is because the majority of spend for the replacement of the boil off compressor in Exeter, R.I. is now expected to occur in FY2013, and the deferral of Control Line Integrity projects to FY2013.

**US Gas Distribution**  
**The Narragansett Gas Company**  
(\$000)

<u>INVESTMENT CATEGORIES</u>	<u>FYTD</u>			<u>FY2012 Total</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Forecast</u>	<u>Budget 1/</u>	<u>Variance</u>
Proactive Main Replacement	\$15,308	\$13,657	(\$1,651)	\$25,750	\$25,750	\$0
Service Replacement Program	\$1,899	\$2,072	\$173	\$3,906	\$3,906	\$0
Public Works	\$2,930	\$928	(\$2,002)	\$4,164	\$1,750	(\$2,414)
Reactive Main Replacements	\$0	\$530	\$530	\$1,000	\$1,000	\$0
Mandated Programs	\$8,026	\$4,910	(\$3,115)	\$12,091	\$9,258	(\$2,833)
Reliability	\$3,655	\$6,214	\$2,559	\$10,812	\$11,716	\$905
<b>TOTAL CAPITAL INVESTMENTS</b>	<b>\$31,818</b>	<b>\$28,313</b>	<b>(\$3,505)</b>	<b>\$57,723</b>	<b>\$53,381</b>	<b>(\$4,342)</b>

1/ The total reliability budget of \$11,952 was inadvertently overstated by \$236k. The total reliability budget of \$11,716 in this filing corrects that reporting error.