

February 29, 2012

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 – 3rd Quarter FY 2012**

Dear Ms. Massaro:

On behalf of National Grid¹, I have enclosed ten (10) copies of the Company's Third Quarter Report for period ending December 31, 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 4219 Service List
Leo Wold, Esq.
Steve Scialabba
James Lanni
Don Ledversis

¹ 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

Third Quarter - Ending December 31, 2011

Executive Summary

Fiscal year 2012 (FY12) third quarter results (*Attachment A*) show that the Company spent \$46.7M for non-growth capital investment projects against an annual approved budget of \$53.4M, which represents 88% of the total FY12 budget. This represents an increase over the anticipated spending through the third quarter of 80% of the total FY12 budget. In the sections below relating to specific investment categories, the Company explains the primary drivers for the level of spending through the second quarter.

Overall, the Company anticipates that the spending for the entire fiscal year will be approximately \$3.7M over the FY12 budget. The primary driver of this projected over spending is associated with the Public Works and Mandated Programs categories as described below. However, as noted below, the additional Public Works spending may be deferred until FY2013.

FY12 Capital Outlays by Key Driver Category

Proactive Main Replacement Program:

To date, the Company has replaced 47.3 miles of the planned 45 miles of leak prone gas pipe for FY12 (105% complete to-date). At the same time, the Company's total leak prone gas pipe replacement program is forecasted to be on budget for year-end.

Service Replacement Program:

Since its second quarter filing, a number of changes have been made to the Company's Service Replacement Program. The Company's original FY12 goal for this program was to replace 2,125 inside bare steel services. However, on April 1, 2011, the Company notified the Division of approximately 306 farms taps that were in need of timely remediation. As a result, the Company proposed to reduce the number of service replacements to 1,819 to be offset by remediation of the 306 farm taps. Since then, the Company has identified an increase in the number farm taps 306 to 364 and has found that the costs for a farm tap to be higher than a service replacement (currently 46% higher per unit). To-date the Company has eliminated 233 of the 364 farm taps and has replaced 600 bare steel services for a total of 833 units. However, this effort was impacted by Hurricane Irene and the October snow storm which required the diversion of gas resources to assist in the Company's restoration efforts on both events. As a

result, the Company's overall goal of service placements and farm taps has been reduced to 1,214 for remainder of FY12, resulting in a projected under-spend of \$706K. ..

Public Works:

City / State construction continues to progress ahead of plan for FY12 third quarter. The Company projects that Public Works spending will exceed the FY12 budget by approximately \$1.2M primarily due to two additional phases of the Narragansett Bay Commission projects (NBC) that were decided to move forward after the FY2012 ISR filing. However, the NBC has recently made the Company aware that portions of this project may be deferred until FY2013. Any additional updates to this category will be identified in the Company's fourth quarter report.

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 \$4.8M over the forecast spending through the third quarter of FY12. The over-run is primarily due to spending in the Capital Leak Repair category and Meter Work categories. In its December 12, 2011 response to Division 2-1 the Company estimated that it would have the results of a review of capital leak spend completed by January 2012. The initial review of spending in this category of work is complete, and a more detailed manual analysis is underway to ensure that any dollars currently recorded in the leak repair spending category, but associated with other ISR spending categories are assigned and transferred to the proper categories. The Company is revising its estimated completion date for this work to coincide with the filing of Q4 Gas ISR Report, at which time the Company will reflect the adjustments made and identify the drivers for any increase in capital leak repair costs.

Finally, during its initial review of all spending in the Mandated Programs category, the Company became aware that certain charges in the meter change sub-category may be associated with growth work. Currently, the Company is undertaking a manual review of the meter change spending sub-category to ensure only non-growth capital spend has been reported, and perform any necessary transfers to coincide with the Q4 Gas ISR Report filing.

Reliability:

The Reliability program for the third quarter of FY12 remains under budget at \$2.6M. The Company anticipates Reliability spending for the entire fiscal year to be approximately \$1.1M under budget. Primary drivers are the deferral of the replacement boil-off compressor in Exeter and Control Line projects.

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

INVESTMENT CATEGORIES	Actual	FYTD		FY2012 Total		Variance
		Budget	Variance	Forecast	Budget	
Proactive Main Replacement	\$21,831	\$20,585	(\$1,246)	\$25,750	\$25,750	\$0
Service Replacement Program	\$2,463	\$3,123	\$659	\$3,200	\$3,906	\$706
Public Works	\$3,421	\$1,399	(\$2,022)	\$2,972	\$1,750	(\$1,222)
Reactive Main Replacements	\$0	\$799	\$799	\$0	\$1,000	\$1,000
Mandated Programs	\$12,215	\$7,401	(\$4,814)	\$14,616	\$9,258	(\$5,358)
Reliability	\$6,797	\$9,366	\$2,570	\$10,587	\$11,716	\$1,129
TOTAL CAPITAL INVESTMENTS	\$46,728	\$42,673	(\$4,055)	\$57,126	\$53,381	(\$3,745)