

May 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 – 4th Quarter FY 2012**

Dear Ms. Massaro:

On behalf of National Grid¹, I have enclosed ten (10) copies of the Company's Fourth Quarter Report for period ending March 31, 2012, 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
Al Contente

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

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted and sent via U.S. Mail to the individuals listed below. Copies of this filing were hand delivered to the RI Public Utilities Commission.



Joanne M. Scanlon
National Grid

May 29, 2012
Date

Docket No. 4219 National Grid's FY 2012 Gas Infrastructure, Safety and Reliability Plan - Service List 2/3/11

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Gas Infrastructure, Safety and Reliability Plan

The Narragansett Gas Company

FY12 Quarterly Update

Fourth Quarter - Ending March 31, 2012

Executive Summary

Fiscal year 2012 (FY12) fourth quarter results (*Attachment A*), show that the Company spent \$57.3M for non-growth capital investment projects against an annual approved budget of \$53.4M, which represents 107% of the total FY12 budget.

As referred to in National Grid's response to DIV 2-1 in Docket No. 4306 new accounting codes were implemented in October 2011 and a review of all capital spend categories has been completed in order to ensure all charges have been properly categorized between growth and non-growth spending for FY12. As a result of this review, the Company has re-categorized \$1.3M of non-growth capital spend to growth spend, which will not be included in the ISR. Additionally, based upon this review, the Company has re-categorized spend within non-growth investments. A summary of the net impact to each non-growth investment category is as follows:

- Proactive Main Replacement – increase of \$147k
- Service Replacement Program – decrease of \$275k
- Public Works – increase of \$23k
- Reactive Main Replacement - \$0 (no spend in this category)
- Mandated Programs – decrease of \$1.3M
- Reliability – increase of \$84k

FY12 Capital Outlays by Key Driver Category

Proactive Main Replacement Program:

The Company replaced 47.3 miles of the planned 45 miles of leak prone gas pipe for FY12, an increase of 2.3 miles, or 5%. This resulted in an over spend of \$239k.

Service Replacement Program:

A number of strategic decisions were made to the Company's Service Replacement Program throughout FY12 resulting in an under spend of \$655k.

First, 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 farms taps that were in need of timely remediation. At the close of FY12, the Company eliminated 233 of the identified 364 farm taps, and replaced 946 bare steel services for a total of 1,179 units.

Second, the Company's effort to complete the Service Replacement Program 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.

Finally, a decision was made in October, 2011 to both proactively shift Company resources away from the proactive service replacement program to the growth program (i.e. new services, which are not included in the ISR), and to shift Company resources to the leak repair program to address leak backlog.

Public Works:

City / State construction exceeded the FY12 budget by \$1.6M. The primary driver for this over spend was the addition of two phases to the Narragansett Bay Commission projects (NBC) that National Grid decided to move forward after the initial FY12 ISR filing.

Reactive Main Replacement:

The Company did not replace any leak prone pipe reactively since there were no circumstances that occurred that required the Company to take action under this program through FY12.

Mandated Programs:

The Mandated Program spend exceeded the FY12 budget by \$5.7M. The over-run was primarily due to spending in the Meter Purchases and Capital Leak Repair categories.

Meter Purchases spend exceeded the FY12 budget by \$800k. The Company's initial forecast was based on an overall retirement rate of approximately 32%. However, the actual retirement rate was 46% thus resulting in unanticipated capital costs to replace retired meters.

Capital Leak Repair spend exceeded the FY12 budget by \$3.1M. Following a review of the leak repair budget and actual capital spending in this category, National Grid determined that the

budget level for this category in FY12 was set too low based on actual work volumes and actual repair costs. The Company has increased the budget for leak repair capital spending to \$8.2 M for FY13 from \$6.1M for FY12.

Reliability:

Reliability spend for FY12 finished under budget by \$1.9M. A summary of the primary drivers for this under spend is as follows:

- Gas Planning – The \$577k under run was primarily driven by the deferral to FY13 of two farm tap projects involving multi-unit developments.
- LNG – The \$978k under run was due to a revised project design of the replacement boil –off compressor project in Exeter which has delayed construction.
- Control Line Integrity – The \$300k under run was due to the deferral to FY13 of control line projects.

**FY12 Quarterly Update
4th Quarter Ending March 31, 2012
Attachment A**

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

| INVESTMENT CATEGORIES | <u>FY12 Total</u> | | |
|----------------------------------|--------------------------|-----------------|------------------|
| | Actual | Budget | Variance |
| Proactive Main Replacement | \$25,989 | \$25,750 | (\$239) |
| Service Replacement Program | \$3,251 | \$3,906 | \$655 |
| Public Works | \$3,312 | \$1,750 | (\$1,562) |
| Reactive Main Replacements | \$0 | \$1,000 | \$1,000 |
| Mandated Programs | \$14,917 | \$9,258 | (\$5,659) |
| Reliability | \$9,795 | \$11,716 | \$1,922 |
| TOTAL CAPITAL INVESTMENTS | \$57,265 | \$53,381 | (\$3,884) |