



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Peter F. Kilmartin, Attorney General

March 1, 2012

Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888

**Re: Docket No. 4306 - Gas Infrastructure, Safety, and Reliability Plan
FY 2013 Proposal**

Dear Ms. Massaro,

Enclosed for filing with the Commission, please find the comments of the Division of Public Utilities and Carriers (“Division”) in connection with the above-entitled matter. These comments are focused on the programmatic aspects of the Plan. Our comments on the revenue requirement effects of the Plan will be addressed in a separate submission.

On October 21, 2011, the Narragansett Electric Company d/b/a National Grid (“National Grid”) submitted its proposed FY 2013 Gas Infrastructure, Safety, and Reliability Plan to the Division. The Division sent out a number of data requests, and further, met with the Company at a technical conference on November 2, 2011 to review the Company’s proposed FY 2013 ISR Plan. The Company developed the proposed Gas ISR Plan in compliance with Rhode Island’s recently enacted legislation, which provides for an annual infrastructure spending plan for each fiscal year. The recently enacted legislation also includes a reconcilable allowance for the anticipated capital investments and other spending relating to maintaining safety and reliability of the gas distribution system.¹

¹ R.I.G.L. § 39-1-27.7.1

The Company's Gas ISR Plan consists of six (6) components, which will be discussed separately below. The Plan includes a new sixth category for FY 2013 called "Special Projects".

1. Gas main and gas service replacement
2. Reactive gas main replacement
3. Public works projects
4. Mandated programs
5. Reliability programs
6. Special Projects

1. Gas Main and Gas Service Replacement

The Gas Main and Gas Service Replacement program is a continuous effort to replace miles of leak-prone gas mains and high-risk gas services. The Company will increase their effort to replace 50 miles of leak-prone gas mains in FY 2013 compared to approximately 45 miles in FY 2012 which the Division agrees wholeheartedly is a step in the right direction.

2. Reactive Gas Main Replacement

The Reactive Gas Main Replacement program sets aside finances to be able to respond to emergency gas main breaks beyond the Company's control. Situations such as cast iron main cracks due to frost heave, gas mains undermined by water main breaks and gas mains and services damaged by excavators are unfortunately a common occurrence in the gas distribution system. For example, in 2011 alone, the Division recorded almost 125 gas mains or services were damaged in Rhode Island by either homeowners or excavators.

3. Public Works Projects

The Public Works Projects category sets aside finances to be able to replace existing infrastructure at the same time another utility project is taking place on the same street. By piggybacking with another entity, the Company may benefit by reducing their overall cost of installation. The Division has consistently advocated that the Company take advantage of such public works projects to reduce their paving costs, by far the highest cost component of any gas main installation. The Division supports the practice of the utilities scheduling their underground construction with planned public works projects to reduce paving costs that would be incurred by the utilities and ultimately their customers.

4. Mandated Programs

The Mandated Programs category is broken down into three subprograms: (1) cathodic protection for existing steel-coated mains, (2) gas meter replacement, and (3) capital leak repairs.

For the record, the Division does not take issue with the required gas meter replacement program which is a mandated program found in Docket 3476 – Service Quality Plan.

For the record, the Division has concerns about the substantial increase in the dollars requested in FY 2013 vs. FY 2012, *i.e.*, \$12.133 million vs. \$9.188 million for mandated programs. See FY 2013 ISR Proposal, Attachment 3, p. 31 which is annexed hereto. Per Division Data Request 2-1, the Company agreed to look into the drivers associated with the proposed increase. The Company stated the spending for all the types of work in this category was tracked using a single accounting code. The Company agreed they would undertake a manual review of all the spending for all costs charged to this program category. The Company estimated the review would be completed by the end of January 2012 and a report with the results would be forwarded to the Division. As of the filing of this letter, the Division received a preliminary report from the Company and has determined further time is needed by the Company to finalize all the data before the Division can pass judgment in this matter.

For the record, the Division also has concerns with the additional spending in FY 2013 associated with the Mandated Programs category, “cathodic protection for existing steel-coated mains”. See FY 2013 ISR Proposal, Attachment 3, p. 31 annexed hereto. In FY 2012, the Division had concerns regarding the effectiveness of this program and requested the Company provide a detailed report to the Division² and the Commission as to the success of this program at the conclusion of the Plan year. As of the filing of this letter, the Division has not received the report and therefore cannot pass judgment until the data is reviewed. After the report is reviewed we will be in a better position to determine a course of action, if any is required. At this time it is also worth noting that per the **Code of Federal Regulations, Pipeline Safety, 49 CFR Subpart I – Requirements for Corrosion Control**, a gas company after installing cathodic protection on a pipeline has 15 months after installation to prove compliance is being met. The original questions were developed in February 2011. Thereafter, the Company installed the cathodic protection. From a practical standpoint, the Company still has time to determine the success or failure of the program.

² *Division letter February 14, 2011 to Luly Massaro, Clerk RIPUC by Leo Wold, RI Assistant A.G.*

5. Reliability

The Reliability category is broken down into six subprograms: (1) System automation and control, (2) System pressure regulating facilities (including heaters and control line integrity), (3) System reliability enhancement, (4) Water intrusion projects, (5) LNG facilities, and (6) Primary valve installation and/or replacements. For the record, the Division supports the Company's plan to finance these six subprograms as all the programs listed above will provide additional reliability to the gas distribution system.

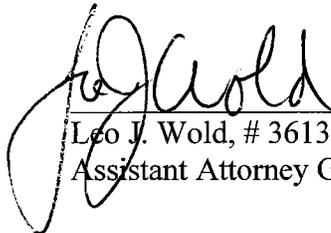
6. Special Project

This project is for new gas main installation work associated with the Rhode Island Department of Transportation ("RIDOT") project to relocate I-195 in the City of Providence. The installation of the gas mains during the pre-development stage usually results in considerable cost savings compared to the installation of gas mains after all finish landscaping and street paving has occurred. For this reason, the Division questioned the rather high installation pre-development cost of \$157 per foot associated with this project ($\$692,000/4,400 \text{ ft} = \157 per foot)³ when the Company's post-development average installation cost is only \$116 per foot⁴. In fairness to the Company, we do realize this is a pre-construction estimate that is based on the best available information provided at the time of the estimate. The costs for this project after the installation will be trued up as is the case for all ISR expenditures.

Without waiving the aforementioned concerns, the Division recommends that the Commission approve the Company's proposed FY 2013 ISR Plan as filed.

Respectfully submitted,

Division of Public Utilities and Carriers
By its attorneys,



Leo J. Wold, # 3613
Assistant Attorney General

cc: Service List

³ Page 11 of 15 RE: FY 2013 GAS INFRASTRUCTURE, SAFETY, AND RELIABILITY PLAN, Section 2: Gas Capital Investment Plan, December 29, 2011 Exhibit 1-LTB

⁴ Page 2 of 4 RE: FY 2011 ANNUAL ARP REPORT, MAY 19, 2011

The Narragansett Electric Company
d/b/a National Grid
FY 2013 Gas Infrastructure, Safety, and Reliability Plan
Section 2: Gas Capital Investment Plan
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Attachment 3

Total Plan	Capital Forecast (\$000)		
	FY 12		FY 13
	Budget	Q1 Forecast (2)	Budget
Growth (including reinforcement)(1)	\$ 7,129	\$ 7,784	\$ 9,423
Main Replacement Program	\$ 25,750	\$ 25,750	\$ 33,362
Service Replacements	\$ 3,906	\$ 3,906	\$ 3,906
Sub-Total	\$ 29,656	\$ 29,656	\$ 37,268
Public works	\$ 1,750	\$ 1,750	\$ 1,785
Reactive Main Replacement	\$ 1,000	\$ 1,000	\$ 1,020
Mandated Programs	\$ 9,188	\$ 9,259	\$ 12,133
Reliability	\$ 11,821	\$ 11,952	\$ 8,987
Special Projects	\$ -	\$ -	\$ 692
Total	\$ 60,545	\$ 61,402	\$ 71,308

(1) Growth is generally not included in the ISR Plan

(2) This chart will be updated with the Q2 filing. Current total forecast spend is approximately \$67 M.