

September 7, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4306 - Gas Infrastructure, Safety, and Reliability Plan FY 2013
Quarterly Report – 1st Quarter FY 2013**

Dear Ms. Massaro:

On behalf of National Grid¹, I have enclosed ten (10) copies of the Company's First Quarterly Report for period ending June 30, 2012, regarding the Gas Infrastructure, Safety and Reliability ("ISR") Plan for FY 2013. 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").

Gas Infrastructure, Safety and Reliability Plan
The Narragansett Gas Company
FY13 Quarterly Update
First Quarter - Ending June 30, 2012

Executive Summary:

Fiscal year 2013 (FY13) first quarter results (*Attachment A*) show the Company spent \$14.8m for non-growth capital investment projects against an annual approved budget of \$61.9m. This represents 24% of the total FY13 budget. The Company originally anticipated spending for the first quarter to be equal to 21% of the total FY13 budget. In the sections below, the Company explains the primary drivers for the variance in spend by category during the first quarter.

Although first quarter spending is slightly higher than budget, the Company forecasts that the overall spending for the entire fiscal year will be at or near the FY13 budget.

FY12 Capital Spending by Category:

Proactive Main Replacement Program - \$0.9M variance to budget year-to-date

The Company replaced more miles than planned during the first quarter, resulting in a \$0.9M variance year to-date. Specifically, the Company installed 22.2 miles of new gas main and abandoned 11.9 miles of leak prone gas main¹. Although currently ahead of plan, the Company forecasts its proactive main replacement spending will be on budget for year-end.

¹ The difference between the installed amount and the abandoned amount is due primarily to timing of the retirement.

Service Replacement Program - \$0.7M variance to budget year-to-date

The \$0.7M variance in the Service Replacement Program is primarily due to the higher number of service replacements completed during the first quarter compared to the same period last year. In addition, the Company continues to perform work associated with the removal of farm taps originally identified in FY12, which has a higher unit cost than a typical service replacement.

To accommodate the remaining farm tap work, and to balance resources required to meet the combined efforts of all program work, the Company has reduced the number of planned service replacements for FY13 from 2,125 to 1,625. To-date the Company has replaced 551 bare steel services and completed 2 farm taps projects. Currently, the Company projects fiscal year-end spending to be on budget, but will continue to monitor unit costs and update the Division with any additional changes to the plan.

Public Works Program - \$0.3M variance to budget year-to-date

The primary driver to this variance is work associated with the Narragansett Bay Commission expansion projects. The Company projects fiscal year-end spending to be on budget.

Reactive Main Replacement Program – (\$0.2M) variance to budget year-to-date

To-date the Company has replaced 440feet of cast iron gas main due to third party encroachments. The Company projects fiscal year-end spending to be on or below budget spending. Please note that the Reactive Main Replacement program spending is not based on planned work. Therefore the fiscal year end spending forecast may vary from quarter to quarter based on emergent work throughout the year.

Mandated Program - \$0.7M variance to budget year-to-date

The variance is primarily due to an accelerated meter purchase schedule. The Company projects fiscal year-end spending to be on budget.

Reliability Program – (\$0.6M) variance to budget year-to-date

The Company adjusted its work schedule to defer certain Reliability program work to the second half of the year to allow for more work to be completed for the Proactive Main, Service Replacement and City/State Construction programs. The Company projects fiscal year-end spending to be on budget.

Special Project (I-95) - on budget year-to-date

There was no spending forecasted or incurred on this project during the first quarter. The Company projects fiscal year-end spending to be on budget.

Attachment A

US Gas Distribution
The Narragansett Gas Company
Capital Spend by Investment Categories
FY13 thru June 30, 212
(\$000)

INVESTMENT CATEGORIES	FYTD			FY13 Total		
	Budget	Actual	Variance	Budget	Forecast	Variance
Proactive Main Replacement Program	\$7,157	\$8,039	\$882	\$33,362	\$33,362	\$0
Service Replacement Program	\$838	\$1,499	\$661	\$3,906	\$3,906	\$0
Public Works Program	\$383	\$641	\$258	\$1,785	\$1,785	\$0
Reactive Main Replacement Program	\$219	\$28	(\$191)	\$1,020	\$1,020	\$0
Mandated Program	\$2,603	\$3,325	\$722	\$12,133	\$12,133	\$0
Reliability Program	\$1,928	\$1,285	(\$644)	\$8,987	\$8,987	\$0
Special Project (I-95)	\$0	\$0	\$0	\$692	\$692	\$0
TOTAL CAPITAL INVESTMENTS	\$13,128	\$14,817	\$1,688	\$61,885	\$61,885	\$0