

December 18, 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 – 2nd Quarter FY 2013**

Dear Ms. Massaro:

On behalf of National Grid¹, I have enclosed ten (10) copies of the Company's Second Quarterly Report for period ending September 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 4306 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
Narragansett Gas Company
FY 2013 Quarterly Update
Second Quarter - Ending September 30, 2012

Executive Summary:

Fiscal year 2013 (FY 2013) second quarter results (*Attachment A*) show that the Company has spent \$32.1M for non-growth capital investment projects against an annual approved budget of \$61.9M. This represents 52 percent of the total FY 2013 budget.

Although spending through the second quarter is currently on budget, the Company forecasts that the overall spending for the entire fiscal year will be approximately \$5.4M below budget. In the sections below, the Company explains the primary drivers for spending to-date by category and for the forecasted variance of \$5.4M.

FY 2013 Capital Spending by Category:

Proactive Main Replacement Program – \$2.8M variance to budget year-to-date

To date, the Company has installed 38.7 miles of the planned 50 miles and has abandoned 17.8 miles (12 percent ahead of plan). The Company is on target to meet its proposed replacement of 50 miles of leak prone gas main and is currently projecting year-end costs to be less than budget due to lower than forecasted unit costs.

Service Replacement Program – \$0.9M variance to budget year-to-date

To date, the Company has completed 918 of the 1,625 service replacements and 22 of the 49 farm taps and is currently projected to be on budget at year-end.

Public Works Program –(\$0.9M) variance to budget year-to-date

To-date, public works construction activity is below forecast; however, it is anticipated that construction activity will increase in the upcoming months. The Public Works Program is currently projected to be on budget at year-end.

Reactive Main Replacement Program –(\$0.4M) variance to budget year-to-date

To-date, the lower-than-budget spending is due to lower-than-forecasted unplanned emergency-related work. This variance is currently projected to carry through to year-end.

Mandated Program –(\$0.4M) variance to budget year-to-date

To date, the primary driver for the lower-than-budget spending is the shifting of resources to accelerate the service replacement program and to address growth related services. However, it is expected that Mandated Program spending will be on or near budget at fiscal year-end.

Reliability Program –(\$2.2M) variance to budget year-to-date

To date, the lower-than-budgeted spending is primarily driven by the delay in the relocation of three regulator stations (Canal Street, Friendship Street, Westerly) due to conflicts with a water main as well as fewer water intrusion projects than forecasted. This variance is currently projected to carry through to year-end.

Special Project (I-195) – Deferred to FY 2014

To date, there has been no spending on this project. All proposed work for FY 2013 has been deferred to the FY 2014 plan.

ATTACHMENT A

US Gas Distribution
Narragansett Gas Company
Capital Spend by Investment Categories
FY 2013 thru September 31, 2012
 (\$000)

INVESTMENT CATEGORIES	FYTD			FY 2013 Total		
	Budget	Actual	Variance	Budget	Forecast	Variance
Proactive Main Replacement Program	\$17,695	\$20,454	\$2,760	\$33,362	\$31,680	(\$1,682)
Service Replacement Program	\$2,072	\$2,960	\$888	\$3,906	\$3,956	\$50
Public Works Program	\$947	\$71	(\$876)	\$1,785	\$1,785	\$0
Reactive Main Replacement Program	\$541	\$109	(\$432)	\$1,020	\$500	(\$520)
Mandated Program	\$6,435	\$6,000	(\$436)	\$12,133	\$11,928	(\$205)
Reliability Program	\$4,767	\$2,560	(\$2,206)	\$8,987	\$6,655	(\$2,332)
Special Project (I-195)	\$0	\$0	\$0	\$692	\$0	(\$692)
TOTAL CAPITAL INVESTMENTS	\$32,456	\$32,154	(\$302)	\$61,885	\$56,505	(\$5,381)