

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 4307 - Electric 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 regarding the Electric 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 Electric 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 4218 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").

Electric Infrastructure, Safety and Reliability Plan

FY13 Quarterly Update

First Quarter Ending June 30, 2012

Executive Summary

Overall, in the first three months of fiscal year 2013 (FY13), the Company has spent \$12.6 million for capital investment projects against an annual approved budget of \$56.5 million, representing 22% of the total FY13 budget, which is on target with the Company's FY13 forecast through the first quarter.

We currently anticipate that the Company's overall spend for the entire fiscal year will be approximately \$1.5M below budget, primarily driven by lower spending in the non-discretionary category for statutory/regulatory work and damage/failure, partially offset by higher spending in the discretionary category for system capacity and performance work, as discussed below.

Additionally, in the sections below relating to specific spending rationales, we explain the primary drivers for variances over or under budget during the first three months of FY13.

FY 13 Capital Spending by Key Driver Category

Statutory/Regulatory - \$1.3M under budget year to date

There continues to be a significant reduction in the amount of new business and public requirement projects in comparison to historical projections. This is mainly due to economic influences and it is currently projected that at fiscal year end this category will be \$4.0 million under budget.

Damage/Failure - \$0.2M over budget year to date

Through the first quarter the Damage/Failure spend is higher than historical trends in Substations and lower than historical trends in Distribution Line. Given the trends for Distribution Line Damage/Failure, it is currently projected that at fiscal year end this

category will be \$1.2 million under budget. Significant storm activity could change this forecast, which will be reviewed on an ongoing basis.

Asset Condition - \$0.7M under budget year to date

Overall spending is lower in the Asset Condition category through the first quarter primarily driven by the following projects:

- The Eddy St. Cable installation was completed in FY12 ahead of schedule.
- Governor St. Providence is under budget to date because the project schedule was adjusted to best coordinate with a gas project on the same street. This project is forecasted to be under budget at fiscal year end due to this schedule change.
- Fdr 1111 Install Cable Weybosset/Union Streets, Providence is under budget year to date due to the acceleration of the project into FY12, ahead of schedule.
- Fdr 1127 install Cable Dyer/Dorrance Sts Providence is under budget year to date due to the acceleration of the project into FY12, ahead of schedule.

It is currently projected that at fiscal year end the Asset Condition category will be \$1.0 million under budget, primarily driven by the projects above. This category will be reviewed for potential adjustments through the next quarter.

Non-Infrastructure - \$0.7M over budget year to date

Overall spending is higher in the non-infrastructure category through the first quarter primarily due to a radio improvement project which was inadvertently not budgeted in FY13. This project will upgrade the radio system for Rhode Island from UHF Logic Trunk Radio to PassPort networked trunking, and replace the electric mobile radio fleet, which is not PassPort trunking compliant. PassPort trunking is a two-way radio system technology that networks multiple transmitter sites together simplifying radio operation for the end user. This will also maintain compatibility with radio systems between Rhode Island and Massachusetts for emergency restoration. It is currently projected that at fiscal year end the non-infrastructure category will be \$0.8 million over budget due to this radio system project.

System Capacity and Performance - \$0.8M over budget year to date

Overall spending is higher in the System Capacity and Performance category through the first quarter primarily driven by the schedules for Feeder Hardening, Distribution Transformer Upgrades and Relocate 23kV 2227 & 2230 projects. The expenditures for each of these projects are all coming in ahead of their quarterly FY13 budgets, but will be completed within their total FY13 budgets at fiscal year end. The Feeder Hardening program is complete except for remaining pole replacements which have to be performed by Verizon, and the associated work on those particular poles.

It is currently projected that at fiscal year end the System Capacity and Performance category will be \$3.9 million over budget, primarily driven by the projects below:

- Newport is forecasted to be over budget in FY13 due to an accelerated project schedule. As discussed in the FY12 quarterly reports, the land purchase for Newport was accelerated into FY12, changing the total schedule for the project.
- Coventry is forecasted to be over budget in FY13 due to carryover from the FY12 budget, as elements of this project were delayed from FY12 into FY13.
- Johnston 18F10 Feeder is forecasted to be over budget in FY13 due to higher than anticipated construction grade estimates to perform the work primarily driven by unexpected foundation costs along the route, due to large boulders and shallow bedrock; the need for additional pole and crossarm replacements; and the need for more complex coordination than anticipated on safety oversight and training as this project was progressing along a corridor with an active transmission project, the RI Reliability Project, and nearby a high pressure gas main.
- The EMS Projects are forecasted to be over budget in FY13 due to higher than anticipated construction grade estimates to perform the work.
- A portion of the spending over budget discussed above will be offset by the Nasonville 127W43 Feeder project which is under budget due to customer related delays. We do not anticipate any spending on this project in FY13.

Investment Placed in Service

Through the first quarter of FY13, \$11.5 million has been placed in service. It is currently anticipated that plant in service will be approximately \$1.3M below the forecast for plant in service for FY13. Details by spending rationale can be seen in Attachment B.

Vegetation Management

Through the first quarter of FY13, 27% of the annual distribution mileage trimming goal has been completed with an associated spend of 27% of the FY13 budget for the program. The vegetation management program is forecast to complete the planned work for approximately \$8.3 million, or at the original ISR budget. Details by category can be seen in Attachment C.

Inspection and Maintenance

Through the first quarter of FY13, 28% of the annual inspection structure goal has been completed with an associated spend of 22% of the FY13 inspection budget. At this time, the proposal for year end is to complete all of the inspections for FY13 on budget.

Through the first quarter of FY13, 13% of the repairs budget has been spent. Expense costs related to cutout replacements are less than anticipated, and it is expected that the work will be completed within budget. Expense costs for feeder hardening are currently projected to be within budget due to work on feeders completed in FY12. Expense costs resulting from repairs due to inspections (both Opex related to Capex and Repair Related Costs) were not significant in the first quarter, as it was agreed that the Inspection & Maintenance construction would start until after Feeder Hardening was completed, and will be monitored over the next quarter. At this time, the Inspection and Maintenance program forecast is approximately at \$2.3 million, equal to the original ISR budget. These forecasts will be reviewed for potential adjustments through the next quarter.

Attachment D provides the spending to date for all components in this category.

US Electricity Distribution - Rhode Island
Capital Spend by Spending Rationale
FY13 thru June 30, 2012

in \$000's

	FYTD			FY 2013 Total		
	Budget	Actual	Variance	Budget	Forecast	Variance
Statutory/Regulatory	4,601	3,301	(1,300)	20,006	16,001	(4,005)
Damage/Failure	2,397	2,548	151	10,422	9,238	(1,184)
<i>Subtotal - Non Discretionary</i>	<i>6,998</i>	<i>5,849</i>	<i>(1,149)</i>	<i>30,428</i>	<i>25,239</i>	<i>(5,189)</i>
Asset Condition	2,728	2,011	(717)	11,863	10,895	(968)
Non-Infrastructure	77	766	689	336	1,171	835
System Capacity & Performance	3,200	3,954	754	13,913	17,785	3,872
<i>Subtotal - Discretionary</i>	<i>6,005</i>	<i>6,731</i>	<i>726</i>	<i>26,112</i>	<i>29,851</i>	<i>3,739</i>
Total Capital Investment in Systems	13,003	12,580	(423)	56,540	55,090	(1,450)

US Electricity Distribution - Rhode Island
Plant Additions by Spending Rationale
FY13 thru June 30, 2012

in \$000's

	FY 13 Annual ISR Forecast	FYTD Actual In Service	Current FY13 Year End Forecast	% of Current Forecast Placed in Service
Statutory/Regulatory	18,406	2,257	16,062	14%
Damage/Failure	10,213	2,344	10,068	23%
<i>Subtotal - Non Discretionary</i>	<i>28,619</i>	<i>4,601</i>	<i>26,130</i>	<i>18%</i>
Asset Condition	10,120	2,117	9,343	23%
Non-Infrastructure	336	-	252	0%
System Capacity & Performance	12,291	4,750	14,348	33%
<i>Subtotal - Discretionary</i>	<i>22,747</i>	<i>6,867</i>	<i>23,943</i>	<i>29%</i>
Total Capital Investment in Systems	51,366	11,468	50,073	23%

US Electricity Distribution - Rhode Island
O&M Vegetation Management Expenditures
FY13 thru June 30, 2012

in \$000's

	FYTD			FY 2013 Total		
	Budget	Actual	Variance	Budget	Forecast	Variance
Veg Management						
Cycle Trimming	1,220	993	(227)	5,150	5,150	-
Hazard Tree (1)	181	380	199	1,117	1,117	-
SubT. (on road portion only)	16	4	(12)	290	290	-
Police/Flagman Detail	103	276	173	488	488	-
Core Crew (all other activities)	332	549	217	1,211	1,211	-
		0				-
Total Veg Management	1,852	2,202	350	8,256	8,256	-

	FY13 Goal	FYTD Goal	FYTD Complete	% Complete vs Scheduled FYTD	Annual % Complete vs FY13 Goal
Distribution Mileage Trimming	1,263	315.8	344.7	109%	27%

(1) Includes Post Irene EHTM

US Electricity Distribution - Rhode Island
Inspection and Maintenance Program Progress Update
FY13 thru June 30, 2012

O&M Spend in \$000's

	FY13 Annual ISR Forecast	FYTD Actual Spend	Current FY13 Year End	% Complete
			Forecast	
Opex Related to Capex	770.0	-	770.0	0%
Repair Related Costs	609.0	5.7	609.0	1%
Potted Porcelain Cutouts	176.5	37.0	176.5	21%
Feeder Hardening	530.0	233.0	530.0	44%
<i>Subtotal</i>	<i>2,085.5</i>	<i>275.7</i>	<i>2,085.5</i>	<i>13%</i>
Inspections - Related Costs	185.4	41.0	185.4	22%
Total Operation and Maintenance Expenses	2,270.9	316.7	2,270.9	14%

	FY13 Goal	FYTD Goal	FYTD Complete	% Complete vs Scheduled Complete vs	
				FYTD	Annual % FY13 Goal
RI Distribution Overhead Structures Inspected	51,840	12,960	14,366	111%	28%