

November 30, 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 – 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 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 4307 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 has been electronically transmitted, sent via U.S. mail or hand-delivered to the individuals listed below.

Joanne M. Scanlon

November 30, 2012
Date

Docket No. 4307 National Grid's FY 2013 Electric Infrastructure, Safety and Reliability Plan - Service List as of 2/8/12

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Electric Infrastructure, Safety and Reliability Plan

FY13 Quarterly Update

Second Quarter Ending September 30, 2012

Executive Summary

Overall, in the first half of fiscal year 2013 (FY13), the Company has spent \$23.6 million for capital investment projects against an annual approved budget of \$56.5 million, representing 42 percent of the total FY13 budget which is on target with the Company's FY13 forecast through the first two quarters.

We currently anticipate that the Company's overall spend for the entire fiscal year will be approximately \$6.8 million 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 half of FY13.

FY 13 Capital Spending by Key Driver Category

Statutory/Regulatory - \$3.8M 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 \$8.0 million under budget.

Damage/Failure - \$0.5M over budget year to date

Through the first two quarters, the Damage/Failure spending 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 \$0.3 million under budget. This forecast does not factor in the impact of Hurricane Sandy, and will be revised in the next quarterly report as a result.

Asset Condition - \$1.6M under budget year to date

Overall spending is lower in the Asset Condition category through the first half of FY13 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 Streets, Providence is under budget year to date due to the acceleration of the project into FY12, ahead of schedule.
- Relay Replacement Project is projected to be under budget in FY13 due to spending at Riverside Substation being delayed into FY14 in order to advance higher priority work at the Riverside Substation.

Offsetting a portion of these projects, which are projected to be under budget, are the following emergent projects that were not budgeted in FY13:

- Final payments will be made on a Mobile Substation Replacement Project that was an emergent project in FY12. The mobile substation will reduce constraints on this equipment and allow work on more projects in parallel.
- Elmwood #7 Replace Grounding Bank project will retire three single phase watch list grounding banks that are 80 years old and have poor oil quality.

It is currently projected that at fiscal year end the Asset Condition category will be \$1.4 million under budget, primarily driven by the projects listed above that are under budget.

Non-Infrastructure - \$0.2M over budget year to date

Overall spending is higher in the non-infrastructure category through the first half of FY13, 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 it will 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.

The non-infrastructure category has also been affected by a reclassification adjustment associated with a \$400,000 credit described in the Company's FY 12 Electric ISR reconciliation filing. In FY 13, this credit was reclassified resulting in an increase in the non-infrastructure category, offset by smaller decreases to other ISR categories. The net impact on total FY 13 ISR spending as a result of this adjustment is zero.

It is currently projected that at fiscal year end the non-infrastructure category will be \$1.2 million over budget due to the radio system project and accounting adjustment discussed above.

System Capacity and Performance - \$1.0M over budget year to date

Overall spending is higher in the System Capacity and Performance category through the first half of FY13 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 together will be completed within their combined 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 \$1.6 million over budget, primarily driven by the following projects:

- 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 a 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.

Offsetting a portion of the over budget spending discussed above are the following projects:

- The Nasonville 127W43 Feeder project is under budget due to customer related delays. We do not anticipate any spending on this project in FY13.
- The Harrison Feeder Upgrade project is expected to be under budget in FY13 due to the delay of construction into FY14 to accommodate additional permitting and licensing for a new manhole and duct system. A new manhole and duct installation was deemed necessary after a detailed manhole survey of the existing infrastructure revealed it inadequate to support additional cable installation.

Investment Placed in Service

Through the first half of FY13, \$22.7 million has been placed in service. It is currently anticipated that plant in service will be approximately \$3.9 million below the forecast for plant in service for FY13. Details by spending rationale can be seen in Attachment B.

Vegetation Management

Through the first half of FY13, 54 percent of the annual distribution mileage cycle pruning goal has been completed with an associated spend of 32 percent of the FY13 budget for the cycle pruning program. The costs for the program typically lag behind the work performed. Costs for Police Details are exceeding the budget estimate due to an increase in costs from local municipalities. The planned work under the vegetation management program is forecasted to be completed for approximately \$8.5 million. Details by category can be seen in Attachment C.

Inspection and Maintenance

Through the first half of FY13, 48 percent of the annual inspection goal for overhead distribution structures has been completed with an associated spend of 39 percent of the FY13 inspection budget. At this time, the projection for year end is to complete all of the inspections for FY13 on budget.

Through the first half of FY13, 33 percent of the total I&M repair budget has been spent. Expense costs related to cutout replacements are expected to be completed within budget. Expense costs for feeder hardening are currently projected to be within budget due to work on feeders completed in FY12. As discussed in the System Capacity and Performance section above, the Feeder Hardening program is complete except for remaining pole replacements that have to be performed by Verizon and the associated work on those particular poles. Expense costs resulting from repairs due to inspections (both Opex related to Capex and Repair Related Costs) were not significant in the first half of FY13, as it was agreed that the Inspection & Maintenance construction would not start until after Feeder Hardening was completed. At this time, the Inspection and Maintenance program forecast is approximately \$2.1 million, or six percent below the original ISR budget.

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

US Electricity Distribution - Rhode Island
Capital Spend by Spending Rationale
FY13 through September 30, 2012

in \$000's

	FYTD			FY 2013 Total		
	Budget	Actual	Variance	Budget	Forecast	Variance
Statutory/Regulatory	9,603	5,836	(3,767)	20,006	11,999	(8,007)
Damage/Failure	5,003	5,527	524	10,422	10,096	(326)
<i>Subtotal - Non Discretionary</i>	<i>14,606</i>	<i>11,363</i>	<i>(3,243)</i>	<i>30,428</i>	<i>22,095</i>	<i>(8,333)</i>
Asset Condition	5,694	4,138	(1,556)	11,863	10,462	(1,401)
Non-Infrastructure	161	408	247	336	1,589	1,253
System Capacity & Performance	6,679	7,681	1,002	13,913	15,606	1,693
<i>Subtotal - Discretionary</i>	<i>12,534</i>	<i>12,227</i>	<i>(307)</i>	<i>26,112</i>	<i>27,657</i>	<i>1,545</i>
Total Capital Investment in Systems	27,140	23,590	(3,550)	56,540	49,752	(6,788)

US Electricity Distribution - Rhode Island
Plant Additions by Spending Rationale
FY13 through September 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	6,452	12,306	52%
Damage/Failure	10,213	4,621	9,776	47%
<i>Subtotal - Non Discretionary</i>	<i>28,619</i>	<i>11,073</i>	<i>22,082</i>	<i>50%</i>
Asset Condition	10,120	2,763	8,131	34%
Non-Infrastructure	336	-	1,808	0%
System Capacity & Performance	12,291	8,838	15,408	57%
<i>Subtotal - Discretionary</i>	<i>22,747</i>	<i>11,601</i>	<i>25,347</i>	<i>46%</i>
Total Capital Investment in Systems	51,366	22,674	47,429	48%

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

in \$000's

	FYTD			FY 2013 Total		
	Budget	Actual	Variance	Budget	Forecast	Variance
Veg Management						
Cycle Prune (base)	2,611	1,632	(979)	5,150	5,150	-
Hazard Tree (including Post-Irene)	386	644	258	1,117	1,117	-
SubT (on & off road)	188	47	(141)	290	290	-
Police/Flagman Detail	221	515	294	488	750	262
Core Crew (all other activities)	705	834	129	1,211	1,211	-
						-
Total Veg Management	4,111	3,672	(439)	8,256	8,518	262

	FY13 Goal	FYTD Goal	FYTD Complete	% Complete vs Scheduled FYTD	Annual % Complete vs FY13 Goal
Distribution Mileage Trimming	1,263	631.5	681.3	108%	54%

**US Electricity Distribution - Rhode Island
 Inspection and Maintenance Program Progress Update
 FY13 through September 30, 2012**

O&M Spend in \$000's

	FY13 Annual ISR Forecast	FYTD Actual Spend	Current FY13 Year End	
			Forecast	% Complete
Opex Related to Capex	770.0	49.9	714.8	7%
Repair Related Costs	609.0	74.8	609.0	12%
Potted Porcelain Cutouts	176.5	64.8	138.5	47%
Feeder Hardening	530.0	431.0	482.0	89%
<i>Subtotal</i>	<i>2,085.5</i>	<i>620.5</i>	<i>1,944.3</i>	<i>32%</i>
Inspections - Related Costs	185.4	73.0	185.4	39%
Total Operation and Maintenance Expenses	2,270.9	693.5	2,129.7	33%

	FY13 Goal	FYTD Goal	FYTD Complete	% Complete vs Scheduled		Annual %
				FYTD	FY13 Goal	Complete vs
RI Distribution Overhead Structures Inspected	51,840	25,920	24,639	95%		48%