



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Peter F. Kilmartin, Attorney General

March 1, 2013

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

**Re: Docket No. 4380 - Gas Infrastructure, Safety, and Reliability Plan
FY 2014 Proposal and Gas Expansion Pilot Program**

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 November 1, 2012 the Narragansett Electric Company d/b/a National Grid (“National Grid”) submitted its proposed FY 2014 Gas Infrastructure, Safety, and Reliability Plan to the Division. The Division met with the Company at a technical conference on December 4, 2012 to review the Company’s proposed FY 2014 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 After reviewing the proposed budget of \$77.8M the Division requested and the Company agreed to trim the proposed budget by \$3.6M. On December 27, 2012, the Company submitted a revised FY 2014 budget to the Division and the Commission. The Division met with the Company at a technical conference on January 8, 2013 to review their latest plan. At this time the Company and the Division agreed to an additional \$3M increase for the proposed Gas Expansion Pilot Program bringing the final budget to \$77.2M, a savings of \$600K from the original budget submitted on November 1st, 2012.

The Company’s Gas ISR Plan consists of six (6) components, which will be discussed separately below:

¹ R.I.G.L. § 39-1-27.7.1.

1. Gas Main and Gas Service Replacement;
2. Reactive Gas Main Replacement;
3. Public Works Projects;
4. Mandated Programs;
5. Reliability Programs; and
6. Special Projects.

1. Gas Main and Gas Service Replacement

The Gas Main and Gas Service Replacement program is a continuous effort to replace existing miles of leak-prone gas mains and high-pressure, bare steel inside services. The Company will continue their planned effort to replace 50 miles of leak-prone gas mains in FY 2014. As of the date of the filing the Company had already replaced 38.7 miles and appears to be on target to finish the proposed 50 miles outlined in their FY 2013 filing. In regards to the replacement of all existing high-pressure, bare steel inside services the Division will note for the record the Company has fallen behind on their goal of replacing all existing high-pressure, bare steel inside services in five years.² As of September 30, 2012 there appears to be an outstanding amount of approximately 2,142 services that needed replacing. The Division notes the Company has proposed to only replace 1,100 services of the 2,142 outstanding in FY 2014, a shortfall of 1,042. The Division will also note for the record another area where the Company has fallen behind, in Division data response "Division 3-1, Issued October 13, 2010" as shown below the Company agreed to replace approximately 2,000 to 3,000 additional services each year using a risk-based prioritization approach, a program that has yet to begin;

"In addition to the service replacements associated with the main replacement program, the Company plans to replace approximately 2,000 to 3,000 additional services each year using a risk-based prioritization approach (i.e. addressing high-pressure services with inside regulators first, low-pressure services with inside meters second, and high-pressure services with outside regulators third) By replacing services along with main replacement projects and replacing an additional 2,000 to 3,000 services under a risk-based prioritization approach annually, National Grid will replace all (62,000) unprotected steel services in Rhode Island in 15 years."

² Response to Division Data Request NEGWA 1-30, issued on August 6, 2008.

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 breaks 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 2012 alone, the Division recorded almost 119 gas mains or services were damaged in Rhode Island by homeowners or excavators, a number that represents a three (3) year downward trend.

3. Public Works Projects

The Public Works Projects category sets aside finances to replace existing infrastructure while another utility project is taking place on the same street. By working together 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 four (4) subprograms:

1. Corrosion, *i.e.* cathodic protection for existing steel-coated gas mains;
2. Gas Meter Replacement;
3. Capital Leak Repairs; and
4. Non-leak Other – Capital costs for service relocations, meter protection, service abandonments, and the installation of curb valves.

The Division reduced the Company's spending proposal in this category by \$1 million, basing the reduction on the actual spending levels in FY 2013, which seemed inconsistent with the FY 2014 proposal. The Company agreed with this proposal.

5. Reliability

The Reliability category is broken down into six (6) subprograms:

1. System Automation and Control;
2. System Pressure Regulating, Heaters, Vent Pole Installations, Control Line Integrity;
3. System Reliability Enhancement;
4. Water Intrusion Projects;
5. LNG Facilities; and
6. Primary Valve Installation and/or Replacements.

The Division supports the Company's plan to finance these six subprograms as they will provide additional reliability to the gas distribution system.

5. Special Projects

The Special Projects category is broken down into three (3) subprograms:

1. New gas main installation work associated with the Rhode Island Department of Transportation ("RIDOT") project to relocate I-195 in the City of Providence as discussed in FY 2013;
2. Replacement of the existing two (2) boil-off compressors at the Exeter LNG facility; and
3. A new Gas Expansion Pilot Program.

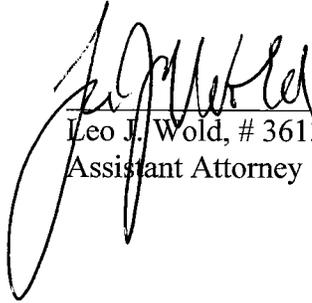
The Division does not have any concerns regarding the RIDOT project but questioned the large expenses and aggressive timeline associated with the Exeter LNG project. After further discussions with the Company, the Division requested the Company to split the Exeter LNG project into a two (2) year project which will start in FY 2014 and will carry over into FY 2015.

In regards to the new Gas Expansion Pilot Project, the Division met with the Company at a technical conference on January 8, 2013 to review the Company's proposed pilot program. The Division asked multiple questions regarding the program and the Company agreed to make several additional modifications to the original proposal. At this time the Company and the Division have agreed the Gas Expansion Pilot Program would be funded at a level of \$3.0 million for the FY 2014 Gas ISR Plan.

Without waiving the aforementioned concerns, the Division recommends that the Commission approve the Company's proposed FY 2014 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