

November 21, 2013

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4380 - Gas Infrastructure, Safety, and Reliability Plan FY 2014  
Quarterly Report – 2nd Quarter FY 2014**

Dear Ms. Massaro:

On behalf of National Grid<sup>1</sup>, I have enclosed ten (10) copies of the Company's quarterly report for the second quarter of FY 2014 regarding the Company's Gas Infrastructure, Safety and Reliability ("ISR") Plan for FY 2014. 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: Leo Wold, Esq.  
Steve Scialabba  
James Lanni  
Don Ledversis

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid (hereinafter referred to as "National Grid" or the "Company").

**Gas Infrastructure, Safety and Reliability Plan**  
**FY 2014 Quarterly Update**  
**Second Quarter - Ending September 30, 2013**

**Executive Summary**

Fiscal year 2014 (FY 2014) second quarter results (*Attachment A*) show the Company spent approximately \$36.7 million for non-growth capital investment projects for the six months ended September 30, 2013, against a year-to-date budget of approximately \$34.4 million and an annual approved budget of \$65.3 million. This represents an overall over spending of approximately \$2.3 million through the second quarter and approximately 56% of the total FY 2014 annual budget. The Company is, however, currently forecasting to under-spend the annual approved budget by approximately \$1.4 million at fiscal year end. In the sections below, the Company explains the primary drivers for spending to-date for each category.

**FY 2014 Year-to-Date Capital Spending by Category**

***Proactive Main Replacement Program – \$4.1 million over-spending variance to budget year-to-date***

Through the second quarter of FY 2014, the Company spent \$23.1 million of a projected year-to-date second quarter budget of approximately \$19.0 million, resulting in an over- spending variance of \$4.1 million. To date, the Company has installed 40.7 miles of new main and has abandoned 19.9 miles of leak prone pipe. At this time, the Company is on- target to meet its proposed replacement of 50 miles of leak prone gas main for the fiscal year.

***Service Replacement Program – \$0.5 million under-spending variance to budget year-to-date***

Through the second quarter of FY 2014, the Company spent approximately \$1.5 million of a projected year-to-date second quarter budget of \$2.0 million, resulting in an under-spending variance of \$0.5 million. To date, under the Service Replacement Program the Company has replaced 425 services of the 1,100 high pressure services planned. Back at the beginning of CY2013, the Company reported that there were 2,200 high pressure unprotected steel services with inside meter sets remaining in Rhode Island. These 2,200 services would be replaced over the next two fiscal years (1,100 each year). Due to a recent data scrubbing effort performed by the Company, the remaining inventory has been reduced significantly. As a result, the Company has reduced its forecast for FY2014 from 1,100 to 700 and will propose in its FY2015 filing to replace the remaining 500 services. The Service Replacement Program is currently projected to be under-budget by approximately \$1.1 million for the fiscal year-end.

***Public Works Program –\$2.0 million over-spending variance to budget year-to-date***

Through the second quarter of FY 2014, the Company spent \$2.8 million of a projected year-to-date second quarter budget of \$0.8 million, resulting in an over-spending variance of \$2.0 million. Since Public Works spending requires the coordination of work with state and municipal entities, the major driver of this overspending was the relocation of gas mains to accommodate sewer and drain construction to meet the project schedule for the Narragansett Bay Commission (“NBC”). The project is 50% reimbursable. To date, the Company has installed 3.7 miles of new gas main and has abandoned 2.7 miles of leak prone pipe, the majority of which is associated with the NBC work. As a result of this year-to date spending and an anticipated level of reimbursements, at this time, the Company is projecting that the Public Works Program will be over- budget by \$2.0 million at fiscal year-end.

***Reactive Main Replacement Program – \$0.2 million under-spending variance to budget year-to-date***

The Company replaced approximately 150 feet of leak prone gas main as part of the reactive main replacement spending through the year-to-date second quarter of FY 2014. In part, this under-spending is the result of the Company's aggressive spending in the Proactive Main Replacement Program, which has minimized the need for the level of reactive main replacements in FY2014. This is expected to continue, and as such, the Company has adjusted the budget accordingly for this category in FY 2015. At this time, the Company anticipates being under-budget by \$0.1 million for the fiscal year.

***Mandated Programs – \$0.4 million under-spending variance to budget year-to-date***

Through the second quarter of FY 2014, the Company spent \$6.2 million of a projected year-to-date second quarter budget of \$6.6 million, resulting in an under-spending variance of \$0.4 million. To date, the primary driver of the under-spending in this category was the spending for cast iron joint encapsulation which has a current year to date spend of \$0.5 million against a year-to-date second quarter budget of \$1.0 million. At this time, the Mandated Programs category is projected to be on budget by the end of the fiscal year.

***Reliability Programs –\$0.7 million under-spending variance to budget year-to-date***

Through the second quarter of FY 2014, the Company spent \$3.0 million of a projected year-to-date second quarter budget of \$3.7 million, resulting in an under-spending variance of \$0.7 million for this category. At this time, spending for this category is expected to be slightly over-budget by \$0.3 million for the fiscal year primarily due to regulator station replacement and upgrade work.

***Special Projects (I-195, Exeter LNG Boil-off Compressor and Gas Expansion Pilot) – \$1.9 million under-spending variance to budget year to date***

Year-to-date there has been no spending in this category as the proposed work for the I-195 project for FY 2014 is continuing to be coordinated with the Rhode Island Department of Transportation. However, the Company continues to aggressively market the Gas Expansion Program with the goal of having customers begin to participate in the program beginning in the third quarter of FY 2014. In addition, the Project team associated with the Exeter LNG Boil-off Compressor project has evaluated a vendor for engagement, based on proposals received for the design/build scope. Costs associated with engineering, design and the procurement of certain materials are also expected during the third quarter of FY 2014. Consequently, at this time, these delays and extensions are projected to result in an under-spending of approximately \$2.5 million for this category for the fiscal year.

**Attachment A**

**US Gas-Distribution**  
**The Narragansett Electric Company d/b/a National Grid - RI Gas**  
**Capital Spending by Investment Categories**  
**FY 2014 thru September 30, 2013**  
**(\$000)**

INVESTMENT CATEGORIES	FYTD			FY14 - Total		
	Budget	Actual	Variance	Budget	Forecast	Variance
Proactive Main Replacement Program	\$18,971	\$23,144	\$4,173	\$33,362	\$33,362	\$0
Service Replacement Program	\$2,050	\$1,497	(\$552)	\$3,100	\$2,000	(\$1,100)
Public Works Program*	\$842	\$2,776	\$1,933	\$1,821	\$3,741	\$1,920
Reactive Main Replacement Program	\$323	\$100	(\$224)	\$500	\$400	(\$100)
Mandated Program	\$6,650	\$6,196	(\$454)	\$13,522	\$13,522	(\$0)
Reliability Programs	\$3,682	\$2,954	(\$729)	\$8,987	\$9,323	\$336
Special Projects (I-195, Exeter, and Gas Pilot)	\$1,919	\$0	(\$1,919)	\$4,000	\$1,550	(\$2,450)
<b>TOTAL CAPITAL INVESTMENTS</b>	<b>\$34,438</b>	<b>\$36,667</b>	<b>\$2,228</b>	<b>\$65,291</b>	<b>\$63,898</b>	<b>(\$1,393)</b>

( ) denotes an under-spend

\*Public Works Program includes reimbursements which will be credited as received throughout the year.