

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 4382 - Electric Infrastructure, Safety, and Reliability Plan FY 2014
Quarterly Report – 2nd Quarter FY 2014**

Dear Ms. Massaro:

On behalf of National Grid¹, I have enclosed ten (10) copies of the Company's quarterly report for the second quarter of FY 2014 regarding the Company's Electric 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 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: 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

FY14 Quarterly Update

Second Quarter Ending September 30, 2013

Executive Summary

Overall, through the second quarter of fiscal year 2014 (FY14), the Company has spent \$30.5 million for capital investment projects against an annual approved budget of \$59.6 million, representing approximately 51% of the total FY14 budget which is ahead of target with the Company's FY14 phased budget through the second quarter.

At this time, the Company currently anticipates that overall spend for the entire fiscal year will be approximately \$9.2 million above budget, primarily driven by higher spending in both the discretionary category for System Capacity and Performance work and the non-discretionary category for Statutory/Regulatory work. This amount is partially offset by lower spending in the discretionary category for Asset Condition, as discussed below. Additionally, in the sections below relating to specific spending rationales, the Company explains the primary drivers for variances over or under budget during the second quarter of FY14.

FY14 Capital Spending by Key Driver Category

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

Through the second quarter of FY14 the Statutory/Regulatory spending is lower than budgeted primarily due to timing of payments on public requirement projects, with more credits received than anticipated. It is currently projected that at fiscal year end, this category will be \$1.4 million over budget, primarily driven by work for the Shun Pike Substation and the 1-195 (Contract #14) projects which were delayed from FY13 into FY14.

Damage/Failure - \$2.6M over budget year to date

Through the second quarter of FY14, the Damage/Failure spending is higher than historical trends, driven both by capital charges from prior year major storms and recent trends for Distribution Line Damage/Failures in the blanket project. At this time, the Company is not assuming trends for Distribution Line Damage/Failures in the second half of the year continue at the increased level as in the first half of the year. Therefore it is currently projected that at fiscal year end, this category will be \$0.6 million over budget, primarily driven by capital charges from prior year major storms.

Asset Condition - \$2.2M under budget year to date

Overall, spending is lower in the Asset Condition category through the second quarter of FY14. This is primarily driven by the following projects:

- The Inspection & Maintenance program spending is \$3.1 million below budget year to date. Total capital spending for FY14 at fiscal year end is projected to be \$5.9 million, \$2.6 million below budget. As discussed in the first quarter report, the spending variance is primarily driven by system changes made to the Company's work management system, which delayed the full implementation of the program.
- As discussed in the first quarter report, also contributing to the projected under spending variance is the Memorial Blvd Easton Beach ductline and cable project in Newport due to delays in scope definition. Engineering and Design for the sea level ductline installation will be completed in FY15, with construction now scheduled for FY16.
- The Arc Flash Program has experienced a slower than anticipated start due to delays in procurement of the primary and secondary voltage protection equipment. As a result of these delays, at this time, this project is expected to be under budget at fiscal year end, but the forecast may be increased if the materials become available.
- Offsetting a portion of these above noted projects is the projected spending above budget on the Governor Street Providence ductline project. This project was deferred from FY13 to FY14 to efficiently coordinate with a gas project schedule on Governor Street.

It is currently projected that at fiscal year end, the Asset Condition category will be approximately \$3.5 million under budget, primarily driven by the projects listed above.

Non-Infrastructure - \$0.3M over budget year to date

Spending was higher in the Non-Infrastructure category through the second quarter of FY14, primarily due to carryover from FY13 on a radio improvement project that is designed to upgrade the radio system for Rhode Island and replace the electric mobile fleet communications. This upgrade is necessary to 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 \$0.5 million over budget, primarily due to spending on the radio upgrade project.

System Capacity and Performance - \$3.2M over budget year to date

Overall, spending is higher in the System Capacity and Performance category through the second quarter of FY14 primarily driven by the Highland Drive substation and Johnston substation projects discussed below:

- A significant portion of the Highland Drive project was initially incorrectly budgeted as Transmission work, when it should have been budgeted as Distribution work. The actual charges for this project are being reassigned to Distribution, but this adjustment resulted in a spending variance of \$0.9 million over budget year to date, and now contributes to a projected \$4.2 million variance over budget at fiscal year end.
- The Johnston #18 Substation spending is over budget year to date due to a payment on a transformer and associated materials in June of the first quarter. This project is progressing ahead of schedule and is expected to be over budget by \$0.5 million at fiscal year end.
- The Kilvert St. distribution line work spending is projected to be \$0.6 million above budget. Work that was not dependent on the substation completion was advanced into FY14 due an earlier than expected completion of permitting and the availability of resources to begin construction. However, work on one feeder originally planned to be advanced as discussed in the first quarter report will not be advanced so as to

allow for time to review plans with airport administration in light of an upcoming airport expansion.

- As discussed in the FY13 Electric ISR, the Energy Management System (“EMS”)/Remote Terminal projects in the FY13 budget were delayed and carryover spending into FY14 has created a variance above the FY14 budgets for these projects.

Offsetting a portion of these above noted projects is a projected spending below budget on the following projects:

- The Tunk Hill project was originally budgeted on an investment grade estimate. After the detailed design was completed, the scope of work was less than originally estimated. This project is expected to be completed early in FY15.
- Chase Hill project spending is below budget for FY14 due to a lengthy land acquisition process that delayed purchasing of the land. At this time the land purchase is complete and the Company continues to progress the project.
- The Newport project spending is below budget for FY14 primarily due to a short delay in obtaining a 'special use permit' for the substation. At this time, the Company continues with preliminary engineering and the permitting process on the project.

It is currently projected that at fiscal year end, the System Capacity and Performance category will be \$10.0 million over budget, primarily driven by the projects discussed above.

Investment Placed in Service

Through the second quarter of FY14, \$18.5 million has been placed in service. It is currently anticipated that plant-in-service will be approximately \$53.7 million at year end, which is within 1% of the forecast for FY14. Details by spending rationale are included in Attachment B.

Vegetation Management

Through the second quarter of FY14, 61% of the annual distribution mileage cycle pruning goal has been completed with an associated spend of 37% of the FY14 budget for the cycle pruning program. The costs for the program typically lag behind the work performed. Costs for police details have exceeded the budget estimate due to several factors. As stated in the first quarter report, in an effort to reduce costs and create more accurate reporting, in FY14, police costs for the Company's cycle pruning program were removed from the bidding process and placed exclusively into the police and flagging budget accounts. In addition to this, some towns are requiring police officers instead of flaggers. However, given slightly lower than budget forecasts in other categories, at this time, the Company is projecting to be on budget this fiscal year. Details by category can be seen in Attachment C.

Inspection and Maintenance (I&M)

Through the second quarter of FY14, 57% of the annual inspection structure goal has been completed. The Company expects to complete all inspections in FY14.

Through the second quarter of FY14, 26% of the total I&M budget has been spent. As discussed in the first quarter report, the mobile elevated voltage testing and associated repairs completed between March and May 2013 are included in the costs shown in Attachment D. While the surveying and testing activities for mobile testing occurred in FY13, the vendor bills and payments were not received and processed until FY14. As such, none of these costs were included in the FY13 Electric ISR Reconciliation Filing submitted on August 1, 2013. Also included in the total forecasted costs are the forecasted costs for the FY14 mobile elevated voltage testing¹.

As discussed in the Asset Condition section above, capital spending on I&M is \$3.1 million below budget, and the total expense costs resulting from repairs due to inspections (both Opex related to Capex and Repair Related Costs) are therefore lower than anticipated in the second quarter of FY14 as well. While the total expense costs are

¹ The Company's Annual Contact Voltage Compliance Report filed on August 29, 2013 in Docket 4237-A recommends testing 100% of the mobile contact voltage areas in Rhode Island in FY14, and adding approximately 1,500 feet in Westerly as a designated contact voltage risk area.

as expected, the Company underestimated the expense dollars in the Opex related to Capex category and overestimated the expense dollars in the Repair Related Costs category. At this time, the I&M program forecast is approximately \$3.0 million, or 20% below the original ISR budget of \$3.7 million. This is primarily driven by the lower volume of capital work, and therefore associated expense work, to be performed in the program.

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

Attachment A

US Electricity Distribution - Rhode Island
Capital Spend by Spending Rationale
FY14 through September 30, 2013
(\$000)

	FYTD			FY 2014 Total		
	Budget	Actual	Variance	Budget	Forecast	Variance
Statutory/Regulatory	\$8,897	\$7,611	(\$1,286)	\$16,509	\$17,909	\$1,400
Damage Failure	\$4,914	\$7,521	\$2,607	\$10,050	\$10,689	\$639
<i>Subtotal Non-Discretionary</i>	\$13,811	\$15,132	\$1,321	\$26,559	\$28,598	\$2,039
Asset Condition	\$8,299	\$6,096	(\$2,203)	\$20,242	\$16,780	(\$3,462)
Non-Infrastructure	\$177	\$493	\$316	\$255	\$787	\$532
System Capacity & Performance	\$5,555	\$8,760	\$3,205	\$12,544	\$22,586	\$10,042
<i>Subtotal Discretionary</i>	\$14,031	\$15,349	\$1,318	\$33,041	\$40,153	\$7,112
Total Capital Investment in Systems	\$27,842	\$30,481	\$2,639	\$59,600	\$68,751	\$9,151

Attachment B

**US Electricity Distribution - Rhode Island
 Plant Additions By Spending Rationale
 FY14 through September 30, 2013
 (\$000)**

	FY 14 Annual ISR Forecast	FYTD Actual in Service	Current FY14 Year End Forecast	% of Current Forecast Placed in Service
Statutory/Regulatory	\$16,319	\$4,330	\$16,319	27%
Damage Failure	\$9,977	\$8,793	\$9,977	88%
<i>Subtotal Non-Discretionary</i>	\$26,296	\$13,123	\$26,296	50%
Asset Condition	\$17,954	\$2,309	\$17,954	13%
Non- Infrastructure	\$257	\$301	\$550	55%
System Capacity & Performance	\$8,866	\$2,728	\$8,866	31%
<i>Subtotal Discretionary</i>	\$27,077	\$5,338	\$27,370	20%
Total Capital Investment in Systems	\$53,373	\$18,461	\$53,666	34%

Attachment C

**US Electricity Distribution - Rhode Island
 O&M Vegetation Management Expenditures
 FY14 through September 30, 2013
 (\$000)**

	FY 2014 Total Budget	FYTD Actual	FY 2014 Total Forecast	Variance
Vegetation Management				
Cycle Pruning (Base)	\$5,230	\$1,928	\$5,180	(\$50)
Hazard Tree	\$750	\$378	\$750	\$0
Sub-T (on & off road)	\$724	\$144	\$674	(\$50)
Police/Flagman Details	\$525	\$450	\$625	\$100
Core Crew (all other actives)	\$1,247	\$868	\$1,247	\$0
Total Vegetation Management	\$8,476	\$3,768	\$8,476	\$0

	FY14 Goal	FYTD Goal	FYTD Complete	% Complete vs. Scheduled FYTD	Annual % Complete vs. FY14 Goal
Distribution Mileage Trimming	1,353	677	821	121%	61%

Attachment D

US Electricity Distribution - Rhode Island
Inspection and Maintenance Program Progress Update
FY14 through September 30, 2013
(\$000)

	FY14 Annual ISR Budget	FYTD Actual Spend	Current FY14 Year End Forecast	% Completed
Opex Related to Capex	\$1,286	\$259	\$1,784	15%
Repair & Inspections Related Costs	\$2,493	\$534	\$1,224	44%
Total Operation & Maintenance Expense	\$3,779	\$793	\$3,008	26%

	FY14 Goal	FYTD Goal	FYTD Complete	% Complete vs. Scheduled FYTD	Annual % Complete vs. FY14
RI Distribution Overhead Structures Inspected	57,352	28,675	32,543	113%	57%