

November 25, 2014

BY HAND DELIVERY AND ELECTRONIC MAIL

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

**RE: Docket 4473 - Electric Infrastructure, Safety, and Reliability Plan
Quarterly Update – Second Quarter Ending September 30, 2014**

Dear Ms. Massaro:

On behalf of National Grid¹, I have enclosed for filing in the above-referenced docket ten (10) copies of the Company's fiscal year (FY) 2015 Electric Infrastructure, Safety, and Reliability (ISR) Plan quarterly update for the second quarter ending September 30, 2014. Pursuant to the provisions of the approved FY 2015 Electric ISR plan, the Company committed to providing quarterly updates on the progress of its Electric ISR programs to the PUC and the Division.

Thank you for your attention to this matter. If you have any questions, please contact me at (781) 907-2121.

Very truly yours,



Raquel J. Webster

Enclosure

cc: Leo Wold, Esq.
Steve Scialabba
James Lanni
Al Contente

¹ The Narragansett Electric Company d/b/a National Grid (Company).

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate was electronically transmitted to the individuals listed below.

Copies of this filing will be hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



November 25, 2014

Raquel J. Webster, Esq.

Docket No. 4473 National Grid's FY 2015 Electric Infrastructure, Safety and Reliability Plan - Service List as of 10/30/14

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Electric Infrastructure, Safety and Reliability Plan

FY2015 Quarterly Update

Second Quarter Ending September 30, 2014

Executive Summary

Through the second quarter of fiscal year 2015 (FY 2015), the Company¹ spent \$46.3 million for capital investment projects against a second quarter year-to-date budget of \$34.6 million. Overall, capital spending for FY 2015 through the second quarter was \$11.6 million over-budget. This above-budget spending variance was primarily driven by the fact that capital spending in the Non-Discretionary Sub-Category was above the year-to-date budget by \$5.9 million, which was comprised of an over spend of \$2.9 million in the Customer Request/Public Requirements category and an over spend of \$3.1 million in the Damage/Failure category. At the same time, spending in the Discretionary Sub-category was above the year-to-date budget by \$5.7 million primarily due to a \$3.2 million over budget spending in the Asset Condition category and a \$2.3 million over spend in the System Capacity and Performance category. Each of these categories is addressed in more detail below.

FY 2015 Capital Spending by Key Driver Category

Non-Discretionary Spending

Customer Request/Public Requirement - \$2.9M over budget variance year-to-date

Spending through the second quarter of FY 2015 in the Customer Request/Public Requirement category (*previously called the Statutory/Regulatory category*) was \$2.9 million above budget, which was driven primarily by the projects below:

¹ The Narragansett Electric Company d/b/a National Grid.

- Capital spending year-to-date on the new Shun Pike Substation project was approximately \$1.2 million more than the budget. At this time, the Company is projecting that this project will be \$1.2 million over budget in FY 2015. Although this project was completed in FY 2014, charges were reclassified between an associated transmission project and two distribution projects during the closeout process in FY 2015.
- Capital spending year-to-date on the I-195 Relocation projects for Contracts 14 and 15 was approximately \$0.9 million over budget due to unexpected relocation of planned manhole and duct system due to undocumented third-party existing utilities, which resulted in additional contaminated soil displacement. Additional construction labor hours were also required to meet changes to the State contractor's schedule. The Company expects that the projects will be approximately \$0.9 million greater than budget by the end of the fiscal year.
- Capital spending year-to-date on phase two of the Watch Hill Underground project was \$0.5 million more than budget. The Company expects that this project will be approximately \$0.9 million over-budget in FY 2015 because construction is occurring in FY 2015. However, the Company received the customer contribution was received in the prior fiscal year.
- Capital spending year-to-date on the Ocean State New Business Residential blanket was \$0.4 million over budget due to higher demand and costs to date. The Company expects that this blanket will be approximately \$0.5 million over budget at year end.
- Capital spend year-to-date on the Nasonville 127W41 project was \$0.1 million over budget and expected to be \$0.5 million over budget at year end. This emergent project is required to meet customer demand.

Overall, for FY 2015, the Customer Request/Public Requirement category is forecast to be \$4.0 million above-budget at the end of the fiscal year.

Damage/Failure - \$3.1M over budget variance year-to-date

Spending through the second quarter of FY 2015 in the Damage/Failure category was \$3.1 million more than budgeted. This variance was primarily due to the Ocean State damage/failure blanket, which was approximately \$2.5 million more than budgeted. There is a recent increased trend in the identification and replacement of assets by Operations in this blanket. The Company is evaluating these charges, which may result in future adjustments. In addition, the Company has spent approximately \$0.8 million year-to date for the Sockanosset #2 transformer project to account for the costs of the spare transformer unit that was installed.

Overall, for FY 2015, the Damage Failure category is forecasted to be approximately \$6.3 million over budget at the end of the fiscal year due to the aforementioned blanket trends. Later in FY 2015, the Company will submit a storm reconciliation filing, which may result in downward adjustments to projects in this category. These adjustments are not yet reflected in the current year-end forecast for FY 2015.

Finally, as noted above and shown in Attachment A, the total Non-Discretionary category had a year-to-date capital spending variance of \$5.9 million above budget, and, at this time, is projected to be approximately \$10.2 million over budget at the end of the fiscal year.

Discretionary Spending

Asset Condition - \$3.2M over budget variance year-to-date

Through the second quarter of FY 2015, capital spending for the Asset Condition category was \$3.2 million higher than budgeted primarily due the following major projects:

- Year-to-date, capital spending for the Inspection and Maintenance (I&M) distribution line overhead work was \$2.0 million greater than the year-to-date budget. More work was scheduled in the first half of the year than anticipated in the budget. This program is currently forecasted to be \$1.0 million over budget

by the end of the fiscal year. The Company is evaluating deferring select circuits to FY 2016 to reduce the year-end forecast to budget.

- Capital spending for the Eldred Substation project has a year-to-date over budget variance of \$0.5 million. The original budget estimate was based on conceptual engineering, and the cost increased as a result of detailed engineering. At this time, the Company forecasts that this project will be approximately \$0.7 million over budget by the end of the fiscal year.
- The Asset Replacement category contains a year-to-date allowance of \$2.3 million for schedule delays, which have not materialized, and several other projects are progressing ahead of schedule. The fiscal year end allowance is approximately \$4.6 million.

Currently, overall spending in the Asset Condition category for FY 2015 is forecasted to be \$2.7 million above budget by fiscal year end.

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

Through the second quarter of FY 2015, the Non-Infrastructure category spending was over-budget by \$0.2 million. At this time, it is projected that the Non-Infrastructure category will be \$0.1 million over-budget at the fiscal year end. The variances were caused by an emergent Electric Distribution Load Survey project to purchase metering equipment.

System Capacity and Performance - \$2.3M over budget variance year-to-date

Overall, capital spending through the second quarter of FY 2015 for the System Capacity and Performance category was \$2.3 million higher than budgeted. This was primarily driven by the following:

- Capital spending through the second quarter for the New Highland Drive Substation project was \$2.9 million more than the year-to-date budget. At this

time, the Company is forecasting that this project will be approximately \$2.6 million over budget at year end. The variance is driven by increased costs identified during detailed engineering in FY 2014.

- The System Capacity and Performance category contains a year-to-date allowance of \$2.6 million for schedule delays, which have not materialized, and several other projects are progressing ahead of schedule. The fiscal year end allowance is approximately \$5.2 million.
- Capital spending on the Volt/Var pilot program through the second quarter was \$0.7 million more than the year-to-date budget. The Company forecasts that this project will be approximately \$0.9 million over budget at the end of the fiscal year to account for engineering and design charges, material payments, and Information Systems support.

Among the major projects offsetting these over spending projects through the second quarter were the following:

- The scope of the Chase Hill projects have been reduced from installing eight distribution feeders to installing four distribution feeders due to greater than anticipated distribution line costs and right-of-way construction and maintenance challenges. Consequently, the Chase Hill project has a variance below budget of \$2.3 million through the end of second quarter and at this time is projected to have a year-end under budget variance of \$4.8 million.
- The Newport Substation projects have a below budget variance of \$1.4 million through the end of the second quarter. At this time, the project is forecasted to have a below budget variance of \$1.6 million at fiscal year-end because this project is still in the permitting and engineering phases, and construction is not expected to begin until FY 2016.

At this time, the System Capacity and Performance category is projected to be \$2.3 million over-budget at fiscal year-end.

Finally, as noted above and shown in Attachment A, the total Discretionary category had a year-to-date capital spending variance of \$5.7 million above budget, and, at this time, is

projected to be approximately \$5.1 million over budget at the end of the fiscal year. The Company is evaluating and pursuing opportunities to reduce capital spend in the Discretionary category in FY 2015. Chosen options, and subsequent year end forecast reductions, will be reflected in the third quarter report.

In Docket No. 4473, in its FY 2016 Electric ISR Plan filing, the Company was directed to provide a proposal to identify and report in quarterly and annual reconciliation filings the projects that exceeded, or were under, the fiscal year-to-date and fiscal year-end budgets by ten percent (10%).² For the identified projects, the Company would note whether variances were due to the project being accelerated or delayed; or due to an increase, or decrease, in total project cost. The Company is submitting explanations for the portfolio of large projects³ with variances exceeding \$0.1 million. These projects represent approximately \$22.8 million of the FY 2015 budget. The information is shown in Attachment E.

Investment Placed in Service

For FY 2015, \$30.8 million has been placed in service through the second quarter. At this time, the Company estimates placing \$83.1 million of plant in service in FY 2015. The Non-Discretionary category estimate of approximately \$33.0 million is approximately \$7.5 million above the FY 2015 Electric ISR Plan planned amount. This is due to increased levels of spending in the Customer Request/Public Requirements and Damage/Failure categories as described above. The Discretionary category estimate of \$50.1 million is approximately \$6.7 million above the FY 2015 planned amount. This is primarily due to the Highland Park project and increased levels of spending in the Asset Condition category as described previously. Overall, the current plant-in-service forecast of \$83.1 million is approximately \$14.2 million above the FY 2015 Electric ISR Plan planned amount of \$68.9 million. Details by spending rationale are included in Attachment B.

² Docket No. 4473 at 25.

³ Large projects are defined as exceeding \$1 million in total project cost.

Vegetation Management

Through the second quarter of FY 2015, the Company has completed 54% of its annual distribution mileage cycle pruning goal with an associated spend of 51% of the FY 2015 budget for the cycle pruning program. As noted in the report for the previous quarter, the costs for this program typically lag behind the work performed and the year-end forecast exceeds budget by \$0.5 million. The variance is driven by cycle pruning bids, which were significantly higher than previous years, and a sub-transmission circuit delayed into FY 2015 due to safety issues with a contractor in FY 2014 which required the work be put out to bid again. To date, the Company's police detail costs are in line with what was expected for the year and the Company anticipates being on budget at year end.

Inspection and Maintenance (I&M)

Through the second quarter of FY 2015, the Company completed 61% of its annual structure inspection goal. The Company expects to complete all planned inspections in FY 2015.

Through the second quarter of FY 2015, 56% of the total I&M budget has been spent with an associated spend of \$1.6 million. Also included in the total forecasted costs is the FY 2015 mobile elevated voltage testing, which were approved by the Rhode Island Public Utilities Commission at its January 16, 2014 Open Meeting for Docket No. 4237-A and the October 15, 2014 Open Meeting for Docket No. 4237. The Company expects the I&M budget at fiscal year-end to be \$0.2M under budget. Attachment D provides the spending to date for all components in this category.

The Company started performing inspections on its overhead distribution system in FY 2011, and started performing the repairs based on those inspections in FY 2012. The Company categorizes the deficiencies found as Level I, II or III, and repairs Level I deficiencies either immediately or within approximately one week of the inspection, and bundles Level II and III work for planned replacement. At this time, the Company has completed repairs reported for approximately 28% of the deficiencies found. Total deficiencies found and repairs made to date are shown in the table below.

Summary of Deficiencies and Repair Activities - RI Distribution				
Year Inspection Performed	Priority Level / Repair Expected	Deficiencies Found (Total)	Repaired as of 9/30/14	Not Repaired as of 6/30/14
FY11				
	I	19	19	0
	II	13,147	12,189	958
	III	38	9	29
FY12				
	I	20	20	0
	II	15,870	13,723	2,147
	III	667	433	234
FY13				
	I	17	17	0
	II	26,885	3,913	22,972
	III	8,129	568	7,561
FY14				
	I	11	11	0
	II	23,032	648	22,384
	III	8,742	233	8,509
FY15				
	I	4	3	1
	II	13,766	3	13,763
	III	2,766	2	2,764
Total Since Program Inception		113,113	31,791	81,322

As shown in the table below, to date, results of the Company's manual elevated voltage testing for FY 2015 have not indicated any instances of elevated voltages found through either overhead or manual elevated voltage inspections. Street light and underground manual elevated voltage testing are scheduled to be performed later in the fiscal year.

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Manual Elevated Voltage Testing	Total System Units Requiring Testing	FY 2015 Units Completed thru 09-30-14	Percent Completed	Units with Voltage Found (>1.0v)	Percent of Units Tested with Voltage (>1.0v)
Distribution Facilities	285,315	33,967	11.91%	0	0.00%
Underground Facilities	13,870	0	0.00%	0	0.00%
Street Lights	5,888	0	0.00%	0	0.00%

*Rhode Island Street Light Elevated Voltage Testing Program moved from a 5-year to a 3-year program. The Company achieved a 100% completion rate in FY 2014. The new 3-year cycle begins again in FY 2015.

*Manual Elevated Voltage Testing work for Underground facilities and Street Lights started at the end of the second quarter of FY 2015 but no data available at this time

Attachment B

**US Electricity Distribution - Rhode Island
Plant Additions By Spending Rationale
FY 2015 through September 30, 2014
(\$000)**

	FY 2015 Annual ISR Forecast	FYTD Actual in Service	Current FY 2015 Year End Forecast	% of Current Forecast Placed in Service
Customer Request/Public Requirement	\$14,574	\$8,427	\$17,537	48%
Damage Failure	\$10,921	\$8,246	\$15,462	53%
<i>Subtotal Non-Discretionary</i>	<i>\$25,495</i>	<i>\$16,673</i>	<i>\$32,999</i>	<i>51%</i>
Asset Condition	\$20,153	\$9,310	\$24,993	37%
Non- Infrastructure	\$277	\$0	\$222	0%
System Capacity & Performance	\$23,013	\$4,773	\$24,894	19%
<i>Subtotal Discretionary</i>	<i>\$43,443</i>	<i>\$14,083</i>	<i>\$50,108</i>	<i>28%</i>
Total Capital Investment in Systems	\$68,938	\$30,756	\$83,108	37%

Attachment C

US Electricity Distribution - Rhode Island O&M Vegetation Management Expenditures FY 2015 through September 30, 2014 (\$000)

FY 2015 Total	FYTD	FY 2015 Total	
Budget	Actual	Forecast	Variance

Vegetation Management

Cycle Pruning (Base)	\$4,475	\$2,468	\$4,895	\$420
Hazard Tree	\$1,000	\$491	\$1,000	\$0
Sub-T (on & off road)	\$316	\$87	\$392	\$76
Police/Flagman Details	\$650	\$391	\$650	\$0
Core Crew (all other activities)	\$1,285	\$471	\$1,285	\$0

Total Vegetation Management	\$7,726	\$3,908	\$8,222	\$496
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	FY 2015 Goal	FYTD Goal	FYTD Complete	% Complete vs. Scheduled FYTD	Annual % Complete vs. FY 2015 Goal
Distribution Mileage Trimming	1,115	578.5	603.6	104%	54%

Attachment D

US Electricity Distribution - Rhode Island
Inspection and Maintenance Program Progress Update
FY 2015 through September 30, 2014
(\$000)

	FY 2015 Annual ISR Budget	FYTD Actual Spend	Current FY 2015 Year End Forecast	% Completed	
Opex Related to Capex	\$1,811	\$1,012	\$1,811	56%	
Repair & Inspections Related Costs	\$934	\$558	\$934	60%	
Long Range Plan	\$250	\$4	\$50	8%	
Total Operation & Maintenance Expense	\$2,995	\$1,574	\$2,795	56%	
	FY 2015 Goal	FYTD Goal	FYTD Complete	% Complete vs Scheduled FYTD	Annual % Complete vs FY 2015
RI Distribution Overhead Structures Inspected	56,542	28,271	34,421	121.75%	60.88%

The Narragansett Electric Company
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FY 2015 Electric Infrastructure, Safety and Reliability Plan
FY 2015 Quarterly Update
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Attachment E

**US Electricity Distribution - Rhode Island
Project Variance Report
FY 2015 through September 30, 2014
(\$000)**

Project Description	Project Funding #'s	Year-to-Date Budget (\$000)	Year-to-Date Actual (\$000)	Year-to-Date Variance (%)	FY 2015 Budget (\$000)	FY 2015 Forecast (\$000)	FY 2015 Variance (%)	FY 2015 Variance Cause
Eldred Substation Projects	CD00648, CD00659	\$ 582	\$ 1,043	79	\$ 794	\$ 1,508	90	Increased spend on project
I-195 Contracts 14, 15 - Providence	CD00766, CD00135	\$ 255	\$ 1,106	334	\$ 255	\$ 1,194	368	Increased spend on project
Clarke St Substation Upgrades	C046831, C046832	\$ 309	\$ 221	(28)	\$ 646	\$ 1,438	123	Increased spend on project
Kent County 2cd Transformer	CD01101, CD01104	\$ 160	\$ 245	53	\$ 347	\$ 413	19	Increased spend on project
New Highland Drive Substation	CD00972, CD00978	\$ 2,940	\$ 5,820	98	\$ 3,344	\$ 5,945	78	Increased spend on project
Volt/Var Pilot	C046352, C052708, C053111	\$ 424	\$ 1,112	162	\$ 1,200	\$ 2,059	72	Increased spend on project
Pontiac Substation Flood Restoration	CD01242, CD01243	\$ 442	\$ 228	(49)	\$ 1,275	\$ 1,298	2	Project delayed within FY 2015
Langworthy Substation	C036230	\$ 94	\$ 270	187	\$ 97	\$ 364	275	Project accelerated
South Street Substation Replacement	C051212, C051213	\$ 21	\$ 7	(65)	\$ 200	\$ 350	75	Project accelerated
Governor St, Providence Ductline	C023852	\$ 46	\$ 197	329	\$ 50	\$ 280	460	Project delayed from FY 2014 into FY 2015
Kilvert St #87 Upgrades	C036522, C036516	\$ 1,651	\$ 787	(52)	\$ 2,308	\$ 1,986	(14)	Project delayed into future years
New London Ave Substation	C028920, C028921	\$ 369	\$ 348	(6)	\$ 2,300	\$ 1,370	(40)	Project delayed into future years
Newport Substation Project	C015158, C028628, C024159, CD00649	\$ 1,774	\$ 378	(79)	\$ 2,140	\$ 629	(71)	Project delayed into future years
Johnston Substation Expansion	C033535, C034002, C028884, C036072	\$ 1,539	\$ 1,135	(26)	\$ 1,861	\$ 1,554	(16)	Project delayed into future years
Chase Hill Substation	C024176, C024175	\$ 1,890	\$ (458)	(124)	\$ 6,056	\$ 1,300	(79)	Reduced spend on project
* () denotes an underspend for the period								