

August 18, 2015

**BY HAND DELIVERY AND ELECTRONIC MAIL**

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

**RE: Docket 4540 - Gas Infrastructure, Safety, and Reliability Plan  
Quarterly Update – First Quarter Ending June 30, 2015**

Dear Ms. Massaro:

On behalf of National Grid, I have enclosed for filing in the above-referenced docket, ten copies of the Company's fiscal year (FY) 2016 Gas Infrastructure, Safety, and Reliability (ISR) Plan quarterly update for the first quarter ending June 30, 2015. Pursuant to the provisions of the approved FY 2016 Gas ISR Plan, the Company committed to providing quarterly updates on the progress of its Gas ISR program to the Rhode Island Public Utilities Commission and the Rhode Island Division of Public Utilities and Carriers.

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

Enclosures

cc: Docket 4540 Service List  
Leo Wold, Esq.  
Steve Scialabba  
James Lanni  
Don Ledversis

Certificate of Service

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

Paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



\_\_\_\_\_  
Joanne M. Scanlon

August 18, 2015

Date

**Docket No. 4540 - National Grid's FY 2016 Gas Infrastructure, Safety and Reliability (ISR) Plan - Service List 1/8/15**

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<b>File an original &amp; nine (9) copies w/:</b> Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02888	<a href="mailto:Luly.massaro@puc.ri.gov">Luly.massaro@puc.ri.gov</a>	401-780-2107
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## **Gas Infrastructure, Safety and Reliability Plan**

### **The Narragansett Gas Company**

#### **FY 2016 Quarterly Update**

#### **First Quarter - Ending June 30, 2015**

##### **Executive Summary**

Fiscal year 2016 (FY 2016) first quarter results (*Attachment A*) reflect that the Company spent approximately \$21.02 million of an estimated quarterly budget of \$16.20 million, resulting in a first quarter over-spending variance of \$4.82 million. This includes actual spending of \$20.86 million for non-growth capital investment projects as compared to a quarterly budget of approximately \$16.06 million and actual spending of approximately \$0.16 million for Operations and Maintenance (O&M) expenses against a quarterly budget of \$0.14 million. To date, the \$21.02 million represents approximately 27% of the total FY 2016 annual Gas ISR budget of \$76.83 million. In the sections below, the Company explains in more detail the primary drivers for spending to-date for each category.

##### **FY 2016 Capital Spending by Category**

##### ***Proactive Main Replacement Program – \$3.78 million over-spending variance to budget year-to-date***

For the first quarter of FY 2016, the Company spent approximately \$13.44 million of a projected first quarter budget of \$9.66 million, resulting in an over-spending variance of \$3.78 million. The primary drivers of this overspending were increased costs associated with the installation of mains and services, mainly driven by higher unit costs discovered at the beginning of the fiscal year, as well as having installed approximately 23% more mains and services than projected. As the Company noted in its FY 2015 Annual Reconciliation Filing,

the Company is replacing more cast-iron main segments in urban areas, such as in the City of Providence, which has resulted in higher unit costs for the program. In addition, the Company has modified its practice and has accelerated the abandonment of gas main performed in conjunction with main installations. To date, for FY 2016, the Company has installed 26 miles of new main and has abandoned 13.4 miles of leak prone pipe. This is 4.9 miles more than projected to meet the Company's proposed replacement of 56 miles of leak-prone gas main for the fiscal year and an incremental 9.3 miles of abandonment greater than first quarter last year. The Company anticipates that the Proactive Main Replacement category to be over-budget by approximately \$5.00 million at fiscal year-end.

***Service Replacement Program – \$0.43 million over-spending variance to budget year-to-date***

As noted in the FY 2016 Gas ISR Plan, the Company committed in FY 2016 to address the remaining services in this category. The plan anticipated 200 remaining services in FY 2016, while the actual remaining service count equates to 346 due to fewer completions in FY 2015 due to the harsh winter conditions. For the first quarter of FY 2016, the Company spent approximately \$0.50 million of a projected first quarter budget of \$63,000 (sixty-three-thousand dollars), resulting in an over-spending variance of \$0.43 million. To date, under the Service Replacement Program the Company has replaced 172 services, which is 40 services more than the projected total 132 high-pressure services planned for the first quarter. The services replacements, which remain in the program, are typically the most difficult to schedule and the most complex to replace. However, the Company remains committed and expects to complete the replacement of all services by fiscal year-end. The Company anticipates that the Service Replacement category to be over-budget by approximately \$0.60 million at fiscal year-end.

***Public Works Program –\$0.34 million over-spending variance to budget year-to-date***

For the first quarter of FY 2016, the Company spent \$1.36 million of a projected first quarter budget of \$1.03 million, resulting in an under spending variance of \$0.34 million. The key drivers for this over spending were mainly driven by higher unit costs that were recognized at the beginning of the fiscal year, due to the projects required and performed in coordination with state and municipal entities. To date for FY 2016, the Company has installed 2.2 miles of new gas main and has abandoned 3.4 miles of leak prone pipe. As a result of this first quarter spending and the current project mix in the plan, the Company anticipates that the Public Works Program will be over budget by approximately \$0.50 million at fiscal year-end.

***Reactive Main Replacement Program – \$11,000 under-spending variance to budget year-to-date***

Through the first quarter of FY 2016, the Company spent approximately \$4,000 (four thousand dollars) for Reactive Main Replacements compared to a quarterly budget of \$16,000 (sixteen thousand dollars), which resulted in a first quarter under-spending variance of \$11,000 (eleven thousand dollars). As noted in the Company's FY 2016 Gas ISR Plan, the Company's aggressive spending in the Proactive Main Replacement Program has lessened the need for the level of projected spending and reactive main replacements. The Company anticipates that the Reactive Main Replacement category to be basically on-budget at fiscal year-end.

***Mandated Programs – \$0.70 over-spending variance to budget year-to-date***

For the first quarter of FY 2016, the Company spent approximately \$3.34 million of a projected first quarter budget of \$2.70 million, resulting in an over-spending variance of \$0.70 million. To date, the primary driver was the higher unit costs for Leaks and Non-Leaks-Other work. For the first quarter of FY 2016, the Company repaired 494 leaks of 522 the planned leak repairs.

At this time, the Mandated Programs category is projected to be under-budget by \$0.15 million at fiscal year-end.

***Reliability Programs – \$0.76 million under-spending variance to budget year-to-date***

For the first quarter of FY 2016, the Company spent \$1.32 million of a projected first quarter budget of \$2.08 million, resulting in an under-spending variance of \$0.76 million for this category. To date, the primary driver of this under-spending variance is the lower than anticipated spending for Gas Planning and Pressure Regulating facilities sub-categories. At this time, spending for this category is expected to be under-budget by \$0.41 million at the end of the fiscal year.

***Special Projects (Gas Expansion Pilot and Exeter LNG Boil-Off Compressor project) – \$0.32 over-spending variance to budget year-to-date***

For the first quarter of FY 2016, the Company spent approximately \$0.73 million for the Gas Expansion Pilot program of a year-to-date budget of \$0.52 million. In addition, during the first quarter of FY 2016, the Company spent approximately \$0.11 million for the Exeter LNG Boil-off Compressor project construction. At this time, the Special Project category is expected to be on-budget at the end of the fiscal year.

**FY 2016 O&M Spending**

***O&M - \$23,000 over-spending variance to budget year-to-date***

In the FY 2016 Gas ISR Plan, the Company agreed to track the incremental O&M expenses associated with the hiring, training, and work of sixteen additional personnel required for the acceleration of replacement of leak-prone pipe relating to the Proactive Main and Public Works work in FY 2016. For the first quarter of FY 2016, the Company incurred O&M expenses totaling approximately \$0.16 million for these sixteen individuals against a quarterly budget of

\$0.14 million, resulting in an over-spending variance of \$23,000 (twenty-three thousand dollars) for the first quarter. At this time, the Company expects the O&M category to complete the fiscal year on-budget at fiscal year-end.

<b>Attachment A</b>							
		<b>US Gas-Distribution</b>					
		<b>The Narragansett Electric Company</b>					
		<b>d/b/a National Grid - RI Gas</b>					
		<b>Capital Spending by Investment Categories</b>					
		<b>FY 2106 through June 30, 2015</b>					
			( \$000 )				
			<b>FYTD</b>			<b>FY16 - Total</b>	
<b>INVESTMENT CATEGORIES</b>		<b>Budget</b>	<b>Actual</b>	<b>Variance</b>		<b>Budget</b>	<b>Forecast</b>
							<b>Variance</b>
Proactive Main Replacement Program		\$9,660	\$13,444	\$3,784		\$46,137	\$51,137
							\$5,000
Service Replacement Program		\$63	\$495	\$432		\$500	\$1,100
							\$600
Public Works Program*		\$1,027	\$1,361	\$335		\$4,593	\$5,093
							\$500
Reactive Main Replacement Program		\$16	\$4	(\$11)		\$200	\$189
							(\$11)
Mandated Program		\$2,697	\$3,397	\$700		\$14,300	\$14,147
							(\$153)
Reliability Programs		\$2,077	\$1,317	(\$760)		\$9,212	\$8,806
							(\$406)
Special Projects		\$521	\$840	\$320		\$1,330	\$1,411
(Exeter LNG and Gas Pilot)							\$81
TOTAL CAPITAL INVESTMENTS		\$16,060	\$20,859	\$4,799		\$76,272	\$81,882
							\$5,610
O&M		\$140	\$163	\$23		\$560	\$560
							\$0
TOTAL CAPITAL and O&M		\$16,200	\$21,021	\$4,821		\$76,832	\$82,442
							\$5,610
( ) denotes an under-spend							
*Public Works Program includes reimbursements which will be credited as received throughout the year.							