

November 13, 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 – Second Quarter Ending September 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 second quarter ending September 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.



Raquel J. Webster

November 13, 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**  
**Second Quarter - Ending September 30, 2015**

**Executive Summary**

Fiscal year 2016 (FY 2016) second quarter results (*Attachment A*) reflect that the Company spent approximately \$53.53 million of an estimated year-to-date budget of \$38.92 million, resulting in a second quarter over-spending variance of \$14.61 million. This includes actual spending of \$53.25 million for capital investment projects as compared to a year-to-date budget of approximately \$38.63 million and actual spending of approximately \$0.28 million for Operations and Maintenance (O&M) expenses against a year-to-date budget of \$0.28 million. To date, the \$53.53 million represents approximately 70% of the total FY 2016 annual Gas ISR budget of \$76.83 million. It is important to note that field construction is significantly ahead of the prior year work completion rate, which forms the basis for year to date budget targets. Total year-end spend is currently projected at \$84.11 million against the plan of \$76.83 million. This reflects a variance of \$7.28 million, which is primarily the result of increased spending in the pro-active main and service replacement and public works programs. In the sections below, the Company explains in more detail the primary drivers for spending in each category.

**FY 2016 Capital Spending by Category**

***Proactive Main Replacement Program – \$11.20 million over-spending variance to budget year-to-date***

Through the second quarter of FY 2016, the Company has spent approximately \$35.97 million of a projected year-to-date budget of \$24.77 million, resulting in an over-spending variance of \$11.20 million. The primary drivers of this overspending were increased costs associated with the installation of mains and services, which was driven by a higher complexity of projects contained within the program, renewal of field construction contracts at the start of the year as well as the program being ahead of prior year results on which the budget was based. 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 renewed and expanded its field construction contracts with two primary vendors providing for expanded resource capabilities in execution of the ISR program. To date, for FY 2016, the Company has installed 42 miles of new main and has abandoned 36.5 miles of leak prone pipe. This represents completion of 75% of main installation and 65% of main abandonment against the plan of 56 miles of gas main replacement. Further, the pro-active main replacement program is approximately 23% ahead of main installation compared to the prior year work plan for the same time period. The Company anticipates that the Proactive Main Replacement category will be over-budget by approximately \$5.60 million at fiscal year-end.

***Service Replacement Program – \$0.97 million over-spending variance to budget year-to-date***

As noted in the FY 2016 Gas ISR Plan, in FY 2016, the Company committed to address the remaining services in this category. In the plan, the Company anticipated that there would be 200 remaining services in FY 2016. However, the actual remaining service count totals 329 because of fewer completions in FY 2015, which was due to the harsh winter conditions. Through the second quarter of FY 2016, the Company spent approximately \$1.24 million of a

projected year-to-date budget of \$0.27 million, resulting in an over-spending variance of \$0.97 million. To date, under the Service Replacement Program, the Company has replaced 314 services. 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 is expected to complete the replacement of all services by fiscal year-end. The Company anticipates that the Service Replacement category will be over-budget by approximately \$0.80 million at fiscal year-end.

***Public Works Program –\$1.60 million over-spending variance to budget year-to-date***

Through the second quarter of FY 2016, the Company spent \$4.63 million of a projected year-to-date budget of \$3.17 million and has received reimbursements totaling \$0.57 million against a budget of \$0.71 million. This results in a total net variance of \$1.60 million. The key drivers for this over spending were mainly driven by higher replacement 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 and field construction contract renewal and expansion. To date, for FY 2016, the Company has installed 5.8 miles of new gas main and has abandoned 6.0 miles of leak prone pipe. This represents completion of 73% of main installation and 75% of main abandonment against the plan of eight miles of gas main replacement. Further, the public works program is approximately 23% ahead of main installation compared to the prior year work plan for the same time period. As a result of this level of spending, the current project mix in the plan and projected reimbursement funds for prior work, the Company anticipates that the Public Works Program will be over budget by approximately \$1.02 million at fiscal year-end.

***Reactive Main Replacement Program – \$0.12 million over-spending variance to budget year-to-date***

Through the second quarter of FY 2016, the Company spent approximately \$0.18 million for Reactive Main Replacements compared to a year-to-date budget of \$60,000 (sixty thousand dollars), which resulted in a second quarter over-spending variance of \$0.12 million. 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 will be on-budget at fiscal year-end.

***Mandated Programs – \$1.41 million over-spending variance to budget year-to-date***

Through the second quarter of FY 2016, the Company spent approximately \$7.30 million of a projected year-to-date budget of \$5.88 million, resulting in an over-spending variance of \$1.41 million. To date, the primary driver was the higher unit costs for Leaks and Non-Leaks-Other work, due in part, to prior year carryover (e.g., paving) resulting from severe winter conditions. Through the second quarter of FY 2016, the Company repaired 725 leaks. At this time, the Mandated Programs category is projected to be slightly over-budget by \$71,000 at fiscal year-end.

***Reliability Programs – \$0.37 million under-spending variance to budget year-to-date***

Through the second quarter of FY 2016, the Company spent \$3.49 million of a projected year-to-date quarter budget of \$3.86 million, resulting in an under-spending variance of \$0.37 million for this category. To date, the primary driver of this under-spending variance is the lower than anticipated spending for Gas Planning and specific location projects. At this time, spending for this category is expected to be under-budget by \$0.35 million at the end of the fiscal year.

***Special Projects (Gas Expansion Pilot & Exeter Compressor) – \$0.32 million under-spending variance to budget year-to-date***

Through the second quarter of FY 2016, the Company spent approximately \$1.01 million of a year-to-date budget of \$1.33 million. The Company has spent \$0.90 million for the Gas Expansion Pilot and \$0.11 million for the Exeter Boil-Off Compressor project year to date. At this time, the Special Project category is expected to be slightly over-budget by \$0.13 million at the end of the fiscal year.

**FY 2016 O&M Spending**

*O&M – Year-to-date on budget*

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. Through the second quarter of FY 2016, the Company is on-budget for this category and has incurred chargeable O&M expenses totaling approximately \$0.28 million for these sixteen individuals against a year-to-date budget of \$0.28 million. 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 September 30, 2015</b>							
<b>(\$000)</b>							
		<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	\$24,772	\$35,970	\$11,198		\$46,137	\$51,737	\$5,600
Service Replacement Program	\$274	\$1,242	\$968		\$500	\$1,301	\$801
Public Works Program*	\$2,461	\$4,061	\$1,601		\$4,593	\$5,611	\$1,018
Reactive Main Replacement Program	\$60	\$180	\$121		\$200	\$210	\$10
Mandated Program	\$5,883	\$7,295	\$1,412		\$14,300	\$14,371	\$71
Reliability Programs	\$3,857	\$3,488	(\$369)		\$9,212	\$8,859	(\$353)
Special Projects (Gas Pilot and Exeter Boil Off)	\$1,330	\$1,012	(\$318)		\$1,330	\$1,464	\$134
<b>TOTAL CAPITAL INVESTMENTS</b>	<b>\$38,636</b>	<b>\$53,248</b>	<b>\$14,613</b>		<b>\$76,272</b>	<b>\$83,553</b>	<b>\$7,281</b>
<b>O&amp;M</b>	<b>\$280</b>	<b>\$281</b>	<b>\$1</b>		<b>\$560</b>	<b>\$560</b>	<b>\$0</b>
<b>TOTAL CAPITAL and O&amp;M</b>	<b>\$38,916</b>	<b>\$53,529</b>	<b>\$14,614</b>		<b>\$76,832</b>	<b>\$84,113</b>	<b>\$7,281</b>
( ) denotes an under-spend							
*Public Works Program includes reimbursements which will be credited as received throughout the year.							