

August 10, 2016

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4590 - Gas Infrastructure, Safety, and Reliability Plan
Quarterly Update – First Quarter Ending June 30, 2016**

Dear Ms. Massaro:

On behalf of National Grid,¹ I have enclosed for filing in the above-referenced docket, ten (10) copies of the Company's fiscal year (FY) 2017 Gas Infrastructure, Safety, and Reliability (ISR) Plan quarterly update for the first quarter ending June 30, 2016. Pursuant to the provisions of the approved FY 2017 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 regarding this filing, please contact me at 781-907-2153.

Very truly yours,



Celia B. O'Brien

Enclosures

cc: Docket 4590 Service List
Leo Wold, Esq.
Steve Scialabba
James Lanni
Don Ledversis

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

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.

The 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 10, 2016
Date

Docket No. 4590 - National Grid's FY 2017 Gas Infrastructure, Safety and Reliability (ISR) Plan - Service List 11/27/15

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Gas Infrastructure, Safety and Reliability Plan

The Narragansett Electric Company

FY 2017 Quarterly Update

First Quarter - Ending June 30, 2016

Executive Summary

Fiscal year 2017 (FY 2017) first quarter results (*Attachment A*) reflect that the Company¹ spent approximately \$24.84 million of an estimated quarterly budget of \$28.29 million, resulting in a first quarter under-spending variance of \$3.45 million. This includes actual spending of \$5.65 million of an estimated year-to-date budget of \$7.75 million for non-discretionary work (i.e., work required by legal, regulatory code, and/or agreement or a result of damage or failure), resulting in a first quarter under-spending variance of \$2.10 million. In addition, the first quarter variance includes actual spending of \$19.08 million compared to an estimated quarterly budget of \$20.40 million on discretionary work, resulting in a first quarter under-spending variance of \$1.32 million. Gas Infrastructure, Safety, and Reliability Operations and Maintenance (O&M) expenses total \$.11 million on a budget of \$.14 million, resulting in an under-spending variance of \$.04 million. To date, the \$24.84 million represents approximately 29% of the total FY 2017 annual Gas ISR budget of \$86.05 million. In the sections below, the Company explains in more detail the primary drivers for spending to-date for each category.

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

FY 2017 Capital Spending by Category

Non-Discretionary Work²

Public Works Program – \$0.67 million under-spending variance to budget year-to-date

Through the first quarter of FY 2017, the Company spent \$2.02 million of a projected year-to-date budget of \$2.69 million, resulting in an under-spending variance of \$0.67 million. The key driver for this under-spending is the lower than anticipated installation and abandonment of gas mains and services in the public works program during the first quarter. This is attributed to timing of the work that is performed in conjunction with state and municipal schedules and is expected to re-align with the budgeted plan as the season continues. To date for FY 2017, the Company has installed 1.8 miles of new gas main and has abandoned 2.7 miles of leak-prone pipe. The increase in miles of abandoned leak-prone pipe is a result of work that was initiated during FY 2016 and completed in FY 2017. With 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 under-budget by approximately \$0.73 million at fiscal year-end.

Mandated Programs – \$1.42 million under-spending variance to budget year-to-date

Through the first quarter of FY 2017, the Company spent approximately \$3.63 million of a projected year-to-date budget of \$5.06 million, resulting in an under-spending variance of \$1.42 million. To date, the primary driver was the lower spending for capital leak repairs, non-leak other and pipeline integrity (Transmission) categories. Spending is lower in capital leak repairs due to a lower number of capital leak repairs during the first quarter, while work in non-leak

² Non-Discretionary programs include those required by legal, regulatory code and/or agreement or a result of damage or failure with limited exceptions.

other and pipeline integrity is slightly behind plan. Through the first quarter of FY 2017, the Company repaired 217 leaks compared to a plan of 387 capital leak repairs. At this time, the Mandated Programs category is projected to be over-budget by \$1.83 million at fiscal year-end as leak repairs and costs normalize towards historic rates.

Remediation Projects – \$0.0 million over-spending variance to budget year-to-date

Two projects have been identified to address adverse operating conditions on the gas distribution network for which the FY 2017 Gas ISR Plan did not contain a budget. The first project requires a filter separator vessel to be installed at the Allens Avenue gas interchange in Providence for the purposes of collecting condensates prior to entry into the gas distribution system to prevent customer disruptions. The second project includes modification of pressure regulation equipment at the Dey Street, East Providence gate station to provide over-pressure protection on the system. These issues were unforeseen at the time of the ISR development and, therefore, not identified for funding in the original plan. The projected fiscal year-end spend and budget over-spend on these remediation projects is projected at \$1.18 million.

Discretionary Work³

Proactive Main Replacement Program – \$1.44 million under-spending variance to budget year-to-date

Through the first quarter of FY 2017, the Company has spent approximately \$16.93 million of a projected year-to-date budget of \$18.36 million, resulting in an under-spending variance of \$1.44 million. The primary driver of this budget under spend is the reduced amount of main installation completed as compared to the amount of abandonment completed in the program

³ Discretionary program are not required by legal, regulatory code or agreement or a result of damage or failure with limited exceptions.

during the first quarter against plan, which reflects a higher level of work in progress. To date, for FY 2017, the Company has installed 22.4 miles of new main and has abandoned 14.4 miles of leak-prone pipe against a plan of 19.2 miles. The Company anticipates that the Proactive Main Replacement category to be under-budget by approximately \$2.99 million at fiscal year-end due to projected lower unit costs to achieve the main abandonment target in the program.

Reliability Programs – \$0.11 million over-spending variance to budget year-to-date

Through the first quarter of FY 2017, the Company spent \$2.15 million of a projected year-to-date budget of \$2.04 million, resulting in an over-spending variance of \$0.11 million for this category. To date, the primary driver of this over-spending variance is the higher than anticipated spending in the Pressure Regulating Facilities category, and more specifically, spending on the Bentley Street, East Providence regulator station replacement. At this time, spending for this category is expected to be under-budget by \$0.30 million at the end of the fiscal year driven by deferral of regulator station replacements originally identified in the FY 2017 pressure regulating facilities program, which is offset by a change in scope (e.g., location and pipe size) and the associated increased cost required for completion of the Bentley Street, East Providence Regulator Station replacement.

FY 2017 O&M Spending

O&M – \$0.03 million under-spend variance to budget year-to-date

In the FY 2017 Gas ISR Plan, the Company agreed to track the incremental O&M expenses associated with the hiring, training, and work of 16 additional personnel required for the acceleration of replacement of leak-prone pipe relating to the Proactive Main and Public Works work in FY 2017. Through the first quarter of FY 2017, the Company has slightly under-spent to budget for this category having incurred O&M expenses totaling approximately \$0.11 million for these 16 individuals against a year-to-date budget of \$0.14 million. At this time, the Company expects the O&M category to complete the year on-budget at fiscal year-end.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4590
FY 2017 Gas Infrastructure, Safety, and Reliability Plan
FY 2017 Quarterly Update
First Quarter Ending June 30, 2016
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US Gas-Distribution							
The Narragansett Electric Company							
d/b/a National Grid - RI Gas							
Capital Spending by Investment Categories							
FY 2107 through June 30, 2016							
(\$000)							
INVESTMENT CATEGORIES	Budget	FYTD			FY17 - Total		
		Actual	Variance	Budget	Forecast	Variance	
NON-DISCRETIONARY							
Public Works Program*	\$2,690	\$2,017	(\$673)	\$11,230	\$10,496	(\$734)	
Mandated Program**	\$5,055	\$3,631	(\$1,424)	\$15,364	\$17,199	\$1,835	
Remediation Projects	\$0	\$0	\$0	\$0	\$1,180	\$1,180	
NON-DISCRETIONARY SUB-TOTAL	\$7,745	\$5,648	(\$2,097)	\$26,594	\$28,875	\$2,281	
DISCRETIONARY							
Proactive Main Replacement Program	\$18,364	\$16,929	(\$1,435)	\$49,632	\$46,641	(\$2,991)	
Reliability Programs	\$2,039	\$2,153	\$114	\$9,250	\$8,953	(\$297)	
DISCRETIONARY SUB-TOTAL	\$20,403	\$19,082	(\$1,321)	\$58,882	\$55,594	(\$3,288)	
TOTAL CAPITAL INVESTMENTS	\$28,148	\$24,729	(\$3,418)	\$85,476	\$84,469	(\$1,007)	
O&M	\$143	\$107	(\$36)	\$571	\$571	\$0	
TOTAL CAPITAL and O&M	\$28,291	\$24,836	(\$3,454)	\$86,047	\$85,040	(\$1,007)	
() denotes an under-spend							
*Public Works Program includes reimbursements which will be credited as received throughout the year.							
** Mandated Program includes proactive service replacement and reactive main replacement.							