

June 30, 2023

VIA ELECTRONIC DELIVERY

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

**RE: Docket 4770 – Electric Earnings Sharing Mechanism
Earnings Report - Twelve Months Ended December 31, 2022**

Dear Ms. Massaro:

In accordance with Article II, Section 6 of the Amended Settlement Agreement approved by the Rhode Island Public Utilities Commission (the “Commission”) on August 24, 2018, in the above-referenced docket (see Report and Order No. 23823 issued on May 5, 2022), enclosed is an electronic version¹ of the earnings report for the twelve-month period ended December 31, 2022, for the electric operations of the Company.²

Transition Costs

In connection with the Company’s request for an extension of time until June 30, 2023, to file the electric earnings report, the Commission requested that the Company highlight where the Transition Costs are excluded from expenses and include a detailed explanation of how the Company identified and tracked the Transition Costs, as well as an itemization of those costs (with totals as appropriate).

As part of the Division of Public Utilities and Carriers’ (the “Division”) proceeding to approve the Transaction³ in Docket No. D-21-09, PPL and PPL RI agreed not to charge Transition Costs⁴ associated with the Transaction to Narragansett. In addition, as part of the Settlement Agreement among PPL, PPL RI, and Peter F. Neronha, Attorney General of the State of Rhode Island, dated May 19, 2022 (the “Settlement Agreement”), PPL and PPL RI agreed to

¹ Per a communication from Commission counsel on October 4, 2021, the Company is filing an electronic version of this filing followed by six hard copies filed with the Commission Clerk within 24 hours of the electronic filing.

² The Narragansett Electric Company d/b/a Rhode Island Energy (the “Company” or “Rhode Island Energy”).

³ Pursuant to a Share Purchase Agreement dated March 17, 2021, by and among PPL Energy Holdings, LLC, PPL Corporation (“PPL”) (solely with respect to Section 4.10 and Section 6.14), and National Grid USA (the “Agreement”), National Grid USA agreed to sell 100 percent of the outstanding shares of common stock in The Narragansett Electric Company (“Narragansett”) to PPL Rhode Island Holdings, LLC (“PPL RI”), a wholly owned indirect subsidiary of PPL (the “Transaction”). Following execution of the Agreement, PPL Energy Holdings, LLC assigned its right to purchase Narragansett to its wholly owned subsidiary, PPL RI, such that upon closing, PPL RI would own 100 percent of the outstanding shares of common stock in Narragansett.

⁴ The term “Transition Costs” is defined in the Division’s Report and Order No. 24322 dated and effective February 23, 2022 (the “Approval Order”), at 250.

“forgo potential recovery of any and all transition costs, reducing the total amount of potential transition cost recovery to \$0” (see Exhibit C, Section 1.d. of the Settlement Agreement). In compliance with these agreements, all Transition Costs are charged to, and recorded on the books and records of, PPL RI. No Transition Costs are charged to or recorded on the books and records of Narragansett. Therefore, there are no Transition Costs to exclude from the calculation of Narragansett’s earnings.

In addition, during Docket No. D-21-09, PPL and PPL RI agreed “to establish transition cost accounting, reporting and monitoring procedures to apply during the distribution base rate stay-out period” (see Page 253 of the Approval Order). To ensure its compliance with this agreement, PPL established and implemented a number of internal controls and processes. Specifically, PPL established and distributed written guidelines directing employees and contractors across the PPL enterprise to use specific projects and general ledger accounts that are mapped to PPL RI for time and expenses related to transition projects so that no Transition Costs are charged to Narragansett’s lines of business. With respect to PPL Services Corporation, the guidelines specify that Transition Costs from PPL Services Corporation are charged only to PPL RI within those specific general ledger accounts and are not charged to Narragansett. In addition, PPL developed and distributed job aids to various departments across the PPL enterprise to assist employees and contractors with proper charging of time and expenses related to the transition.

Finally, a comprehensive and robust internal compliance tracking process was implemented to track PPL’s progress toward completing tasks in furtherance of PPL’s commitments. This includes periodic attestations by Marlene Beers, Vice President and Controller of PPL, regarding PPL’s compliance with its commitments not to charge costs associated with the transition and the Transaction to Narragansett.

As stated in PPL’s most recent [10K](#), Transition Costs include costs in the following categories: (1) installation of certain information technology systems; (2) modification and enhancements to physical facilities in Rhode Island; and (3) incurring costs related to severance payments, communications and branding changes, and other transition-related costs. For the year ended December 31, 2022, Transition Costs, which are being expensed as incurred, were \$181 million.

In addition, as noted in PPL’s most recent 10K,⁵ the Company excluded the following special items from the calculation of earnings for its electric operations:

- (1) the write-off of the regulatory asset on the Company’s books for the Gas Business Enablement (“GBE”) project and for certain cyber security/information technology investments related to GBE in the amount of \$5 million (see Page 3, Line 24, column (d) and Note 7);

⁵ See “Earnings from Ongoing Operations” at Page 36; “Rhode Island Regulated Segment” at Page 39; and “Reconciliation of Earnings from Ongoing Operations” at Pages 39-40.

- (2) the customer bill credit in the amount of \$32.5 million for electric customers (Docket No. 22-07-GE) (see Page 3, Line 1, column (d) and Note 1);
- (3) the arrearage forgiveness for low-income and protected residential customers in the amount of \$29.9 million (Docket No. 22-08-GE) (see Page 3, Line 8, column (d)); and
- (4) costs for information technology transition services under the Transition Services Agreement among National Grid USA Service Company, Inc., National Grid USA (solely with respect to Section 4.6), and Narragansett dated May 25, 2022, in the amount of \$32.8 million (see Page 3, Line 9, column (d) and Note 4).

Hold Harmless

National Grid USA and PPL agreed to make a joint election under section 338(h)(10) of the Internal Revenue Code to treat the sale of Narragansett as an asset sale for federal income tax purposes. This resulted in a reversal of most of Narragansett's accumulated deferred income taxes ("ADIT") (e.g., plant, net operating losses, and non-plant ADIT) on the date of the acquisition, which has an impact on post-acquisition rate base and, thus, customer rate filings. Although rate base would have been lower pre-Transaction because of a net ADIT liability, the elimination of the majority of this liability results in higher rate base.

During Docket No. D-21-09, PPL agreed to hold Rhode Island customers harmless from any changes to ADIT as a result of the Transaction (see Pages 257-258 of the Approval Order). PPL intends to fulfill this commitment as demonstrated in the Company's electric and gas Infrastructure, Safety, and Reliability Plans filed with the Commission in Docket Nos. 22-53-EL and 22-54-NG, respectively. With respect to the Company's electric earnings sharing mechanism, the calculation for quantifying the hold harmless commitment is a significant modeling and forecasting exercise, because it includes an analysis of every asset (going back several decades) and the associated ADIT that is in rate base as of the date of the Transaction close. PPL is waiting to obtain the final tax basis of assets placed in service through May 25, 2022, from National Grid USA, which will not be known until National Grid USA files its last tax return that contains Narragansett information (expected this fall). As a result, PPL currently is unable to perform the hold harmless calculation for this electric earnings report. Once PPL has the final book and tax bases of the assets that are in rate base as of the Transaction close, PPL will be able to model the change in ADIT over the relevant asset lives and move forward with the hold harmless calculation. The Company will file a revised electric earnings report after the necessary information is available to compute the calculation, which is expected this fall.

Luly E. Massaro, Commission Clerk
Electric Earnings Report – Calendar Year 2022
June 30, 2023
Page 4 of 4

Thank you for your attention to this filing. If you have any questions regarding this filing, please contact me at 401-578-2700.

Very truly yours,

A handwritten signature in blue ink that reads "Celia B. O'Brien". The signature is written in a cursive, flowing style.

Celia B. O'Brien

Attachment

cc: Docket No. 4770 Service List

The Narragansett Electric Company
Return on Rate Base
Return on Common Equity
Twelve Months Ended December 31, 2022

<u>Line</u> <u>No.</u>				<u>Twelve Months Ending</u> <u>December 31, 2022</u>		
		<u>Base Earnings</u>	<u>Actual</u> <u>Earnings</u>	<u>Allowed</u>	<u>Ceiling</u>	
		<u>1/</u>	<u>2/</u>	<u>3/</u>	<u>3/</u>	
1						
2						
3	Return on Distribution Rate Base	6.51%	6.83%	6.97%	6.97%	
4						
5	Return on Distribution Common Equity	8.24%	9.01%	9.275%	9.275%	
6						
7	1/ Excludes incentives and penalties detailed at Page 2, Lines 3 through 8					
8	2/ Includes incentives detailed at Page 2					
9	3/ Allowed Return and Ceiling, presented below.					
10			----- Per Amended Settlement Agreement in Docket 4770 -----			
11			<u>Allowed</u>		<u>Ceiling</u>	
12			<u>Cost</u>	<u>Weighted</u>	<u>Cost</u>	<u>Weighted</u>
13		<u>Total</u>	<u>Rate</u>	<u>Cost</u>	<u>Rate</u>	<u>Cost</u>
14						
15	Short Term Debt	0.60%	1.76%	0.01%	1.76%	0.01%
16	Long Term Debt	48.35%	4.62%	2.23%	4.62%	2.23%
17	Preferred Stock	0.10%	4.50%	0.00%	4.50%	0.00%
18	Common Equity	50.95%	9.275%	4.73%	9.275%	4.73%
19		<u>100.00%</u>		<u>6.97%</u>		<u>6.97%</u>
20						
21						
22			----- EARNED -----			
23			<u>Cost</u>	<u>Weighted</u>		<u>Pre-Tax</u>
24		<u>Amount</u>	<u>Rate</u>	<u>Cost</u>	<u>Taxes</u>	<u>Weighted Cost</u>
25						
26	Short Term Debt	\$6,791,081	0.60%	1.76%	0.01%	0.01%
27	Long Term Debt	\$547,247,949	48.35%	4.62%	2.23%	2.23%
28	Preferred Stock	\$1,131,847	0.10%	4.50%	0.00%	0.00%
29	Common Equity	<u>\$576,675,967</u>	<u>50.95%</u>	<u>8.24%</u>	<u>4.20%</u>	<u>5.11%</u>
	5-Quarter Average					
	Distribution Rate Base as of					
30	Dec 31, 2022	<u>\$1,131,846,844</u> 4/	<u>100.00%</u>	<u>6.44%</u>	<u>0.91%</u> 5/	<u>7.35%</u>
31						
32	4/ Page 4 of 8, Line 38, Column (f)					
33	5/ includes adj. for Flowthrough Items below					
34						
35						
36	<u>PREFERRED STOCK EARNINGS, INTEREST EXPENSE,</u>					
37	<u>AND FEDERAL INCOME TAX</u>					
38	<u>CALCULATED USING IMPUTED CAPITAL STRUCTURE</u>					
39						
40					<u>\$000s</u>	
41	PREF. STOCK:	\$1,131,846,844	X	0.00% (a)	=	\$51
42	INTEREST:	\$1,131,846,844	X	2.24% (b)	=	\$25,353
43						
44	FIT:	\$1,131,846,844	X	1.12% (c)	=	\$12,650
45	Plus: Flowthrough Items			(d)		<u>(\$2,317)</u>
46	Total Federal Income Taxes ("FIT")					<u>\$10,333</u>
47						
48	(a)	From Line 28, Column "Weighted Cost"				
49	(b)	Sum of Lines 26 and 27, Column "Weighted Cost".				
50	(c)	(0.00% + 4.20%) / 79% - (0.00% + 4.20%)				
51	(d)	Flowthrough Items (tax effected)				
52		Investment Tax Credit ("ITC") Amortization				\$0
53		ITC Basis Reduction Depreciation				\$0
54		AFUDC Equity Depreciation				\$107
55		Unfunded Amortization				\$650
56		Amortization of Federal Rate Change				<u>(\$3,074)</u>
57						
58						<u>(\$2,317)</u>

THE NARRAGANSETT ELECTRIC COMPANY**Return on Equity Calculation****Return on Rate Base Calculation****Twelve Months Ended December 31, 2022****(\$000s)**

<u>Line</u> <u>No.</u>		Return on Equity			Return on Rate Base			
		Base Earnings (a)	Basis Points (b)	Actual Earnings (c)	Base Earnings (d)	Basis Points (e)	Actual Earnings (f)	
1	Distribution Operating Income Before Taxes	\$88,866		\$88,866	\$88,866		\$88,866	1/
2	Adjustments:							
3	Service Quality ("SQ") Penalties Accrued	\$0	0.00%		\$0	0.00%		2/, 3/
4	Energy Efficiency Program Incentive	(\$1,408)	-0.24%		(\$1,408)	-0.12%		3/
5	System Reliability Procurement Incentives	\$0	0.00%		\$0	0.00%		3/
6	LTCRER Incentive	(\$2,572)	-0.45%		(\$2,572)	-0.23%		3/
7	RE Growth Remuneration	(\$665)	-0.12%		(\$665)	-0.06%		3/
8	Performance Incentive Mechanism Incentives	(\$944)	-0.16%		\$0	0.00%		3/
9								
10	Adjusted Distribution Operating Income Before Taxes	\$83,276		\$88,866	\$84,220		\$88,866	4/
11	Interest Charges	\$25,353		\$25,353	\$25,353		\$25,353	5/
12	Income Taxes @ 21% net of flowthrough	\$10,333	-0.20%	\$11,507	\$10,531	-0.09%	\$11,507	6/
13								
14	Net Income	\$47,590		\$52,005	\$73,689		\$77,359	7/
15								
16	Less: Preferred Stock Requirements	\$51		\$51	\$51		\$51	5/
17	Earnings Available for Common	\$47,539		\$51,955	\$73,689		\$77,359	8/
18								
19	Average Common Equity - 5-Quarter Average	\$576,676		\$576,676	\$1,131,847		\$1,131,847	9/
20								
21	Rate of Return on Adjusted Average Common Equity	8.24%		9.01%	6.51%		6.83%	10/

Notes

- 1/ Page 3 of 8 Line 28
- 2/ Effective Dec. 2005, SQ penalties booked below the line.
- 3/ Column (b) = column (a) ÷ Line 19 (a). Column (e) = column (d) ÷ Line 19 (d)
- 4/ Sum of Lines 1 thru 8
- 5/ Calculated using imputed capital structure and cost rates; see Page 1 of 8, Lines 42, 41, 29, and 30
- 6/ Page 1 of 8, Line 46
- 7/ Column (a) & (c): Line 10 - Line 11 - Line 12. Column (d) & (f): Line 10 - Line 12
- 8/ Line 14 - Line 16
- 9/ Calculated using imputed capital structure and cost rates; see Page 1 of 8, Line 29, and Line 30
- 10/ Line 17 ÷ Line 19

THE NARRAGANSETT ELECTRIC COMPANY
Income Statement
Twelve Months Ended December 31, 2022
(\$000s)

Line No.		Total Electric Business	Less: Integrated Facilities Agreement (IFA) Amounts Billed to New England Power Co.	Less: Actual Block Island Transmission System Credits and Expenses	Add: Other Adjustments	Electric Distribution Amount w/o BITS Per Schedules	Add: Actual Block Island Transmission System Surcharge and Expenses	Electric Distribution Amount w/ BITS Per Schedules	
		(a)	(b)	(c)	(d)	(e) = (a)-(b)-(c)+(d)	(f)	(g) = (e) + (f)	
1	Revenue - Sales of Electricity	\$427,693			\$32,495	\$460,189		\$460,189	1/
2	Other Revenue	\$757,905			(\$2,593)	\$755,312		\$755,312	2/
3	Total Revenue	\$1,185,598				\$1,215,501	\$0	\$1,215,501	
4	Operating Expenses:								
5	Purchased Power	\$426,039				\$426,039		\$426,039	
6	Transmission Wheeling	\$239,093				\$239,093		\$239,093	
7	Transmission Wheeling - IFA and BITS Credit	(\$159,340)	(\$148,448)	(\$10,892)		(\$0)	(\$8,091)	(\$8,091)	3/
8	Uncollectible Expense	\$31,086			(\$15,184)	\$15,903		\$15,903	
9	Genl & Admin. O&M	\$188,648	\$19,211	\$1,256	(\$32,832)	\$135,350	\$1,256	\$136,606	4/
10	All Other Operation & Maintenance ("O&M") exp	\$180,012	\$9,679	\$209	(\$861)	\$169,263	\$209	\$169,472	5/
11	Company Share of Earned Savings	\$0				\$0		\$0	
12	Depreciation	\$94,449	\$31,460	\$3,839		\$59,150	\$3,839	\$62,990	
13	Amortization of Loss on Reacquired Debt	\$718	\$11		(\$609)	\$98		\$98	
14	Amortization - Other	\$919				\$919		\$919	
15	Gross Earnings Tax	\$58,020				\$58,020		\$58,020	
16	Municipal Tax	\$86,439	\$14,652	\$231		\$71,556	\$231	\$71,787	
17	Other Non-Income taxes	(\$45,743)	\$540			(\$46,283)		(\$46,283)	
18	Current and Deferred Income Taxes	\$187,384			(\$187,384)	\$0		\$0	
19	Regulatory Debits	\$0				\$0		\$0	
20	Accretion Expense	\$0			\$0	\$0		\$0	
21	Amortization of ITC	\$0	(\$0)			\$0		\$0	
22	Interest on Customer Deposits	\$83				\$83		\$83	6/
23	Donations	\$0			\$0	\$0		\$0	
24	Extraordinary Deductions	\$5,000			(\$5,000)	\$0		\$0	7/
25	Total Operating Expenses	\$1,292,808	(\$72,894)	(\$5,357)	(\$241,868)	\$1,129,191	(\$2,557)	\$1,126,635	
26									
27	Net Operating Income	(\$107,210)							
28	Distribution Operating Income Before Taxes					\$86,309		\$88,866	

Notes

- 1/ Bill Credit
Add: One Time Bill Credit per AG Joint Settlement Agreement 32,495,458
- 2/ Property Tax Adjustment
Add: Adjustment that relates to Apr-18 - Dec-21 (2,593,349)
Total Revenue Normalization Adjustment (2,593,349)
- 3/ Per Page 8 of 8
- 4/ Removal of IT/TSA Special Items (32,831,696)
- 5/ Adjustment to all Other Operation & Maintenance expense
Variable Pay (\$410,739)
Sales expense (\$449,920)
Total Adjustment (\$860,659)
- 6/ Below the line items brought above the line for ratemaking.
- 7/ Reverse write-off of the GBE & IS MOD Investments per settlement agreement (\$4,999,635)

THE NARRAGANSETT ELECTRIC COMPANY
Rate Base - Electric Distribution
Five Quarter Average

Line No.	Description	(a) December 2021	(b) March 2022	(c) June 2022	(d) September 2022	(e) December 2022	(f) 5-Quarter Average
1	Utility Plant in Service	\$ 1,950,804,206	\$ 1,941,382,210	\$ 1,876,454,529	\$ 1,821,021,553	\$ 2,028,857,503	\$ 1,923,704,000
2	IFA allocated Plant	-	-	-	-	-	-
3	Block Island Transmission System (BITS) Assets	-	-	-	-	-	-
4	Total Distribution Plant	<u>\$ 1,950,804,206</u>	<u>\$ 1,941,382,210</u>	<u>\$ 1,876,454,529</u>	<u>\$ 1,821,021,553</u>	<u>\$ 2,028,857,503</u>	<u>\$ 1,923,704,000</u>
5							
6							
7	Property Held for Future Use	2,496,042	2,496,042	2,496,042	2,496,042	2,496,042	\$ 2,496,042
8	Less: Contribution in Aid of Construction	259,716	72,216	109,716	(60,632)	69,716	90,146
9	Less: Accumulated Depreciation	768,596,795	774,194,257	784,924,176	795,672,549	805,703,085	785,818,172
10	Less: IFA allocated Depreciation	-	-	-	-	-	-
11	Less: Block Island Transmission System (BITS) Depreciation	-	-	-	-	-	-
12	Total Accumulated Depreciation	<u>768,596,795</u>	<u>774,194,257</u>	<u>784,924,176</u>	<u>795,672,549</u>	<u>805,703,085</u>	<u>785,818,172</u>
13							
14	Net Plant in Service	<u>\$ 1,184,443,738</u>	<u>\$ 1,169,611,779</u>	<u>\$ 1,093,916,679</u>	<u>\$ 1,027,905,678</u>	<u>\$ 1,225,580,745</u>	<u>\$ 1,140,291,724</u>
15							
16	Plus:						
17	Materials and Supplies	\$ 785,776	\$ (33,539)	\$ (44,064)	\$ 61,336	\$ (413,015)	\$ 71,299
18	Prepayments	1,913,602	1,094,375	70,669	20,198	19,948	623,758
19	Loss on Reacquired Debt	1,361,197	1,344,522	1,343,695	1,317,452	1,262,883	1,325,950
20	Cash Working Capital	17,922,078	17,922,078	17,922,078	17,922,078	17,922,078	17,922,078
21	Cash Working Capital - Commodity & Gross Receipts Tax	48,075,148	\$61,462,485	61,462,485	61,462,485	61,462,485	58,785,018
22	Unamortized Interest Rate Lock	\$1,749,030	1,724,527	1,700,024	1,675,521	1,651,018	1,700,024
23	Unamortized Debt Issuance Costs (\$550M)	\$728,327	718,327	708,327	698,328	688,328	708,327
24	Unamortized Debt Issuance Costs (\$250M 2012)	\$696,327	688,004	679,682	671,359	663,036	679,682
25	Unamortized Debt Issuance Costs (\$350M 2018)	\$474,726	456,698	438,671	420,643	402,616	438,671
26	Unamortized Debt Issuance Costs (\$600M 2020)	894,741	867,898	841,056	814,214	787,372	841,056
27							
28	Subtotal	<u>\$ 74,600,952</u>	<u>\$ 86,245,377</u>	<u>\$ 85,122,624</u>	<u>\$ 85,063,615</u>	<u>\$ 84,446,748</u>	<u>\$ 83,095,863</u>
29							
30	Less:						
31	Accumulated Deferred Federal Income Taxes ("FIT")	\$ 219,545,656	\$ 231,319,418	\$ (42,217,866)	\$ (39,014,382)	\$ 47,119,703	\$ 83,350,506
32	Block Island Transmission System (BITS) ADIT	-	-	-	-	-	-
33	Accumulated Deferred FIT on Loss on Reacquired Debt	285,851	282,350	282,176	276,665	265,205	278,449
34	Customer Deposits	10,129,820	7,547,269	7,416,760	7,397,028	7,068,062	7,911,788
35							
36	Subtotal	<u>\$ 229,961,327</u>	<u>\$ 239,149,036</u>	<u>\$ (34,518,930)</u>	<u>\$ (31,340,689)</u>	<u>\$ 54,452,969</u>	<u>\$ 91,540,743</u>
37							
38	Rate Base	<u>\$ 1,029,083,363</u>	<u>\$ 1,016,708,119</u>	<u>\$ 1,213,558,233</u>	<u>\$ 1,144,309,982</u>	<u>\$ 1,255,574,523</u>	<u>\$ 1,131,846,844</u>

Line Notes

38 Line 14 + Line 28 - Line 36

THE NARRAGANSETT ELECTRIC COMPANY
Rate Base - Integrated Facilities Agreement (IFA) and Block Island Transmission System (BITS)
Five Quarter Average

Line No.	Description	(a) December 2021	(b) March 2022	(c) June 2022	(d) September 2022	(e) December 2022	(f) 5-Quarter Average
1	Utility Plant in Service	\$ 1,002,883,763	\$ 1,011,530,165	\$ 1,033,867,416	\$ 1,087,476,663	\$ 1,136,859,994	\$ 1,054,523,600
2	IFA allocated Plant	7,307,103	7,594,782	7,650,059	7,612,791	7,955,810	7,624,109
3	Block Island Transmission System (BITS) Assets	115,748,317	116,236,232	158,771,385	160,632,382	161,898,349	142,657,333
4	Total Transmission Plant	<u>\$ 1,125,939,183</u>	<u>\$ 1,135,361,179</u>	<u>\$ 1,200,288,860</u>	<u>\$ 1,255,721,836</u>	<u>\$ 1,306,714,153</u>	<u>\$ 1,204,805,042</u>
5							
6							
7	Property Held for Future Use	12,532,019	12,532,019	\$12,532,019	\$12,532,019	\$ 12,532,019	12,532,019
8	Less: Contribution in Aid of Construction						
9	Less: Accumulated Depreciation	183,995,729	190,296,478	204,351,979	210,942,466	217,262,822	201,369,895
10	Less: IFA allocated Depreciation	1,766,326	1,537,162	1,589,386	1,576,043	1,607,953	1,615,374
11	Less: Block Island Transmission System (BITS) Depreciation	13,694,196	14,716,069	15,409,409	16,465,000	17,536,253	15,564,185
12	Total Accumulated Depreciation	<u>199,456,251</u>	<u>206,549,710</u>	<u>221,350,773</u>	<u>228,983,509</u>	<u>236,407,027</u>	<u>218,549,454</u>
13							
14	Net Plant in Service	<u>\$ 939,014,950</u>	<u>\$ 941,343,488</u>	<u>\$ 991,470,106</u>	<u>\$ 1,039,270,346</u>	<u>\$ 1,082,839,144</u>	<u>\$ 998,787,607</u>
15							
16	Plus:						
17	Materials and Supplies	\$3,138,782	\$3,416,766	\$3,491,971	\$3,854,445	\$4,171,116	\$3,614,616
18	Prepayments	967,027	550,175	26,070	508	759	308,908
19	Loss on Reacquired Debt	687,873	685,260	666,683	673,451	708,545	684,362
20	Cash Working Capital	3,026,013	3,653,757	2,573,950	4,040,640	4,653,659	3,589,604
21	Cash Working Capital - Commodity & Gross Receipts Tax	-	-	-	-	-	-
22	Unamortized Interest Rate Lock	1,082,456	\$1,067,292	\$1,052,127	\$1,036,963	\$1,021,798	1,052,127
23	Unamortized Debt Issuance Costs (\$550M)	450,748	444,559	438,370	432,181	425,992	438,370
24	Unamortized Debt Issuance Costs (\$250M 2012)	430,944	\$425,793	\$420,642	\$415,491	\$410,341	420,642
25	Unamortized Debt Issuance Costs (\$350M 2018)	397,703	382,600	367,498	352,395	337,293	367,498
26	Unamortized Debt Issuance Costs (\$600M 2020)	749,571	727,084	\$704,597	\$682,110	\$659,623	704,597
27							
28	Subtotal	<u>\$ 10,931,117</u>	<u>\$ 11,353,286</u>	<u>\$ 9,741,909</u>	<u>\$ 11,488,185</u>	<u>\$ 12,389,126</u>	<u>\$ 11,180,725</u>
29							
30	Less:						
31	Accumulated Deferred Federal Income Taxes ("FIT")	\$141,654,867	\$142,456,608	\$139,149,878	\$140,115,031	\$62,192,792	\$125,113,835
32	Block Island Transmission System (BITS) ADIT	22,263,247	22,308,376	22,238,533	22,168,689	22,098,846	22,215,538
33	Accumulated Deferred FIT on Loss on Reacquired Debt	144,453	143,905	140,003	141,425	148,795	143,716
34	Customer Deposits	-	-	-	-	-	-
35							
36	Subtotal	<u>\$ 164,062,568</u>	<u>\$ 164,908,889</u>	<u>\$ 161,528,414</u>	<u>\$ 162,425,145</u>	<u>\$ 84,440,432</u>	<u>\$ 147,473,090</u>
37							
38	Rate Base	<u>\$ 785,883,499</u>	<u>\$ 787,787,885</u>	<u>\$ 839,683,600</u>	<u>\$ 888,333,386</u>	<u>\$ 1,010,787,838</u>	<u>\$ 862,495,242</u>

Line Notes

38 Line 14 + Line 28 - Line 36

THE NARRAGANSETT ELECTRIC COMPANY
Rate Base - Electric Total Distribution, IFA and BITS
Five Quarter Average

Line No.	Description	(a) December 2021	(b) March 2022	(c) June 2022	(d) September 2022	(e) December 2022	(f) 5-Quarter Average
1	Utility Plant in Service	\$2,953,687,969	2,952,912,375	2,910,321,945	2,908,498,216	3,165,717,497	\$2,978,227,600
2	IFA allocated Plant	7,307,103	7,594,782	7,650,059	7,612,791	7,955,810	7,624,109
3	Block Island Transmission System (BITS) Assets	115,748,317	116,236,232	158,771,385	160,632,382	161,898,349	142,657,333
4	Total Utility Plant in Service	<u>\$3,076,743,389</u>	<u>\$3,076,743,389</u>	<u>\$3,076,743,389</u>	<u>\$3,076,743,389</u>	<u>\$3,335,571,656</u>	<u>\$3,128,509,042</u>
5							
6							
7	Property Held for Future Use	\$15,028,061	\$ 15,028,061	\$ 15,028,061	\$ 15,028,061	\$ 15,028,061	\$ 15,028,061
8	Less: Contribution in Aid of Construction	259,716	72,216	109,716	(60,632)	69,716	90,146
9	Less: Accumulated Depreciation	952,592,524	964,490,735	989,276,155	1,006,615,015	1,022,965,907	987,188,067
10	Less: IFA allocated Depreciation	1,766,326	1,537,162	1,589,386	1,576,043	1,607,953	1,615,374
11	Less: Block Island Transmission System (BITS) Depreciation	13,694,196	14,716,069	15,409,409	16,465,000	17,536,253	15,564,185
12	Total Accumulated Depreciation	<u>968,053,046</u>	<u>980,743,967</u>	<u>1,006,274,949</u>	<u>1,024,656,058</u>	<u>1,042,110,112</u>	<u>1,004,367,626</u>
13							
14	Net Plant in Service	<u>\$2,123,458,688</u>	<u>\$2,110,955,267</u>	<u>\$2,085,386,785</u>	<u>\$2,067,176,024</u>	<u>\$2,308,419,889</u>	<u>\$2,139,079,331</u>
15							
16	Plus:						
17	Materials and Supplies	\$3,924,558	\$ 3,383,227	\$ 3,447,908	\$ 3,915,781	\$ 3,758,101	\$ 3,685,915
18	Prepayments	2,880,630	1,644,550	96,739	20,707	20,707	932,666
19	Loss on Reacquired Debt	2,049,070	2,029,782	2,010,378	1,990,903	1,971,428	2,010,312
20	Cash Working Capital	20,948,091	21,575,835	20,496,028	21,962,718	22,575,737	21,511,682
21	Cash Working Capital - Commodity & Gross Receipts Tax	48,075,148	61,462,485	61,462,485	61,462,485	61,462,485	58,785,018
22	Unamortized Interest Rate Lock	2,831,486	2,791,818	2,752,151	2,712,484	2,672,816	2,752,151
23	Unamortized Debt Issuance Costs (\$550M)	1,179,075	1,162,886	1,146,697	1,130,509	1,114,320	1,146,697
24	Unamortized Debt Issuance Costs (\$250M 2012)	1,127,271	1,113,797	1,100,324	1,086,851	1,073,377	1,100,324
25	Unamortized Debt Issuance Costs (\$350M 2018)	872,429	839,299	806,169	773,038	739,908	806,169
26	Unamortized Debt Issuance Costs (\$600M 2020)	1,644,312	1,594,983	1,545,653	1,496,324	1,446,994	1,545,653
27							
28	Subtotal	<u>\$ 85,532,069</u>	<u>\$ 97,598,663</u>	<u>\$ 94,864,533</u>	<u>\$ 96,551,800</u>	<u>\$ 96,835,874</u>	<u>\$ 94,276,588</u>
29							
30	Less:						
31	Accumulated Deferred Federal Income Taxes (FIT) ¹	\$ 361,200,523	\$ 373,776,026	\$ 96,932,012	\$ 101,100,649	\$ 109,312,495	\$ 208,464,341
32	Block Island Transmission System (BITS) ADIT	22,263,247	22,308,376	22,238,533	22,168,689	22,098,846	22,215,538
33	Accumulated Deferred FIT on Loss on Reacquired Debt	430,305	426,254	422,179	418,090	414,000	422,166
34	Customer Deposits	10,129,820	7,547,269	7,416,760	7,397,028	7,068,062	7,911,788
35							
36	Subtotal	<u>\$ 394,023,895</u>	<u>\$ 404,057,925</u>	<u>\$ 127,009,485</u>	<u>\$ 131,084,456</u>	<u>\$ 138,893,402</u>	<u>\$ 239,013,833</u>
37							
38	Rate Base	<u>\$ 1,814,966,862</u>	<u>\$ 1,804,496,004</u>	<u>\$ 2,053,241,833</u>	<u>\$ 2,032,643,368</u>	<u>\$ 2,266,362,362</u>	<u>\$ 1,994,342,086</u>

Line Notes

38 Line 14 + Line 28 - Line 36

¹ - The Company will revise once the final numbers are available from the Company's tax return

THE NARRAGANSETT ELECTRIC COMPANY
Calculation of Excess Earnings for Twelve months ended December 31, 2022
(\$000)

Line

1	Base Distribution Earnings Available for Common	\$47,539 (a)		
2				
3				
4	Actual Average Common Equity	\$576,676 (a)		
5				
6				Customer
7	Average Annual Return	<u>8.2400%</u> (b)		Share
8				
9	ROE in 50%/50% Bandwith (>9.275%, <10.275%)	0.0000% * 50.00%	=	0.0000%
10	ROE in 75%/25% Bandwith (>10.275%)	0.0000% * 75.00%	=	<u>0.0000%</u>
11				
12	Total Customer ROE Sharing			0.0000%
13	Actual Average Common Equity			<u>\$576,676</u>
14				
15	Actual Annual Customer Shared Earnings			\$0
16	Tax Gross-up			<u>/ 79.00%</u>
17				
18	Annual Customer Shared Earnings - Pre-tax			-
19				
20	Total Customer Shared Earnings for the twelve months ending December 31, 2022			<u>\$ -</u>

Notes

- (a) From Page 2 of 8 Line 17 and Line 19
(b) Line 1 divided by Line 4; equals Page 2 of 8 Line 21

The Narragansett Electric Company
Block Island Transmission System (BITS) Surcharge and Expenses

		2022
		(a)
1	Total BITS Surcharge	\$10,891,832
2	Less: Return and Associated Income Taxes	\$2,800,503
3	Amount in BITS Surcharge to Recover Costs	\$8,091,329
4		
5	Less: Actual Costs	
6	Depreciation & Amortization Expense	\$3,839,327
7	Municipal Tax Expense	\$231,129
8	Operation & Maintenance Expense	\$208,503
9	Administrative & General Expense	\$1,255,711
10	Total Actual Costs	\$5,534,671
11		
12	Difference between Actual Cost and Amounts Received	\$2,556,658

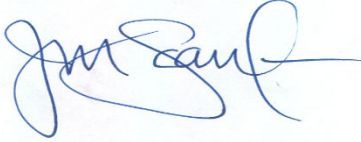
Line Notes:

- 3 Line 1 + Line 2
- 6 Depreciation expense per books CY 2022
- 9 As calculated per Local Service Agreements: TSA-NEP-86 & TSA-NEP-83
- 10 Sum of Lines 6 through 9
- 12 Line 3 - Line 10

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

June 30, 2023

Date

**Narragansett Electric Co. d/b/a RI Energy - Docket No. 4770 & Docket No. 4780 (PST)
Combined Service list updated 12/13/2022**

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