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November 22, 2023

VIA ELECTRONIC MAIL

Luly E. Massaro, Division Clerk
Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket No. 23-34-EL - Electric Infrastructure, Safety, and Reliability Plan
Budgeting and Planning Processes
Response to PUC Data Request – Set 1**

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a Rhode Island Energy (the “Company”), enclosed is the Company’s response to the Public Utilities Commission’s First Set of Data Requests in the above-referenced matter.

Thank you for your attention to this filing. If you have any questions, please contact me at 401-784-4263.

Sincerely,

A handwritten signature in blue ink, appearing to read "Andrew S. Marcaccio".

Andrew S. Marcaccio

Enclosures

cc: Docket No. 23-34-EL Service List

The Narragansett Electric Company
d/b/a Rhode Island Energy
RIPUC Docket No. 23-34-EL
In Re: Electric Infrastructure, Safety, and Reliability Plan
Budgeting and Planning Processes
Responses to the Commission's First Set of Data Requests
Issued on November 17, 2023

PUC 1-1

Request:

Using Attachment SAB/JDO-1, Page 20 of 33 (Bates 123) from Docket 5209- FY 2023 Electric ISR Reconciliation Filing submitted August 1, 2023, Please update the schedule to provide an illustrative example that assumes a Total Net Plant in Service (Line 11) is \$1,000,000. Additionally, column (a) can be eliminated.

Response:

Please see Attachment PUC 1-1, Page 1 of 3, for an update of Attachment SAB/JDO-1, Page 20 of 33 from Docket 5209 to show an illustrative example of the FY23 revenue requirement if Line 11 "Total Net Plant in Service" was \$1,000,000. For purposes of this example, lines 1 through 10 are not utilized and the \$1,000,000 was input on Line 11. Attachment PUC 1-1 includes the supporting FY23 tax depreciation and proration calculations on Pages 2 and 3, respectively.

Please note that this illustrative example is the revenue requirement for the first year that the \$1 million investment is placed in service, and uses a half year convention for book depreciation and average rate base. The next year revenue requirement would reflect a full year of depreciation expense.

Since the sale of the Company occurred during the FY23 period, the ISR calculations for FY23 on Attachment SAB/JDO-1, Page 20, were broken down into pre-sale (column a) and post-sale (column b). In order to calculate the full FY 23 revenue requirement, column (a) could not be eliminated in this example. However, on Attachment PUC 1-1, the Company added a total column (c) to show the total FY23 revenue requirement.

The Narragansett Electric Company
d/b/a Rhode Island Energy
Electric Infrastructure, Safety, and Reliability (ISR) Plan
Fiscal Year 2023 Revenue Requirement on FY 2023 Actual Incremental Capital Investment

Line No.			NG	PPL	Total FY 23	
			4/1/22 - 5/24/2022	5/25/22 - 3/31/23	4/1/22 - 3/31/23	
			2023	2023	2023	
			(a)	(b)	(c) = (a) + (b)	
Capital Investment Allowance						
1	Non-Discretionary Capital	Docket 5209, P 33 of 33, Line 1	2/			
<i>Discretionary Capital</i>						
2	Lesser of Actual Cumulative Non-Discretionary Capital Additions or Spending, or Approved Spending (non-intangible)	Docket 5209, P 33 of 33, Line 13	2/			
3	Total Allowed Capital Included in Rate Base (non-intangible)	Sum of Lines 1 through 2				
Depreciable Net Capital Included in Rate Base						
4	Total Allowed Capital Included in Rate Base in Current Year	Line 3				
5	Retirements	Company's Record	2/			
6	Net Depreciable Capital Included in Rate Base	Year 1 = Line 4 - Line 5; Then = Prior Year Line 6				
Change in Net Capital Included in Rate Base						
7	Capital Included in Rate Base	Line 3				
8	Depreciation Expense	Page 27 of 33, Line 62, Col (d)	2/			
9	Incremental Capital Amount	Year 1 = Line 7 - Line 8; Then = Prior Year Line 9				
10	Cost of Removal	Company's Record	2/			
11	Total Net Plant in Service	Line 9 + Line 10		\$147,945	\$852,055	\$1,000,000
Deferred Tax Calculation:						
12	Composite Book Depreciation Rate	Page 25 of 33, Line 3, Col (c)	1/	3.16%	3.16%	3.16%
13	Proration Percentage					
14	Vintage Year Tax Depreciation:					
15	Tax Depreciation and Year 1 Basis Adjustments	Col (a) = Page 2 of 3, Column (a), Line 27; Col (b) = Page 2 of 3, Col (b), Lines 18,24,25 + Col (f), Line 15, Then remaining years from Page 2 of 3, Col (f)		\$47,797	\$280,737	\$328,534
16	Cumulative Tax Depreciation-NG	Col (a) = Line 15; then 0	3/	\$47,797		\$47,797
17	Cumulative Tax Depreciation-PPL	Col (b) = Line 15; then = Prior Year Line 17 + Current Year Line 15	3/		\$280,737	\$280,737
18	Book Depreciation	Year 1 (Columns (a) and (b)) = Line 6 * Line 12 * 50% ; Then = Line 6 * Line 12		\$2,338	\$13,462	\$15,800
19	Cumulative Book Depreciation	Year 1 = Line 18; then = Prior Year Line 19 + Current Year Line 18		\$2,338	\$15,800	\$18,138
20	Book / Tax Timer	Line 15 - Line 18		\$45,459	\$267,275	\$312,734
21	Cumulative Book / Tax Timer -NG	Col (a) = Line 20, Column (a), Then = 0	3/	\$45,459		\$45,459
22	Cumulative Book / Tax Timer - PPL	Col (a) = 0; Col (b) = Line 20, Column (b); then = Prior Year Line 22 + Current Year Line 20	3/		\$267,275	\$267,275
23	Cumulative Book / Tax Timer - Total	Line 21 + Line 22		\$45,459	\$267,275	\$312,734
24	Effective Tax Rate			21.00%	21.00%	42.00%
25	Deferred Tax Reserve	Line 23 x Line 24		\$9,546	\$56,128	\$65,674
26	Add: FY 2023 Federal (NOL) Utilization	Page 23 of 33 , Line 13, Col (f)	3/	\$0		\$0
27	Net Deferred Tax Reserve before Proration Adjustment	Sum of Lines 25 through 26		\$9,546	\$56,128	\$65,674
Rate Base Calculation:						
28	Cumulative Incremental Capital Included in Rate Base	Line 11		\$147,945	\$852,055	\$1,000,000
29	Accumulated Depreciation	Year 1 (Cols (a) and (b)) = -Line 18; Then = -Line 19		(\$2,338)	(\$13,462)	(\$15,800)
30	Deferred Tax Reserve	-Line 27		(\$9,546)	(\$56,128)	(\$65,674)
31	Year End Rate Base before Deferred Tax Proration	Sum of Lines 28 through 30		\$136,061	\$782,465	\$918,526
Revenue Requirement Calculation:						
32	Average Rate Base before Deferred Tax Proration Adjustment	Year 1 (Cols (a) and (b)) = Current Year, Line 31 * 50%; Then = (Prior Year Line 31 + Current Year Line 31) ÷ 2	4/	\$68,031	\$391,232	\$459,263
33	Proration Adjustment	Page 3 of 3, Line 41	2/	\$91	\$39	\$130
34	Average ISR Rate Base after Deferred Tax Proration	Line 32 + Line 33		\$68,122	\$391,271	\$459,393
35	Pre-Tax ROR	Page 31 of 33, Line 35		8.23%	8.23%	8.23%
36	Proration	Line 13				
37	Return and Taxes	Line 34 x Line 35		\$5,606	\$32,202	\$37,808
38	Book Depreciation	Line 18		\$2,338	\$13,462	\$15,800
39	Annual Revenue Requirement	Line 37 + Line 38		\$7,944	\$45,664	\$53,608

1/ 3.16% = Composite Book Depreciation Rate for ISR plant per RIPUC Docket No. 4770 (Page 25 of 33, Line 3, Col (e))

2/ Columns (a) and (b) represent the 12 months within fiscal year 2023, but activity is separated to accommodate the impacts of the acquisition as described in note 3.

3/ National Grid and PPL Corporation ("PPL") elected to treat PPL's acquisition of The Narragansett Electric Company ("NECO") from National Grid on May 25, 2022 as an asset sale for U.S. federal income tax purposes under Internal Revenue Code Section 338(h)(10). As a result of this election, PPL was deemed to acquire the assets of NECO at fair market value (essentially equivalent to book value) for tax purposes. The resulting "step-up" in tax basis eliminates most book/tax timing differences and the related accumulated net deferred income tax liabilities as of the acquisition date, at which time PPL will reset the book/tax timing difference as if PPL purchased a new asset in the year of acquisition and will begin depreciating the new tax basis. Book cost, book accumulated depreciation and book depreciation continue as if the acquisition never took place.

4/ Column (c) takes the average of the "Year End Rate Base before Deferred Tax Proration" at the beginning of the fiscal year on Line 32, Columns (a) and (b) and the end of the fiscal year on Line 30, Column (c). See note 2.

The Narragansett Electric Company
d/b/a Rhode Island Energy
FY 2023 Electric ISR Revenue Requirement Reconciliation
Calculation of Tax Depreciation and Repairs Deduction on FY 2023-NG Incremental Capital Investments

Line No.			PPL		Total FY 2023	(d)	(e)	(f)	(g)
			Apr 1-May 24, 2022 2023-NG (a)	May 25-Mar 31, 2023 FY 2023 (b)					
	<u>Capital Repairs Deduction</u>								
1	Plant Additions	Page 1 of 3, Line 3, Columns (a) through (c)	\$147,945	\$852,055	\$1,000,000				
2	Capital Repairs Deduction Rate	Per Tax Department 1/	29.67%	29.67%	29.67%				
3	Capital Repairs Deduction	Line 1 * Line 2	\$43,895	\$252,805	\$296,700				
4									
5	<u>Bonus Depreciation</u>								
6	Plant Additions	Line 1	\$147,945	\$852,055	\$1,000,000				
7	Plant Additions		\$0	\$0	\$0				
8	Less Capital Repairs Deduction	Line 3	\$43,895	\$252,805	\$296,700				
9	Plant Additions Net of Capital Repairs Deduction	Line 6 + Line 7 - Line 8	\$104,050	\$599,250	\$703,300				
10	Percent of Plant Eligible for Bonus Depreciation	Per Tax Department	0.00%	0.00%	0.00%				
11	Plant Eligible for Bonus Depreciation	Line 9 * Line 10	\$0	\$0	\$0				
12	Bonus Depreciation Rate	at 0%	0.00%	0.00%	0.00%				
13	Total Bonus Depreciation Rate	Line 12	0.00%	0.00%	0.00%				
14	Bonus Depreciation	Line 11 * Line 13	\$0	\$0	\$0				
15									
16	<u>Remaining Tax Depreciation</u>								
17	Plant Additions	Line 1	\$147,945	\$852,055	\$1,000,000				
18	Less Capital Repairs Deduction	Line 3	\$43,895	\$252,805	\$296,700				
19	Less Bonus Depreciation	Line 14	\$0	\$0	\$0				
20	Remaining Plant Additions Subject to 20 YR MACRS Tax Depreciation	Line 17 - Line 18 - Line 19	\$104,050	\$599,250	\$703,300				
21	20 YR MACRS Tax Depreciation Rates	Per IRS Publication 946	3.750%	3.750%	3.750%				
22	Remaining Tax Depreciation	Line 20 * Line 21	\$3,902	\$22,472	\$26,374				
23									
24	FY23 (Gain)/Loss incurred due to retirements	Per Tax Department 2/	\$0	\$0	\$0				
25	Cost of Removal	Page 1 of 3, Line 10	\$0	\$0	\$0				
26									
27	Total Tax Depreciation and Repairs Deduction	Sum of Lines 3, 14, 22, 24, and 25	\$47,797	\$275,277	\$323,074				
28									
29	<u>Reconciliation of MACRS Tax Depreciation:</u>								
30	Apr 1 -May 24, 2022 Plant Additions	Line 1, Column (a)		\$147,945	\$147,945				
31	Cumulative Book Depreciation through May 24, 2022	Page 1 of 3, Line 18, Col (a)		(\$2,338)	(\$2,338)				
32	2022 Plant Additions (Net Book) through Acquisition	Line 30 + Line 31		\$145,608	\$145,608				
33	20 YR MACRS Tax Depreciation Rates	Per IRS Publication 946		3.750%	3.750%				
34	Tax Depreciation	Line 32 * Line 33		\$5,459	\$5,459				
35									
36	MACRS Basis in May 25-Mar 2023 Plant Additions	Line 20, Column (b)		\$599,250	\$599,250				
37	20 YR MACRS Tax Depreciation Rates	Per IRS Publication 946		3.750%	3.750%				
38	Tax Depreciation	Line 36 * Line 37		\$22,471	\$22,471				
39									
40	Total MACRS Tax Depreciation	Sum of Lines 34, 38, Column (b)		\$27,930	\$27,930				
41									
42	1/ Per Tax Department								
43	2/ Per Tax Department								

20 Year MACRS Depreciation			
MACRS basis:	Line 20, Column (a)	\$104,050	
Fiscal Year		Annual MACRS	Cumulative Tax Depr
FY Mar-2023 (Apr-May 2022)	3.750%	\$3,902	\$47,797
PPL Acquisition - May 25, 2022			
Book Cost	Line 1, Column (a)	\$147,945	
Cumulative Book Depreciation	- Page 1 of 3, Line 18, Col (a)	(\$2,338)	
MACRS basis from Acquisition:	Line 9(f) + Line 10(f)	\$145,608	
MACRS basis (Jun-Mar 2023)	Line 20, Column (b)	\$599,250	
Total MACRS Basis in 2022	Line 11(f) + Line 12(f)	\$744,857	
FY Mar-2023 (Jun-Mar 2023)	3.750%	\$27,932	\$280,737
Mar 2024	7.219%	\$53,771	\$334,508
Mar 2025	6.677%	\$49,734	\$384,243
Mar 2026	6.177%	\$46,010	\$430,252
Mar 2027	5.713%	\$42,554	\$472,806
Mar 2028	5.285%	\$39,366	\$512,172
Mar 2029	4.888%	\$36,409	\$548,580
Mar 2030	4.522%	\$33,682	\$582,263
Mar 2031	4.462%	\$33,236	\$615,498
Mar 2032	4.461%	\$33,228	\$648,727
Mar 2033	4.462%	\$33,236	\$681,962
Mar 2034	4.461%	\$33,228	\$715,190
Mar 2035	4.462%	\$33,236	\$748,426
Mar 2036	4.461%	\$33,228	\$781,654
Mar 2037	4.462%	\$33,236	\$814,889
Mar 2038	4.461%	\$33,228	\$848,117
Mar 2039	4.462%	\$33,236	\$881,353
Mar 2040	4.461%	\$33,228	\$914,581
Mar 2041	4.462%	\$33,236	\$947,817
Mar 2042	4.461%	\$33,228	\$981,045
Mar 2043	2.231%	\$16,618	\$997,662
	100.00%	\$744,857	

**The Narragansett Electric Company
d/b/a Rhode Island Energy
FY 2023 Electric ISR Revenue Requirement Reconciliation
Calculation of Net Deferred Tax Reserve Proration on FY 2023 Incremental Capital Investment**

Line No.			4/1/22 - 5/24/2022 FY Mar-2023	5/25/22 - 3/31/23 FY Mar-2023	Total FY 2023
			(a)	(b)	(c)
	Deferred Tax Subject to Proration				
1	Book Depreciation	Page 1 of 3, Line 18, Columns (a) through (e)	\$2,338	\$13,462	\$15,800
2	Bonus Depreciation	- Page 2 of 3, Line 14	\$0	\$0	\$0
3	Remaining MACRS Tax Depreciation	- Page 2 of 3, column (f), Lines 6,18,19,20	(\$3,902)	(\$27,932)	(\$31,834)
4	FY 2023 tax (gain)/loss on retirements	- Page 2 of 3, Line 24	\$0	\$0	\$0
5	Cumulative Book / Tax Timer	Sum of Lines 1 through 4	(\$1,564)	(\$14,470)	(\$16,034)
6	Effective Tax Rate		21.00%	21.00%	21.00%
7	Deferred Tax Reserve	Line 5 * Line 6	(\$329)	(\$3,039)	(\$3,367)
	Deferred Tax Not Subject to Proration				
8	Capital Repairs Deduction	- Page 2 of 3, Line 3	(\$43,895)	(\$252,805)	(\$296,700)
9	Cost of Removal	- Page 2 of 3, Line 25	\$0	\$0	\$0
10	Book/Tax Depreciation Timing Difference at 3/31/2023				
11	Cumulative Book / Tax Timer	Line 8 + Line 9 + Line 10	(\$43,895)	(\$252,805)	(\$296,700)
12	Effective Tax Rate		21.00%	21.00%	21.00%
13	Deferred Tax Reserve	Line 11 * Line 12	(\$9,218)	(\$53,089)	(\$62,307)
14	Total Deferred Tax Reserve	Line 7 + Line 13	(\$9,546)	(\$56,128)	(\$65,674)
15	Net Operating Loss	- Page 1 of 3, Line 26	\$0	\$0	\$0
16	Net Deferred Tax Reserve	Line 14 + Line 15	(\$9,546)	(\$56,128)	(\$65,674)
	Allocation of FY 2023 Estimated Federal NOL				
17	Cumulative Book/Tax Timer Subject to Proration	Col (b) = Line 5	(\$1,564)	(\$14,470)	(\$16,034)
18	Cumulative Book/Tax Timer Not Subject to Proration	Line 11	(\$43,895)	(\$252,805)	(\$296,700)
19	Total Cumulative Book/Tax Timer	Line 17 + Line 18	(\$45,459)	(\$267,275)	(\$312,734)
20	Total FY 2023 Federal NOL (Utilization)	- Page 1 of 3, Line 26 / 21%	\$0	\$0	\$0
21	Allocated FY 2023 Federal NOL Not Subject to Proration	(Line 18 / Line 19) * Line 20	\$0	\$0	\$0
22	Allocated FY 2023 Federal NOL Subject to Proration	(Line 17 / Line 19) * Line 20	\$0	\$0	\$0
23	Effective Tax Rate		21%	21%	21%
24	Deferred Tax Benefit subject to proration	Line 22 * Line 23	\$0	\$0	\$0
25	Net Deferred Tax Reserve subject to proration	Line 7 + Line 24	(\$329)	(\$3,039)	(\$3,367)
	Proration Calculation				
		(e)	(f)	(g)	(h)
		<u>Number of Days in</u>	<u>Proration</u>	<u>FY Mar-2023</u>	<u>FY Mar-2023</u>
		<u>Month</u>	<u>Percentage</u>		
26	April	30	91.78%	(\$73)	
27	May	31	83.29%	\$0	(\$270)
28	June	30	75.07%		(\$243)
29	July	31	66.58%		(\$216)
30	August	31	58.08%		(\$188)
31	September	30	49.86%		(\$162)
32	October	31	41.37%		(\$134)
33	November	30	33.15%		(\$107)
34	December	31	24.66%		(\$80)
35	January	31	16.16%		(\$52)
36	February	28	8.49%		(\$28)
37	March	31	0.00%		\$0
38	Total	365		(\$73)	(\$1,481)
39	Deferred Tax Without Proration	Line 25		(\$329)	(\$3,039)
40	Average Deferred Tax without Proration	Line 39 × 0.5		(\$164)	(\$1,519)
41	Proration Adjustment	Line 38 - Line 40		\$91	\$39

Column Notes:

- (f) Sum of remaining days in the year (Col (e)) ÷ 365
(g) through (h) Current Year Line 25 ÷ 12 × Current Month Col (f)