

**THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
RIPUC DOCKET NO. 4708  
SUPPLEMENTAL DISTRIBUTION ADJUSTMENT CHARGE FILING  
WITNESS: WILLIAM R. RICHER  
SEPTEMBER 1, 2017  
SCHEDULE**

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**Schedule of William R. Richer**

Schedule WRR-2      FY 2017 Earnings Report Submitted in Docket 4323

The Narragansett Electric Company  
d/b/a National Grid  
RIPUC Docket No. 4708  
Gas Earnings Sharing Mechanism  
Schedule WRR-2  
September 1, 2017

National Grid - RI Gas  
For the Twelve Months ended March 31, 2017

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**The Narragansett Electric Company  
d/b/a National Grid  
RIPUC Docket No. 4708  
Gas Earnings Sharing Mechanism  
Schedule WRR-2  
September 1, 2017  
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**National Grid - RI Gas  
Earnings Sharing Calculation  
For the Twelve Months ended March 31, 2017**

1	Average Rate Base	\$617,312,160
2	Equity Component of Rate Base	49.14%
3	Average Common Equity	\$303,347,195
4		
5	Net Income Available for Common Stock	\$18,960,763
6	Return on Common Equity	6.25%
7		
8	<u>Return on Equity &gt; 9.5% and &lt; 10.5%</u>	0.00%
9	Earnings to be Shared	\$0
10	Earnings to Customers - 50%	\$0
11		
12	Return on Equity > 10.5 %	0.00%
13	Earnings to be Shared	\$0
14	Earnings to Customers - 75%	\$0
15		
16	Total After tax Earnings Credited to Customers	\$0
17		
18	Total Earnings Credited to DAC	\$0

Notes:

- 1 From Page 5 of 13 line 23(f)
- 2 From Page 4 of 13 line 8
- 3 Line 1 times line 2
- 5 From Page 2 of 13 line 48
- 6 Line 5 divided by line 3
- 8 Smaller of 10.5% or Line 6 minus 9.5%
- 9 Line 3 times line 8
- 10 Line 9 times 50%
- 12 If Line 6 is greater than 10.5%, line 6 minus 10.5%, if not, 0%
- 13 Line 3 times line 12
- 14 Line 13 times 75%
- 16 Line 10 plus line 14
- 18 Line 16 divided by 65%

National Grid - RI Gas  
Income Statement  
For the Twelve Months ended March 31, 2017

	<u>2017</u>
1 <b>Operating Revenues</b>	
2 Total Firm Gas	\$322,794,073
3 Transportation	\$37,299,677
4 Other Revenues	\$7,207,145
5 FY17 Customer Portion of On System Non-Firm Margin not booked in FY17	\$15,912
6 FY16 Customer Portion of On System Non-Firm Margin booked in FY17	\$63,674
7 Total Operating Revenues	<u>\$367,380,482</u>
8	
9 <i>Adjustment to Operating Revenue:</i>	
10 Inventory Financing	(\$1,150,808)
11 Total Adjusted Operating Revenues	<u>\$366,229,674</u>
12	
13 <b>Operating Expenses</b>	
14 Production (Gas Costs)	\$131,025,385
15 Storage	\$3,009,844
16 Transmission	\$72,342
17 Distribution	\$33,028,180
18 Customer Accounts	\$37,259,833
19 Sales	\$0
20 Administrative and General	\$43,071,227
21 Total Operating Expenses	<u>\$247,466,813</u>
22	
23 <i>Adjustments to Operating Expense:</i>	
24 Savings Imputed in Base Rates	\$2,450,000
25 Total Adjusted Operating Expenses	<u>\$249,916,813</u>
26	
27 <b>Other Expenses</b>	
28 Depreciation and Amortization	\$36,203,744
29 Local and Other Taxes	\$23,740,076
30 Revenue Related Taxes (Gross Earnings Tax - GET)	\$11,278,608
31 Federal Income Taxes @ 35%	\$10,232,078
32 Total Other Expenses	<u>\$81,454,506</u>
33	
34 <b>Income Before Interest Expense</b>	<u>\$34,858,355</u>
35	
36 <b>Interest Expense</b>	
38 Short-Term Debt	\$50,317
39 Long-Term Debt	\$15,839,168
40 Other Interest Expense	\$0
41 AFUDC	(\$33,561)
42 Total Interest Expense	<u>\$15,855,924</u>
43	
44 <b>Net Income / (Loss)</b>	<u>\$19,002,431</u>
45	
46 Preferred Dividends	<u>\$41,669</u>
47	
48 <b>Net Income / (Loss) Applicable to Common Equity</b>	<u><u>\$18,960,763</u></u>

Notes:

- 4 From Page 7 of 13 line 11
- 24 Docket No. 3943 (4/4/2008) Attachment NG-MDL-4 Page 1 of 6 Line 7
- 29 From Page 6 of 13 sum of line 3 through line 5
- 31 From Page 3 of 13 line 20
- 38 From Page 4 of 13 line 25(b)
- 39 From Page 4 of 13 line 17(b)
- 40 From Page 8 of 13 line 3
- 46 From Page 4 of 13 line 34(b)

**The Narragansett Electric Company  
d/b/a National Grid  
RIPUC Docket No. 4708  
Gas Earnings Sharing Mechanism  
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**National Grid - RI Gas  
Federal Income Tax Calculation  
For the Twelve Months ended March 31, 2017**

1	Operating Revenues	\$366,229,674
2		
3	Less:	
4		
5	Operating Expenses	\$249,916,813
6	Depreciation and Amortization	\$36,203,744
7	Local and Other Taxes	\$23,740,076
8	Revenue Related Taxes (GET)	\$11,278,608
9	Interest - Short-Term Debt	\$50,317
10	Interest - Long-Term Debt	\$15,839,168
11	Other Interest	\$0
12	AFUDC	(\$33,561)
13		
14	Total Deductions	\$336,995,165
15		
16	Taxable Income	\$29,234,509
17		
18	Federal Income Tax Rate	35%
19		
20	Federal Income Tax Expense	\$10,232,078

Notes:

- 1 From Page 2 of 13 line 11
- 5 From Page 2 of 13 line 25
- 6 From Page 2 of 13 line 28
- 7 From Page 2 of 13 line 29
- 8 From Page 2 of 13 line 30
- 9 From Page 2 of 13 line 38
- 10 From Page 2 of 13 line 39
- 11 From Page 2 of 13 line 40
- 12 From Page 2 of 13 line 41
- 14 Sum of Line 5 through Line 12
- 16 Line 1 minus Line 14
- 20 Line 16 times Line 18

**The Narragansett Electric Company**  
**d/b/a National Grid**  
**RIPUC Docket No. 4708**  
**Gas Earnings Sharing Mechanism**  
**Schedule WRR-2**  
**September 1, 2017**  
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**National Grid - RI Gas**  
**Applicable Capital Structure, Interest Expense and Preferred Dividends**  
**For the Twelve Months ended March 31, 2017**

	%	\$
	(a)	(b)
1	Rate Base	\$617,312,160
2		
3	<b>Capital Structure</b>	
4	Docket 4323	
5	Short-Term Debt	\$4,691,572
6	Long-Term Debt	\$308,347,424
7	Preferred Stock	\$925,968
8	Common Equity	\$303,347,195
9	100.00%	\$617,312,160
10	<b>Interest Expense</b>	
11		
12		
13	Long-Term Debt Portion	\$308,347,424
14		
15	Cost of Long-Term Debt March 2017	5.14%
16		
17	Proforma Long-Term Debt Interest	\$15,839,168
18		
19		
20		
21	Short-Term Debt Portion	4,691,572.41503
22		
23	Cost of Short-Term Debt March 2017	1.07%
24		
25	Proforma Short-Term Debt Interest	\$50,317
26		
27	<b>Preferred Dividends</b>	
28		
29		
30	Preferred Stock Portion	\$925,968
31		
32	Cost of Preferred Stock	4.50%
33		
34	Proforma Preferred Stock	\$41,669

Notes:

- 1(b) From Page 5 of 13 line 23(f)
- 5(a)-8(a) Imputed capital structure per Docket No. 4323, Attachment 6, Schedule MDL-3-GAS-S, Page 56 of 65
- 5(b)-8(b) Line 1(b) times Line 5(a) through Line 8(a)
  - 13 Line 1(b) times Line 13(b)
  - 15 From Page 10 of 13 line (e)
  - 17 Line 13 (b) times line 15 (b)
  - 21 Line 1(b) times Line 21(b)
  - 23 From line 13
  - 25 Line 21 (b) times line 23 (b)
  - 30 Line 1(b) times Line 30(b)
  - 32 Cost rate per Docket No. 4323, Attachment 6, Schedule MDL-3-GAS-S, Page 56 of 65
  - 34 Line 30 (b) times line 32 (b)

National Grid - RI Gas  
Rate Base  
For the Twelve Months ended March 31, 2017

	March 2016 (a)	June 2016 (b)	September 2016 (c)	December 2016 (d)	March 2017 (e)	Average March 2017 (f)
1 Gas Plant In Service	\$1,050,599,082	\$1,064,502,625	\$1,082,547,975	\$1,092,122,373	\$1,103,935,113	\$1,078,741,433
2 CWIP	\$28,280,357	\$45,838,370	\$51,024,819	\$59,381,840	\$49,279,243	\$46,760,926
3 Less: Accumulated Depreciation	\$388,081,490	\$404,791,276	\$405,090,786	\$404,600,676	\$398,938,009	\$400,300,447
4 Less: Contribution in Aid of Construction	\$38	\$38	\$38	\$38	\$38	\$38
5						
6 Net Plant	\$690,797,911	\$705,549,681	\$728,481,970	\$746,903,499	\$754,276,308	\$725,201,874
7						
8 Materials and Supplies	\$4,479,704	\$4,721,558	\$4,722,951	\$3,891,605	\$3,297,430	\$4,222,650
9 Prepaid Expenses, Excluding Taxes	\$774,534	\$172,681	\$97,000	\$853,452	\$694,983	\$518,530
10 Deferred Debits	\$940,921	\$764,498	\$588,076	\$411,653	\$235,230	\$588,076
11 Unamortized debt expense and Interest Rate Lock	\$2,113,492	\$2,073,018	\$2,032,543	\$1,992,069	\$1,951,594	\$2,032,543
12 Cash Working Capital	\$15,990,429	\$16,647,296	\$16,647,296	\$16,647,296	\$16,647,296	\$16,515,923
13						
14 Subtotal	\$24,299,080	\$24,379,051	\$24,087,866	\$23,796,075	\$22,826,534	\$23,877,721
15						
16 Accumulated Deferred FIT	\$92,347,490	\$93,301,238	\$90,826,607	\$128,109,014	\$121,935,071	\$105,303,884
17 Hold Harmless	\$23,247,142	\$22,928,782	\$22,610,421	\$22,292,061	\$21,912,516	\$22,598,184
18 Customer Deposits	\$2,770,642	\$3,077,936	\$3,005,416	\$2,524,080	\$2,359,458	\$2,747,506
19 Injuries and Damages Reserve	\$925,488	\$1,117,557	\$1,250,188	\$1,226,465	\$1,069,604	\$1,117,860
20						
21 Subtotal	\$119,290,762	\$120,425,513	\$117,692,632	\$154,151,619	\$147,276,649	\$131,767,435
22						
23 Rate Base	\$595,806,229	\$609,503,219	\$634,877,204	\$616,547,954	\$629,826,193	\$617,312,160

Notes:

- 1(a)-4(e) From Company Financial Statements
- 1(f)-4(f) Average of Column (a) through Column (e)
- 6(a)-6(e) Line 1 plus line 2 minus line 3 minus line 4
- 6(f) Average of Column (a) through Column (e)
- 8(a)-11(e) From Company Financial Statements
- 8(f)-11(f) Average of Column (a) through Column (e)
- 10 Reflects the amortization of Y2K related costs per Docket No. 3401 and Advantage System amortization
- 12 From Page 6 of 13 Line 13
- 14 Sum of Line 8 through Line 12
- 16(a)-19(e) From Company Financial Statements
- 16(f)-19(f) Average of Column (a) through Column (e)
- 17 Hold Harmless rate base credit per Docket No. 3859
- 21 Sum of Line 16 through Line 19
- 23 Line 6 + Line14 - Line 21

**The Narragansett Electric Company**  
**d/b/a National Grid**  
**RIPUC Docket No. 4708**  
**Gas Earnings Sharing Mechanism**  
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**National Grid - RI Gas**  
**Cash Working Capital Calculation**  
**For the Twelve Months ended March 31, 2017**

1	Gas Costs	\$131,025,385
2	Operating Expenses	\$116,441,428
3	Payroll Taxes	\$2,320,640
4	Property Taxes	\$21,413,960
5	State Taxes Other	\$5,476
6	Revenue Related Taxes (GET)	\$11,278,608
7	Total	\$282,485,497
8		
9	Daily Cash Requirement	\$773,933
10		
11	Net Lag Days	21.51
12		
13	Total Working Capital	\$16,647,296

Notes:

- 1 From Page 2 of 13 Line 14
- 2 From Page 2 of 13 Lines 15 - 20
- 3-5 From Company Financial Statements
- 6 From Page 2 of 13 Line 30
- 7 Sum of Lines 1 through Line 6
- 9 Line 7 divided by 365 days
- 11 Per Docket No. 4323, Schedule MDL-4-GAS,  
(Page 2 of 20, Line 18 - Page 3 of 20, Line 4)
- 13 Line 9 times Line 11



**The Narragansett Electric Company**  
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**Gas Earnings Sharing Mechanism**  
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**National Grid - RI Gas**  
**Detail Other Revenue/(Expense)**  
**For the Twelve Months ended March 31, 2017**

1	Rent from Gas Property	\$233,912
2	Displacement Revenue	\$0
3	Recovery of Supervision & Administrative Costs	\$0
4	Other Revenue	\$256,093
5	RDM Revenue	\$6,079,747
6	DAC Revenue	(\$92,729)
7	LIHEAP Revenue	\$324,827
8	Misc Revenue	\$0
9	Interest on Customer Arrears	\$405,295
10		
11	Total Other Revenue	<u><u>\$7,207,145</u></u>

Notes:

- 1-9 From Company Financial Statements
- 11 Sum of line 1 through line 9

**The Narragansett Electric Company  
d/b/a National Grid  
RIPUC Docket No. 4708  
Gas Earnings Sharing Mechanism  
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**National Grid - RI Gas  
Detail Other Interest Expense  
For the Twelve Months ended March 31, 2017**

1	Interest on Customer Deposits	\$0
2		
3	Total Other Interest Expense	<u><u>\$0</u></u>

Notes:

- 1 From Company Financial Statements
- 3 Line 1

**National Grid - RI Gas**  
**Detail Non-Operating Income / (Expense)**  
**For the Twelve Months ended March 31, 2017**

1	Service Contract Revenue	\$2,745
2	Share Awards	(\$412,902)
3	Interest on Over / (Under) Collections, primarily Deferred Gas Costs	\$183,398
4	Deferred Compensation - Life Insurance	(\$62,189)
5	Federal Income Taxes on Non-Operating Income	(\$15,643)
6	NGPMP per Docket 4038	\$0
7	Lobbying / Legal and Political Expense	(\$179,952)
8	Penalties	(\$141,190)
9	Other	<u>(\$1,864,829)</u>
10	Total Non-Operating Income/(Expense)	<u><u>(\$2,490,562)</u></u>

Notes:

- 1-9 From Company Financial Statements
- 10 Sum of line 1 through line 9

**National Grid - RI Gas**  
**Calculation of Average Long-Term Debt Interest Rate**  
**For the Twelve Months ended March 31, 2017**

	Description	(a)	(b)	(c)	UPDATE	UPDATE
		Average Long-Term Debt Balance	Rate	Long-Term Interest Expense	(d) Annual Amortization of DD&E	(e) Total Expense
1	Providence Gas FMB S	\$14,464,000	6.82%	\$986,445	\$7,000	\$993,445
2	Providence Gas FMB N	10,000,000	9.63%	\$963,000	\$4,100	\$967,100
3	Providence Gas FMB O	12,500,000	8.46%	\$1,057,500	\$4,300	\$1,061,800
4	Providence Gas FMB P (Annual sinking fund 9/30 \$625,000)	3,750,000	8.09%	\$303,375	\$3,500	\$306,875
5	Providence Gas FMB R (Annual sinking fund 12/15 \$750,000)	6,750,000	7.50%	\$506,250	\$4,100	\$510,350
6	Narragansett Senior Note \$250M due 3-15-2020	250,000,000	4.53%	\$11,335,000	\$664,600	\$11,999,600
7	Narragansett Senior Note \$300M due 3-15-2040	300,000,000	5.64%	\$16,914,000	\$279,300	\$17,193,300
8	Narragansett Senior Note \$300M due 12-10-2040	250,000,000	4.17%	\$10,425,000	\$75,000	\$10,500,000
9	Totals	\$847,464,000	5.01%	\$42,490,570	\$1,041,900	\$43,532,470
Notes:		Cost of Debt = (Total Expense / Average Long-Term Debt Balance)				<b>5.14%</b>
1-8	From Financial Statements					
9(b)	Average of Line 1 through Line 8					

1(a)-8(a) \*Average amounts represent Narragansett Electric Company consolidated amounts as the Gas division is not a legal entity.

**National Grid - RI Gas**  
**Calculation of Average Short-Term Debt Interest Rate**  
**For the Twelve Months ended March 31, 2017**

<u>Month</u>	(a) <u>Average Short-Term Debt Balance</u>	(b) <u>Weighted Cost Rate</u>	(c) <u>Short-Term Interest Expense</u>
1 Apr-16	165,359,308	0.87%	\$ 118,606
2 May-16	135,597,578	1.12%	\$ 126,976
3 Jun-16	130,643,089	0.96%	\$ 101,910
4 Jul-16	158,720,749	1.16%	\$ 153,163
5 Aug-16	161,910,280	1.18%	\$ 160,414
6 Sep-16	160,676,856	0.75%	\$ 99,559
7 Oct-16	148,203,197	0.82%	\$ 101,577
8 Nov-16	165,402,926	0.97%	\$ 127,981
9 Dec-16	178,836,965	1.09%	\$ 162,311
10 Jan-17	166,937,285	1.32%	\$ 184,851
11 Feb-17	143,620,164	1.35%	\$ 147,389
12 Mar-17	124,104,197	1.28%	\$ 133,031
13			
14 Average	\$ 153,334,383	<b>1.07%</b>	\$ 1,617,767

Notes:

1(a)-12(a) Average amounts represent Narragansett Electric Company consolidated amounts as the Gas division is not a legal entity and participates in the National Grid money pool as a division of Narragansett Electric

14(b) Average of Line 1 through Line 12

National Grid - RI Gas  
Merger Hold Harmless Rate Base Credit  
For the Twelve Months ended March 31, 2017

Attachment NG-MDL-1  
Docket No. \_\_\_\_\_  
April 1, 2008  
Page 30 of 33

National Grid - RI Gas  
Rate Base Adjustments  
Merger Hold Harmless Rate Base Credit

Line No.			
1	Balance as of September 30, 2007		\$34,139,677 1/
2			
3	Increase / (Decrease) 12 Months Ended 9/30/08		<u>(2,624,545)</u>
4			
5	Balance as of:	9/30/08	\$31,515,132 1/
6			
7			
8		10/31/08	31,283,677
9		11/30/08	31,052,222
10		12/31/08	30,820,767 1/
11		1/31/09	30,647,907
12		2/28/09	30,475,046
13		3/31/09	30,302,186 1/
14		4/30/09	30,129,326
15		5/31/09	29,956,466
16		6/30/09	29,783,606 1/
17		7/31/09	29,610,746
18		8/31/09	29,437,886
19		9/30/09	<u>29,265,026 1/</u>
20			
21	Rate Year Merger Hold Harmless - Five Quarter Average		<u>\$30,337,343</u>

1/ Hold Harmless Rate Base Credit Per DJE-2 (Revised) from Docket No. 3859.

@ 12/31/06 per DJE-2 Revised	35,764,025
Imputed 3/31/07	35,222,576
Imputed 6/30/07	34,681,127
Imputed 9/30/07	34,139,677
@ 12/31/07 per DJE-2 Revised	33,598,228
Imputed 3/31/08	32,903,863
Imputed 6/30/08	32,209,497
Imputed 9/30/08	31,515,132
@ 12/31/08 per DJE-2 Revised	30,820,767
Imputed 3/31/09	30,302,186
Imputed 6/30/09	29,783,606
Imputed 9/30/09	29,265,026
@ 12/31/09 per DJE-2 Revised	28,746,445

**The Narragansett Electric Company  
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Schedule DJE-2  
Revised

**NATIONAL GRID  
MERGER ADJUSTMENT TO ADIT  
Projected Deferred Tax Schedule  
(\$000)**

<u>As of</u> <u>31-Dec</u>	<u>Southern</u> <u>Union</u> <u>ADIT</u>	<u>National</u> <u>Grid</u> <u>ADIT</u>	<u>Difference</u>	<u>Southern</u> <u>Union</u> <u>ADITC</u>	<u>ADIT</u> <u>Merger</u> <u>Adjustment</u>
2006	\$ 34,845	\$ 214	\$ 34,631	\$ 1,133	\$ 35,764
2007	\$ 33,908	\$ 1,238	\$ 32,670	\$ 928	\$ 33,598
2008	\$ 32,170	\$ 2,073	\$ 30,097	\$ 724	\$ 30,821
2009	\$ 30,086	\$ 1,859	\$ 28,227	\$ 519	\$ 28,746
2010	\$ 29,473	\$ 2,238	\$ 27,235	\$ 315	\$ 27,549
2011	\$ 29,632	\$ 3,184	\$ 26,448	\$ 110	\$ 26,558
2012	\$ 29,583	\$ 3,760	\$ 25,823		\$ 25,823
2013	\$ 29,515	\$ 4,286	\$ 25,229		\$ 25,229
2014	\$ 29,199	\$ 4,628	\$ 24,572		\$ 24,572
2015	\$ 29,095	\$ 5,530	\$ 23,566		\$ 23,566
2016	\$ 28,823	\$ 6,531	\$ 22,292		\$ 22,292
2017	\$ 28,342	\$ 7,568	\$ 20,774		\$ 20,774
2018	\$ 27,627	\$ 8,606	\$ 19,020		\$ 19,020
2019	\$ 26,847	\$ 9,842	\$ 17,005		\$ 17,005
2020	\$ 25,922	\$ 11,305	\$ 14,617		\$ 14,617
2021	\$ 24,732	\$ 12,797	\$ 11,934		\$ 11,934
2022	\$ 23,374	\$ 14,311	\$ 9,064		\$ 9,064