

October 7, 2015

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4323 – Gas Earnings Sharing Mechanism
Final Earnings Report – Twelve Months Ended March 31, 2014
Earnings Report – Twelve Months Ended March 31, 2015
Responses to Division Data Requests – Set 1**

Dear Ms. Massaro:

On behalf of National Grid¹, I enclose ten (10) copies of the Company's responses to the first set of data requests issued by the Division of Public Utilities and Carriers on September 14, 2015 regarding the above-referenced reports.

Thank you for your attention to this filing. If you have any questions, please contact me directly at 401-784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4323 Service List
Steve Scialabba, Division
David Efron, Division
Sharon Colby-Camara

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.

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

October 7, 2015
Date

**National Grid (NGrid) – Request for Change in Electric & Gas Distribution Rates
Docket No. 4323 – Service List updated on 9/15/15**

Name/Address	E-mail Distribution	Phone
Celia B. O'Brien, Esq. Jennifer Hutchinson, Esq. National Grid 280 Melrose St. Providence, RI 02907	Celia.obrien@nationalgrid.com ;	781-907-2153
	Jennifer.hutchinson@nationalgrid.com ;	
	Joanne.scanlon@nationalgrid.com ;	
	Thomas.teehan@nationalgrid.com ;	
Cheryl M. Kimball, Esq. (for NGrid) Keegan Werlin LLP 265 Franklin Street Boston, MA 02110	ckimball@keeganwerlin.com ;	617-951-1400
	lindas@keeganwerlin.com ;	
Gerald Petros, Esq. (for NGrid) Hinckley, Allen & Snyder	gpetros@hinckleyallen.law.com ;	
	jmansolf@hinckleyallen.com ;	
Leo Wold, Esq. (for Division) Dept. of Attorney General 150 South Main St. Providence, RI 02903	Lwold@riag.ri.gov ;	401-222-2424
	dmacrae@riag.ri.gov ;	
	Steve.scialabba@dpuc.ri.gov ;	
	jmunoz@riag.ri.gov ; John.spirito@dpuc.ri.gov ;	
Ellen M. Evans, Sr. Trial Atty. Naval Facilities Engineering Command Litigation Office 720 Kennon St., Bldg. 36, Room 233 Washington Navy Yard, DC 20374-5051	ellen.evans@navy.mil ;	202-685-2235
Dr. Kay Davoodi, P.E. Utility Rates and Studies Office NAVFACHQ- Building 33 1322 Patterson Ave SE Washington Navy Yard, D.C. 20374-5065	Khojasteh.davoodi@navy.mil ;	202-685-3319
	Larry.r.allen@navy.mil ;	
Robert J. McConnell, Esq. (Wiley Ctr.) Motley Rice LLC	bmccconnell@motleyrice.com ;	401-457-7700

321 South Main St. – 2 nd Floor Providence, RI 02903	jhowat@nclc.org ;	
David Efron Berkshire Consulting 12 Pond Path North Hampton, NH 03862-2243	Djeffron@aol.com ;	603-964-6526
File original & 9 copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Luly.massaro@puc.ri.gov ;	401-780-2107
	Amy.dalessandro@puc.ri.gov ;	
	Alan.nault@puc.ri.gov ;	
	Todd.bianco@puc.ri.gov ;	
	Sharon.ColbyCamara@puc.ri.gov ;	

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4323
Gas Earnings Sharing Mechanism
Final Earnings Report – Twelve Months Ended March 31, 2014 and 2015
Responses to Division’s First Set of Data Requests
Issued on September 14, 2015

Division 1-1

Request:

The following requests are based on the August 28, 2015 submission from National Grid of the Earnings Reports and the Gas Earnings Sharing Mechanism pertaining to its natural gas operations.

Referring to the National Grid - RI Gas Earnings Sharing Calculation for the Twelve Months ended March 31, 2014, please provide the financial statements from which the earnings and rate base were taken.

Response:

Please see the Company’s Annual Report to the Commission for the twelve months ended March 31, 2014 filed on November 14, 2014 as the supporting financial statements for the Company’s earnings sharing calculation covering the same period. Please also see the Company’s response to Division 1-2 and Attachment DIV 1-2. The Income Before Interest Expense shown on Page 1, Line 34, Column (a) of Attachment DIV 1-2 ties to the Net Utility Operating Income on the Annual Report, Page 115, Line 27 (e). Likewise, the March 31, 2014 balances of Gas Plant In Service, CWIP, and Accumulated Depreciation in rate base in the Earnings Report, Page 5 of 13, Lines 1 through 3 tie to the Annual Report, Page 200, Lines 8, 11, and 14, respectively. Other significant components of rate base are either supported by other pages in the earnings report, or are supported by Attachment DIV 1-2.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4323
Gas Earnings Sharing Mechanism
Final Earnings Report – Twelve Months Ended March 31, 2014 and 2015
Responses to Division's First Set of Data Requests
Issued on September 14, 2015

Division 1-2

Request:

Please provide all work papers supporting the RI Gas Earnings Sharing Calculation for the Twelve Months ended March 31, 2014.

Response:

Please see Attachment DIV 1-2 for work papers supporting the RI Gas Earnings Sharing Calculation for the twelve months ended March 31, 2014.

Please note that these work papers reflect a correction to Other Revenues on Page 1, Line 4, Column (d) of Attachment DIV 1-2 for an error in the original Gas Earnings Sharing Mechanism (ESM) that was discovered during the preparation of the responses to these data requests. Other Revenues were understated as described in the Company's response to Division 1-5. The originally filed Gas ESM for the twelve months ended March 31, 2014 reflected a Return on Common Equity below 9.50 percent generating no earnings to be shared with customers. The revised Return on Common Equity of 9.71 percent reflecting the correction to Other Revenues results in an earnings sharing amount adjusted for income taxes of \$332,374. The Company will include this sharing amount for customers in a revised Distribution Adjustment Clause (DAC) filing that will be submitted to the PUC prior to the October 26, 2015 DAC hearing in Docket No. 4573.

**National Grid - RI Gas
Income Statement
For the Twelve Months ended March 31, 2014**

	<u>Income Statement</u>	<u>Adjustments</u>	<u>2014</u>	<u>Correction to Original Gas ESM Filing</u>	<u>Revised Gas ESM Filing</u>
	(a)	(b)	(c)	(d)	(e)
1 <u>Operating Revenues</u>					
2 Total Firm Gas	441,323,737	(6,398,716)	434,925,021		434,925,021
3 Transportation	33,295,672		33,295,672		33,295,672
4 Other Revenues	(18,381,668)	(6,135,993)	(24,517,661)	5,434,678	(19,082,983)
5 FY14 Customer Portion of On System Non-Firm Margin not booked in FY14		135,571	135,571		135,571
6 FY13 Customer Portion of On System Non-Firm Margin booked in FY14		665,646	665,646		665,646
7 Total Operating Revenues	<u>456,237,740</u>	<u>(11,733,492)</u>	<u>444,504,248</u>	<u>5,434,678</u>	<u>449,938,926</u>
8					
9 Adjustment to Operating Revenue:					
10 Inventory Financing		(1,803,388)	(1,803,388)		(1,803,388)
11 Total Adjusted Operating Revenues	<u>456,237,740</u>	<u>(13,536,880)</u>	<u>442,700,860</u>	<u>5,434,678</u>	<u>448,135,538</u>
12					
13 <u>Operating Expenses</u>					
14 Production (Gas Costs)	243,134,254		243,134,254		243,134,254
15 Storage	1,906,091		1,906,091		1,906,091
16 Transmission	6,973		6,973		6,973
17 Distribution	18,272,649		18,272,649		18,272,649
18 Customer Accounts	32,427,603	4,843,002	37,270,605		37,270,605
19 Sales	1,476,641	(1,476,641)	-		-
20 Administrative and General	44,840,373	3,132,429	47,972,802		47,972,802
21 Total Operating Expenses	<u>342,064,586</u>	<u>6,498,789</u>	<u>348,563,375</u>		<u>348,563,375</u>
22					
23 Adjustments to Operating Expense:					
24 Savings Imputed in Base Rates		2,450,000	2,450,000		2,450,000
25 Total Adjusted Operating Expenses	<u>342,064,586</u>	<u>8,948,789</u>	<u>351,013,375</u>		<u>351,013,375</u>
26					
27 <u>Other Expenses</u>					
28 Depreciation and Amortization	27,716,281		27,716,281		27,716,281
29 Local and Other Taxes	18,280,897		18,280,897		18,280,897
30 Revenue Related Taxes (Gross Earnings Tax - GET)	11,916,927		11,916,927		11,916,927
31 Federal Income Taxes @ 35%	13,271,552	(4,578,784)	8,692,768	1,902,137	10,594,905
32 Total Other Expenses	<u>71,185,658</u>	<u>(4,578,784)</u>	<u>66,606,873</u>	<u>1,902,137</u>	<u>68,509,010</u>
33					
34 <u>Income Before Interest Expense</u>	<u>42,987,497</u>	<u>(17,906,885)</u>	<u>25,080,612</u>	<u>3,532,541</u>	<u>28,613,153</u>
35					
36 <u>Interest Expense</u>					
37 Other Income/Expenses			-		
38 Short-Term Debt			9,072		9,072
39 Long-Term Debt			10,592,331		10,592,331
40 Other Interest Expense			-		-
41 AFUDC			(1,664,503)		(1,664,503)
42 Total Interest Expense			<u>8,936,900</u>		<u>8,936,900</u>
43					
44 <u>Net Income / (Loss)</u>			<u>16,143,712</u>		<u>19,676,253</u>
45					
46 Preferred Dividends			<u>27,785</u>		<u>27,785</u>
47					
48 <u>Net Income / (Loss) Applicable to Common Equity</u>			<u>16,115,927</u>		<u>19,648,468</u>

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4323
Gas Earnings Sharing Mechanism – Twelve Months Ended March 31, 2014 and 2015
Responses to Division’s First Set of Data Requests
Attachment to DIV 1-2
Page 2 of 8

**National Grid - RI Gas
Income Statement Adjustments
For the Twelve Months ended March 31, 2014**

Operating Revenues

Total Firm Gas Adjustments:	
1 Remove Energy Efficiency Incentives	(1,145,779)
2 Unbilled Revenue Net Margin (Page 3 of 7)	(5,252,937)
	(6,398,716)
Other Revenues	
1 Natural Gas Portfolio Management Plan Guarantee	1,000,000
2 Off System Gas Sales	(8,538,636)
3 Contract Sharing	745,288
4 Move Miscellaneous Service Revenues to Other Income/Expenses	1,147
5 Reclass Interest on Customer Arrears from Account 419 - Interest and Dividend Income	656,208
Subtotal Other Revenue Adjustments from Original Gas ESM Filing	(6,135,993)
6 Excess Sharing	5,434,678
Total Other Revenue Adjustments from Revised Gas ESM Filing	(701,315)
FY14 Customer Portion of On System Non-Firm Margin not booked in FY14 (Page 4 of 7)	135,571
FY13 Customer Portion of On System Non-Firm Margin booked in FY14 (Page 5 of 7)	665,646
Inventory Financing (Page 6 of 7)	(1,803,388)
Total Operating Revenue Adjustments	(8,102,202)

Operating Expenses

Customer Accounts	
1 Adjust Uncollectible expense to reflect Bad Debt Write Offs	4,843,002
Sales	
1 Remove Advertising expense	(1,476,641)
Administrative and General	
1 Reclassify Donations to A&G expense from Account 426.1	258,268
2 Exclude Executive Compensation not charged to customers	(263,476)
3 Additional Gas/Electric segment adjustments	1,926,458
4 Add Back Out of Period Credits Booked in FY15	1,211,179
	3,132,429
Savings Imputed in Base Rates	2,450,000
Total Operating Expense Adjustments	8,948,789

Other Expenses

Adjust Federal Income Taxes to amount calculated on Page 3 of Original Gas ESM Filing	(4,578,784)
Additional Federal Income Tax adjustment from Revised Gas ESM Filing	1,902,137
Total Federal Income Tax Adjustment on Page 3 of Revised Gas ESM Filing	(2,676,647)
Total Other Expenses	(2,676,647)

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4323

Earnings Sharing Mechanism – Twelve Months Ended March 31, 2014 and 2015
Responses to Division’s First Set of Data Requests

Attachment to DIV 1-2

Page 3 of 8

National Grid - RI Gas
Revised Earnings Sharing Calculation
For the Twelve Months ended March 31,2014

1	Average Rate Base	\$	411,635,528
2	Equity Component of Rate Base		49.14%
3	Average Common Equity	\$	202,277,699
4			
5	Net Income Available for Common Stock	\$	19,648,468
6	Return on Common Equity		9.71%
7			
8	Return on Equity > 9.5% and < 10.5%		0.21%
9	Earnings to be Shared	\$	432,086
10	Earnings to Customers - 50%	\$	216,043
11			
12	Return on Equity > 10.5 %		0.00%
13	Earnings to be Shared	\$	-
14	Earnings to Customers - 75%	\$	-
15			
16	Total After tax Earnings Credited to Customers	\$	216,043
17			
18	Total Earnings Credited to DAC	\$	332,374

National Grid - RI Gas
US GAAP Net Margin Results
For the Twelve Months ended March 31, 2014

\$ in USD (+profit / -loss)	Reference #	FY2014	FY2014	FY2014	FY2014	FY2014	FY2014	FY2014	FY2014	FY2014	FY2014	FY2014	FY2014		
		April	May	June	July	August	September	October	November	December	January	February	March (PSA4)	Year Total	
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual		
1 Total Unbilled Revenue	5360RA1687	(17,099,085)	(5,641,812)	(1,581,386)	(946,571)	(2,255,135)	699,568	6,899,699	15,806,436	8,135,020	3,229,597	(5,961,236)	(5,238,384)	(3,953,290)	
2 Unbilled Gas Cost		13,249,369	602,870	897,605	466,736	1,584,794	(562,714)	(4,299,299)	(9,998,086)	(4,745,033)	(2,530,018)	3,512,214	3,444,009	1,622,448	
3 Monthly Unbilled Net Margin booked		(3,849,716)	(5,038,942)	(683,781)	(479,835)	(670,341)	136,854	2,600,400	5,808,349	3,389,987	699,579	(2,449,022)	(1,794,374)	(2,330,842)	
4 Unbilled Revenue PSA															
5 Unbilled RDM PSA 1	5360NE0909A							7,212,835						2,005,195	9,218,030
6 Unbilled RDM PSA 2								8,696,063							8,696,063
7 Unbilled RDM PSA 3													(1,123,268)	(1,123,268)	
													(1,094,744)	(1,094,744)	
8 Monthly Unbilled RDM deferral	5360NE0909							(715,589)	(1,450,611)	(455,597)	(7,346,777)	(1,458,615)	2,162,850	1,152,036	(8,112,303)
9 Net impact from unbilled		(3,849,716)	(5,038,942)	(683,781)	(479,835)	(670,341)	15,330,164	1,149,790	5,352,752	(3,956,790)	(759,036)	(286,172)	(855,155)	5,252,937	

National Grid - RI Gas
On-System Margin Calculation
For the Twelve Months ended March 31, 2014

Line No.	<u>Apr-13</u> (a)	<u>May-13</u> (b)	<u>Jun-13</u> (c)	<u>Jul-13</u> (d)	<u>Aug-13</u> (e)	<u>Sep-13</u> (f)	<u>Oct-13</u> (g)	<u>Nov-13</u> (h)	<u>Dec-13</u> (i)	<u>Jan-14</u> (j)	<u>Feb-14</u> (k)	<u>Mar-14</u> (l)	<u>Total Apr 13-Mar 14</u> (m)
1 Non-firm Usage (dth)	176,409	125,545	128,811	149,568	139,654	153,570	171,977	202,801	152,179	72,021	94,007	159,054	1,725,595
2 Non-firm Revenue	371,317	200,325	211,710	235,060	225,045	254,243	293,230	427,086	396,780	305,475	210,411	456,591	3,587,271
3 Non-firm Revenue subject to Margin Sharing	293,404	147,174	153,628	167,568	162,957	184,088	214,958	333,992	323,936	262,581	157,369	366,710	2,768,367
4 Non-firm Gas Costs	142,979	41,869	46,741	42,367	47,565	57,396	72,154	162,407	190,360	194,564	72,986	228,116	1,299,505
5 Non-firm Margin	150,425	105,305	106,887	125,202	115,392	126,692	142,804	171,585	133,577	68,018	84,383	138,594	1,468,862
6 Threshold													1,604,433
7 Margin in Excess of Threshold													(135,571)

**National Grid - RI Gas
National Grid- RI Gas On-System Margin Factor/Margin Threshold Calculation
For the Twelve Months ended March 31, 2014**

Line No.	Apr-12	May-12	Jun-12	Jul-12	Dual-fuel (Firm and Non-firm)		Nov-12	Dec-12	Jan-13	Total Apr 12-Jan 13	Feb-13	Non-firm Mar-13	Total Feb 13-Mar 13	TOTAL Apr 12- Mar 13
	actual	actual	actual	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1 Total Usage (dth)	375,742	295,800	262,350	276,605	265,465	250,030	258,541	338,313	395,766	355,450	3,074,063	182,952	199,559	382,511
2 Total Revenue	755,596	588,139	528,661	485,456	440,083	464,927	490,562	756,386	959,506	869,772	6,339,089	512,053	479,130	991,183
3 Total Revenue subject to Margin Sharing	568,824	430,245	383,617	354,373	345,103	336,943	364,973	590,840	751,539	670,097	4,796,555	421,612	379,325	800,936
4 Total Gas Costs	223,857	138,379	112,866	79,527	70,299	72,515	86,172	263,868	413,795	361,958	1,823,236	254,624	207,318	461,942
5 Total Margin	344,967	291,866	270,752	274,847	274,804	264,427	278,801	326,973	337,744	308,138	2,973,318	166,988	172,006	338,994
6 Threshold											<u>2,346,667</u>			<u>300,000</u>
7 Margin in excess of Threshold											<u>626,652</u>			<u>38,994</u>
														<u>665,646</u>

Line 6. July 12- Jan 13 is the 7-month prorated of the annual target of \$2,816,000. July 12- Jan 13 is the 2-month prorated of the annual target of \$1,800,000.

**National Grid - RI Gas
INVENTORY FINANCE - GCR FY14
For the Twelve Months ended March 31, 2014**

Line No.	Description	Reference	Apr Actual (a)	May Actual (b)	Jun Actual (c)	Jul Actual (d)	Aug Actual (e)	Sep Actual (f)	Oct Actual (g)	Nov Actual (h)	Dec Actual (i)	Jan Actual (j)	Feb Actual (k)	Mar Actual (l)	Apr-Mar (m)
1	Storage Inventory Balance		12,147,854	14,851,774	15,562,506	15,573,724	16,605,172	17,491,191	17,809,379	16,757,939	14,909,989	11,324,186	7,678,242	5,910,875	
2	Monthly Storage Deferral/Amortization		264,306	446,052	624,372	728,453	773,862	806,252	814,139	814,139	789,715	398,928	56,990		
3	Subtotal	(1) + (2)	12,412,160	15,297,826	16,186,878	16,302,177	17,379,034	18,297,443	18,623,518	17,572,078	15,699,704	11,723,114	7,735,232	5,910,875	
4	Cost of Capital	Dkt 4339	0	0	0	0	0	0	0	0	0	0	0	0	
5	Return on Working Capital Requirement	(3) * (4)	935,877	1,153,456	1,220,491	1,229,184	1,310,379	1,379,627	1,404,213	1,324,935	1,183,758	883,923	583,236	445,680	13,054,759
6	Weighted Cost of Debt	Dkt 4339	0	0	0	0	0	0	0	0	0	0	0	0	
7	Interest Charges Financed	(3) * (6)	354,988	437,518	462,945	466,242	497,040	523,307	532,633	502,561	449,012	335,281	221,228	169,051	4,951,805
8	Taxable Income	(5) - (7)	580,889	715,938	757,546	762,942	813,339	856,320	871,581	822,373	734,746	548,642	362,009	276,629	
9	1 - Combined Tax Rate	Dkt 3943, Dkt 4323	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	
10	Return and Tax Requirement	(8) / (9)	893,676	1,101,443	1,165,455	1,173,757	1,251,290	1,317,416	1,340,893	1,265,190	1,130,379	844,064	556,937	425,583	12,466,083
11	Working Capital Requirement	(7) + (10)	1,248,663	1,538,961	1,628,400	1,639,999	1,748,331	1,840,723	1,873,526	1,767,751	1,579,390	1,179,345	778,164	594,634	17,417,888
12	Monthly Average	(11) / 12	104,055	128,247	135,700	136,667	145,694	153,394	156,127	147,313	131,616	98,279	64,847	49,553	1,451,491
13	LNG Inventory Balance		3,329,570	4,287,752	4,458,514	4,335,479	4,269,921	4,218,563	4,463,453	4,390,342	4,192,135	1,815,018	1,309,612	905,495	
14	Cost of Capital	Dkt 4339	0	0	0	0	0	0	0	0	0	0	0	0	
15	Return on Working Capital Requirement	(13) * (14)	251,050	323,296	336,172	326,895	321,952	318,080	336,544	331,032	316,087	136,852	98,745	68,274	3,164,979
16	Weighted Cost of Debt	Dkt 4339	0	0	0	0	0	0	0	0	0	0	0	0	
17	Interest Charges Financed	(13) * (16)	95,226	122,630	127,514	123,995	122,120	120,651	127,655	125,564	119,895	51,910	37,455	25,897	1,200,509
18	Taxable Income	(15) - (17)	155,824	200,667	208,658	202,900	199,832	197,429	208,890	205,468	196,192	84,943	61,290	42,377	
19	1 - Combined Tax Rate	Dkt 3943, Dkt 4323	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	
20	Return and Tax Requirement	(18) / (19)	239,729	308,718	321,013	312,154	307,434	303,737	321,369	316,105	301,834	130,681	94,292	65,196	3,022,262
21	Working Capital Requirement	(17) + (20)	334,955	431,348	448,527	436,149	429,554	424,387	449,023	441,668	421,729	182,591	131,747	91,093	4,222,771
22	Monthly Average	(21) / 12	27,913	35,946	37,377	36,346	35,796	35,366	37,419	36,806	35,144	15,216	10,979	7,591	351,898
23	TOTAL GCR Inventory Financing Costs	(12) + (22)	131,968	164,192	173,077	173,012	181,490	188,759	193,546	184,118	166,760	113,495	75,826	57,144	1,803,388

**National Grid - RI Gas
ADIT from the Tax Department
For the Twelve Months ended March 31, 2014**

Property Related Deferred Tax Balances March 2013 As of March 31, 2013 Source: Tax Department							
	Plant Related ADIT	Plant Related Reserves	Total Plant ADIT	Net Operating Loss	Net of NOL	FAS109	Net of FAS109
Narragansett - Gas Division	103,540,160	9,882,050	113,422,210	(15,081,523)	98,340,687		98,340,687
Narragansett - Electric Division	300,820,014	10,792,787	311,612,802	(19,506,306)	292,106,496	(9,077,050)	283,029,446
Total	404,360,174	20,674,838	425,035,012	(34,587,829)	390,447,183	(9,077,050)	381,370,133

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Property Related Deferred Tax Balances June 2013 As of March 31, 2014 Source: Tax Department					
Balances per Financial Statements - March 31, 2014					
	Total Plant ADIT	Net Operating Loss	Net of NOL	FAS109	Net of FAS109
Narragansett - Gas Division	(108,502,373)	15,178,676	(93,323,697)	(459,560)	(92,864,136)
Narragansett - Electric Division	(304,609,421)	12,805,297	(291,804,124)	(4,230,196)	(287,573,928)
Total	(413,111,794)	27,983,973	(385,127,821)	(4,689,756)	(380,438,065)

Property Related Deferred Tax Balances September 2013 As of March 31, 2014 Source: Tax Department					
Balances per Financial Statements - March 31, 2014					
	Total Plant ADIT	Net Operating Loss	Net of NOL	FAS109	Net of FAS109
Narragansett - Gas Division	(110,184,504)	15,178,676	(95,005,828)	(484,852)	(94,520,976)
Narragansett - Electric Division	(309,331,834)	12,805,297	(296,526,537)	(4,462,998)	(292,063,538)
Total	(419,516,338)	27,983,973	(391,532,365)	(4,947,850)	(386,584,515)

Property Related Deferred Tax Balances December 2013 As of March 31, 2014 Source: Tax Department					
Balances per Financial Statements - March 31, 2014					
	<u>Total Plant ADIT</u>	<u>Net Operating Loss</u>	<u>Net of NOL</u>	<u>FAS109</u>	<u>Net of FAS109</u>
Narragansett - Gas Division	(116,009,228)	14,567,822	(101,441,406)	(484,852)	(100,956,554)
Narragansett - Electric Division	(325,684,158)	12,289,958	(313,394,200)	(4,462,998)	(308,931,201)
Total	(441,693,386)	26,857,781	(414,835,606)	(4,947,850)	(409,887,756)

Property Related Deferred Tax Balances March 2014 As of March 31, 2014 Source: Tax Department					
Balances per Financial Statements - March 31, 2014					
	Total Plant ADIT	Net Operating Loss	Net of NOL	FAS109	Net of FAS109
Narragansett - Gas Division	(119,856,906)	31,751,053	(88,105,853)	(424,171)	(87,681,682)
Narragansett - Electric Division	(336,486,123)	26,786,373	(309,699,750)	(3,904,442)	(305,795,309)
Total	(456,343,029)	58,537,425	(397,805,603)	(4,328,613)	(393,476,990)

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Gas Earnings Sharing Mechanism
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Division 1-3

Request:

The approved earnings sharing mechanism specifies that “results will be adjusted to reflect established Commission ratemaking principles.” Please verify that the Company has included the required adjustments, such as the elimination of expatriate expenses and certain incentive programs, in the determination of net income for the Twelve Months ended March 31, 2014. The response should include any necessary supporting documentation and work papers.

Response:

Please see Attachment DIV 1-2 for work papers supporting the RI Gas Earnings Sharing Calculation for the twelve months ended March 31, 2014 and a detail of adjustments made to reflect established Commission ratemaking principles. With regard to expatriate expenses, the only expatriate expenses included in the Company’s expenses are labor costs of expatriate employees. Expatriate labor costs are allocated to National Grid operating affiliates based on the nature of the work performed by those employees, and is limited to no more than the market reference point for the positions to which the expatriate employees are assigned. Non-labor expatriate related costs are charged to National Grid USA Parent Company and such costs are not charged to any operating affiliates, including the Company. As a result, there was no adjustment made to eliminate expatriate related expenses from the Company’s Earnings Report.

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Division 1-4

Request:

Referring to the National Grid - RI Gas Earnings Sharing Calculation for the Twelve Months ended March 31, 2014, Page 7, please itemize the “Other Revenue” of \$(2,228,282).

Response:

The \$3,474,385 of “LIHEAP Revenue” reflected on Page 7, Line 6, and the \$(2,228,282) of “Other Revenue” reflected on Page 7, Line 4, are incorrect. However the sum of “Other Revenue” Line 4 and “LIHEAP Revenue” Line 6 of \$1,246,103 is correct. The “LIHEAP Revenues” on Line 6 should have been \$-0- while the “Other Revenue” on Line 4 should have been \$1,246,103. The \$1,246,103 of “Other Revenue” includes miscellaneous revenue activity.

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Division 1-5

Request:

Referring to the National Grid - RI Gas Earnings Sharing Calculation for the Twelve Months ended March 31, 2014, Page 7, please provide a brief narrative description of each of the items on Lines 5-9, and explain the treatment of each for the purpose of the ESM calculation.

Response:

Each of the items on the National Grid – RI Gas Earning Sharing Calculation for the Twelve Months ended March 31, 2014, Page 7, Lines 5-9, are explained as follows:

Line 5 – Reflects the Revenue Decoupling Mechanism (RDM) deferral adjustment recorded to account 495—Other Gas Revenues—associated with the reconciliation of actual base revenue-per-customer against the benchmark revenue-per-customer for FY 2014. This amount also includes the offsetting entry for the RDM revenue associated with the prior reconciliation balance and which is recovered in rates from customers and is included in the Total Firm Gas line (Page 2, Line 2) of the Gas Earnings Sharing Mechanism.

Line 6 – The \$3,474,385 of “LIHEAP Revenue” reflected on Page 7, Line 6, and the (\$2,228,282) of “Other Revenue” reflected on Page 7, Line 4, are incorrect. However the sum of “Other Revenue” Line 4 and “LIHEAP Revenue” Line 6 of \$1,246,103 is correct. The “LIHEAP Revenues” on Line 6 should have been \$0 while the “Other Revenue” on Line 4 should have been \$1,246,103. The \$1,246,103 of “Other Revenue” includes miscellaneous revenue activity.

Line 7 – \$-0- balance

Line 8 – Interest on Customer Arrears—Reflects interest income reclassified from account 419—Interest and Dividend Income—for interest charged on past due customer accounts.

Line 9 – Excess Sharing Non-Firm Margin—The Company makes certain adjustments to its revenues to eliminate the incentive provided to the Company to generate off-system gas and excess pipeline capacity revenue. The Company attempts to do this by eliminating, or reversing, all revenues associated with off-system sales, as well as the credits the Company provides to customers associated with those sales. These adjustments are shown as adjustments 1, 2, and 3 under “Other Revenues” on Page 2 of

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Division 1-5, page 2

Attachment DIV 1-2. However, the component of other revenue titled, “Excess Sharing Non-Firm Margin” represents a portion of off-system sales credits provided to customers and should have been eliminated as part of the preparation of the Gas ESM. As a result of this error, revenues in the gas ESM were understated by \$5,434,678, resulting in an understatement of net income after tax of \$3,532,541 for the twelve months ended March 31, 2014. This revision to net income generates a revised Return on Common Equity of 9.71 percent. The Company and customers share 50 percent of all earnings above 9.50 percent and below 10.50 percent. The originally filed Gas ESM for the twelve months ended March 31, 2014 reflected a Return on Common Equity below 9.50 percent, generating no earnings to be shared with customers. The revised Return on Common Equity of 9.71 percent results in an earnings sharing amount adjusted for income taxes of \$332,374. The Company will include this sharing amount for customers in a revised Distribution Adjustment Clause (DAC) filing that will be submitted to the Commission prior to the October 26, 2015 DAC hearing in Docket No. 4573.

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Division 1-6

Request:

Referring to the National Grid - RI Gas Earnings Sharing Calculation for the Twelve Months ended March 31, 2015, please provide the financial statements from which the earnings and rate base were taken.

Response:

Please see the Company’s Annual Report to the Commission for the twelve months ended March 31, 2015 filed on July 31, 2015 as the supporting financial statements for the Company’s earnings sharing calculation covering the same period. Please also see the Company’s response to Division 1-7 and Attachment DIV 1-7. The Income Before Interest Expense shown on Page 1, Line 34, Column (a) of Attachment DIV 1-7 ties to the Net Utility Operating Income on the Annual Report, Page 115, Line 27 (e). Likewise, the March 31, 2015 balances of Gas Plant In Service, CWIP, and Accumulated Depreciation in rate base in the Earnings Report, Page 5 of 13, Lines 1 through 3, tie to the Annual Report, Page 200, Lines 8, 11, and 14, respectively. Other significant components of rate base are either supported by other pages in the earnings report, or are supported by Attachment DIV 1-7.

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Division 1-7

Request:

Please provide all work papers supporting the RI Gas Earnings Sharing Calculation for the Twelve Months ended March 31, 2015.

Response:

Please see Attachment DIV 1-7 for work papers supporting the RI Gas Earnings Sharing Calculation for the twelve months ended March 31, 2015.

Please note that these work papers reflect a correction to Other Revenues on Page 1, Line 4, Column (d) of Attachment DIV 1-2 for an error in the original Gas Earnings Sharing Mechanism (ESM) that was discovered during the preparation of the responses to these data requests. Other Revenues were understated as described in the Company's response to Division 1-5 in its Gas ESM for the twelve months ended March 31, 2014. The same error occurred during the preparation of the Company's Gas ESM for the twelve months ended March 31, 2015. As a result of this error, revenues in the Gas ESM were understated by \$8,589,683, resulting in an understatement of net income after tax of \$5,583,294 for the twelve months ended March 31, 2015. This revision to net income generates a revised Return on Common Equity of 7.78 percent. The Company and customers share 50 percent of all earnings above 9.50 percent and below 10.50 percent. The originally filed Gas ESM for the twelve months ended March 31, 2015 reflected a Return on Common Equity below 9.50 percent generating no earnings to be shared with customers. The revised Return on Common Equity of 7.78 percent reflecting the correction to Other Revenues is still below the 9.50 percent threshold, and therefore, no earnings are available to be shared with customers for the twelve month period ended March 31, 2015. The Company will resubmit its Gas ESM for this period in its revised Distribution Adjustment Clause (DAC) filing that will be filed with the Commission prior to the October 26, 2015 DAC hearing in Docket No. 4573.

**National Grid - RI Gas
Income Statement
For the Twelve Months ended March 31, 2015**

	<u>Income Statement</u>	<u>Adjustments</u>	<u>2015</u>	<u>Correction to Original Gas ESM Filing</u>	<u>Revised Gas ESM Filing</u>
	(a)	(b)	(c)	(d)	(e)
1 <u>Operating Revenues</u>					
2 Total Firm Gas	390,023,201	(534,960)	389,488,241		389,488,241
3 Transportation	37,960,909		37,960,909		37,960,909
4 Other Revenues	(7,905,496)	(9,935,712)	(17,841,208)	8,589,683	(9,251,525)
5 FY15 Customer Portion of On System Non-Firm Margin not booked in FY15		133,185	133,185		133,185
6 FY14 Customer Portion of On System Non-Firm Margin booked in FY15		(135,571)	(135,571)		(135,571)
7 Total Operating Revenues	<u>420,078,614</u>	<u>(10,473,059)</u>	<u>409,605,555</u>	<u>8,589,683</u>	<u>418,195,238</u>
8					
9 Adjustment to Operating Revenue:					
10 Inventory Financing		(1,445,272)	(1,445,272)		(1,445,272)
11 Total Adjusted Operating Revenues	<u>420,078,614</u>	<u>(11,918,330)</u>	<u>408,160,283</u>	<u>8,589,683</u>	<u>416,749,966</u>
12					
13 <u>Operating Expenses</u>					
14 Production (Gas Costs)	203,973,656		203,973,656		203,973,656
15 Storage	2,567,771		2,567,771		2,567,771
16 Transmission	9,496		9,496		9,496
17 Distribution	29,485,230		29,485,230		29,485,230
18 Customer Accounts	39,365,272	(1,617,446)	37,747,825		37,747,825
19 Sales	1,655,606	(1,655,606)	-		-
20 Administrative and General	40,251,334	(1,496,677)	38,754,657		38,754,657
21 Total Operating Expenses	<u>317,308,365</u>	<u>(4,769,729)</u>	<u>312,538,636</u>		<u>312,538,636</u>
22					
23 Adjustments to Operating Expense:					
24 Savings Imputed in Base Rates		2,450,000	2,450,000		2,450,000
25 Total Adjusted Operating Expenses	<u>317,308,365</u>	<u>(2,319,729)</u>	<u>314,988,636</u>		<u>314,988,636</u>
26					
27 <u>Other Expenses</u>					
28 Depreciation and Amortization	30,569,106		30,569,106		30,569,106
29 Local and Other Taxes	23,434,531	(4,829,248)	18,605,283		18,605,283
30 Revenue Related Taxes (Gross Earnings Tax - GET)	11,820,703	-	11,820,703		11,820,703
31 Federal Income Taxes @ 35%	4,670,770	2,249,738	6,920,508	3,006,389	9,926,897
32 Total Other Expenses	<u>70,495,111</u>	<u>(2,579,510)</u>	<u>67,915,601</u>	<u>3,006,389</u>	<u>70,921,990</u>
33					
34 <u>Income Before Interest Expense</u>	<u>32,275,137</u>	<u>(7,019,091)</u>	<u>25,256,046</u>	<u>5,583,294</u>	<u>30,839,340</u>
35					
36 <u>Interest Expense</u>					
37 Other Income/Expenses			-		-
38 Short-Term Debt			22,325		22,325
39 Long-Term Debt			12,381,350		12,381,350
40 Other Interest Expense			-		-
41 AFUDC			-		-
42 Total Interest Expense			<u>12,403,675</u>		<u>12,403,675</u>
43 Net Income / (Loss)			<u>12,852,372</u>		<u>18,435,665</u>
44					
45 Preferred Dividends			32,505		32,505
46					
47 <u>Net Income / (Loss) Applicable to Common Equity</u>			<u>12,819,867</u>		<u>18,403,160</u>

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**National Grid - RI Gas
Income Statement Adjustments
For the Twelve Months ended March 31, 2015**

Operating Revenues

Total Firm Gas Adjustments:	
1 Remove Energy Efficiency Incentives	(1,199,488)
2 Unbilled Revenue Net Margin (Page 4 of 8)	664,528
	(534,960)
Other Revenues	
1 Natural Gas Portfolio Management Plan Guarantee	1,000,000
2 Off System Gas Sales	(11,409,793)
3 Contract Sharing	(327,311)
4 Reclass Interest on Customer Arrears from Account 419 - Interest and Dividend Income	801,391
Subtotal Other Revenue Adjustments from Original Gas ESM Filing	(9,935,712)
5 Excess Sharing	8,589,683
Total Other Revenue Adjustments from Revised Gas ESM Filing	(1,346,029)
FY15 Customer Portion of On System Non-Firm Margin not booked in FY15 (Page 5 of 8)	133,185
FY14 Customer Portion of On System Non-Firm Margin booked in FY15 (Page 6 of 8)	(135,571)
Inventory Financing (Page 7 of 8)	(1,445,272)
Total Operating Revenue Adjustments	(3,328,647)

Operating Expenses

Customer Accounts	
1 Adjust Uncollectible expense to reflect Bad Debt Write Offs	(1,617,446)
Sales	
1 Remove Advertising expense	(1,655,606)
Administrative and General	
1 Reclassify Donations to A&G expense from Account 426.1	292,246
2 Exclude Executive Compensation not charged to customers	(245,922)
3 Remove Out of Period entries booked in FY15	(1,543,001)
	(1,496,677)
Savings Imputed in Base Rates	2,450,000
Total Operating Expense Adjustments	(2,319,729)

Other Expenses

Local and Other Taxes	
1 Remove Sales Tax Audit adjustment pertaining to 2005-2008	(4,829,248)
Adjust Federal Income Taxes to amount calculated on Page 3 of Earnings Report	2,249,738
Additional Federal Income Tax adjustment from Revised Gas ESM Filing	3,006,389
Total Federal Income Tax Adjustment on Page 3 of Revised Gas ESM Filing	5,256,127
Total Other Expenses	5,256,127

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Responses to Division’s First Set of Data Requests

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National Grid - RI Gas
Earnings Sharing Calculation
For the Twelve Months ended March 31,2015

1	Average Rate Base	\$	481,554,946
2	Equity Component of Rate Base		49.14%
3	Average Common Equity	\$	236,636,100
4			
5	Net Income Available for Common Stock	\$	18,403,161
6	Return on Common Equity		7.78%
7			
8	Return on Equity > 9.5% and < 10.5%		0.00%
9	Earnings to be Shared	\$	-
10	Earnings to Customers - 50%	\$	-
11			
12	Return on Equity > 10.5 %		0.00%
13	Earnings to be Shared	\$	-
14	Earnings to Customers - 75%	\$	-
15			
16	Total After tax Earnings Credited to Customers	\$	-
17			
18	Total Earnings Credited to DAC	\$	-

**National Grid - RI Gas
US GAAP Net Margin Results
For the Twelve Months ended March 31, 2015**

	Reference #	FY2015	FY2015	FY2015	FY2015	FY2015	FY2015	FY2015	FY2015	FY2015	FY2015	FY2015	FY2015	
		April (PSA4) Actual	May Actual	June Actual	July Actual	August Actual	September (PSA) Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March (PSA3) Actual	Year Total
\$ in USD (+profit / -loss)														
1 Total Unbilled Revenue	5360RA1687	(19,839,148)	(8,663,777)	3,686,925	285,476	(1,226,498)	5,836,893	(1,688,511)	21,531,677	1,303,035	19,735,928	(15,063,998)	(5,191,816)	706,187
2 Unbilled Gas Cost		11,831,233	5,693,486	(2,868,375)	253,845	731,880	(441,377)	(1,130,729)	(13,445,160)	(922,644)	(13,306,181)	9,957,820	3,373,923	(272,279)
3 Monthly Unbilled Net Margin booked		(8,007,915)	(2,970,291)	818,550	539,321	(494,617)	5,395,516	(2,819,240)	8,086,517	380,391	6,429,747	(5,106,179)	(1,817,892)	433,908
4 Unbilled Revenue PSA		(605,197)					(2,495,589)	2,495,589	(2,495,589)				1,614,899	(1,485,888)
5 Unbilled RDM PSA 1	5360NE0909A	1,123,268					(731,213)	731,213					(1,797,048)	(673,780)
6 Unbilled RDM PSA 2		1,094,744							(338,298)					756,447
7 Unbilled RDM PSA 3														-
8 Monthly Unbilled RDM deferral	5360NE0909	5,555,976	2,216,232	(426,561)	(309,297)	500,657	(1,638,794)	1,618,400	(6,766,643)	85,067	(7,299,359)	7,104,276	(335,168)	304,785
9 Net impact from unbilled		(839,125)	(754,059)	391,990	230,024	6,039	529,920	2,025,962	(1,514,013)	465,458	(869,612)	1,998,098	(2,335,209)	(664,528)

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National Grid - RI Gas
On-System Margin Factor
For the Twelve Months ended March 31, 2015

Line No.			
1	Threshold	1,523,876	
2	Total Non-firm margin	<u>1,390,691</u>	
3	Margin below the Threshold	133,185	
4	Firm Throughput	39,897,042	dth
5	On-System Margin Credit per dth	0.0030	per dth
6	On-System Margin Credit per therm	<u><u>0.0003</u></u>	per therm

National Grid - RI Gas
National Grid- RI Gas On-System Margin Factor Margin Threshold Calculation
For the Twelve Months ended March 31, 2015

Line No.	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>	<u>Jul-13</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Total Apr 13-Mar 14</u>
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1 Non-firm Usage (dth)	176,409	125,545	128,811	149,568	139,654	153,570	171,977	202,801	152,179	72,021	94,007	159,054	1,725,595
2 Non-firm Revenue	371,317	200,325	211,710	235,060	225,045	254,243	293,230	427,086	396,780	305,475	210,411	456,591	3,587,271
3 Non-firm Revenue subject to Margin Sharing	293,404	147,174	153,628	167,568	162,957	184,088	214,958	333,992	323,936	262,581	157,369	366,710	2,768,367
4 Non-firm Gas Costs	142,979	41,869	46,741	42,367	47,565	57,396	72,154	162,407	190,360	194,564	72,986	228,116	1,299,505
5 Non-firm Margin	150,425	105,305	106,887	125,202	115,392	126,692	142,804	171,585	133,577	68,018	84,383	138,594	1,468,862
6 Threshold													1,604,433
7 Margin in Excess of Threshold													(135,571)

**National Grid - RI Gas
INVENTORY FINANCE - GCR FY15
For the Twelve Months ended March 31, 2015**

Line No.	Description	Reference	Apr Actual (a)	May Actual (b)	Jun Actual (c)	Jul Actual (d)	Aug Actual (e)	Sep Actual (f)	Oct Actual (g)	Nov Actual (h)	Dec Actual (i)	Jan Actual (j)	Feb Actual (k)	Mar Actual (l)	Apr-Mar (m)
1	Storage Inventory Balance		7,670,748	9,356,366	10,831,096	12,156,982	13,472,512	14,775,906	15,599,159	14,916,162	13,319,725	9,511,474	6,868,185	5,904,442	
2	Monthly Storage Deferral/Amortization		(419,185)	(818,194)	(999,401)	(1,085,433)	(1,010,545)	(1,009,122)	(994,848)	(945,106)	(716,291)	(457,631)	(218,867)	-	
3	Subtotal	(1) + (2)	7,251,563	8,538,172	9,831,695	11,071,549	12,461,967	13,766,784	14,604,311	13,971,056	12,603,434	9,053,843	6,649,318	5,904,442	
4	Cost of Capital	Dkt 4339	0	0	0	0	0	0	0	0	0	0	0	0	
5	Return on Working Capital Requirement	(3) * (4)	546,768	643,778	741,310	834,795	939,632	1,038,015	1,101,165	1,053,418	950,299	682,660	501,359	445,195	9,478,393
6	Weighted Cost of Debt	Dkt 4339	0	0	0	0	0	0	0	0	0	0	0	0	
7	Interest Charges Financed	(3) * (6)	207,395	244,192	281,186	316,646	356,412	393,730	417,683	399,572	360,458	258,940	190,171	168,867	3,595,253
8	Taxable Income	(5) - (7)	339,373	399,586	460,123	518,148	583,220	644,285	683,482	653,845	589,841	423,720	311,188	276,328	
9	1 - Combined Tax Rate	Dkt 3943, Dkt 4323	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	
10	Return and Tax Requirement	(8) / (9)	522,113	614,748	707,882	797,152	897,262	991,208	1,051,510	1,005,916	907,447	651,877	478,751	425,120	9,050,986
11	Working Capital Requirement	(7) + (10)	729,507	858,940	989,068	1,113,798	1,253,674	1,384,938	1,469,194	1,405,488	1,267,905	910,817	668,921	593,987	12,646,238
12	Monthly Average	(11) / 12	60,792	71,578	82,422	92,816	104,473	115,412	122,433	117,124	105,659	75,901	55,743	49,499	1,053,853
13	LNG Inventory Balance		2,912,042	4,785,446	4,717,672	4,563,038	4,429,872	4,345,993	4,768,098	5,102,406	5,083,349	2,900,789	1,631,457	1,449,914	
14	Cost of Capital	Dkt 4339	0	0	0	0	0	0	0	0	0	0	0	0	
15	Return on Working Capital Requirement	(13) * (14)	219,568	360,823	355,712	344,053	334,012	327,688	359,515	384,721	383,285	218,720	123,012	109,323	3,520,432
16	Weighted Cost of Debt	Dkt 4339	0	0	0	0	0	0	0	0	0	0	0	0	
17	Interest Charges Financed	(13) * (16)	83,284	136,864	134,925	130,503	126,694	124,295	136,368	145,929	145,384	82,963	46,660	41,468	1,335,336
18	Taxable Income	(15) - (17)	136,284	223,959	220,787	213,550	207,318	203,392	223,147	238,793	237,901	135,757	76,352	67,856	
19	1 - Combined Tax Rate	Dkt 3943, Dkt 4323	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	
20	Return and Tax Requirement	(18) / (19)	209,667	344,552	339,672	328,539	318,951	312,911	343,303	367,373	366,001	208,857	117,465	104,394	3,361,686
21	Working Capital Requirement	(17) + (20)	292,951	481,416	474,598	459,042	445,645	437,207	479,671	513,302	511,385	291,819	164,125	145,861	4,697,022
22	Monthly Average	(21) / 12	24,413	40,118	39,550	38,253	37,137	36,434	39,973	42,775	42,615	24,318	13,677	12,155	391,418
23	TOTAL GCR Inventory Financing Costs	(12) + (22)	85,205	111,696	121,972	131,070	141,610	151,845	162,405	159,899	148,274	100,220	69,421	61,654	1,445,272

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4323
Gas Earnings Sharing Mechanism – Twelve Months Ended March 31, 2014 and 2015
Responses to Division's First Set of Data Requests
Attachment to DIV 1-7
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**National Grid - RI Gas
ADIT from the Tax Department
For the Twelve Months ended March 31, 2015**

Property Related Deferred Tax Balances					
March 2014 As of March 31, 2014					
Source: Tax Department					
Balances per Financial Statements - March 31, 2014					
	Total Plant ADIT	Net Operating Loss	Net of NOL	FAS109	Net of FAS109
Narragansett - Gas Division	(119,856,906)	31,751,053	(88,105,853)	(424,171)	(87,681,682)
Narragansett - Electric Division	(336,486,123)	26,786,373	(309,699,750)	(3,904,442)	(305,795,309)
Total	(456,343,029)	58,537,425	(397,805,603)	(4,328,613)	(393,476,990)

Property Related Deferred Tax Balances					
June 2014 As of March 31, 2015					
Source: Tax Department					
Balances per Financial Statements - March 31, 2015					
	Total Plant ADIT	Net Operating Loss	Net of NOL	FAS109	Net of FAS109
Narragansett - Gas Division	(138,122,889)	28,090,886	(110,032,002)	(467,085)	(109,564,917)
Narragansett - Electric Division	(331,804,756)	23,698,520	(308,106,236)	(4,613,050)	(303,493,186)
Total	(469,927,644)	51,789,406	(418,138,238)	(5,080,135)	(413,058,103)

Property Related Deferred Tax Balances					
September 2014 As of March 31, 2015					
Source: Tax Department					
Balances per Financial Statements - March 31, 2015					
	Total Plant ADIT	Net Operating Loss	Net of NOL	FAS109	Net of FAS109
Narragansett - Gas Division	(134,130,048)	20,338,822	(113,791,225)	(397,988)	(113,393,238)
Narragansett - Electric Division	(322,212,981)	17,158,589	(305,054,392)	(3,930,625)	(301,123,767)
Total	(456,343,029)	37,497,412	(418,845,617)	(4,328,613)	(414,517,004)

Property Related Deferred Tax Balances					
December 2014 As of March 31, 2015					
Source: Tax Department					
Balances per Financial Statements - March 31, 2015					
	Total Plant ADIT	Net Operating Loss	Net of NOL	FAS109	Net of FAS109
Narragansett - Gas Division	(151,829,779)	46,187,870	(105,641,909)	(454,780)	(105,187,129)
Narragansett - Electric Division	(364,732,039)	38,965,810	(325,766,228)	(4,491,517)	(321,274,712)
Total	(516,561,818)	85,153,681	(431,408,137)	(4,946,296)	(426,461,841)

Property Related Deferred Tax Balances					
March 2015 As of March 31, 2015					
Source: Tax Department					
Balances per Financial Statements - March 31, 2015					
	Total Plant ADIT	Net Operating Loss	Net of NOL	FAS109	Net of FAS109
Narragansett - Gas Division	(137,373,920)	49,414,318	(87,959,602)	(483,025)	(87,476,577)
Narragansett - Electric Division	(330,005,552)	41,687,762	(288,317,790)	(4,770,479)	(283,547,310)
Total	(467,379,472)	91,102,080	(376,277,392)	(5,253,505)	(371,023,887)

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4323
Gas Earnings Sharing Mechanism
Final Earnings Report – Twelve Months Ended March 31, 2014 and 2015
Responses to Division’s First Set of Data Requests
Issued on September 14, 2015

Division 1-8

Request:

The approved earnings sharing mechanism specifies that “results will be adjusted to reflect established Commission ratemaking principles.” Please verify that the Company has included the required adjustments, such as the elimination of expatriate expenses and certain incentive programs, in the determination of net income for the Twelve Months ended March 31, 2015. The response should include any necessary supporting documentation and work papers.

Response:

Please see Attachment DIV 1-7 for work papers supporting the RI Gas Earnings Sharing Calculation for the twelve months ended March 31, 2015, and a detail of adjustments made to reflect established Commission ratemaking principles. With regard to expatriate expenses, the only expatriate expenses included in the Company’s expenses are labor costs of expatriate employees. Expatriate labor costs are allocated to National Grid operating affiliates based on the nature of the work performed by those employees, and is limited to no more than the market reference point for the positions to which the expatriate employees are assigned. Non-labor expatriate related costs are charged to National Grid USA Parent Company and such costs are not charged to any operating affiliates, including the Company. As a result, there was no adjustment made to eliminate expatriate related expenses from the Company’s Earnings report.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4323
Gas Earnings Sharing Mechanism
Final Earnings Report – Twelve Months Ended March 31, 2014 and 2015
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Division 1-9

Request:

Referring to the National Grid - RI Gas Earnings Sharing Calculation for the Twelve Months ended March 31, 2015, Page 7, please itemize the “Other Revenue” of \$(6,451,860).

Response:

The \$6,049,944 of “LIHEAP Revenue” reflected on Page 7, Line 6, and the \$(6,451,860) of “Other Revenue” reflected on Page 7, Line 4, are incorrect. However the sum of “Other Revenue” Line 4 and “LIHEAP Revenue” Line 6 of \$(401,916) is correct. The “LIHEAP Revenues” on Line 6 should have been \$-0- while the “Other Revenue” on Line 4 should have been \$(401,916). The \$(401,916) of “Other Revenue” includes miscellaneous revenue activity.