

October 15, 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
Revised Final Earnings Report – Twelve Months Ended March 31, 2014
Revised Earnings Report – Twelve Months Ended March 31, 2015

Dear Ms. Massaro:

In accordance with the Amended Settlement Agreement approved by the Rhode Island Public Utilities Commission (the PUC) in Order No. 21011 (April 11, 2013) in Docket No. 4323 (the Settlement) as reflected in National Grid's¹ gas tariff, RIPUC NG-Gas No. 101, Section 3, Schedule A, Sheet 13, subpart 5.0, enclosed are ten (10) copies of the following documents for the gas operations of the Company:

1. Revised final earnings report for the twelve-month period ended March 31, 2014 (2014 Report), which replaces the final earnings report for this period that was filed with the PUC on August 28, 2015; and
2. Revised earnings report for the twelve-month period ended March 31, 2015 (2015 Report), which replaces the earnings report for this period that was filed with the PUC on August 28, 2015.

The Company has revised the 2014 Report and the 2015 Report to reflect the correct level of other revenue for the twelve months ended March 31, 2014 and twelve months ended March 31, 2015, respectively. For a more detailed explanation, please see the Company's responses to the Rhode Island Division of Public Utilities and Carriers' Data Requests Division 1-2, Division 1-5, and Division 1-7 in this docket, which were filed with the PUC on October 7, 2015.

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

Luly E. Massaro, Commission Clerk
Docket 4323 – Revised Gas Earnings Sharing Mechanism
October 15, 2015
Page 2 of 2

Thank you for your attention to this filing. If you have any questions, please contact me directly at 781-907-2153.

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

Enclosures

cc: Steve Scialabba, Division
David Effron, Division
Sharon Colby-Camara

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 15, 2015
Date

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

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

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National Grid
Revised Gas Earnings Sharing Mechanism
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National Grid - RI Gas
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	<u>\$ 202,277,699</u>
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	<u>\$ 432,086</u>
10	Earnings to Customers - 50%	<u>\$ 216,043</u>
11		
12	Return on Equity > 10.5 %	0.00%
13	Earnings to be Shared	<u>\$ -</u>
14	Earnings to Customers - 75%	<u>\$ -</u>
15		
16	Total After tax Earnings Credited to Customers	<u><u>\$ 216,043</u></u>
17		
18	Total Earnings Credited to DAC	<u><u>\$ 332,374</u></u>

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 47
- 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 31,2014**

	<u>2014</u>
1 Operating Revenues	
2 Total Firm Gas	\$ 434,925,021
3 Transportation	\$ 33,295,672
4 Other Revenues	\$ (19,082,983)
5 FY13 Customer Portion of On System Non-Firm Margin not booked in FY13	\$ 135,571
6 FY12 Customer Portion of On System Non-Firm Margin booked in FY13	\$ 665,646
7 Total Operating Revenues	<u>\$ 449,938,927</u>
8	
9 <i>Adjustment to Operating Revenue:</i>	
10 Inventory Financing	<u>\$ (1,803,388)</u>
11 Total Adjusted Operating Revenues	<u>\$ 448,135,539</u>
12	
13 Operating Expenses	
14 Production (Gas Costs)	\$ 243,134,254
15 Storage	\$ 1,906,091
16 Transmission	\$ 6,973
17 Distribution	\$ 18,272,649
18 Customer Accounts	\$ 37,270,605
19 Sales	\$ -
20 Administrative and General	\$ 47,972,802
21 Total Operating Expenses	<u>\$ 348,563,375</u>
22	
23 <i>Adjustments to Operating Expense:</i>	
24 Savings Imputed in Base Rates	<u>\$ 2,450,000</u>
25 Total Adjusted Operating Expenses	<u>\$ 351,013,375</u>
26	
27 Other Expenses	
28 Depreciation and Amortization	\$ 27,716,281
29 Local and Other Taxes	\$ 18,280,897
30 Revenue Related Taxes (Gross Earnings Tax - GET)	\$ 11,916,927
31 Federal Income Taxes @ 35%	\$ 10,594,905
32 Total Other Expenses	<u>\$ 68,509,011</u>
33	
34 Income Before Interest Expense	<u>\$ 28,613,153</u>
35	
36 Interest Expense	
37 Short-Term Debt	\$ 9,072
38 Long-Term Debt	\$ 10,592,331
39 Other Interest Expense	\$ -
40 AFUDC	<u>\$ (1,664,503)</u>
41 Total Interest Expense	<u>\$ 8,936,900</u>
42	
43 Net Income / (Loss)	<u>\$ 19,676,253</u>
44	
45 Preferred Dividends	<u>\$ 27,785</u>
46	
47 Net Income / (Loss) Applicable to Common Equity	<u><u>\$ 19,648,468</u></u>

Notes:

- 4 From Page 7 of 13 line 10
- 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
- 37 From Page 4 of 13 line 25(b)
- 38 From Page 4 of 13 line 17(b)
- 39 From Page 8 of 13 line 3
- 45 From Page 4 of 13 line 34(b)

National Grid - RI Gas
Federal Income Tax Calculation
For the Twelve Months ended March 31,2014

1	Operating Revenues	\$	448,135,539
2			
3	Less:		
4			
5	Operating Expenses		351,013,375
6	Depreciation and Amortization		27,716,281
7	Local and Other Taxes		18,280,897
8	Revenue Related Taxes (GET)		11,916,927
9	Interest - Short-Term Debt		9,072
10	Interest - Long-Term Debt		10,592,331
11	Other Interest		0
12	AFUDC		(1,664,503)
13			
14	Total Deductions	\$	417,864,380
15			
16	Taxable Income	\$	30,271,159
17			
18	Federal Income Tax Rate		35%
19			
20	Federal Income Tax Expense	\$	10,594,905

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 37
- 10 From Page 2 of 13 line 38
- 11 From Page 2 of 13 line 39
- 12 From Page 2 of 13 line 40
- 14 Sum of Line 5 through Line 12
- 16 Line 1 minus Line 14
- 20 Line 16 times Line 18

National Grid - RI Gas
Applicable Capital Structure, Interest Expense and Preferred Dividends
For the Twelve Months ended March 31,2014

	%	\$
	(a)	(b)
1 Rate Base		\$ 411,635,528
2		
3		
4		
	Docket 4323	
5 Short-Term Debt	0.76%	\$ 3,128,430
6 Long-Term Debt	49.95%	205,611,946
7 Preferred Stock	0.15%	617,453
8 Common Equity	49.14%	202,277,699
9	100.0%	\$ 411,635,528
10		
11		
12		
13 Long-Term Debt Portion	49.95%	\$ 205,611,946
14		
15 Cost of Long-Term Debt March 2013		5.15%
16		
17 Proforma Long-Term Debt Interest for the Year Ended March 2013		\$ 10,592,331
18		
19		
20		
21 Short-Term Debt Portion	0.76%	\$ 3,128,430
22		
23 Cost of Short-Term Debt March 2013		0.29%
24		
25 Proforma Short-Term Debt Interest for the Year Ended March 2013		\$ 9,072
26		
27		
28		
29		
30 Preferred Stock Portion	0.15%	\$ 617,453
31		
32 Cost of Preferred Stock		4.50%
33		
34 Proforma Preferred Stock for the Year Ended March 2013		\$ 27,785

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(a) times Line 5(a) through Line 8(a)
 - 13 Line 1(b) times Line 13(b)
 - 15 From Page 10 of 13 line 11(e)
 - 17 Line 13 (b) times line 15 (b)
 - 21 Line 1(b) times Line 21(b)
 - 23 From Page 11 of 13 line 14(b)
 - 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 31,2014**

	March 2013	June 2013	September 2013	December 2013	March 2014	Average March 2014
	(a)	(b)	(c)	(d)	(e)	(f)
1 Gas Plant In Service	\$ 756,260,958	\$ 758,141,996	\$ 765,574,175	\$ 788,020,987	\$ 838,790,858	\$ 781,357,795
2 CWIP	58,020,581	75,037,902	87,729,403	92,248,905	62,129,344	75,033,227
3 Less: Accumulated Depreciation	325,612,577	330,893,105	344,408,551	366,861,190	352,211,518	343,997,388
4 Less: Contribution in Aid of Construction	5,356,673	5,356,673	5,356,673	5,356,673	0	4,285,338
5						
6 Net Plant	483,312,289	496,930,120	503,538,354	508,052,029	548,708,684	508,108,295
7						
8 Materials and Supplies	272,612	1,162,110	1,690,673	613,725	884,921	924,808
9 Prepaid Expenses, Excluding Taxes	380,418	(0)	0	0	540,543	184,192
10 Deferred Debits	3,537,994	3,301,571	3,065,148	2,828,726	2,592,303	3,065,148
11 Unamortized debt expense and Interest Rate Lock	2,828,465	2,768,883	2,709,302	2,649,720	2,590,140	2,709,302
12 Cash Working Capital	21,568,744	22,320,968	22,320,968	22,320,968	22,320,968	22,170,523
13						
14 Subtotal	28,588,233	29,553,532	29,786,092	28,413,139	28,928,876	29,053,974
15						
16 Accumulated Deferred FIT	98,340,687	92,864,136	94,520,976	100,956,554	87,681,682	94,872,807
17 Hold Harmless	25,674,670	25,526,229	25,377,788	25,229,347	25,064,987	25,374,604
18 Customer Deposits	4,718,048	4,718,025	4,718,081	4,717,936	4,730,981	4,720,614
19 Injuries and Damages Reserve	591,297	530,224	364,162	472,582	835,316	558,716
20						
21 Subtotal	129,324,702	123,638,614	124,981,006	131,376,418	118,312,966	125,526,741
22						
23 Rate Base	\$ 382,575,819	\$ 402,845,039	\$ 408,343,439	\$ 405,088,750	\$ 459,324,595	\$ 411,635,528

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 + Line 14 - Line 21

**National Grid - RI Gas
 Cash Working Capital Calculation
 For the Twelve Months ended March 31,2014**

1	Gas Costs	\$ 243,134,254
2	Operating Expenses	105,429,120
3	Payroll Taxes	2,038,818
4	Property Taxes	15,624,099
5	State Taxes Other	617,980
6	Revenue Related Taxes (GET)	11,916,927
7	Total	\$ 378,761,199
8		
9	Daily Cash Requirement	\$ 1,037,702
10		
11	Net Lag Days	21.51
12		
13	Total Working Capital	\$ 22,320,968

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

National Grid - RI Gas
Detail Other Revenue/(Expense)
For the Twelve Months ended March 31,2014

1	Rent from Gas Property	\$ 286,608
2	Displacement Revenue	-
3	Recovery of Supervision & Administrative Costs	-
4	Other Revenue	(2,228,282)
5	RDM Revenue	(21,271,902)
6	LIEAP Revenue	3,474,385
7	Misc Revenue	-
8	Interest on Customer Arrears	<u>656,208</u>
9		
10	Total Other Revenue	<u><u>\$ (19,082,983)</u></u>

Notes:

- 1-8 From Company Financial Statements
- 10 Sum of line 1 through line 8

National Grid
Revised Gas Earnings Sharing Mechanism
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National Grid - RI Gas
Detail Other Interest Expense
For the Twelve Months ended March 31,2014

1	Interest on Customer Deposits	\$	-
2			
3	Total Other Interest Expense	<u>\$</u>	<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 31,2014

1	Service Contract Revenue	\$ 3,363
2	Share Awards	(528,152)
3	Interest on Over / (Under) Collections, primarily Deferred Gas Costs	234,133
4	Deferred Compensation - Life Insurance	(25,001)
5	Federal Income Taxes on Non-Operating Income	-
6	NGPMP per Docket 4038	(1,000,000)
7	Lobbying / Legal and Political Expense	(100,487)
8	Penalties	(2,248)
9	Other	<u>502,363</u>
10	Total Non-Operating Income/(Expense)	<u>\$ (916,029)</u>

Notes:

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

National Grid
Calculation of Average Long-Term Debt Interest Rate
For the Twelve Months ended March 31,2014

Description	(a) Average Long-Term Debt Balance	(b) Rate	(c) 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)	5,937,500	8.09%	480,344	3,500	483,844
5 Providence Gas FMB R (Annual sinking fund 12/15 \$750,000)	9,531,250	7.50%	714,844	4,100	718,944
6 Narragansett Senior Note \$250M due 3-15-2020	250,000,000	4.53%	11,325,000	664,600	11,989,600
7 Narragansett Senior Note \$300M due 3-15-2040	300,000,000	5.64%	16,920,000	279,300	17,199,300
8 Narragansett Senior Note \$300M due 12-10-2040 (Issued 12-10-12)	250,000,000	4.17%	10,425,000	75,000	10,500,000
9 Totals	\$ 852,432,750		\$ 42,872,132	\$ 1,041,900	\$ 43,914,032
10					
11			Cost of Debt = (Total Expense / Average Long-Term Debt Balance)		5.15%

Notes:

1-8 From Financial Statements

11(e) 9(e) divided by 9(a)

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 31,2014

<u>Month</u>	(a) <u>Average Short-Term Debt Balance 1\</u>	(b) <u>Weighted Cost Rate</u>	(c) <u>Short-Term Interest Expense</u>
1 Apr-13	10,632,604	0.48%	\$ 4,226
2 May-13	862,384	3.50%	\$ 2,596
3 Jun-13	16,457,548	0.32%	\$ 4,327
4 Jul-13	31,552,415	0.76%	\$ 20,651
5 Aug-13	27,998,440	0.87%	\$ 21,095
6 Sep-13	29,392,461	0.77%	\$ 18,809
7 Oct-13	55,807,306	0.78%	\$ 37,310
8 Nov-13	45,799,955	0.26%	\$ 10,045
9 Dec-13	89,097,958	0.00%	\$ -
10 Jan-14	63,764,052	0.00%	\$ -
11 Feb-14	60,747,086	0.00%	\$ -
12 Mar-14	63,574,952	0.00%	\$ -
13			
14 Average	\$ 41,307,263	0.29%	\$ 119,059

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**

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

**National Grid
Revised Gas Earnings Sharing Mechanism
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Page 13 of 13**

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

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

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Detail Other Revenue/(Expense)	7
Detail Other Interest Expense	8
Detail Non-Operating Income / (Expense)	9
Calculation of Average Long-Term Debt Interest Rate	10
Calculation of Average Short-Term Debt Interest Rate	11
Merger Hold Harmless Rate Base Credit	12
Projected Deferred Tax Schedule	13

National Grid
Revised Gas Earnings Sharing Mechanism
Docket No. 4323
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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	<u>\$ 236,636,100</u>
4		
5	Net Income Available for Common Stock	\$ 18,403,161
6	Return on Common Equity	<u>7.78%</u>
7		
8	Return on Equity > 9.5% and < 10.5%	0.00%
9	Earnings to be Shared	<u>\$ -</u>
10	Earnings to Customers - 50%	<u>\$ -</u>
11		
12	Return on Equity > 10.5 %	0.00%
13	Earnings to be Shared	<u>\$ -</u>
14	Earnings to Customers - 75%	<u>\$ -</u>
15		
16	Total After tax Earnings Credited to Customers	<u><u>\$ -</u></u>
17		
18	Total Earnings Credited to DAC	<u><u>\$ -</u></u>

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 47
- 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 31,2015**

		<u>2015</u>
1	<u>Operating Revenues</u>	
2	Total Firm Gas	\$ 389,488,241
3	Transportation	\$ 37,960,909
4	Other Revenues	\$ (9,251,525)
5	FY15 Customer Portion of On System Non-Firm Margin not booked in FY15	\$ 133,185
6	FY14 Customer Portion of On System Non-Firm Margin booked in FY15	\$ (135,571)
7	Total Operating Revenues	<u>\$ 418,195,238</u>
8		
9	<i>Adjustment to Operating Revenue:</i>	
10	Inventory Financing	\$ (1,445,272)
11	Total Adjusted Operating Revenues	<u>\$ 416,749,966</u>
12		
13	<u>Operating Expenses</u>	
14	Production (Gas Costs)	\$ 203,973,656
15	Storage	\$ 2,567,771
16	Transmission	\$ 9,496
17	Distribution	\$ 29,485,230
18	Customer Accounts	\$ 37,747,825
19	Sales	\$ -
20	Administrative and General	\$ 38,754,657
21	Total Operating Expenses	<u>\$ 312,538,636</u>
22		
23	<i>Adjustments to Operating Expense:</i>	
24	Savings Imputed in Base Rates	\$ 2,450,000
25	Total Adjusted Operating Expenses	<u>\$ 314,988,636</u>
26		
27	<u>Other Expenses</u>	
28	Depreciation and Amortization	\$ 30,569,106
29	Local and Other Taxes	\$ 18,605,283
30	Revenue Related Taxes (Gross Earnings Tax - GET)	\$ 11,820,703
31	Federal Income Taxes @ 35%	\$ 9,926,897
32	Total Other Expenses	<u>\$ 70,921,990</u>
33		
34	<u>Income Before Interest Expense</u>	<u>\$ 30,839,340</u>
35		
36	<u>Interest Expense</u>	
37	Short-Term Debt	\$ 22,325
38	Long-Term Debt	\$ 12,381,350
39	Other Interest Expense	\$ -
40	AFUDC	\$ -
41	Total Interest Expense	<u>\$ 12,403,675</u>
42		
43	<u>Net Income / (Loss)</u>	<u>\$ 18,435,666</u>
44		
45	Preferred Dividends	<u>\$ 32,505</u>
46		
47	<u>Net Income / (Loss) Applicable to Common Equity</u>	<u>\$ 18,403,161</u>

Notes:

- 4 From Page 7 of 13 line 10
- 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
- 37 From Page 4 of 13 line 25(b)
- 38 From Page 4 of 13 line 17(b)
- 39 From Page 8 of 13 line 3
- 45 From Page 4 of 13 line 34(b)

**National Grid
Revised Gas Earnings Sharing Mechanism
Docket No. 4323
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**National Grid - RI Gas
Federal Income Tax Calculation
For the Twelve Months ended March 31,2015**

1	Operating Revenues	\$ 416,749,966
2		
3	Less:	
4		
5	Operating Expenses	314,988,636
6	Depreciation and Amortization	30,569,106
7	Local and Other Taxes	18,605,283
8	Revenue Related Taxes (GET)	11,820,703
9	Interest - Short-Term Debt	22,325
10	Interest - Long-Term Debt	12,381,350
11	Other Interest	0
12	AFUDC	0
13		
14	Total Deductions	\$ 388,387,404
15		
16	Taxable Income	\$ 28,362,562
17		
18	Federal Income Tax Rate	35%
19		
20	Federal Income Tax Expense	\$ 9,926,897

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 37
- 10 From Page 2 of 13 line 38
- 11 From Page 2 of 13 line 39
- 12 From Page 2 of 13 line 40
- 14 Sum of Line 5 through Line 12
- 16 Line 1 minus Line 14
- 20 Line 16 times Line 18

National Grid - RI Gas
Applicable Capital Structure, Interest Expense and Preferred Dividends
For the Twelve Months ended March 31,2015

	%	\$
	(a)	(b)
1 Rate Base		\$ 481,554,946
2	Docket 4323	
3		
4	Capital Structure	
5 Short-Term Debt	0.76%	\$ 3,659,818
6 Long-Term Debt	49.95%	240,536,695
7 Preferred Stock	0.15%	722,332
8 Common Equity	49.14%	236,636,100
9	100.0%	\$ 481,554,946
10	Interest Expense	
11		
12		
13 Long-Term Debt Portion	49.95%	\$ 240,536,695
14		
15 Cost of Long-Term Debt March 2013		5.15%
16		
17 Proforma Long-Term Debt Interest for the Year Ended March 2013		\$ 12,381,350
18		
19		
20		
21 Short-Term Debt Portion	0.76%	\$ 3,659,818
22		
23 Cost of Short-Term Debt March 2013		0.61%
24		
25 Proforma Short-Term Debt Interest for the Year Ended March 2013		\$ 22,325
26		
27	Preferred Dividends	
28		
29		
30 Preferred Stock Portion	0.15%	\$ 722,332
31		
32 Cost of Preferred Stock		4.50%
33		
34 Proforma Preferred Stock for the Year Ended March 2013		\$ 32,505

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(a) times Line 5(a) through Line 8(a)
 - 13 Line 1(b) times Line 13(b)
 - 15 From Page 10 of 13 line 11(e)
 - 17 Line 13 (b) times line 15 (b)
 - 21 Line 1(b) times Line 21(b)
 - 23 From Page 11 of 13 line 14(b)
 - 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 31,2015**

	March 2014	June 2014	September 2014	December 2014	March 2015	Average March 2015
	(a)	(b)	(c)	(d)	(e)	(f)
1 Gas Plant In Service	\$ 838,790,858	\$ 856,153,153	\$ 860,807,779	\$ 912,477,596	\$ 933,915,029	\$ 880,428,883
2 CWIP	62,129,344	84,224,966	61,828,826	47,061,385	44,660,113	59,980,927
3 Less: Accumulated Depreciation	352,211,518	359,783,855	348,106,985	356,480,166	359,573,935	355,231,292
4 Less: Contribution in Aid of Construction	0	0	38	38	38	23
5						
6 Net Plant	548,708,684	580,594,264	574,529,582	603,058,777	619,001,169	585,178,495
7						
8 Materials and Supplies	884,921	771,241	794,711	806,035	950,475	841,477
9 Prepaid Expenses, Excluding Taxes	540,543	50,000	66,661	914,879	457,440	405,905
10 Deferred Debits	2,592,303	2,355,880	2,119,457	1,883,035	1,646,612	2,119,457
11 Unamortized debt expense and Interest Rate Lock	2,590,140	2,530,559	2,470,978	2,411,397	2,351,816	2,470,978
12 Cash Working Capital	22,320,968	20,496,017	20,496,017	20,496,017	20,496,017	20,861,007
13						
14 Subtotal	28,928,876	26,203,697	25,947,825	26,511,363	25,902,360	26,698,824
15						
16 Accumulated Deferred FIT	87,681,682	109,564,917	113,393,238	105,187,129	87,476,577	100,660,709
17 Hold Harmless	25,064,987	24,900,627	24,736,267	24,571,907	24,320,306	24,718,819
18 Customer Deposits	4,730,981	4,730,911	4,745,181	4,740,159	2,793,393	4,348,125
19 Injuries and Damages Reserve	835,316	992,816	463,950	349,234	332,291	594,721
20						
21 Subtotal	118,312,966	140,189,270	143,338,636	134,848,429	114,922,567	130,322,374
22						
23 Rate Base	\$ 459,324,595	\$ 466,608,691	\$ 457,138,770	\$ 494,721,711	\$ 529,980,962	\$ 481,554,946

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

National Grid - RI Gas
Cash Working Capital Calculation
For the Twelve Months ended March 31,2015

1	Gas Costs	\$ 203,973,656
2	Operating Expenses	108,564,980
3	Payroll Taxes	2,264,423
4	Property Taxes	16,220,709
5	State Taxes Other	4,949,400
6	Revenue Related Taxes (GET)	11,820,703
7	Total	\$ 347,793,871
8		
9	Daily Cash Requirement	\$ 952,860
10		
11	Net Lag Days	21.51
12		
13	Total Working Capital	\$ 20,496,017

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

National Grid - RI Gas
Detail Other Revenue/(Expense)
For the Twelve Months ended March 31,2015

1	Rent from Gas Property	\$ 303,327
2	Displacement Revenue	(1)
3	Recovery of Supervision & Administrative Costs	-
4	Other Revenue	(6,451,859)
5	RDM Revenue	(9,954,327)
6	LIEAP Revenue	6,049,944
7	Misc Revenue	-
8	Interest on Customer Arrears	<u>801,391</u>
9		
10	Total Other Revenue	<u><u>\$ (9,251,525)</u></u>

Notes:

- 1-8 From Company Financial Statements
- 10 Sum of line 1 through line 8

National Grid
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National Grid - RI Gas
Detail Other Interest Expense
For the Twelve Months ended March 31,2015

1	Interest on Customer Deposits	\$	-
2			
3	Total Other Interest Expense	<u>\$</u>	<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 31,2015

1	Service Contract Revenue	\$ 432,447
2	Share Awards	(386,514)
3	Interest on Over / (Under) Collections, primarily Deferred Gas Costs	236,013
4	Deferred Compensation - Life Insurance	-
5	Federal Income Taxes on Non-Operating Income	-
6	NGPMP per Docket 4038	(1,000,000)
7	Lobbying / Legal and Political Expense	(164,854)
8	Penalties	(128,400)
9	Other	<u>(27,812)</u>
10	Total Non-Operating Income/(Expense)	<u>\$ (1,039,120)</u>

Notes:

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

National Grid
Calculation of Average Long-Term Debt Interest Rate
For the Twelve Months ended March 31,2015

<u>Description</u>	(a) Average Long-Term <u>Debt Balance</u>	(b) <u>Rate</u>	(c) Long-Term <u>Interest Expense</u>	(d) Annual Amortization <u>of DD&E</u>	(e) Total <u>Expense</u>
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)	5,312,500	8.09%	429,781	3,500	433,281
5 Providence Gas FMB R (Annual sinking fund 12/15 \$750,000)	8,781,250	7.50%	658,594	4,100	662,694
6 Narragansett Senior Note \$250M due 3-15-2020	250,000,000	4.53%	11,325,000	664,600	11,989,600
7 Narragansett Senior Note \$300M due 3-15-2040	300,000,000	5.64%	16,920,000	279,300	17,199,300
8 Narragansett Senior Note \$300M due 12-10-2040 (Issued 12-10-12)	250,000,000	4.17%	10,425,000	75,000	10,500,000
9 Totals	\$ 851,057,750		\$ 42,765,320	\$ 1,041,900	\$ 43,807,220
10					
11			Cost of Debt = (Total Expense / Average Long-Term Debt Balance)		5.15%

Notes:

1-8 From Financial Statements
11(e) 9(e) divided by 9(a)

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 31,2015

		(a)	(b)	(c)
<u>Month</u>		<u>Average Short-Term Debt Balance 1\</u>	<u>Weighted Cost Rate</u>	<u>Short-Term Interest Expense</u>
1	Apr-14	-	0.00%	\$ -
2	May-14	-	0.00%	\$ -
3	Jun-14	-	0.00%	\$ -
4	Jul-14	-	0.00%	\$ -
5	Aug-14	-	0.00%	\$ -
6	Sep-14	-	0.00%	\$ -
7	Oct-14	-	0.00%	\$ -
8	Nov-14	-	0.00%	\$ -
9	Dec-14	-	0.00%	\$ -
10	Jan-15	51,501,330	0.46%	\$ 17,731
11	Feb-15	165,059,020	0.67%	\$ 83,529
12	Mar-15	199,535,870	0.67%	\$ 110,289
13				
14	Average	\$ 34,674,685	0.61%	\$ 211,549

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
Revised Gas Earnings Sharing Mechanism
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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