

September 1, 2015

BY HAND DELIVERY AND ELECTRONIC MAIL

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

RE: Docket 4474 - Fiscal Year 2015 Gas Infrastructure, Safety, and Reliability Plan Supplemental Reconciliation Filing

Dear Ms. Massaro:

On behalf of National Grid,¹ I have enclosed ten copies of Attachment MAL-1 Supplemental, which is related to the Company's proposed fiscal year (FY) 2015 Gas Infrastructure, Safety, and Reliability (ISR) Plan Annual Reconciliation Filing that the Company filed with the Rhode Island Public Utilities Commission (PUC) on August 3, 2015.² The enclosed revised schedules replace Attachment MAL-1, which was included in the Company's August 3, 2015 filing.

Subsequent to the Company's filing on August 3, the Company finalized the results of an internal audit review regarding its FY 2012, FY 2013, and FY 2014 capital spending, which the Company reported as Gas ISR capital investment in its annual reconciliation filings for FY 2012, FY 2013, and FY 2014. The audit concluded that capital investment totaling \$266,685 in FY 2012, \$44,855 in FY 2013, and \$203,902 in FY 2014 was improperly included as Gas ISR investment, and that those amounts should be deducted from total Gas ISR capital investment in each respective year's ISR reconciliation.

Therefore, the Company has recalculated the revenue requirement associated with the amount of Gas ISR-eligible capital investment incremental to the level of Gas ISR-eligible investment included in rate base in Docket RIPUC No. 4323, for the periods FY 2012 through 2014, as well as the cumulative impact on its FY 2015 revenue requirement. The aggregate impact of these changes to the Company's FY 2012 through FY 2015 Gas ISR Reconciliation revenue requirements is a decrease of \$140,189. For the average residential customer using 846 therms annually, implementation of the revised ISR factors will result in an annual bill increase of \$22.59, or 1.8%, a decrease of \$0.41 as compared to the bill increase of \$23.00, or 1.8%, resulting from the ISR factors originally submitted on August 3, 2015.

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

² The Gas ISR Plan is submitted in compliance with the provisions of R.I. Gen. Laws § 39-1-27.7.1.

Luly Massaro, Commission Clerk
Docket 4474 - FY 2015 Gas ISR Supplemental Reconciliation Filing
September 1, 2015
Page 2 of 2

Thank you for your attention to this transmittal. If you have any questions, please contact me at 781-907-2121.

Very truly yours,



Raquel J. Webster

Enclosures

cc: Docket 4474 Service List
Leo Wold, Esq.
Steve Scialabba, Division
James Lanni, Division
Don Ledversis, Division

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

September 1, 2015

Date

Docket No. 4474 National Grid's FY 2015 Gas Infrastructure, Safety and Reliability Plan - Service List 10/30/14

Name/Address	E-mail Distribution	Phone
Raquel J. Webster, Esq. National Grid. 280 Melrose St. Providence, RI 02907	Thomas.teehan@nationalgrid.com	401-784-7667
	celia.obrien@nationalgrid.com	
	raquel.webster@nationalgrid.com	
	Joanne.scanlon@nationalgrid.com	
John Nestor David Iseler National Grid	John.nestor@nationalgrid.com	
	Walter.fromm@nationalgrid.com	
	Jackson.lehr@nationalgrid.com	
Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	Lwold@riag.ri.gov	401-222-2424
	Steve.scialabba@dpuc.ri.gov	
	James.lanni@dpuc.ri.gov	
	John.spirito@dpuc.ri.gov	
	Don.ledversis@dpuc.ri.gov	
	dmacrae@riag.ri.gov	
David Efron Berkshire Consulting 12 Pond Path North Hampton, NH 03862-2243	jmunoz@riag.ri.gov	603-964-6526
	Djeffron@aol.com	
File an original & nine (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
	Cynthia.wilsonfrias@puc.ri.gov	
	Sharon.ColbyCamara@puc.ri.gov	
Danny Musher, OER	Danny.Musher@energy.ri.gov	

The Narragansett Electric Company
d/b/a National Grid
FY 2015 Gas ISR Revenue Requirement Reconciliation
Summary

<u>Line</u> <u>No.</u>		FY 2015 Actuals (a)
1	FY 2015 Operation & Maintenance expense	<u>\$502,734</u>
2	FY 2015 Revenue Requirement on FY 2015 Actual Capital Investment	\$2,694,048
3	FY 2015 Revenue Requirement on FY 2014 Actual Incremental Capital Investment	\$3,545,107
4	FY 2015 Revenue Requirement on FY 2013 Actual Incremental Capital Investment	\$279,022
5	FY 2015 Revenue Requirement on FY 2012 Actual Incremental Capital Investment	<u>\$1,105,748</u>
6	Subtotal- FY 2015 Revenue Requirement on Actual Capital Investment	\$7,623,926
7	True Up for Capital Repairs Rate and Bonus Depreciation and to Correct Weighted Average Rate Base in FY 2014 Revenue Requirement on FY 2014 Capital Investment in RIPUC Docket No. 4380	(\$262,965)
8	True Up for Net Operating Losses generated in FY 2012, FY 2013 and FY 2014	\$3,537,706
9	True Up for FY 2014 Revenue Requirement on FY 2012 Investment due to error in Capital Repairs Deduction Rate	(\$10,357)
10	Decrease in FY 2012 through FY 2014 revenue requirements related to Internal Audit findings on vintage FY 2012 through FY 2014 capital investments	(\$81,212)
11	FY 2015 Property Tax recovery adjustment	<u>\$1,686,867</u>
12	Total FY 2015 Capital Component of Revenue Requirement	<u>\$12,493,965</u>
13	Total Adjusted FY 2015 Revenue Requirement	<u>\$12,996,699</u>
14	FY 2015 Revenue Requirement as initially filed on August 3, 2015	\$13,136,888
15	Decrease in FY 2015 Revenue Requirement	(\$140,189)

Line Notes

- 1 From Attachment DGI-1, Page 6
- 2 From Page 2 of 18, Line 27
- 3 From Page 4 of 18, Line 26
- 4 From Page 7 of 18, Line 24
- 5 From Page 9 of 18, Line 26
- 6 Sum of Line 2 through Line 5
- 7 From Page 6 of 18, Line 5
- 8 From Page 15 of 18, Line 7
- 9 From Page 6 of 18, Line 12
- 10 From Page 18 of 18, Line 5
- 11 From Page 12 of 18, Line 48(g)
- 12 Sum of Lines 6 through 11
- 13 Line 1 + Line 12
- 14 Per RIPUC Docket No. 4474 Attachment MAL-1, Page 1 at Line 12
- 15 Line 12 - Line 13

The Narragansett Electric Company
d/b/a National Grid
FY 2015 Gas ISR Revenue Requirement Reconciliation
Computation of Revenue Requirement on FY 2015 Actual Incremental Gas Capital Investment

Line No.			Fiscal Year 2015 (a)
<u>Depreciable Net Capital Included in ISR Rate Base</u>			
1	Total Allowed Capital Included in ISR Rate Base in Current Year	Per Attachment DGI-1, Table 2 less Line 7	\$74,915,000
2	Retirements		1/ \$5,566,546
3	Net Depreciable Capital Included in ISR Rate Base	Line 1 - Line 2	\$69,348,454
<u>Change in Net Capital Included in ISR Rate Base</u>			
4	Capital Included in ISR Rate Base	Line 1	\$74,915,000
5	Depreciation Expense	Per Settlement Agreement Docket No. 4323, excluding General Plant	\$24,356,183
6	Incremental Depreciable Amount	Line 4 - Line 5	\$50,558,817
7	Cost of Removal		2/ \$2,425,000
8	Net Plant Amount	Line 6 + Line 7	\$52,983,817
<u>Deferred Tax Calculation:</u>			
9	Composite Book Depreciation Rate	As Approved in R.I.P.U.C. Docket No. 3943 & 4323	3.38%
10	Tax Depreciation	Page 3, Line 20	\$62,663,710
11	Cumulative Tax Depreciation	Current Year Line 10	\$62,663,710
12	Book Depreciation	Line 3 * Line 9 * 50%	\$1,171,989
13	Cumulative Book Depreciation	Current Year Line 12	\$1,171,989
14	Cumulative Book / Tax Timer	Line 11 - Line 13	\$61,491,721
15	Effective Tax Rate		35.00%
16	Deferred Tax Reserve	Line 14 * Line 15	\$21,522,102
17	Less: FY 2015 NOL	Per Page 14 of 18, Line 10	\$0
18	Net Deferred Tax Reserve	Line 16 + Line 17	\$21,522,102
<u>ISR Rate Base Calculation:</u>			
19	Cumulative Incremental Capital Included in ISR Rate Base	Line 8	\$52,983,817
20	Accumulated Depreciation	- Line 13	(\$1,171,989)
21	Deferred Tax Reserve	- Line 18	(\$21,522,102)
22	Year End Rate Base	Sum of Lines 19 through 21	\$30,289,726
<u>Revenue Requirement Calculation:</u>			
23	Average ISR Rate Base	Column (a) = Current Year Line 22/2; Column (b) = (Prior Year Line 20 + Current Year Line 20) ÷ 2	\$15,144,863
24	Pre-Tax ROR		3/ 10.05%
25	Return and Taxes	Line 23 * Line 24	\$1,522,059
26	Book Depreciation	Line 12	\$1,171,989
27	Annual Revenue Requirement	Line 25 + Line 26	\$2,694,048

1/ Actual FY 2015 retirements per Company's books

2/ Actual FY 2015 Cost of Removal per Company's books

3/ Weighted Average Cost of Capital per Settlement Agreement R.I.P.U.C. Docket No. 4323

	Ratio	Rate	Rate	Taxes	Return
Long Term Debt	49.95%	5.70%	2.85%		2.85%
Short Term Debt	0.76%	0.80%	0.01%		0.01%
Preferred Stock	0.15%	4.50%	0.01%		0.01%
Common Equity	49.14%	9.50%	4.67%	2.51%	7.18%
	100.00%		7.54%	2.51%	10.05%

The Narragansett Electric Company
d/b/a National Grid
FY 2015 Gas ISR Revenue Requirement Reconciliation
Calculation of Tax Depreciation and Repairs Deduction on FY 2015 Capital Investments
Calculation of Tax Depreciation and Repairs Deduction

Line No.			Fiscal Year <u>2015</u> (a)
	<u>Capital Repairs Deduction</u>		
1	Plant Additions	Page 2 Line 1	\$74,915,000
2	Capital Repairs Deduction Rate	Per Tax Department 1/	67.43%
3	Capital Repairs Deduction	Line 2 * Line 3	\$50,518,050
	<u>Bonus Depreciation</u>		
4	Plant Additions	Line 1	\$74,915,000
5	Less Capital Repairs Deduction	Line 3	\$50,518,050
6	Plant Additions Net of Capital Repairs Deduction	Line 4 - Line 5	\$24,396,950
7	Percent of Plant Eligible for Bonus Depreciation	Per Tax Department	100.00%
8	Plant Eligible for Bonus Depreciation	Line 6 x Line 7	\$24,396,950
9	Bonus Depreciation Rate (April 2014 - December 2014)	1 * 75% * 50%	37.50%
10	Bonus Depreciation Rate (January 2015 - March 2015)	1 * 25% * 0%	0.00%
11	Total Bonus Depreciation Rate	Line 9 + Line 10	37.50%
12	Bonus Depreciation	Line 8 x Line 11	\$9,148,856
	<u>Remaining Tax Depreciation</u>		
13	Plant Additions	Line 1	\$74,915,000
14	Less Capital Repairs Deduction	Line 3	\$50,518,050
15	Less Bonus Depreciation	Line 12	\$9,148,856
16	Remaining Plant Additions Subject to 20 YR MACRS Tax Depreciation	Line 13 - Line 14 - Line 15	\$15,248,094
17	20 YR MACRS Tax Depreciation Rates	Per IRS	3.750%
18	Remaining Tax Depreciation	Line 16 * Line 17	\$571,804
19	Cost of Removal	Page 2 Line 7	\$2,425,000
20	Total Tax Depreciation and Repairs Deduction	Sum of Lines 3, 12, 18, 19	\$62,663,710

1/ Agrees to FY 2015 ISR Plan Proposal filing. Capital Repairs percentage is based on a three year average, 2010, 2011, and 2012. Since growth is not included in the ISR, the percentage was derived by taking property qualifying for the repairs deduction as a percentage of the total annual gas plant additions in those categories that are considered as potentially qualifying for Capital Repairs deduction.

The Narragansett Electric Company
d/b/a National Grid
FY 2015 Gas ISR Revenue Requirement Reconciliation
Computation of Revenue Requirement on FY 2014 Actual Incremental Gas Capital Investment

Line No.			Fiscal Year 2014 (a)	Fiscal Year 2015 (b)
Depreciable Net Capital Included in Rate Base				
1	Total Allowed Capital Included in Rate Base in Current Year	Page 11 of 18, Line 3, Column (c)	\$22,483,868	\$0
2	Retirements	Page 11 of 18, Line 9, Column (c)	1/ 1,615,155	\$0
3	Net Depreciable Capital Included in Rate Base	Column (a) = Line 1 - Line 2; Column (b) = Prior Year Line 3	\$20,868,713	\$20,868,713
Change in Net Capital Included in Rate Base				
4	Capital Included in Rate Base	Line 1	\$22,483,868	
5	Depreciation expense	Per Compliance filing Docket No. 4323, excluding General Plant	2/ \$4,060,176	
6	Incremental Depreciable Amount	Column (a) = Line 4 - Line 5; Column (b) = Prior Year Line 6	\$18,423,692	
7	Cost of Removal	Page 11 of 18, Line 6, Column (c)	3/ (\$1,210,006)	
8	Net Plant Amount	Line 6 + Line 7	\$17,213,686	\$17,213,686
Deferred Tax Calculation:				
9	Composite Book Depreciation Rate	As Approved in R.I.P.U.C. Docket No. 4323 and 3943	3.38%	3.38%
10	Tax Depreciation	Page 5 of 13, Line 20	\$18,535,165	\$205,409
11	Cumulative Tax Depreciation	Prior Year Line 11 + Current Year Line 10	\$18,535,165	\$18,740,574
12	Book Depreciation	Column (a) = Line 3 * Line 9 * 50%; Column (b) = Line 3 * Line 9	\$352,681	\$705,362
13	Cumulative Book Depreciation	Prior Year Line 13 + Current Year Line 12	\$352,681	\$1,058,044
14	Cumulative Book / Tax Timer	Line 11 - Line 13	\$18,182,484	\$17,682,530
15	Effective Tax Rate		35.00%	35.00%
16	Deferred Tax Reserve	Line 14 * Line 15	\$6,363,869	\$6,188,886
17	Less: FY 2014 Federal NOL	Lessor of Line 17 or Page 14 of 18, Line 9	(\$6,363,869)	(\$6,363,869)
18	Net Deferred Tax Reserve	Line 16 + Line 17	\$0	(\$174,984)
Rate Base Calculation:				
17	Cumulative Incremental Capital Included in Rate Base	Line 8	\$17,213,686	\$17,213,686
18	Accumulated Depreciation	- Line 13	(\$352,681)	(\$1,058,044)
19	Deferred Tax Reserve	- Line 16	\$0	\$174,984
20	Year End Rate Base	Sum of Lines 17 through 19	\$16,861,005	\$16,330,626
Revenue Requirement Calculation:				
21	Average Rate Base	Col (a) = Line 20 * Page 16 Line 16; Col (b) = (Prior Year Line 20 + Current Year Line 20) ÷ 2	\$5,452,494	\$16,595,816
22	Pre-Tax ROR		4/ 10.05%	10.05%
23	Return and Taxes	Line 21 * Line 22	\$547,976	\$1,667,879
24	Book Depreciation	Line 12	\$352,681	\$705,362
25	Property Taxes	\$0 in Year 1, then Prior Year (Line 8 - Line 13) * Property Tax Rate	\$0	\$0
26	Annual Revenue Requirement on Incremental FY14 Investment	Sum of Lines 23 through 25	\$900,657	\$2,373,242
27	Remaining FY14 NOL attributable to embedded rate base in RIPUC Docket 4323	Per Page 14 of 18, Line 9 less Line 17	\$11,660,349	\$11,660,349
28	Average Rate Base	Col (a) = Line 27 * Page 16, Line 16; Col (b) = (Prior Year Line 27 + Current Year Line 27) ÷ 2	\$6,801,870	\$11,660,349
29	Pre-Tax ROR		4/ 10.05%	10.05%
30	Return and Taxes	Line 27 * Line 28	\$683,588	\$1,171,865
31	Annual Revenue Requirement adjustment to base rates relat	Line 30	\$683,588	\$1,171,865
32	Total Annual Revenue Requirement	Line 26 + Line 31	\$1,584,245	\$3,545,107
33	Revenue requirement as filed on August 3, 2015	Attachment MAL-1, Page 4, Line 32	\$1,596,122	\$3,572,053
34	Decrease in revenue requirement	Line 32 - Line 33	(\$11,877)	(\$26,946)

1/ Actual Incremental Retirements

2/ Depreciation expense has been prorated for two months (February - March 2014).

3/ Actual Incremental Cost of Removal

4/ Weighted Average Cost of Capital as approved in R.I.P.U.C. Docket No. 4323

	Ratio	Rate	Rate	Taxes	Return
Long Term Debt	49.95%	5.70%	2.85%		2.85%
Short Term Debt	0.76%	0.80%	0.01%		0.01%
Preferred Stock	0.15%	4.50%	0.01%		0.01%
Common Equity	49.14%	9.50%	4.67%	2.51%	7.18%
	100.00%		7.54%	2.51%	10.05%

The Narragansett Electric Company
d/b/a National Grid
FY 2015 Gas ISR Revenue Requirement Reconciliation
Computation of Revenue Requirement on FY 2014 Actual Incremental Gas Capital Investment
Calculation of Tax Depreciation and Repairs Deduction

Line No.			Fiscal Year <u>2014</u> (a)	Fiscal Year <u>2015</u> (b)
	<u>Capital Repairs Deduction</u>			
1	Plant Additions	Page 4, Line 1	\$22,483,868	
2	Capital Repairs Deduction Rate	Per Tax Department 1/	74.94%	
3	Capital Repairs Deduction	Line 1 x Line 2	\$16,849,411	
	<u>Bonus Depreciation</u>			
4	Plant Additions	Line 1	\$22,483,868	
5	Less Capital Repairs Deduction	Line 3	\$16,849,411	
6	Plant Additions Net of Capital Repairs Deduction	Line 4 - Line 5	\$5,634,457	
7	Percent of Plant Eligible for Bonus Depreciation	Per Tax Department	99.00%	
8	Plant Eligible for Bonus Depreciation	Line 6 x Line 7	\$5,578,113	
9	Bonus Depreciation Rate (April 2013 - December 2013)	1 * 75% * 50%	37.50%	
10	Bonus Depreciation Rate (January 2014 - March 2014)	1 * 25% * 50%	12.50%	
11	Total Bonus Depreciation Rate	Line 9 + Line 10	50.00%	
12	Bonus Depreciation	Line 8 x Line 11	\$2,789,057	
	<u>Remaining Tax Depreciation</u>			
13	Plant Additions	Line 1	\$22,483,868	
14	Less Capital Repairs Deduction	Line 3	\$16,849,411	
15	Less Bonus Depreciation	Line 12	\$2,789,057	
16	Remaining Plant Additions Subject to 20 YR MACRS Tax Depreciation	Line 13 - 14 - 15	\$2,845,400	\$2,845,400
17	20 YR MACRS Tax Depreciation Rates		3.750%	7.219%
18	Remaining Tax Depreciation	Line 16 x Line 17	\$106,703	\$205,409
19	Cost of Removal	Page 4, Line 7	(\$1,210,006)	
20	Total Tax Depreciation and Repairs Deduction	Sum of Lines 3, 12, 18, 19	\$18,535,165	\$205,409

1/ Capital Repairs percentage is based on the actual results of the FY 2014 tax return. Since growth is not included in the ISR, the percentage was derived by taking property qualifying for the repairs deduction as a percentage of the total annual plant additions in those categories that are considered as potentially qualifying for Capital Repairs deduction.

The Narragansett Electric Company
d/b/a National Grid
FY 2015 Gas ISR Revenue Requirement Reconciliation
True-up for Capital Repairs and Bonus Depreciation Deduction on FY 2014 Capital Investments,
Weighted Average Rate Base on FY 2014 Capital Investments, and
Capital Repairs on FY 2012 Capital Investments

Line		
	<u>Update Capital Repairs Rate and Bonus Depreciation and Correct Weighted Average Rate</u>	
No.	<u>Base in FY 2014 Revenue Requirement on FY 2014 Capital Investment</u>	(a)
1	FY 2014 Revenue Requirement using simple average rate base, estimated capital repairs deduction rate of 48.33%, estimated bonus depreciation rate of 37.50%, and no NOL	\$969,436
2	FY 2014 Revenue Requirement using weighted average rate base, actual capital repairs deduction rate of 74.94%, actual bonus depreciation rate of 50.00%, and NOL of \$18,204,218	<u>\$1,584,245</u>
3	Change in revenue requirement	\$614,809
4	Less: NOL impact	(\$888,311)
5	True Up Amount	<u><u>(\$273,502)</u></u>
6	As initially filed on August 3, 2015	(\$262,965)
7	True Up Attributable to FY 2014 Internal Audit adjustments	(\$10,537)
	<u>Correct Capital Repairs Rate in FY 2014 revenue requirement on FY 2012 Capital Investment</u>	
8	FY 2014 Revenue Requirement using capital repairs deduction rate of 48.33%	\$539,314
9	FY 2014 Revenue Requirement using capital repairs deduction rate of 67.43% and NOL of \$6,268,061	<u>\$1,132,588</u>
10	Change in revenue requirement	\$593,274
11	Less: NOL impact	(\$629,940)
12	True Up Amount	<u><u>(\$36,666)</u></u>
13	As initially filed on August 3, 2015	(\$10,357)
14	True Up Attributable to FY 2012 Internal Audit adjustments	(\$26,309)

Line Notes

- 1 RIPUC Docket No. 4380, Attachment WRR-1, Page 2 of 13, Line 26
- 2 From Page 4 of 18, Line 32(a)
- 3 Line 2 - Line 1
- 4 Per Page 15 of 18, Line 5
- 5 Line 3 + Line 4
- 6 Per RIPUC Docket No. 4474, Attachment MAL-1, Page 6 of 17, Line 5
- 7 Line 5 - Line 6
- 8 RIPUC Docket No. 4380, Attachment WRR-1, Page 7 of 13, Line 24
- 9 Per Page 9 of 18, Line 32(c)
- 10 Line 9 - Line 8
- 11 Per Page 15 of 18, Line 3
- 12 Line 10 + Line 11
- 13 Per RIPUC Docket No. 4474, Attachment MAL-1, Page 6 of 17, Line 10
- 14 Line 12 - Line 13

The Narragansett Electric Company
d/b/a National Grid
FY 2015 Gas ISR Revenue Requirement Reconciliation
Computation of Revenue Requirement on FY2013 Actual Incremental Capital Investment

Line No.		Fiscal Year 2013 (a)	Fiscal Year 2014 (b)	Fiscal Year 2015 (c)
Depreciable Net Capital Included in Rate Base				
1	Total Allowed Capital Included in Rate Base in Current Year	Page 11 of 18, Line 3, Column (b)	(\$768,090)	\$0
2	Retirements	Page 11 of 18, Line 9, Column (b)	3,276,842	\$0
3	Net Depreciable Capital Included in Rate Base	Line 1 - Line 2	(\$4,044,932)	(\$4,044,932)
Change in Net Capital Included in Rate Base				
4	Capital Included in Rate Base	Line 1	(\$768,090)	(\$768,090)
5	Cost of Removal	Page 11 of 18, Line 6, Column (b)	(\$1,548,831)	(\$1,548,831)
6	Net Plant Amount	Line 4 + Line 5	(\$2,316,922)	(\$2,316,922)
Deferred Tax Calculation:				
7	Composite Book Depreciation Rate	As Approved in R.I.P.U.C. Docket No. 4323 and 3943	3.38%	3.38%
8	Tax Depreciation	Page 5 of 13, Line 26	(\$2,205,170)	(\$8,382)
9	Cumulative Tax Depreciation	Col (a)= Current Yr Line 8; Col (b)= Prior Yr Line 9 + Current Yr Line 8	(\$2,205,170)	(\$2,213,552)
10	Book Depreciation	Column (a) = Line 3 * Line 7 * 50%; Column (b) = Line 3 * Line 7	(\$68,359)	(\$136,719)
11	Cumulative Book Depreciation	Col (a)=Current Yr Line 10; Col (b) = Prior Yr Line 9 + Current Yr	(\$68,359)	(\$205,078)
12	Cumulative Book / Tax Timer	Line 9 - Line 11	(\$2,136,811)	(\$2,008,474)
13	Effective Tax Rate		35.00%	35.00%
14	Deferred Tax Reserve	Line 12 * Line 13	(\$747,884)	(\$702,966)
15	Less: FY 2013 Federal NOL	Per Page 14 of 18, Line 9	\$0	\$0
16	Net Deferred Tax Reserve	Line 14 - Line 15	(\$747,884)	(\$702,966)
Rate Base Calculation:				
15	Cumulative Incremental Capital Included in Rate Base	Line 6	(\$2,316,922)	(\$2,316,922)
16	Accumulated Depreciation	- Line 11	\$68,359	\$205,078
17	Deferred Tax Reserve	- Line 14	\$747,884	\$702,966
18	Year End Rate Base	Sum of Lines 15 through 17	(\$1,500,678)	(\$1,408,877)
Revenue Requirement Calculation:				
19	Average Rate Base	Col (a)= Current Yr Line 18 ÷ 2; Col (b) = (Prior Yr Line 18 + Current Yr Line 18) ÷ 2	(\$750,339)	(\$1,454,778)
20	Pre-Tax ROR		11.18%	10.05%
21	Return and Taxes	Line 19 * Line 20	(\$83,888)	(\$146,205)
22	Book Depreciation	Line 10	(\$68,359)	(\$136,719)
23	Property Taxes	\$0 in Year 1, then Prior Year (Line 6 - Line 11) * Property Tax Rate	\$0	(\$75,327)
24	Annual Revenue Requirement on Incremental FY 2013 Investment	Sum of Lines 21 through 23	(\$152,247)	(\$358,251)
25	Remaining FY13 NOL attributable to embedded rate base in RIPUC Docket 4323	Per Page 14 of 18, Line 9 less Line 13	\$6,136,520	\$6,136,520
26	Average Rate Base	Col (a) = Line 25 * 50%; Col (b) = (Prior Year Line 25 + Current Year Line 25) ÷ 2	\$3,068,260	\$6,136,520
27	Pre-Tax ROR		11.18%	10.05%
28	Return and Taxes	Line 26 * Line 27	\$343,031	\$616,720
29	Annual Revenue Requirement adjustment to base rates related to NOL	Line 28	\$343,031	\$616,720
30	Total Annual Revenue Requirement	Line 24 + Line 29	\$190,784	\$258,470
31	Revenue requirement as filed on August 3, 2015	Attachment MAL-1, Page 7, Line 30	\$193,272	\$264,515
32	Decrease in revenue requirement	Line 31 - Line 30	(\$2,488)	(\$6,045)

1/ Actual Incremental Retirements
2/ Actual Incremental Cost of Removal

3/ Weighted Average Cost of Capital as approved in R.I.P.U.C. Docket No. 4323

	Ratio	Rate	Rate	Taxes	Return
Long Term Debt	49.95%	5.70%	2.85%		2.85%
Short Term Debt	0.76%	0.80%	0.01%		0.01%
Preferred Stock	0.15%	4.50%	0.01%		0.01%
Common Equity	49.14%	9.50%	4.67%	2.51%	7.18%
	<u>100.00%</u>		<u>7.54%</u>	<u>2.51%</u>	<u>10.05%</u>

4/ FY 2015 effective property tax rate of 3.03% per Page 12 of 18 at Line 22(h)

5/ Col (a) - Per Page 15 of 17, Line 1 ; Cols (b) & (c) - Per Note 3 above

The Narragansett Electric Company
d/b/a National Grid
FY 2015 Gas ISR Revenue Requirement Reconciliation
Computation of Revenue Requirement on FY2013 Actual Incremental Capital Investment
Calculation of Tax Depreciation and Repairs Deduction

Line No.			Fiscal Year 2013 (a)	Fiscal Year 2014 (b)	Fiscal Year 2015 (c)
<u>Capital Repairs Deduction</u>					
1	Plant Additions	Page 4, Line 1(a)	(\$768,090)		
2	Capital Repairs Deduction Rate	Per Tax Department	1/ 67.95%		
3	Capital Repairs Deduction	Line 1 x Line 2	(\$521,917)		
<u>Bonus Depreciation</u>					
4	Plant Additions	Line 1	(\$768,090)		
5	Less Capital Repairs Deduction	Line 3	(\$521,917)		
6	Plant Additions Net of Capital Repairs Deduction	Line 4 - Line 5	(\$246,173)		
7	Percent of Plant Eligible for 100% Bonus Depreciation	Per Tax Department	2/ 5.67%		
8	Plant Eligible for 100% Bonus Depreciation	Line 6 x Line 7	(\$13,963)		
9	Bonus Depreciation Rate (April 2012 - December 2012)	1 * 75% * 100%	75.00%		
10	Bonus Depreciation Rate (January 2013 - March 2013)	1 * 25% * 100%	25.00%		
11	Total Bonus Depreciation Rate	Line 9 + Line 10	100.00%		
12	100% Bonus Depreciation	Line 8 x Line 11	(\$13,963)		
13	Plant Additions Net of Capital Repairs Deduction and 100% Bonus Depreciation	Line 6 - Line 12	(\$232,210)		
14	Plant Eligible for 50% Bonus Depreciation	Per Tax Department	100.00%		
15	Bonus Depreciation Rate (April 2012 - December 2012)	1 * 75% * 50%	37.50%		
16	Bonus Depreciation Rate (January 2013 - March 2013)	1 * 25% * 50%	12.50%		
17	Total Bonus Depreciation Rate	Line 9 + Line 10	50.00%		
18	50% Bonus Depreciation	Line 13 x Line 17	(\$116,105)		
<u>Remaining Tax Depreciation</u>					
19	Plant Additions	Line 1	(\$768,090)		
20	Less Capital Repairs Deduction	Line 3	(\$521,917)		
21	Less Bonus Depreciation	Line 12 + Line 18	(\$130,068)		
22	Remaining Plant Additions Subject to 20 YR MACRS Tax Depreciation	Line 19 - 20 - 21	(\$116,105)	(\$116,105)	(\$116,105)
23	20 YR MACRS Tax Depreciation Rates		3.750%	7.219%	6.677%
24	Remaining Tax Depreciation	Line 22 x Line 23	(\$4,354)	(\$8,382)	(\$7,752)
25	Cost of Removal	Page 4, Line 5(a)	(\$1,548,831)		
26	Total Tax Depreciation and Repairs Deduction	Sum of Lines 3, 12, 18, 24, & 25	(\$2,205,170)	(\$8,382)	(\$7,752)

1/ Capital Repairs percentage is based on the actual results of the FY 2013 tax return.

2/ Long period production assets qualifying for 100% bonus depreciation in FY 2013 totaled \$3.2 million, taken over total FY13 ISR-eligible capital investment of \$56.4 million equals 5.67%.

The Narragansett Electric Company
d/b/a National Grid
FY 2015 Gas ISR Revenue Requirement Reconciliation
Computation of Revenue Requirement on FY 2012 Actual Incremental Capital Investment

Line No.		Fiscal Year 2012 (a)	Fiscal Year 2013 (b)	Fiscal Year 2014 (c)	Fiscal Year 2015 (d)
Depreciable Net Capital Included in Rate Base					
1	Total Allowed Capital Included in Rate Base in Current Year	Page 11 of 18, Line 3, Column (a)	\$6,816,729	\$0	\$0
2	Retirements	Page 11 of 18, Line 9, Column (a)	2,292,446	\$0	\$0
3	Net Depreciable Capital Included in Rate Base	Column (a) = Line 1 - Line 2; Column (b) = Prior Year Line 3	\$4,524,283	\$4,524,283	\$4,524,283
Change in Net Capital Included in Rate Base					
4	Capital Included in Rate Base	Line 1	\$6,816,729	\$6,816,729	\$6,816,729
5	Cost of Removal	Page 11 of 18, Line 6, Column (a)	(\$3,171,476)	(\$3,171,476)	(\$3,171,476)
6	Net Plant Amount	Line 4 + Line 5	\$3,645,253	\$3,645,253	\$3,645,253
Deferred Tax Calculation:					
7	Composite Book Depreciation Rate	As Approved in R.I.P.U.C. Docket No. 3943	3.38%	3.38%	3.38%
8	Tax Depreciation	Page 8 of 13, Line 20	\$3,097,659	\$41,071	\$37,987
9	Cumulative Tax Depreciation	Prior Year Line 9 + Current Year Line 8	\$3,097,659	\$3,138,730	\$3,176,717
10	Book Depreciation	Column (a) = Line 3 * Line 7 * 50%; Columns (b) & (c) = Line 3 * Line 7	\$76,460	\$152,921	\$152,921
11	Cumulative Book Depreciation	Prior Year Line 11 + Current Year Line 10	\$76,460	\$229,381	\$382,302
12	Cumulative Book / Tax Timer	Line 9 - Line 11	\$3,021,199	\$2,909,349	\$2,794,415
13	Effective Tax Rate		35.00%	35.00%	35.00%
14	Deferred Tax Reserve	Line 12 * Line 13	\$1,057,420	\$1,018,272	\$978,045
15	Less: FY 2012 Federal NOL	Per Page 14 of 18, Line 10	(\$1,057,420)	(\$1,057,420)	(\$1,057,420)
16	Net Deferred Tax Reserve	Line 14 + Line 15	\$0	(\$39,147)	(\$79,374)
Rate Base Calculation:					
17	Cumulative Incremental Capital Included in Rate Base	Line 6	\$3,645,253	\$3,645,253	\$3,645,253
18	Accumulated Depreciation	- Line 11	(\$76,460)	(\$229,381)	(\$382,302)
19	Deferred Tax Reserve	- Line 16	\$0	\$39,147	\$79,374
20	Year End Rate Base	Sum of Lines 17 through 19	\$3,568,792	\$3,455,019	\$3,342,325
Revenue Requirement Calculation:					
21	Average Rate Base	Column (a) = Current Yr Line 120 ÷ 2; Column (b) & (c) = (Prior Yr Line 20 + Current Yr Line 20) ÷ 2	\$1,784,396	\$3,511,906	\$3,398,672
22	Pre-Tax ROR		11.41%	11.18%	10.05%
23	Return and Taxes	Line 21 * Line 22	\$203,600	\$392,631	\$341,567
24	Book Depreciation	Line 10	\$76,460	\$152,921	\$152,921
25	Property Taxes	\$0 in Year 1, then Prior Year (Line 6- Line 11) * Property Tax Rate	\$0	\$48,144	\$114,432
26	Annual Revenue Requirement	Sum of Lines 23 through 25	\$280,060	\$593,696	\$608,919
27	Remaining FY12 NOL attributable to embedded rate base in RIPUC Docket 4323	Per Page 14 of 18, Line 9 less Line 13 Col (a) = Line 27 * 50%; Col (b) = (Prior Year Line 27 + Current Year Line 27) ÷ 2	\$5,210,642	\$5,210,642	\$5,210,642
28	Average Rate Base		\$2,605,321	\$5,210,642	\$5,210,642
29	Pre-Tax ROR		11.41%	11.18%	10.05%
30	Return and Taxes	Line 28 * Line 29	\$297,267	\$582,550	\$523,670
31	Annual Revenue Requirement adjustment to base rates related to NOL	Line 30	\$297,267	\$582,550	\$523,670
32	Total Annual Revenue Requirement	Line 26 + Line 31	\$577,327	\$1,176,246	\$1,132,588
33	Revenue requirement as filed on August 3, 2015	Attachment MAL-1, Page 9, Line 32	\$588,534	\$1,198,071	\$1,158,897
34	Decrease in revenue requirement	Line 33 - Line 32	(\$11,207)	(\$21,825)	(\$26,309)

1/ Actual Incremental Retirements

2/ Actual Incremental Cost of Removal

3/ Weighted Average Cost of Capital as approved in R.I.P.U.C. Docket No. 4323

	Ratio	Rate	Rate	Taxes	Return
Long Term Debt	49.95%	5.70%	2.85%		2.85%
Short Term Debt	0.76%	0.80%	0.01%		0.01%
Preferred Stock	0.15%	4.50%	0.01%		0.01%
Common Equity	49.14%	9.50%	4.67%	2.51%	7.18%
	100.00%		7.54%	2.51%	10.05%

4/ FY 2015 effective property tax rate of 3.03% per Page 12 of 18 at Line 22(h)

5/ Cols (a) & (b) - Per Page 15 of 17, Line 1 ; Cols (c) & (d) - Per Note 3 above

The Narragansett Electric Company
d/b/a National Grid
FY 2015 Gas ISR Revenue Requirement Reconciliation
Computation of Revenue Requirement on FY 2012 Actual Incremental Capital Investment
Calculation of Tax Depreciation and Repairs Deduction

Line No.			Fiscal Year 2012 (a)	Fiscal Year 2013 (b)	Fiscal Year 2014 (c)	Fiscal Year 2015 (d)
<u>Capital Repairs Deduction</u>						
1	Plant Additions	Page 7, Line 1	\$6,816,729			
2	Capital Repairs Deduction Rate	Per Tax Department	1/ 67.43%			
3	Capital Repairs Deduction	Line 1 x Line 2	\$4,596,520			
<u>Bonus Depreciation</u>						
4	Plant Additions	Line 1	\$6,816,729			
5	Less Capital Repairs Deduction	Line 3	\$4,596,520			
6	Plant Additions Net of Capital Repairs Deduction	Line 4 - Line 5	\$2,220,209			
7	Percent of Plant Eligible for Bonus Depreciation	Per Tax Department	2/ 85.00%			
8	Plant Eligible for Bonus Depreciation	Line 6 x Line 7	\$1,887,177			
9	Bonus Depreciation Rate (April 2011 - December 2011)	1 * 75% * 100%	75.00%			
10	Bonus Depreciation Rate (January 2012 - March 2012)	1 * 25% * 50%	12.50%			
11	Total Bonus Depreciation Rate	Line 9 + Line 10	87.50%			
12	Bonus Depreciation	Line 8 x Line 11	\$1,651,280			
<u>Remaining Tax Depreciation</u>						
13	Plant Additions	Line 1	\$6,816,729			
14	Less Capital Repairs Deduction	Line 3	\$4,596,520			
15	Less Bonus Depreciation	Line 12	\$1,651,280			
16	Remaining Plant Additions Subject to 20 YR MACRS Tax Depreciation	Line 13 - 14 - 15	\$568,929	\$568,929	\$568,929	\$568,929
17	20 YR MACRS Tax Depreciation Rates		3.750%	7.219%	6.677%	6.177%
18	Remaining Tax Depreciation	Line 16 x Line 17	\$21,335	\$41,071	\$37,987	\$35,143
19	Cost of Removal	Page 7, Line 5	(\$3,171,476)			
20	Total Tax Depreciation and Repairs Deduction	Sum of Lines 3, 12, 18, 19	\$3,097,659	\$41,071	\$37,987	\$35,143

1/ Capital Repairs percentage is based on the actual results of the FY 2012 tax return. Since growth is not included in the ISR, the percentage was derived by taking property qualifying for the repairs deduction as a percentage of the total annual plant additions in those categories that are considered as potentially qualifying for Capital Repairs deduction.

2/ Since not all property additions qualify for bonus depreciation and because a project must be started after the beginning of the bonus period, January 1, 2008, an estimate of 85% is used rather than 100%.

The Narragansett Electric Company
d/b/a National Grid
FY 2015 Gas ISR Revenue Requirement Reconciliation
FY 2012 - FY 2014 Incremental Capital Investment Summary

Line No.		Actual Fiscal Year 2012 (a)	Actual Fiscal Year 2013 (b)	Actual Fiscal Year 2014 (c)	
<u>Capital Investment</u>					
1	ISR-eligible Capital Investment	Col (a) Docket No. 4219 FY 2012 ISR Reconciliation Filing less audit adjustment of \$203,902; Col (b) Docket No. 4306 FY 2013 ISR Reconciliation Filing less audit adjustment of \$44,855; Col (c) Docket No. 4380 FY 2014 ISR Reconciliation Filing less audit adjustment of \$266,685	\$ 54,477,445	\$56,416,101	\$70,137,361
2	ISR-eligible Capital Additions included in Rate Base per R.I.P.U.C. Docket No. 4323	Docket No. 4323 Schedule MDL-3-Gas Page 51, Line Notes 1(a), 2(b) and 3(e)	\$47,660,716	\$57,184,191	\$47,653,493
3	Incremental ISR Capital Investment	Line 1 - Line 2	\$6,816,729	(\$768,090)	\$22,483,868
<u>Cost of Removal</u>					
4	ISR-eligible Cost of Removal	Col (a) Docket No. 4219 FY 2012 ISR Reconciliation Filing; Col (b) Docket No. 4306 FY 2013 ISR Reconciliation Filing; Col (c) Actual FY 2014 ISR Gas Cost of Removal per Company's Books	\$2,583,612	\$3,152,565	\$2,707,824
5	ISR-eligible Cost of Removal in Rate Base per R.I.P.U.C. Docket No. 4323	Docket No. 4323, Workpaper MDL-19-GAS, Page 3	\$5,755,088	\$4,701,396	\$3,917,830
6	Incremental Cost of Removal	Line 4 - Line 5	(\$3,171,476)	(\$1,548,831)	(\$1,210,006)
<u>Retirements</u>					
7	ISR-eligible Retirements	Col (a) Docket No. 4219 FY 2012 ISR Reconciliation filing; Col (b) Docket No. 4306 FY 2013 ISR Reconciliation filing; Col (c) Actual FY 2014 ISR Gas Retirements	\$5,366,562	5,775,791	\$5,274,944
8	ISR-eligible Retirements per R.I.P.U.C. Docket No. 4323	Col (a) Docket No. 4219 Supplemental Testimony 2-17-2011; Col (b) Docket No. 4306 FY 2013 ISR Proposal Filing; Col (c)= Line 2(c) * 7.68% Retirement rate per Docket No. 4323 (Workpaper MDL-19-GAS p 4)	\$3,074,116	\$2,498,949	\$3,659,788
9	Incremental Retirements	Line 7- Line 8	\$2,292,446	\$3,276,842	\$1,615,155

The Narragansett Electric Company
d/b/a National Grid
FY 2015 Property Tax Recovery Adjustment
(\$000s)

Line	Effective Tax Rate Calculation	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		<u>RY End</u>	<u>ISR Additions</u>	<u>Non-ISR Add's</u>	<u>Total Add's</u>	<u>Bk Depr</u>	<u>Retirements</u>	<u>COR</u>	<u>End of FY14</u>
1	Plant In Service	\$805,721	\$11,690	\$994	\$12,683		(\$879)		As filed \$817,524
2									
3	Accumulated Depr	\$347,664				\$4,691	(\$879)	(\$451)	\$351,025
4									
5	Net Plant	\$458,057							\$466,499
6									
7	Property Tax Expense	\$13,995							\$15,624
8									
9	Effective Prop tax Rate	3.06%							3.35%
10									
11		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
12		<u>End of FY14</u>	<u>ISR Additions</u>	<u>Non-ISR Add's</u>	<u>Total Add's</u>	<u>Bk Depr</u>	<u>Retirements</u>	<u>COR</u>	<u>End of FY15</u>
13									
14	Plant In Service	\$817,569	\$74,915	\$21,927	\$96,842		(\$7,969)		\$906,442
15									
16	Accumulated Depr	\$351,025				\$30,031	(\$7,969)	(\$2,425)	\$370,661
17									
18	Net Plant	\$466,544							\$535,781
19									
20	Property Tax Expense	\$15,624							\$16,221
21									
22	Effective Prop tax Rate	3.35%							3.03%
23									
24	Property Tax Recovery Calculation	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
25		Cumulative Incremental ISR Property Tax for FY14			Cumulative Incremental ISR Property Tax for FY15				
26									
27	ISR Additions		\$11,690				\$74,915		
28	Book Depreciation: base allowance on ISR eligible plant		(\$4,060)				(\$24,356)		
29	Book Depreciation: current year ISR additions		(\$631)				(\$1,172)		
30	COR		\$451				\$2,425		
31									
32	Net Plant Additions		\$7,449				\$51,812		
33									
34	Rate Year Effective Tax Rate		3.06%				3.06%		
35	Property Tax Recovery on 2 mos FY14 vintage investment			\$228					\$235
36	Property Tax Recovery on FY15 vintage investment								\$1,583
37									
38									
39	ISR Year Effective Tax Rate	3.35%				3.03%			
40	RY Effective Tax Rate & differential	3.06%	0.29%			3.06%	-0.03%		
41	RY Effective Tax Rate differential for 2 months FY 2014		0.05%						
42	RY Net Plant times Tax Rate differential	\$458,057	* 0.05%	\$225		\$458,057	* -0.03%	(\$116)	
43	2 mos FY 14 Net Adds times ISR Year Effective Tax rate	\$7,449	* 0.29%	\$22		\$7,685	* -0.03%	(\$2)	
44	FY15 Net Adds times ISR Year Effective Tax rate					\$51,812	* -0.03%	(\$13)	
45									
46	Total Property Tax related to rate differential			\$247				(\$131)	
47									
48	Total ISR Property Tax Recovery			\$475				\$1,687	
49	As initially filed August 3, 2015			\$476				\$1,688	
50	Decrease in revenue requirement			(\$1)				(\$1)	

The Narragansett Electric Company
d/b/a National Grid
FY 2015 Property Tax Recovery Adjustment (continued)
(\$000s)

Line Notes

1(a) - 9(a) Per Rate Year cost of service per Compliance filing Attachment 6 at Docket No. 4323.
1(b) - 9(h) Per Docket 4380 FY 2014 Gas ISR Plan Reconciliation filing at Page 10 of 13
14(a) Line 1(h)
14(b) Per Page 2 of 18, Line 1
14(c) FY 2015 actual Growth investment of \$19,871K and General Plant of \$2,056K per Company's books
14(d) Line 14(b) + Line 14(c)
14(f) Per Page 2 of 18, Line 2 + FY15 retirements on General plant of \$2,283K
14(h) Line 14(a) + Line 14(d) + Line 14(f)
16(a) Line 3(h)
16(e) Rate Year depn allowance of \$28,130k + (Line 1(d)+Line 1(f)* composite depn rate of 3.38%) + (Line 14(d)+Line 14(f)* composite depn rate of 3.38% * 50%)
16(f) Line 14(f)
16(g) Less Page 2 of 18, Line 7. No COR on General Plant.
16(h) Sum of Line 16 (a) through (g)
18(a) Line 5(h)
18(h) Line 14(h) - Line 16(h)
20(a) Line 7(h)
20(h) FY 2015 actual property tax expense per Company's books.
22(a) Line 9(h)
22(h) Line 20(h) ÷ Line 18(h)

Line Notes

27(a) - 48(c) Per Docket 4380 FY 2014 Gas ISR Plan Reconciliation filing at
27(f) Line 14(b)
28(f) Per Page 2 of 18, Line 5
29(f) Per Page 2 of 18, Line 12
30(f) Less Line 16(g)
32(f) Sum of Lines 27 through 30
34(f) Line 9(a)
35(g) ((Lines 27(b) + 28(b) + 30(b)) - ((Line 27(b)+Line 1(f)) * 3.38% composite depn rate * 50% * 2/12) - ((Line 27(b)+Line 1(f)) * 3.38% composite depn rate) * Line 34(f)
36(g) Line 32(f) * 34(f)
39(e) Line 22(h)
40(e) Line 9(a)
40(f) Line 39(e) - Line 40(e)
42(e) Line 5(a)
43(e) ((Lines 27(b) + 28(b) + 30(b)) - ((Line 27(b)+Line 1(f)) * 3.38% composite depn rate * 50% * 2/12) - ((Line 27(b)+Line 1(f)) * 3.38% composite depn rate)
44(e) Line 32(f)
42(f)-44(f) Line 40(f)
42(g)-44(g) Line 42(e) * Line 42(f) ; Line 43(e) * Line 43(f) ; Line 44(e) * Line 44(f)
46(g) Sum of Lines 42(g) through 44(g)
48(g) Line 35(g) + Line 36(g) + Line 46(g)

**The Narragansett Electric Company
d/b/a National Grid
FY 2015 Gas ISR Revenue Requirement Reconciliation
Deferred Income Tax ("DIT") Provisions and Net Operating Losses ("NOL")**

	(a)	(b)	(c)	(d)	(e)	(f) CY 2011	(g) CY 2012	(h) Jan-2013	(i) Feb 13 - Jan 14	(j)
1 Total Base Rate Plant DIT Provision						\$ 16,572,023	\$ 19,058,494	\$ 1,700,343	\$ 13,893,167	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
2 Total Base Rate Plant DIT Provision						\$17,193,641	\$18,309,741	\$11,577,639	\$0	\$0
3 Incremental FY 12	\$1,121,846	\$1,080,717	\$1,038,476	\$995,209	\$950,991	\$1,121,846	(\$41,129)	(\$42,241)	(\$43,267)	(\$44,218)
4 Incremental FY 13	\$0	(\$734,732)	(\$690,174)	(\$645,408)	(\$600,451)	\$0	(\$734,732)	\$44,558	\$44,766	\$44,957
5 Incremental FY 14	\$0	\$0	\$6,444,262	\$6,266,976	\$6,084,229	\$0	\$0	\$6,444,262	(\$177,286)	(\$182,747)
6 FY 2015	\$0	\$0	\$0	\$19,944,225	\$19,572,840	\$0	\$0	\$0	\$19,944,225	(\$371,385)
7 FY 2016	\$0	\$0	\$0	\$0	\$19,399,366	\$0	\$0	\$0	\$0	\$19,399,366
8 TOTAL Plant DIT Provision	\$ 1,121,846	\$ 345,985	\$ 6,792,564	\$ 26,561,002	\$ 45,406,975	\$ 18,315,487	\$ 17,533,880	\$ 18,024,218	\$ 19,768,438	\$ 18,845,973
9 NOL						\$ 6,268,061	\$ 6,136,520	\$ 23,775,494	TBD	TBD
10 Lesser of NOL or DIT Provision						\$ 6,268,061	\$ 6,136,520	\$ 18,024,218	TBD	TBD

Line Notes:

- 1(f) Per Dkt 4323 Compliance filing Attachment 6, Page 59 of 65, Line 18(e) less Line 18(a)
1(g)-1(i) Per Dkt 4323 Compliance filing Attachment 6, Page 64 of 65, Lines 32, 38, and 44
2 Col (f)= Line 1(f) * 75% + Line 1(g) * 25% ; Col (g)= Line 1(g) * 75% + Line 1(h) + Line 1(i) * 2/12ths; Col (h) = Line 1(i) * 10/12ths
3(a)-7(e) Cumulative DIT per vintage year ISR revenue requirement calculations (Page 10, Line 14; Page 8, Line 14; Page 6, Line 16; Page 4, Line 16 ; Page 2, Line 16)
3(f) -7(j) Year over year change in cumulative DIT shown in Cols (a) through (e)
8 Sum of Lines 2 through 7
9 Per Tax dept
10 Lesser of Line 8 or Line 9

**The Narragansett Electric Company
d/b/a National Grid
FY 2015 Gas ISR Revenue Requirement Reconciliation
True-Up for FY 2012, FY 2013 and FY 2014 Net Operating Losses ("NOL")**

	(a)	(b)	(c)	(d)	(e)
	Revenue Requirement Year				
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1 Return on Rate Base	11.41%	11.18%	10.05%	10.05%	10.05%
	Vintage Capital Investment Year				
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
2 Lesser of NOL or DIT Provision	\$ 6,268,061	\$ 6,136,520	\$ 18,024,218	TBD	TBD

Revenue Requirement Increase due to NOL

	Revenue Requirement Year				
Vintage Capital Investment Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
3 FY 2012	\$ 357,593	\$ 700,769	\$ 629,940	\$ 629,940	\$ 629,940
4 FY 2013	\$ -	\$ 343,031	\$ 616,720	\$ 616,720	\$ 616,720
5 FY 2014	\$ -	\$ -	\$ 888,311	\$ 1,811,434	\$ 1,811,434
6 TOTAL	<u>\$ 357,593</u>	<u>\$ 1,043,801</u>	<u>\$ 2,134,971</u>	<u>\$ 3,058,094</u>	<u>\$ 3,058,094</u>
7 Total FY 2012 through FY 2014 revenue requirement impact					\$ 3,536,365
8 As initially filed August 3, 2015					\$ 3,537,706
9 Decrease in revenue requirement					\$ (1,341)

Line Notes:

- 1 Col (a) - per Docket 4219, Attachment WRR-1 at Page 2; Col (b) - per Docket 4306, Attachment WRR-1 at Page 2; Col (c) - per Docket 4380, Attachment WRR-1 at Page 2; Cols (d) & (e) - per Page 2
- 2 Per Page 14 of 18, Line 10
- 3 Line 2(a) * Line 1(a) * 50%; Line 2(a) * Line 1(b); Line 2(a) * Line 1(c); Line 2(a) * Line 1(d); Line 2(a) * Line 1(e)
- 4 Line 2(b) * Line 1(b) * 50%; Line 2(b) * Line 1(c); Line 2(b) * Line 1(d); Line 2(b) * Line 1(e)
- 5 Col (c) =

a) NOL applied to FY 2014 ISR DIT	\$ 6,444,262	Page 14 of 18 Line 2(h)
b) FY 2014 ISR weighted average additions rate	32.34%	Page 16 of 18 Line 16
c) FY 2014 ISR weighted average NOL	<u>\$ 2,083,939</u>	Line (a) * Line (b)
d) FY 2014 Rate of Return	10.05%	Line 1(c) above
e) FY 2014 Return on weighted average ISR NOL	<u>\$ 209,436</u>	Line (c) * Line (d)
f) NOL applied to base rate deferred tax provision	\$ 11,579,956	Page 14 of 18 Line 8(h) less Line (a) above
g) FY 2014 weighted average base rate DIT rate	58.33%	Per Page 17 of 18 Line 15
h) FY 2014 base rate weighted average NOL	<u>\$ 6,754,974</u>	Line (f) * Line (g)
i) FY 2014 Rate of Return	10.05%	Line 1
j) FY 2014 Return on weighted average base rate NOL	<u>\$ 678,875</u>	Line (h) * Line (i)
k) Total FY 2014 NOL impact on vintage FY 2014 investment	<u><u>\$ 888,311</u></u>	Line (e) + Line (j)
- 5 cont. Col (d) = Line 2(c) * Line 1(d); Col (e) = Line 2(c) * Line 1(e)
- 6 Sum of Lines 3 through 5
- 7 Line 6(a) + Line 6(b) + Line 6(c)
- 8 Per RIPUC Docket No. 4474, Attachment MAL-1, Page 15 of 17, Line 7

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4474
FY 2015 Gas Infrastructure, Safety,
and Reliability Plan Reconciliation Filing
Attachment MAL-1 Supplemental
Page 16 of 18

The Narragansett Electric Company
d/b/a National Grid
Weighted ISR Additions FY 2014
(\$000s)

<u>Line No.</u>	<u>Month No.</u>	<u>Month</u>	<u>FY 2014 ISR Additions</u> (a)	<u>In Rates</u> (b)	<u>Not In Rates</u> (c) = (a) - (b)	<u>Weight</u> (d)	<u>Weighted Average</u> (e) = (d) * (c)
1				\$57,184,191			
2	1	Apr-13	\$5,844,780	4,765,349	\$1,079,431	0.958	\$1,034,455
3	2	May-13	5,844,780	4,765,349	1,079,431	0.875	944,502
4	3	Jun-13	5,844,780	4,765,349	1,079,431	0.792	854,549
5	4	Jul-13	5,844,780	4,765,349	1,079,431	0.708	764,597
6	5	Aug-13	5,844,780	4,765,349	1,079,431	0.625	674,644
7	6	Sep-13	5,844,780	4,765,349	1,079,431	0.542	584,692
8	7	Oct-13	5,844,780	4,765,349	1,079,431	0.458	494,739
9	8	Nov-13	5,844,780	4,765,349	1,079,431	0.375	404,787
10	9	Dec-13	5,844,780	4,765,349	1,079,431	0.292	314,834
11	10	Jan-14	5,844,780	4,765,349	1,079,431	0.208	224,881
12	11	Feb-14	5,844,780	-	5,844,780	0.125	730,598
13	12	Mar-14	5,844,780	-	5,844,780	0.042	243,533
14	Total FY 2014		<u>\$70,137,361</u>	<u>\$47,653,493</u>	<u>\$22,483,868</u>		<u>\$7,270,810</u>

15 **Total Additions February & March 2014** **\$11,689,560**

16 **FY 2014 Weighted Average Incremental Rate Base Percentage** **32.34%**

Column (a) = Page 9 Line 1 (c)
 Column (b) = Page 9 Line 2 (c)
 Column (d) = (12.5 - Month No.) ÷ 12
 Line 15 = Line 12(c) + Line 13(c)
 Line 16 = Line 14(e)/Line 14(c)

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4474
FY 2015 Gas Infrastructure, Safety,
and Reliability Plan Reconciliation Filing
Attachment MAL-1 Supplemental
Page 17 of 18

The Narragansett Electric Company
d/b/a National Grid
Weighted ISR Deferred Tax Provision FY 2014
(\$000s)

<u>Line No.</u>	<u>Month No.</u>	<u>Month</u>	<u>FY 2014 ISR Deferred Tax</u> (a)	<u>In Rates</u> (b)	<u>Not In Rates</u> (c) = (a) - (b)	<u>Weight</u> (d)	<u>Weighted Average</u> (e) = (d) * (c)
1				\$13,893,167			
2	1	Apr-13	\$ -	1,157,764	(\$1,157,764)	0.958	(\$1,109,524)
3	2	May-13	-	1,157,764	(1,157,764)	0.875	(1,013,043)
4	3	Jun-13	-	1,157,764	(1,157,764)	0.792	(916,563)
5	4	Jul-13	-	1,157,764	(1,157,764)	0.708	(820,083)
6	5	Aug-13	-	1,157,764	(1,157,764)	0.625	(723,602)
7	6	Sep-13	-	1,157,764	(1,157,764)	0.542	(627,122)
8	7	Oct-13	-	1,157,764	(1,157,764)	0.458	(530,642)
9	8	Nov-13	-	1,157,764	(1,157,764)	0.375	(434,161)
10	9	Dec-13	-	1,157,764	(1,157,764)	0.292	(337,681)
11	10	Jan-14	-	1,157,764	(1,157,764)	0.208	(241,201)
12	11	Feb-14	-	-	-	0.125	-
13	12	Mar-14	-	-	-	0.042	-
14	Total FY 2014		<u>\$ -</u>	<u>\$11,577,639</u>	<u>(\$11,577,639)</u>		<u>(\$6,753,623)</u>
15	FY 2014 Weighted Average Deferred Tax Provision Percentage						58.33%

Column (a) = Page 4 Line 18(a)

Column (b) = Page 14 Line 1(i) and Line 2(h). Lines 2 through 11 = 1/12th of Line 1.

Column (d) = (12.5 - Month No.) ÷ 12

Line 15 = Line 14(e)/Line 14(c)

The Narragansett Electric Company
d/b/a National Grid

Summary of the Revenue Requirement Impact of Internal Audit Findings on FY 2012 through FY 2014
Revenue Requirements

	FY 2012	FY 2013	FY 2014	Total
1 FY 2012 Capital Investment	(\$11,207)	(\$21,825)	(\$26,309)	(\$59,341)
2 FY 2013 Capital Investment		(\$2,488)	(\$6,045)	(\$8,533)
3 FY 2014 Capital Investment			(\$11,877)	(\$11,877)
4 FY 2014 Property tax adjustment			(\$1,461)	(\$1,461)
5 Total decrease in FY 2012 - FY 2014 revenue requirements related to Internal Audit findings	(\$11,207)	(\$24,313)	(\$45,692)	(\$81,212)

Line Notes:

- 1 Per Page 9 of 18, Line 34
- 2 Per Page 7 of 18, Line 32
- 3 Per Page 4 of 18, Line 34
- 4 Per Page 12 of 18, Line 50
- 5 Sum of Lines 1 through 4