

October 21, 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 4573 - 2015 Distribution Adjustment Charge Filing
Docket 4473 - FY 2015 Electric Infrastructure, Safety, and Reliability Plan
Reconciliation Filing
Responses to PUC Data Requests – Set 2

Dear Ms. Massaro:

On behalf of National Grid,¹ I have enclosed ten copies of the Company's responses to the Rhode Island Public Utilities Commission's Second Set of Data Requests in the above-referenced dockets.

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

Very truly yours,



Raquel J. Webster

Enclosure

cc: Docket 4573 Service List
Docket 4473 Service List
Leo Wold, Esq.
Steve Scialabba, Division
Bruce Oliver, Division

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

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4573
2015 Distribution Adjustment Charge Filing and
Responses to Commission's Second Set of Data Requests
Issued on October 1, 2015

COMM 2-1

Request:

Identify whether any carrying charges have been incurred for the \$3.5 million one-time adjustment amount that the Company seeks for FY2012 through FY2014.

Response:

There have been no carrying charges assessed to customers on the \$3.5 million one-time adjustment.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4573
2015 Distribution Adjustment Charge Filing and
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Issued on October 1, 2015

COMM 2-2

Request:

What is the amount of carrying charges incurred in Comm-2-1 and who paid those carrying charges?

Response:

As explained in the Company's response to request COMM 2-1, there have been no carrying charges assessed to customers on the \$3.5 million one-time adjustment.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4573
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COMM 2-3

Request:

Absent the \$6.6 million requested NOL adjustment, is the reconciliation amount for the Gas ISR approximately \$2.1 million?

Response:

Absent the \$6.6 million requested NOL adjustment, the reconciliation amount for the Gas ISR would be approximately \$1.9 million, as illustrated below:

\$13.0	FY 2015 Gas ISR revenue requirement
(\$6.6)	Less revenue requirement impact of NOLs
\$6.4	FY 2015 Gas ISR reconciliation revenue requirement, excluding NOLs
\$4.5	FY 2015 Gas ISR Plan revenue
\$1.9	FY 2015 Gas ISR reconciliation amount

Although the Company had not reflected tax NOLs in the PUC-approved FY 2015 Gas ISR Plan for reasons described in the Company's August 3, 2015 reconciliation filing¹, as noted below, the Company respectfully requests that the PUC approve its reconciliation, including the amount related to the NOL. Approval of the reconciliation would be consistent with approvals of past Gas and Electric ISR reconciliation filings, which have included adjustments from prior period ISR reconciliations. Examples of this include the Company's FY 13 Gas and Electric ISR reconciliation filings, which included returning to customers \$129,987 and \$4,814, respectively, related to a true up for the capital repairs tax deduction related to its FY 12 ISR reconciliations. A similar true up was reflected in the Company's FY 14 Gas and Electric ISR reconciliation filings related to its FY 13 capital repairs tax deduction. In that year, the Company collected \$1,346 from Gas customers and returned \$1,988 to Electric customers. Also in the FY 14 Electric ISR reconciliation, the Company returned \$27,292 to customers for a correction to its FY 13 reconciliation filing pertaining to an over recovery of contact voltage costs.

Notably, the Company's FY 15 Gas and Electric ISR reconciliation filings include capital repairs tax deduction and bonus depreciation true ups as well as a correction to the calculation of average rate base, which was overstated in the Company's FY 14 ISR reconciliations. In

¹ The Company filed a supplemental Gas ISR Reconciliation on September 1, 2015 to pass back to customers the effects of an internal audit of its FY 2012, 2013, and 2014 capital spending.

COMM 2-3, page 2

addition, on September 1, 2015, the Company submitted a supplemental FY 15 Gas ISR reconciliation to return to customers \$140,189 associated with an internal audit review that concluded that certain capital investment in FY 12, FY 13 and FY 14 was improperly included as Gas ISR investment in each respective year's ISR reconciliations. The total amounts that are being proposed to be returned to customers in the FY 2015 Gas and Electric ISR reconciliation filings for these matters total \$413,511 and \$95,702, respectively.

The Company's approach is always to be fair with customers. To the extent that the Company is made aware of an error or other updated information that benefits customers, the Company has a demonstrated record of passing that benefit back to customers. In this instance, should the PUC approve the Company's supplemental FY 15 Gas ISR reconciliation, it would also be appropriate for the Company to re-visit its FY 14 and FY 15 Gas Earnings Sharing Mechanism (ESM) filings to determine the extent, if any, of any earnings that may need to be shared with customers associated with the NOLs that pertain to the FY 14 and FY 15 Gas ISR reconciliation filings. The Company is currently sharing earnings with customers in its FY 14 Gas ESM. Consequently, any impact on earnings resulting from the NOL that should have been reflected in the FY 14 Gas ISR reconciliation will generate some sharing with customers.

Finally, it is very important to note that in an effort to be as conservative as possible for setting customer ISR rates, the Company does not anticipate newly generated NOLs until it files its fiscal year tax return, which does not take place until December following the March 31 end of the Company's fiscal year. Consequently, the first opportunity for the Company to reconcile its FY 14 revenue requirement with respect to FY 14 NOLs is in this FY 15 reconciliation filing. As shown on Page 15 of 18 of Attachment MAL-1 Supplemental from the Company's Supplemental Reconciliation filing dated September 1, 2015 (attached to this response as Attachment COMM-2-3), of the \$6,594,459 total revenue requirement NOL impact (Line 6 of page 15 for FY 12 through FY 15) in question, only \$2,648,054 relates to vintage FY2012 and FY2013 NOLs that could have been in reconciliation submissions prior to this FY 2015 reconciliation submission. Accordingly, while the Company strongly disagrees with a conclusion that any of this NOL correction is considered "out of period", of the total revenue requirement impact related to NOLs of \$6,594,459, only the FY 12 and FY 13 vintage amounts totaling \$2,648,054 might have otherwise been included in reconciliation submissions prior to this FY 15 reconciliation filing.

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 15 of 18

**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
 <u>Revenue Requirement Increase due to NOL</u>						
	Revenue Requirement Year					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	
3	Vintage Capital Investment Year 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	\$ 357,593	\$ 1,043,801	\$ 2,134,971	\$ 3,058,094	\$ 3,058,094
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 | \$ 2,083,939 | 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 | \$ 209,436 | 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 | \$ 6,754,974 | Line (f) * Line (g) |
| i) FY 2014 Rate of Return | 10.05% | Line 1 |
| j) FY 2014 Return on weighted average base rate NOL | \$ 678,875 | Line (h) * Line (i) |
| | | |
| k) Total FY 2014 NOL impact on vintage FY 2014 investment | <u>\$ 888,311</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

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 8th, 2015
Date

Docket No. 4514 – National Grid –2014 Annual Distribution Adjustment Charge Filing (“DAC”) - Service List as of 9/11//14

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Joanne M. Scanlon

October 8th, 2015
Date

Docket No. 4473 National Grid's FY 2015 Electric Infrastructure, Safety and Reliability Plan - Service List as of 10/30/14

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