**Memorandum**

**TO: RHODE ISLAND PUBLIC UTILITIES COMMISSION**

**FROM: DAVID EFFRON, BERKSHIRE CONSULTING SERVICES, ON BEHALF OF THE DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**DATE: FEBRUARY 28, 2018**

**Gas Infrastructure, Safety, and Reliability Plan FY 2019, Docket 4781**

The Narragansett Electric Company d/b/a National Grid ("Narragansett" or "the Company") submitted its Fiscal Year 2019 Infrastructure, Safety, and Reliability (ISR) Plan on December 19, 2017. Calculations supporting the revenue requirements associated with the safety and reliability expenses and qualifying capital investment components are included in the Gas ISR Plan.

The U.S. Federal Tax Cuts and Jobs Act ("TCJA") was signed into law on December 20, 2017. The TCJA reduced the federal corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018. The reduced tax rate of 21% was not incorporated into the ISR revenue requirement in the filing of December 19, 2017. Division Data Request 1-1 asked the Company to provide the effect of the TCJA on the FY 2019 Gas ISR revenue requirement. Narragansett responded to this request on February 8, 2018.

As noted by the Company in its response to Division Data Request 1-1, the decrease in the federal income tax rate from 35 percent to 21 percent reduces the required pre-tax return on the ISR rate base included in the ISR revenue requirement. This decrease to the ISR revenue requirement is partially offset by the elimination of bonus depreciation as of September 28, 2017 and a slower accumulation of deferred income taxes as a result of the lower income tax rate. Narragansett calculated that the effect of the TCJA was to decrease the FY 2018 ISR revenue requirement by $480,328 and the FY 2019 ISR revenue requirement by $1,725,331.

In responding to Division Data Request 1-1, Narragansett also revised the revenue requirement for the removal of $866,000 of capital investment in the originally-filed FY 2019 Plan investment that will no longer be incurred in FY 2019 for the Cumberland liquefied natural gas (LNG) facility. The removal of $866,000 of capital investment related to the Cumberland LNG facility reduced the FY 2019 revenue requirement by an additional $56,705.

On February 28, 2018, the Company submitted an updated revenue requirement incorporating the TCJA reduction to the FY 2019 ISR revenue requirement and the effect of the Settlement of Cumberland LNG issues raised by the Division. The Company will reflect the reduction to FY 2018 ISR revenue requirement in the reconciliation of the revenue requirement based upon actual FY 2018 spending and revenue billed through the gas ISR factors.

Based on my review, I believe the revenue requirement associated with the filed FY 2019 Gas ISR Plan, as revised in Company's submission of February 28, 2018, is reasonably calculated for effect April 1, 2018, subject to the future reconciliation of the FY 2019 Plan revenue requirement.