nationalgrid

Celia B. O'Brien
Assistant General Counsel and Director

February 20, 2019

VIA HAND DELIVERY AND ELECTRONIC MAIL

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

**RE: Docket 4808 - Review of Revenue Requirement Under R.I. Gen. Laws § 39-3-11
In Light of The Tax Cuts & Jobs Act
<u>Responses to PUC Data Requests – Set 2</u>**

Dear Ms. Massaro:

On behalf of National Grid,[1] I enclose ten (10) copies of the Company's responses to the second set of data requests issued by the Rhode Island Public Utilities Commission in the above-referenced docket.

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

Very truly yours,

Celia B. O'Brien

Celia B. O'Brien

Enclosures

cc: Docket 4808 Service List
Christy Hetherington, Esq.
Kevin Lynch, Division
Jonathan Schrag, Division
Tom Kogut, Division
John Bell, Division

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

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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.

The 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.

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Joanne M. Scanlon

February 20, 2019
Date

Docket No. 4808 – National Grid – Impact of Tax Cut and Jobs Act on Revenue Requirement

Service List updated 1/22/2019

Parties' Name/Address	E-mail	Phone
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File an original & 9 copies w/: Luly E. Massaro, Commission Clerk Cynthia Wilson-Frias, Esq. **Public Utilities Commission** 89 Jefferson Blvd. Warwick, RI 02888	Luly.massaro@puc.ri.gov; Cynthia.WilsonFrias@puc.ri.gov; Alan.nault@puc.ri.gov; Todd.bianco@puc.ri.gov; Margaret.hogan@puc.ri.gov;	401-780-2107
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PUC 2-1

Request:

Please provide the journal entries that will be required on the books of National Grid to effectuate the terms of the proposed settlement.

Response:

The journal entries required to effectuate the terms of the proposed settlement on the books of the Company are as follows:

1) Reserve for excess deferred tax refund to customers

   Dr. FERC account 456 Other electric revenues/ FERC account 495 Other gas revenues

   Cr. FERC account 254 Other regulatory liabilities

Journal entry #1 was recorded during calendar year 2018 to offset the impact of reduced federal income tax expense.

2) Customers receive the excess deferred tax credit through the Revenue Decoupling Mechanism (RDM) factor billings (Electric) and/or Distribution Adjustment Clause (DAC) factor billings (Gas)

   Dr. FERC account 456 Other electric revenues/ FERC account 495 Other gas revenues

   Cr. FERC account 142 Customer accounts receivable

3) Relieve excess deferred tax reserves

   Dr. FERC account 254 Other regulatory liabilities

   Cr. FERC account 456 Other electric revenues/FERC account 495 Other gas revenues

Journal entries #2 and #3 will be recorded in calendar years 2019 and 2020 as new RDM and DAC rates become effective (July 1, 2019 and November 1, 2019, respectively). The net impact of these journal entries will be $0 to net income in calendar years 2019 and 2020.

Prepared by or under the supervision of: Melissa A. Little

PUC 2-2

Request:

Please provide a detailed explanation of how the proposed settlement will be treated for purposes of the Company's electric and gas earnings reports.

Response:

As noted in the Company's response to PUC 2-1, the Company recorded a reserve on its books for the proposed settlement in calendar year 2018. This reserve established the Company's liability to customers for January 2018 through August 2018 tax savings and reduced calendar year 2018 operating revenues. The reduction to operating revenues matches the benefit of reduced federal income tax expense the Company received during calendar year 2018. The result is a net zero impact on net income after taxes, and, therefore, there is no impact to the Company's earnings in calendar year 2018.

Likewise, in calendar year 2019, the settlement will have no impact on the Company's earnings. As illustrated in PUC 2-1, customers will receive the tax credit in their monthly bills through the Revenue Decoupling Mechanism and Distribution Adjustment Clause factors beginning July 1, 2019 and November 1, 2019, respectively. The tax savings reserve will then be relieved through revenue concurrent with the period customers receive the tax credit through their bills. The result is a net zero impact to revenue in calendar year 2019.

PUC 2-3

Request:

Please update the response to COMM 1-2 to reflect any line items that have changed between May 1, 2018 and the present.

Response:

The Company has updated the response to PUC 1-2 for Narragansett Electric and Narragansett Gas to reflect (1) revised calendar year 2019 forecasted deliveries, (2) usage for bill impact, and (3) typical residential bills based on rates currently in effect as of February 2019, including Gross Earnings Tax. Please refer to Attachment PUC 2-3 at Lines 6, 8, and 11, respectively. The updates described above result in illustrative bill decreases as a percent of bills based on rates currently in effect of 0.4 percent for Narragansett Electric and 0.5 percent for Narragansett Gas. The illustrative bill decreases provided in response to PUC 1-2 were 0.3 percent for Narragansett Electric and 0.5 percent for Narragansett Gas.

The Narragansett Electric Company
Illustrative Reduction to Base Distribution Rates
Due to Reduced Federal Corporate Income Tax Rate for the Period January 1, 2018 through August 31, 2018

		Electric (a)	Gas (b)
	Section 1: Calculation of Revenue Requirement Decrease for January 2018 through August 2018		
(1)	Distribution Revenue Requirement Updated for New FIT Rate	$243,909,963	$155,828,538
(2)	Approved Distribution Revenue Requirement	$251,173,000	$160,424,880
(3)	Decrease in Distribution Revenue Requirement	($7,263,037)	($4,596,342)
(4)	Number of Months of Decrease before Docket 4770 Distribution Rates go into effect	8	8
(5)	Amount of Decrease from New Tax Rate, January 2018 though August 2018	($4,842,025)	($3,064,228)
	Section 2: Calculation of Illustrative Credit Factor		
(6)	Total Company Calendar Year 2019 Forecasted Deliveries	7,166,868,626	397,441,107
(7)	Illustrative Credit Factor	($0.00067)	($0.0077)
	Section 3: Illustrative Bill Impact		
(8)	Usage for Bill Impact (electric is monthly; gas is annual)	500	845
(9)	Illustrative Decrease in Bill	($0.34)	($6.51)
(10)	Illustrative Decrease in Bill, including Gross Earnings Tax	($0.35)	($6.71)
(11)	Bill Based on Rates Currently in Effect, including Gross Earnings Tax	$118.51	$1,309.50
(12)	Illustrative Reduced Bill	$118.16	$1,302.79
(13)	Illustrative Decrease as a Percent of Bill Based on Rates Currently in Effect	-0.3%	-0.5%

(1) Response to PUC 1-1
(2) Electric: Docket 4323, January 24, 2013 Compliance Filing, Attachment 3B, page 1, line 45
Gas: Docket 4323, January 24, 2013 Compliance Filing, Attachment 6, page 3, line 33
(3) Line (1) - Line (2)
(4) January 2018 through August 2018 = 8 months
(5) Line (3) ÷ 12 x 8
(6) Company forecast
(7) Line (5) ÷ Line (6), truncated after 5 decimal places for electric, 4 decimal places for gas
(8) 500 kWh per month for electric, 846 therms per year for gas
(9) Line (7) x Line (8)
(10) Line (9) gross up for GET at 4% for electric, 3% for gas
(11) Bill based on current rates
(12) Line (10) + Line (11)
(13) Line (10) ÷ Line (11)

PUC 2-4

Request:

Is it the intent of the settlement that the amounts to be returned to customers will be returned on a per unit of commodity basis?

Response:

Yes, the Company intends to return the tax credit to both electric and gas customers on a volumetric basis (i.e., $/kWh for electric customers and $/therm for gas customers).

PUC 2-5

Request:

Please provide the current balance of the Company's electric storm fund.

Response:

The Company's Storm Contingency Fund balance at December 31, 2018 is a deficit of approximately $125.7 million.