

January 24, 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
Settlement Agreement**

Dear Ms. Massaro:

I am pleased to report a settlement among National Grid,¹ the Division of Public Utilities and Carriers, the Office of Energy Resources, and the State of Rhode Island Office of the Lieutenant Governor Daniel J. McKee in the above-referenced docket. On behalf of National Grid and the other parties, I enclose one original and nine copies of the parties' Settlement Agreement for filing with the Public Utilities Commission (PUC) in the above-referenced docket, in accordance with the PUC's Rules of Practice and Procedure, 810-RICR-00-00-1.25 (B)(1).

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

Very truly yours,



Celia B. O'Brien

Enclosures

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

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

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.



Joanne M. Scanlon

January 24, 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 ;	401-780-2107
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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

_____)	
In Re: Review of The Narragansett Electric)	Docket No. 4808
Company d/b/a National Grid’s Revenue)	
Requirement Under R.I. Gen. Laws § 39-3-11)	
In Light of The Tax Cuts & Jobs Act)	
_____)	

SETTLEMENT AGREEMENT

In accordance with 810-RICR-00-00-1.25 (B)(1) of the Rules of Practice and Procedure of the Rhode Island Public Utilities Commission (PUC), this settlement agreement (the Settlement Agreement) is entered into as of this 24th day of January, 2019, by and between The Narragansett Electric Company d/b/a National Grid (the Company)¹; the Division of Public Utilities and Carriers (Division); the Office of Energy Resources (OER); and the State of Rhode Island Office of the Lieutenant Governor Daniel McKee (collectively referred to as the Parties and individually as a Party) in the above-captioned docket.

RECITALS:

WHEREAS, on November 27, 2017, in Docket No. 4770, the Company filed with the Public Utilities Commission (PUC) its Application for Approval of a Change in Electric and Gas Base Distribution Rates Pursuant to R.I. Gen. Laws §§ 39-3-10 and 39-3-11, which included a request to set new base distribution rates effective September 1, 2018 (Rate Request) based on

¹ The term “Company” refers to The Narragansett Electric Company’s electric and gas distribution operations on a collective basis. The electric and gas distribution operations of The Narragansett Electric Company together represent the entirety of the regulated operations conducted in Rhode Island by the Company. In this Settlement Agreement, the regulated entity is referred to as the Company. Where there is a need to refer to the individual electric and gas distribution operations of the Company, the terms “Narragansett Electric” or “Narragansett Gas,” respectively, are used in this Settlement Agreement.

revenue requirements for Narragansett Electric and Narragansett Gas calculated through the twelve-month period ending August 31, 2019 (Rate Year 1);

WHEREAS, on December 22, 2017, The Tax Cuts and Jobs Act of 2017, Pub. L. No. 115-97, 131 Stat. 2054 (the Tax Act) was signed into law and became effective January 1, 2018. The Tax Act, among other changes, reduced the federal corporate income tax rate from 35 percent to 21 percent;

WHEREAS, on March 2, 2018, the Company revised its Rate Request in Docket No. 4770 to account for the impacts of the Tax Act, which revision reduced the Company's revenue deficiency and proposed base distribution rates.;

WHEREAS, on March 12, 2018, the PUC commenced Docket No. 4808 to explore the reduction of then-current base distribution rates to account for the effect of the federal corporate income tax reduction on the Company's revenue requirement for calendar year 2018;

WHEREAS, on May 9, 2018, the Company made a second revision to its Rate Request in Docket No. 4770 to account for additional impacts of the Tax Act, which further reduced the Company's revenue deficiency and proposed base distribution rates.;

WHEREAS, on August 24, 2018, at an Open Meeting, the PUC approved the Amended Settlement Agreement in consolidated Docket Nos. 4770/4780 (the Amended Settlement Agreement), which, among other things, authorized a multi-year rate plan (the Rate Plan) for the Company's gas and electric base distribution rates, effective September 1, 2018, which rates accounted for the impacts of the Tax Act as of September 1, 2018;

WHEREAS, the Rate Plan also includes rate increases for Rate Year 2 (*i.e.*, September 1, 2019 through August 31, 2020) and Rate Year 3 (*i.e.*, September 1, 2020 through August 31, 2021). By approving the Rate Plan, the PUC approved the Rate Year 2 and

Rate Year 3 base distribution rates for Narragansett Gas, which rates are effective on September 1, 2019 and September 1, 2020, respectively;

WHEREAS, pursuant to the Amended Settlement Agreement, on or before June 1, 2019, the Company is required to submit an update to its Summary of Retail Delivery Rates tariff, together with testimony and supporting schedules explaining and itemizing the change in revenue requirement for Rate Year 2 for Narragansett Electric (the Rate Year 2 Filing);

WHEREAS, the Rate Plan does not address the impacts of the Tax Act for the period from January 1, 2018 through August 31, 2018, which is the period of time that is the subject of Docket No. 4808 (the Relevant Period);

WHEREAS, on October 25, 2018, the Company filed its Initial Brief on the legal issues raised in this docket with respect to the treatment of the impact of the Tax Act during the Relevant Period;

WHEREAS, the Parties continue to have differences of opinion on treatment of the impacts of the Tax Act over the Relevant Period;

WHEREAS, the Parties wish to resolve their differences through this negotiated Settlement Agreement and believe that a settled resolution will reduce costs for Rhode Island customers through the elimination of resource-consuming litigated proceedings in this docket; and

WHEREAS, the Parties believe this Settlement Agreement is reasonable, in the public interest, and in accordance with law and regulatory policy.

NOW, THEREFORE, in consideration of the recitals hereto, the exchange of promises and covenants hereinafter contained, and other good and valuable consideration, the receipt and

sufficiency of which are hereby acknowledged under seal, the Parties, intending to be legally bound, hereby agree as follows:

1. Treatment of the Impact of the Tax Act During the Relevant Period

The Parties agree that the Tax Act reduced the Company's federal corporate income tax payment obligations for the Relevant Period. The Parties further agree that the amounts of any benefits of the Company's reduced federal corporate income tax payment obligations as a result of the Tax Act shall be provided to all customers by reducing electric and gas bills for a 12-month period that best aligns with Rate Year 2 under the Rate Plan. The Company has determined the amounts of the benefits of the Company's reduced federal corporate income tax payment obligations for the Relevant Period as a result of the Tax Act. For Narragansett Electric, the amount is \$4,842,025; for Narragansett Gas, the amount is \$3,064,228.² The Parties agree that the foregoing amounts represent the benefits of the Company's reduced federal corporate income tax payment obligations for the Relevant Period as a result of the Tax Act. The Parties also agree for Narragansett Electric, the amount would be included in the Revenue Decoupling Mechanism (RDM) filing, to be submitted by May 15, 2019, and be reflected in the RDM factor in effect from July 1, 2019 through June 30, 2020.³ The Parties agree for Narragansett Gas, the amount would be included in the Distribution Adjustment Clause (DAC) filing, to be submitted by August 1, 2019, as a new component to the DAC and be reflected in the DAC factor in effect from November 1, 2019 through October 31, 2020.⁴

² The amounts of \$4,842,025 (Narragansett Electric) and \$3,064,228 (Narragansett Gas) were determined in accordance with the illustrative calculation set forth in Attachment 1 of this Settlement Agreement. Attachment 1 is a copy of Attachment PUC 1-2 provided with the Company's response to Data Request PUC 1-2 filed with the PUC in this docket on May 1, 2018.

³ The Company will separately credit \$4,842,025 to the RDM reconciliation balance at March 31, 2019, and the net balance will be the basis upon which the RDM factor is calculated.

⁴ The Company will propose a new component to the DAC for crediting customers \$3,064,228, and this amount will be the basis upon which a tax credit factor is calculated and included in the overall DAC factor.

2. Other Provisions

(a) Unless expressly stated herein, the making of this Settlement Agreement establishes no principles or precedents and may not be construed or cited as precedent in any future proceeding. The covenants contained in this Settlement Agreement are limited to the above-captioned docket only and shall not be deemed to foreclose any Party from taking any position or making any contention in any other docket, proceeding, or investigation.

(b) This Settlement Agreement is the result of settlement negotiations between the Parties. The content of those negotiations is privileged and confidential, and all offers of settlement and discussions relating thereto are and shall be privileged, shall be without prejudice to the position of any Party, and are not to be used in any manner in connection with these or other proceedings involving any one or more of the Parties to this Settlement Agreement or otherwise.

(c) The agreement by a Party to the terms of this Settlement Agreement shall not be construed as an agreement as to any matter of fact or law for any other purpose.

(d) All prior discussions and agreements with respect to the subject matter hereof are merged in this Settlement Agreement, which alone constitutes the entire agreement between the Parties as to its subject matter. This Settlement Agreement may not be amended, modified, or terminated except by a written agreement signed by all Parties, which specifically references this Settlement Agreement.

(e) This Settlement Agreement is submitted on the condition that it is approved in its entirety by the PUC. In the event that the PUC (i) rejects this Settlement Agreement in its entirety; (ii) fails to accept this Settlement Agreement as filed; or (iii) accepts this Settlement Agreement subject to conditions unacceptable to any Party hereto, then this

Settlement Agreement shall be deemed withdrawn and shall be null and void in all respects, except this paragraph (e), and shall not constitute a part of the record in this or any proceeding or be used for any purpose, unless all Parties agree to any PUC modifications.

(f) Any number of counterparts of this Settlement Agreement may be executed, and each shall have the same force and effect as an original instrument, and as if all the parties to all the counterparts had signed the same instrument.

(g) The undersigned hereby attest on behalf of their respective organizations that this Settlement Agreement is reasonable, in the public interest, and in accordance with law and regulatory policy.

[SIGNATURES FOLLOW ON THE NEXT PAGE]

Respectfully submitted,

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID

Date: January 24, 2019

By: William Malee
Name: William Malee
Title: Vice President

DIVISION OF PUBLIC UTILITIES AND
CARRIERS STAFF ADVOCACY SECTION

Date: January ____, 2019

By: _____
Name: Christy Hetherington
Title: Special Assistant Attorney General

OFFICE OF ENERGY RESOURCES

Date: January ____, 2019

By: _____
Name:
Title:

STATE OF RHODE ISLAND OFFICE OF THE
LIEUTENANT GOVERNOR DANIEL MCKEE

Date: January ____, 2019

By: _____
Name:
Title:

Respectfully submitted,

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID

Date: January ___, 2019

By: _____
Name: William Malee
Title:

DIVISION OF PUBLIC UTILITIES AND
CARRIERS STAFF ADVOCACY SECTION

Date: January 24, 2019

By: Christy Hetherington
Name: Christy Hetherington
Title: Special Assistant Attorney General

OFFICE OF ENERGY RESOURCES

Date: January ___, 2019

By: _____
Name:
Title:

STATE OF RHODE ISLAND OFFICE OF THE
LIEUTENANT GOVERNOR DANIEL MCKEE

Date: January ___, 2019

By: _____
Name:
Title:

Respectfully submitted,

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID

Date: January __, 2019

By: _____
Name: William Malee
Title:

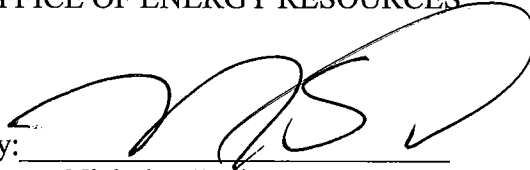
DIVISION OF PUBLIC UTILITIES AND
CARRIERS STAFF ADVOCACY SECTION

Date: January __, 2019

By: _____
Name: Christy Hetherington
Title: Special Assistant Attorney General

OFFICE OF ENERGY RESOURCES

Date: January 24, 2019

By:  _____
Name: Nicholas Ucci
Title: Deputy Commissioner

STATE OF RHODE ISLAND OFFICE OF THE
LIEUTENANT GOVERNOR DANIEL MCKEE

Date: January __, 2019

By: _____
Name:
Title:

Respectfully submitted,

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID

Date: January __, 2019

By: _____
Name: William Malee
Title:

DIVISION OF PUBLIC UTILITIES AND
CARRIERS STAFF ADVOCACY SECTION

Date: January __, 2019

By: _____
Name: Christy Hetherington
Title: Special Assistant Attorney General

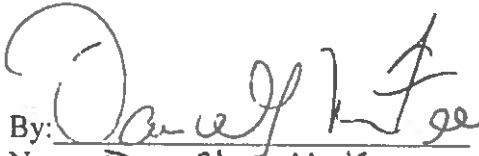
OFFICE OF ENERGY RESOURCES

Date: January __, 2019

By: _____
Name:
Title:

STATE OF RHODE ISLAND OFFICE OF THE
LIEUTENANT GOVERNOR DANIEL MCKEE

Date: January ~~24~~, 2019

By: 
Name: Daniel S. McKee
Title: Lieutenant Governor