



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS
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Memo

To: Luly Massaro, Commission Clerk

From: John Bell, Chief Accountant, Division of Public Utilities and Carriers

Date: February 18, 2022

Subject: Docket 5209 – Revenue Requirements re: National Grid’s FY 2023 Electric Infrastructure, Safety, and Reliability Plan

The Division of Public Utilities and Carriers (“Division”) respectfully offers these comments on the revenue requirements associated with The Narragansett Electric Company’s d/b/a National Grid (“NGrid” or “the Company”) Fiscal Year 2023 Electric Infrastructure, Safety, and Reliability Plan (“Plan”) filed on December 21, 2021.

I conducted a review of the revenue requirements calculations with the assistance of our consultant Dave Effron. Section 5 of the Plan provides a description of the revenue requirements along with the supporting calculations and schedules. Section 6 of the Plan includes the calculation of the proposed CapEx and O&M Factors and Section 7 illustrates the bill impacts of the proposed factors.

The O&M component of the revenue requirement is \$13.14 million which is an increase of \$1.6 million from the FY 2022 level. The main driver of this increase is the increase in the vegetation management budget. The FY 2023 incremental capital component of the revenue requirement is \$3,944,106 and the FY 2023 property tax recovery adjustment is \$5,493,827. The cumulative ISR revenue requirement included in the Plan is \$49,721,324 which is an incremental increase of \$8,363,605 from the FY 2022 ISR Plan. The impact of the proposed incremental increase on a Last Resort Service residential customer using 500 kWh per month is an increase of \$0.53 or 0.4%.

The Division notes that the Company states, at Section 5, Page 9, that it anticipates that “the sale of The Narragansett Electric Company to PPL Corporation [“Transaction”] will be completed prior to the end of its fiscal year ending March 31, 2022” and notes that “this sale will have an impact on tax Net Operating Losses (“NOLs”) utilized in FY 2022. After the sale, the Company will

supplement this filing with a revised FY 2023 Electric ISR Plan revenue requirement calculation to reflect the impact of any additional NOL utilization on its deferred federal income taxes included in the calculation of ISR rate base.”

If the sale to PPL Corporation closes as National Grid expects, the impact on the balance of accumulated deferred federal income taxes (“ADIT”) will extend well beyond any additional NOL utilization. As indicated in Docket D-21-09 before the Division, PPL Rhode Island and National Grid USA have elected to have the Transaction treated as an asset sale for federal income tax purposes. This means that the new the tax basis immediately following the acquisition will equal the book basis, and there will be no balance of ADIT at that time. The balance of ADIT deducted from Narragansett’s rate base for ratemaking purposes, including the ADIT applicable to the ISR rate base, will be eliminated.

In Docket D-21-09 before the Division, PPL stated that it would make a proposal to hold customer impacts neutral in relation to the rate impacts associated with the elimination of ADIT as of the date of the Transaction. As it will be PPL that formulates and presents the specific mechanism to hold customers neutral from the elimination of ADIT, National Grid cannot make any representation as to what the nature of the necessary mechanism might be. However, the Fiscal Year 2023 ISR revenue requirement reflects the balances of ADIT under continued National Grid ownership of Narragansett, and this is appropriate.

The Division reviewed the calculation of the revenue requirements and the development of the associated billing factors and concludes they were calculated in accordance with the Infrastructure, Safety, and Reliability Provision of the Company’s tariff. The Division believes the revenue requirement associated with the filed FY 2023 Electric ISR Plan is reasonably calculated, for effect April 1, 2022, and therefore recommends approval of the proposal.