

February 17, 2022

VIA ELECTRONIC MAIL

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

RE: Docket 5209 - Proposed FY 2023 Electric Infrastructure, Safety, and Reliability Plan Responses to Data Requests - Division Set 6

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”), enclosed please find the electronic version of the Company’s response to the Division’s Sixth Set of Data Requests, containing one request, in the above-reference matter.¹

Thank you for your attention to this transmittal. If you have any questions, please contact me at 401-784-7263.

Sincerely,



Andrew S. Marcaccio

Enclosure

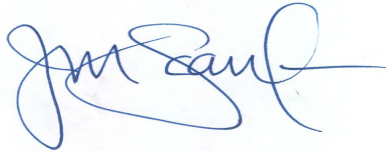
cc: Docket 5209 Service List
Jon Hagopian, Esq.
John Bell, Division
Greg Booth, Division
Linda Kushner, Division

¹ Per a communication from Commission counsel on October 4, 2021, the Company is submitting an electronic version of this filing followed by six (6) hard copies filed with the Clerk within 24 hours of the electronic filing.

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

February 17, 2022
Date

**Docket No. 5209 - National Grid's Electric ISR Plan FY 2023
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The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 5209
In Re: Electric Infrastructure, Safety, and Reliability Plan FY2023
Responses to the Division's Sixth Set of Data Requests
Issued on February 3, 2022

Division 6-1

Request:

Referring to Section 5, Page 9, the Company states that it anticipates that “the sale of The Narragansett Electric Company to PPL Corporation will be completed prior to the end of its fiscal year ending March 31, 2022.” Please describe the effect that the sale of The Narragansett Electric Company to PPL Corporation will have on the balances of accumulated deferred income taxes (“ADIT”) deducted from plant in service in the calculation of the electric ISR revenue requirement.

Response:

Per the Company's response to Data Request Division 2-3 in Docket No. D-21-09, National Grid USA and PPL agreed to make a joint election under section 338(h)(10) of the Internal Revenue Code. The effect of the election will be to increase the tax basis in the target assets to fair market value so that the fair market value of the acquired assets is approximately equal to the book values of such assets, as of the closing date. The effect of the election to have the transaction treated as an asset sale for federal income tax purposes is Narragansett's recognition of federal income tax gain for the difference between proceeds received plus liabilities assumed less the tax basis in net assets. This results in a reversal of all Narragansett's deferred income taxes (i.e., plant, net operating losses and non-plant ADIT) and a zero ADIT balance on the date of the Transaction, which will impact all rate filings, including the ISR, that require the inclusion of ADIT related to plant in service in rate base.

Absent any mitigating rate treatment such as a “hold-harmless” adjustment to rate base, which would be calculated based on the natural reversal of deferred tax liabilities on plant as well as an agreed reversal of deferred tax assets related to net operating losses, the reset of ADIT to zero would increase the ISR rate base resulting in an increase in the allowed return on rate base component of the ISR revenue requirement.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 5209
In Re: Electric Infrastructure, Safety, and Reliability Plan FY2023
Responses to the Division's Sixth Set of Data Requests
Issued on February 3, 2022

Division 6-2

Request:

Has the Company formulated a proposal to address any effect that The Narragansett Electric Company sale will have on the ADIT balances reflected in the electric ISR revenue requirement and ISR rates? If so, please describe such proposal.

Response:

The Company d/b/a National Grid has not formulated a proposal to address any effect the sale will have on the ADIT balances reflected in the electric ISR revenue requirements and cannot surmise as to what the Company under PPL ownership may propose.

However, in the Petitioner's Statement of Existing and Additional Commitments submitted in Docket No. D-21-09, at section 16, PPL commits it will hold harmless Rhode Island customers from any changes to Accumulated Deferred Income Taxes ("ADIT") as a result of the Transaction.¹

¹ See PPL Corporation, PPP Rhode Island Holdings, LLC, National Grid USA, And The Narragansett Electric Company's Statement Of Existing And Additional Commitments, Docket No. D-21-09 at http://www.ripuc.ri.gov/eventsactions/docket/D_21_09_PPL_commit2.pdf