

February 2, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

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

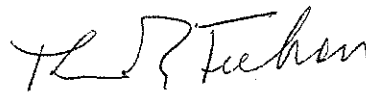
RE: Docket 4307 - Electric Infrastructure, Safety, and Reliability Plan FY 2013
Responses to Division Data Requests

Dear Ms. Massaro:

On behalf of both National Grid¹ and the Division, I have enclosed ten (10) copies of responses that the Company made to two (2) sets of data requests from the Division of Public Utilities and Carriers ("Division") during the period that the Division reviewed and reached an agreement on the Company's proposed plan. It is the intent that this material can provide additional background and explanation relative to the plan that has been submitted to the Commission.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Docket 4307 Service List
Steve Scialabba
Leo Wold, Esq.

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

National Grid

The Narragansett Electric Company

Electric Infrastructure,
Safety, and Reliability Plan
FY 2013 Proposal

**Copy of Responses to
Division Data Requests**

January 31, 2012

Docket No. 4307

Submitted to:
Rhode Island Public Utilities Commission

Submitted by:
nationalgrid

Division 1-1 (Electric)

Request:

Please provide Section 5, Attachment 1 in electronic spreadsheet format with all formulas in tact.

Response:

Please refer to Attachment DIV 1-1

**The Narragansett Electric Company
d/b/a National Grid
Electric Infrastructure, Safety and Reliability (ISR) Plan
Computation of Annual Revenue Requirement**

Line No.		Fiscal Year <u>2012</u> (a)	Fiscal Year <u>2013</u> (b)	Fiscal Year <u>2014</u> (c)
1	Operation and Maintenance (O&M) Expenses			
2				
3	Current Year Forecasted Vegetation Management (VM) and Inspection & Maintenance (I&M) O&M Expense	<u>\$9,207,845</u>	<u>\$11,716,900</u>	
4				
5				
6	Capital Investment			
7	Forecasted Revenue Requirement Related to Electric Capital Investment:			
8	Annual Revenue Requirement on FY 2012 Capital Included in Rate Base	\$722,180	\$2,725,300	\$2,575,311
9	Annual Revenue Requirement on FY 2013 Capital Included in Rate Base	<u>\$0</u>	<u>\$1,215,483</u>	<u>\$3,857,717</u>
10				
11	Capital Investment Component of Revenue Requirement	<u>\$722,180</u>	<u>\$3,940,783</u>	<u>\$6,433,029</u>
12				
13	Total Fiscal Year Revenue Requirement	<u>\$9,930,025</u>	<u>\$15,657,683</u>	
14				
15	Less: Adjustment to Base Rates to reflect recovery of VM and I&M O&M expense in the ISR Factor			
16				
17	Total Incremental Fiscal Year Rate Adjustment	<u>\$9,930,025</u>	<u>\$5,727,658</u>	

Line Notes:

- 3 Projected Vegetation Management and Inspection & Maintenance expense for FY 2012 and FY 2013
- 8 From Page 3, Line 32
- 9 From Page 2, Line 32
- 11 Line 8 + Line 9
- 13 Line 3 + Line 11
- 15 Per Docket No. 4065
- 17 Column (b) equals Line 13 minus Line 13, Column (a)

**The Narragansett Electric Company
d/b/a National Grid
Computation of Electric Capital Investment Revenue Requirement
FY 2013 Investment**

Line No.			Fiscal Year 2013 (a)	Fiscal Year 2014 (b)
<u>Capital Additions Allowance</u>				
<i>Non-Discretionary Capital</i>				
1	Actual Non-Discretionary Capital Additions	Page 4 Line 9, Column (b)	1/ \$28,619,341	\$0
<i>Discretionary Capital</i>				
2	Approved Discretionary Capital Spending	Page 4 Line 18, Column (a)	1/ \$23,999,418	\$0
3	Total Allowed Capital Included in Rate Base in Current Year	Line 1 + Line 2	\$52,618,758	\$0
<u>Depreciable Net Capital Included in Rate Base</u>				
4	Total Allowed Capital Included in Rate Base in Current Year	Line 3	\$52,618,758	\$0
5	Retirements	Line 4 * Retirements Rate	2/ \$8,622,055	\$0
6	Net Depreciable Capital Included in Rate Base	Prior Year Line 6 + Current Year Line 4 - Line 5	\$43,996,703	\$43,996,703
<u>Change in Net Capital Included in Rate Base</u>				
7	Capital Included in Rate Base	Line 3	\$52,618,758	\$0
8	Depreciation Expense	As approved per R.I.P.U.C. Docket No. 4065, excluding general plant	\$38,875,088	\$0
9	Incremental Depreciable Amount	Prior Year Line 9 + Current Year Line 7 - Line 8	\$13,743,670	\$13,743,670
<u>Cost of Removal</u>				
10	Cost of Removal - Non-Discretionary		\$3,365,680	\$0
11	Cost of Removal - Discretionary		\$4,434,320	\$0
12	Total Cost of Removal	Prior Year Line 12 + Current Year (Line 10 + Line 11)	\$7,800,000	\$7,800,000
13	Total Net Plant in Service	Line 9 + Line 12	\$21,543,670	\$21,543,670
<u>Deferred Tax Calculation:</u>				
14	Composite Book Depreciation Rate	As Approved in R.I.P.U.C. Docket No. 4065	3.40%	3.40%
15	Vintage Year Tax Depreciation:			
16	2013 Spend	Page 5 Line 20	\$31,436,840	\$2,173,719
17	Cumulative Tax Depreciation	Prior Year Line 17 + Current Year Line 16	\$31,436,840	\$33,610,559
18	Book Depreciation	(Prior Year Line 6 * Line 14) + (Current Year Line 6 * Line 14 * 50%)	\$747,944	\$1,495,888
19	Cumulative Book Depreciation	Prior Year Line 19 + Current Year Line 18	\$747,944	\$2,243,832
20	Cumulative Book / Tax Timer	Line 17 - Line 18	\$30,688,896	\$31,366,727
21	Effective Tax Rate		35.00%	35.00%
22	Deferred Tax Reserve	Line 20 * Line 21	\$10,741,114	\$10,978,354
<u>Rate Base Calculation:</u>				
23	Cumulative Incremental Capital Included in Rate Base	Line 13	\$21,543,670	\$21,543,670
24	Accumulated Depreciation	- Line 19	(\$747,944)	(\$2,243,832)
25	Deferred Tax Reserve	- Line 22	(\$10,741,114)	(\$10,978,354)
26	Year End Rate Base	Sum of Lines 23 through 25	\$10,054,613	\$8,321,484
<u>Revenue Requirement Calculation:</u>				
27	Average Rate Base	(Prior Year Line 26 + Current Year Line 26) ÷ 2	\$5,027,306	\$9,188,048
28	Pre-Tax ROR		3/ 9.30%	9.30%
29	Return and Taxes	Line 27 * Line 28	\$467,539	\$854,488
30	Book Depreciation	Line 19	\$747,944	\$1,495,888
31	Property Taxes	\$0 in Year 1, then Prior Year (Line 6 + Line 12 - Line 19) * Property Tax	4/ \$0	\$1,507,341
32	Annual Revenue Requirement	Sum of Lines 29 through 31	\$1,215,483	\$3,857,717

- 1/ Reflects projected capital additions (plant-in-service); to be replaced with actual capital additions for annual reconciliation
2/ Assumes 16.4% based on 2010 retirements as a percent of capital additions; to be replaced with actual retirements for annual reconciliation
3/ Weighted Average Cost of Capital as approved in R.I.P.U.C. Docket No. 4065

	Ratio	Rate	Rate	Taxes	Return
Long Term Debt	52.08%	5.30%	2.76%		2.76%
Short Term Debt	4.98%	1.60%	0.08%		0.08%
Preferred Stock	0.19%	4.50%	0.01%		0.01%
Common Equity	42.75%	9.80%	4.19%	2.26%	6.45%
	100.00%		7.04%	2.26%	9.30%

- 4/ Property Tax Rate Calculation based on 2010 actual net plant in service and property tax expense applicable to distribution

Plant in Service	\$1,235,201,285
Accumulated Depreciation	\$529,716,452
Distribution-Related Net Plant in Service	\$705,484,833
Distribution-Related Rate Year Property Tax Expense	\$20,831,185
Distribution-Related Property Tax Rate	2.95%

**The Narragansett Electric Company
d/b/a National Grid
Computation of Electric Capital Investment Revenue Requirement
FY 2012 Investment**

Line No.			Fiscal Year 2012 (a)	Fiscal Year 2013 (b)	Fiscal Year 2014 (c)
<u>Capital Additions Allowance</u>					
<i>Non-Discretionary Capital</i>					
1	Actual Non-Discretionary Capital Additions	Page 4 Line 9, Column (a)	1/ \$30,087,700	\$0	\$0
<i>Discretionary Capital</i>					
2	Actual Discretionary Capital Additions	Page 4 Line 18, Column (a)	1/ \$18,714,500	\$0	\$0
3	Total Allowed Capital Included in Rate Base	Line 1 + Line 2	\$48,802,200	\$0	\$0
<u>Depreciable Net Capital Included in Rate Base</u>					
4	Total Allowed Capital Included in Rate Base in Current Year	Line 3	\$48,802,200	\$0	\$0
5	Retirements	Line 4 * Retirements Rate	2/ \$7,720,508	\$0	\$0
6	Net Depreciable Capital Included in Rate Base	Prior Year Line 6 + Current Year Line 4 - Line 5	\$41,081,692	\$41,081,692	\$41,081,692
<u>Change in Net Capital Included in Rate Base</u>					
7	Capital Included in Rate Base	Line 4	\$48,802,200	\$0	\$0
8	Depreciation Expense	As approved per R.I.P.U.C. Docket No. 4065, excluding general plant	\$38,875,088	\$0	\$0
9	Incremental Depreciable Amount	Prior Year Line 9 + Current Year Line 7 - Line 8	\$9,927,112	\$9,927,112	\$9,927,112
10	Cost of Removal - Non-Discretionary		\$3,956,000	\$0	\$0
11	Cost of Removal - Discretionary		\$2,623,000	\$0	\$0
12	Total Cost of Removal	Prior Year Line 12 + Current Year (Line 10 + Line 11)	\$6,579,000	\$6,579,000	\$6,579,000
13	Total Net Plant in Service	Line 9 + Line 12	\$16,506,112	\$16,506,112	\$16,506,112
<u>Deferred Tax Calculation:</u>					
14	Composite Book Depreciation Rate	As Approved in R.I.P.U.C. Docket No. 4065	3.40%	3.40%	3.40%
15	Vintage Year Tax Depreciation:				
16	2012 Spend	Page 6 Line 20 Column (a)	\$44,401,468	\$823,508	\$761,794
17	Cumulative Tax Depreciation	Prior Year Line 17 + Current Year Line 16	\$44,401,468	\$45,224,976	\$45,986,770
18	Book Depreciation	(Prior Year Line 6 * Line 14) + (Current Year Line 6 * Line 14 * 50%)	\$698,389	\$1,396,778	\$1,396,778
19	Cumulative Book Depreciation	Prior Year Line 19 + Current Year Line 18	\$698,389	\$2,095,166	\$3,491,944
20	Cumulative Book / Tax Timer	Line 17 - Line 18	\$43,703,079	\$43,129,810	\$42,494,826
21	Effective Tax Rate		35.00%	35.00%	35.000%
22	Deferred Tax Reserve	Line 20 * Line 21	\$15,296,078	\$15,095,433	\$14,873,189
<u>Rate Base Calculation:</u>					
23	Cumulative Incremental Capital Included in Rate Base	Line 13	\$16,506,112	\$16,506,112	\$16,506,112
24	Accumulated Depreciation	- Line 19	(\$698,389)	(\$2,095,166)	(\$3,491,944)
25	Deferred Tax Reserve	- Line 22	(\$15,296,078)	(\$15,095,433)	(\$14,873,189)
26	Year End Rate Base	Sum of Lines 23 through 25	\$511,646	(\$684,488)	(\$1,859,021)
<u>Revenue Requirement Calculation:</u>					
27	Average Rate Base	(Prior Year Line 26 + Current Year Line 26) ÷ 2	\$255,823	(\$86,421)	(\$1,271,754)
28	Pre-Tax ROR		3/ 9.30%	9.30%	9.30%
29	Return and Taxes	Line 27 * Line 28	\$23,792	(\$8,037)	(\$118,273)
30	Book Depreciation	Line 19	\$698,389	\$1,396,778	\$1,396,778
31	Property Taxes	\$0 in Year 1, then Prior Year (Line 6 + Line 12 - Line 19) * Property Tax	4/ \$0	\$1,336,560	\$1,296,807
32	Annual Revenue Requirement	Sum of Lines 29 through 31	\$722,180	\$2,725,300	\$2,575,311

- 1/ Reflects projected capital additions (plant-in-service); to be replaced with actual capital additions for annual reconciliation
2/ Reflects approved capital spending; to be replaced with actual capital spending for annual reconciliation
3/ Assumes 15.82% based on 2009 retirements as a percent of capital additions; to be replaced with actual retirements for annual reconciliation
4/ Weighted Average Cost of Capital as approved in R.I.P.U.C. Docket No. 4065

	Ratio	Rate	Rate	Taxes	Return
Long Term Debt	52.08%	5.30%	2.76%		2.76%
Short Term Debt	4.98%	1.60%	0.08%		0.08%
Preferred Stock	0.19%	4.50%	0.01%		0.01%
Common Equity	42.75%	9.80%	4.19%	2.26%	6.45%
	<u>100.00%</u>		<u>7.04%</u>	<u>2.26%</u>	<u>9.30%</u>

- 5/ Property Tax Rate Calculation based on 2009 actual net plant in service and property tax expense applicable to distribution
- | | |
|---|-----------------|
| Plant in Service | \$1,190,817,229 |
| Accumulated Depreciation | \$505,832,095 |
| Distribution-Related Net Plant in Service | \$684,985,134 |
| Distribution-Related Rate Year Property Tax Expense | \$19,494,858 |
| Distribution-Related Property Tax Rate | <u>2.85%</u> |

**The Narragansett Electric Company
d/b/a National Grid
Electric Capital Investment Summary**

		Fiscal Year <u>2012</u> (a)	Fiscal Year <u>2013</u> (b)
<u>Non Discretionary Capital</u>			
1	FY 2012 Actual Non-Discretionary Capital Additions	\$ 30,087,700	\$ 30,087,700
2	FY 2013 Actual Non-Discretionary Capital Additions	-	28,619,341
3	Cumulative Actual Non- Discretionary Capital Additions	Line 3 + Line 4 30,087,700	58,707,041
4	FY 2012 Actual Non-Discretionary Capital Spending	31,341,500	31,341,500
5	FY 2013 Actual Non-Discretionary Capital Spending	-	30,428,000
6	Cumulative Actual Non-Discretionary Capital Spending	Line 4 + Line 5 31,341,500	61,769,500
7	Cumulative Allowed Non-Discretionary Capital Included in Rate Base	Lesser of Line 3 or Line 6 30,087,700	58,707,041
8	Prior Year Cumulative Allowed Non-Discretionary Capital Included in Rate Base	Prior Year Line 9 -	30,087,700
9	Total Allowed Non- Discretionary Capital Included in Rate Base Current Year	Line 7 - Line 8 \$ 30,087,700	\$ 28,619,341
<u>Discretionary Capital</u>			
10	FY 2012 Actual Discretionary Capital Additions	\$ 18,714,500	\$ 18,714,500
11	FY 2013 Actual Discretionary Capital Additions	-	23,999,418
12	Cumulative Actual Discretionary Capital Additions	Line 10 + Line 11 18,714,500	42,713,918
13	FY 2012 Actual Discretionary Capital Spending	27,036,150	27,036,150
14	FY 2013 Actual Discretionary Capital Spending	-	27,572,000
15	Cumulative Actual Discretionary Capital Spending	Line 13 + Line 14 27,036,150	54,608,150
16	Cumulative Allowed Discretionary Capital Included in Rate Base	Line 12 18,714,500	42,713,918
17	Prior Year Cumulative Allowed Discretionary Capital Included in Rate Base	-	18,714,500
18	Total Allowed Discretionary Capital Included in Rate Base Current Year	Line 16 - Line 17 \$ 18,714,500	\$ 23,999,418
19	Total Allowed Capital Included in Rate Base Current Year	Line 9 + Line 18 \$ 48,802,200	\$ 52,618,758

The Narragansett Electric Company
d/b/a National Grid
Electric Infrastructure, Safety and Reliability Plan FY 2013
Section 5: Attachment 1
Page 5 of 6

The Narragansett Electric Company
Illustrative Calculation of Tax Depreciation and Repairs Deduction
On FY 2013 Capital Investment

		Fiscal Year 2013 (a)	Fiscal Year 2014 (b)
<u>Capital Repairs Deduction</u>			
1	Plant Additions	Page 2 Line 3	\$52,618,758
2	Capital Repairs Deduction Rate		16.00%
3	Capital Repairs Deduction	Line 2 x Line 3	\$8,419,001
<u>Bonus Depreciation</u>			
4	Plant Additions	Line 1	\$52,618,758
5	Less Capital Repairs Deduction	Line 3	\$8,419,001
6	Plant Additions Net of Capital Repairs Deduction	Line 4 - Line 5	\$44,199,757
7	Percent of Plant Eligible for Bonus Depreciation		85.00%
8	Plant Eligible for Bonus Depreciation	Line 6 x Line 7	\$37,569,794
9	Bonus Depreciation Rate (April 2012 - December 2012)	1 * 75% * 50%	37.50%
10	Bonus Depreciation Rate (January 2013 - March 2013)		0.00%
11	Total Bonus Depreciation Rate	Line 9 + Line 10	37.50%
12	Bonus Depreciation	Line 8 x Line 11	\$14,088,673
<u>Remaining Tax Depreciation</u>			
13	Plant Additions	Line 1	\$52,618,758
14	Less Capital Repairs Deduction	Line 3	\$8,419,001
15	Less Bonus Depreciation	Line 12	\$14,088,673
16	Remaining Plant Additions Subject to 20 YR MACRS Tax Depreciation	Line 1 - 14 - 15	\$30,111,084
17	20 YR MACRS Tax Depreciation Rates		3.750%
18	Remaining Tax Depreciation	Line 16 x Line 17	\$1,129,166
19	Cost of Removal		\$7,800,000
20	Total Tax Depreciation and Repairs Deduction	Sum of Lines 3, 12, 18, 19	\$31,436,840
			\$2,173,719

**The Narragansett Electric Company
Illustrative Calculation of Tax Depreciation and Repairs Deduction
On FY 2012 Capital Investment**

		Fiscal Year <u>2012</u> (a)	Fiscal Year <u>2013</u> (b)	Fiscal Year <u>2014</u> (c)
<u>Capital Repairs Deduction</u>				
1	Plant Additions	Page 3, Line 3	\$48,802,200	
2	Capital Repairs Deduction Rate		32.00%	
3	Capital Repairs Deduction	Line 2 x Line 3	\$15,616,704	
<u>Bonus Depreciation</u>				
4	Plant Additions	Line 1	\$48,802,200	
5	Less Capital Repairs Deduction	Line 3	\$15,616,704	
6	Plant Additions Net of Capital Repairs Deduction	Line 4 - Line 5	\$33,185,496	
7	Percent of Plant Eligible for Bonus Depreciation		75.00%	
8	Plant Eligible for Bonus Depreciation	Line 6 x Line 7	\$24,889,122	
9	Bonus Depreciation Rate (April 2011 - December 2011)	1 * 75%	75.00%	
10	Bonus Depreciation Rate (January 2012 - March 2012)	1 * 25% * 50%	12.50%	
11	Total Bonus Depreciation Rate	Line 9 + Line 10	87.50%	
12	Bonus Depreciation	Line 8 x Line 11	\$21,777,982	
<u>Remaining Tax Depreciation</u>				
13	Plant Additions	Line 1	\$48,802,200	
14	Less Capital Repairs Deduction	Line 3	\$15,616,704	
15	Less Bonus Depreciation	Line 12	\$21,777,982	
16	Remaining Plant Additions Subject to 20 YR MACRS Tax Depreciation	Line 1 - 14 - 15	\$11,407,514	\$11,407,514
17	20 YR MACRS Tax Depreciation Rates		3.750%	7.219%
18	Remaining Tax Depreciation	Line 16 x Line 17	\$427,782	\$823,508
19	Cost of Removal		\$6,579,000	
20	Total Tax Depreciation and Repairs Deduction	Sum of Lines 3, 12, 18, 19	\$44,401,468	\$823,508
				\$761,794

Division 1-2 (Electric)

Request:

Referring to Section 5, Attachment 1, page 3, please explain why the depreciation expense on Line 8 is not offset against the plant additions in the calculation of the property tax expense for Fiscal Year 2013 on Line 31.

Response:

The Electric Infrastructure, Safety, and Reliability Plan reflects capital investment and other spending relating to maintaining the safety and reliability of the electric distribution system on a prospective basis beginning April 1, 2011. The capital tracker portion of the plan is intended to be incremental in nature, isolated just to the impact of capital investments beginning with the twelve months ended April 1, 2012. As such, it is not intended to adjust rate base and associated rate base-related costs currently embedded within the Company's base distribution rates as set in the Company's last rate case in Docket No. 4065.

The base rate allowance for property taxes on embedded plant in service as approved in Docket No. 4065 are subjected to normal ebb and flow, as are all other base rate cost components. Property taxes are affected by changes in both assessed property values and property tax rates. As such, it would be inappropriate to adjust base rate property tax allowances for embedded plant in service for only changes in assessed property value while ignoring inevitable changes in individual municipal property tax rates.

Prepared by or under the supervision of: William R. Richer

Division 1-3 (Electric)

Request:

Referring to Section 5, Attachment 1, page 2, please explain reasons for the increase in the property tax rate from the property tax rate based on the 2009 actual plant in service.

Response:

The property tax rate is based on the actual net plant in service and the property tax expense applicable to distribution. Property tax expense increased 6.85% in 2010 over 2009 but net plant in service only increased 2.99% over the same period. Therefore, the increase in the property tax rate from 2009 to 2010 was caused by the smaller percentage increase in net plant in relation to the percentage increase in the property tax expense.

Prepared by or under the supervision of: William R. Richer

Division 1-4 (Electric)

Request:

Please provide any analysis prepared by or for the Company that addresses the effect of Revenue Procedure 2011-43 on the Capital Repairs Deduction Rate applicable to electric plant additions.

Response:

The Company has reviewed Revenue Procedure 2011-43 and believes that the methodology and assumptions currently employed to calculate the repairs deduction for electric property is substantially aligned with the safe harbor set out in the Revenue Procedure. The Company will likely adopt the safe harbor with the filing of the tax return for fiscal year ending March 31, 2012, due on December 15, 2012. There is currently no analysis prepared for the adoption of the safe harbor, but a significant adjustment from our tax return, as filed position, is not expected.

Prepared by or under the supervision of: William R. Richer

Division 1-5 (Electric)

Request:

Referring to Section 5, Attachment 1, page 5, please explain why the Capital Repairs Deduction Rate decreases from 32% in FY 2012 to 16% in FY 2013.

Response:

The Company has been deducting capital additions as repairs since the adoption of the method in the fiscal 2009 tax return. As there have only been a couple of years of experience, an averaging of yearly percentages has not been used as an estimate of future repairs. Instead, the estimate of the next year's capital repairs percent is based on the actual capital repairs percent in the prior year's tax return. As noted in question 7, the repairs percentage went from 32% in the fiscal 2010 return to 16% in the fiscal 2011 return. The shift in percentages, year on year, would mean that there is a difference in the nature of the capital additions for each year. Since the work orders must be tested and meet a 20% test each year (i.e. replacement must be less than 20% of the unit of property to qualify for repairs deduction), in a year with more capital growth than replacement of existing plant or replacement of larger sections of plant would result in a lower repairs percentage.

Prepared by or under the supervision of: William R. Richer

Division 1-6 (Electric)

Request:

Referring to Section 5, Attachment 1, page 5, please explain why the Plant Eligible for Bonus Depreciation increases from 75% in FY 2012 to 85% in FY 2013.

Response:

Not all plant additions qualify for bonus depreciation. Certain categories of plant do not meet the definition of qualified property. The main limiting factor is that a project cannot be started before the bonus qualifying date of January 1, 2008 to be eligible for bonus depreciation. The Company uses the indicator of the first labor dollar spent on a project as the start date. There are some long term projects that will fall outside the qualifying date, and even though they are put in service during the bonus period, they are not considered qualifying property. Each year further into the bonus period, a greater percentage of projects will not be limited by the original January 2008 date. Thus, for the fiscal 2012 filing, the Company used 75% as qualifying for bonus and since the fiscal 2013 filing represented another year beyond the January 2008 date, the Company assumed 85% would qualify for bonus depreciation.

Prepared by or under the supervision of: William R. Richer

Division 1-7 (Electric)

Request:

What were the actual Capital Repairs Deduction Rates applicable to electric plant in FY 2010 and FY 2011?

Response:

The capital repairs deductions, as a percentage of total plant additions, for the tax returns questioned are as follows:

Fiscal 2010	32.54%
Fiscal 2011	16.55%

Prepared by or under the supervision of: William R. Richer

Division 1-8 (Electric)

Request:

Please provide any analysis prepared by or for the Company that addresses the electric Plant Eligible for Bonus Depreciation in calendar year 2010 and calendar year 2011 to date.

Response:

The Company does not prepare any analysis for bonus eligible property on a calendar year basis. The exercise is prepared on an April 1- March 31 fiscal year basis as part of the tax return workpapers. Attached are the fiscal year 2010 and fiscal year 2011 summaries of the results of eligibility tests performed on work orders put into service in those years. These includes tests regarding the work order start dates as described in response to Division 1-6 (Electric) and the 90% rule. Under the 90% rule, also known as the 10% rule, physical work of a significant nature will not be considered to begin before the taxpayer incurs or pays more than 10% of the total cost of the property.

Prepared by or under the supervision of: William R. Richer

**The Narragansett Electric Company
d/b/a National Grid
Electric Infrastructure, Safety and Reliability (ISR) Plan
FY 2011 Plant Additions Eligible for Bonus Depreciation**

<u>Line</u> <u>No.</u>	<u>Tax Class</u>	<u>Test for 50% Bonus Eligible</u>	<u>Test for 100% Bonus Eligible</u>
1	Does Not Pass First Charge Test	183,378.46	(360,695.56)
2	Does Not Pass First Charge Test (Found No Charges)	-	-
3	Passes First Charge Test	36,520,883.91	5,143,337.37
4	Passes First Charge Test (90% Rule)	482,124.23	219,458.22
5	<345 KV Trans - 15 Yr. Life - Total	37,186,386.60	5,002,100.03
6	Does Not Pass First Charge Test	(2,000,593.99)	194,488.82
7	Does Not Pass First Charge Test (Found No Charges)	-	-
8	Does Not Pass First Charge Test (Total Charges Zero)	(60,961.41)	(264,193.21)
9	Passes First Charge Test	26,852,068.02	13,642,411.49
10	Passes First Charge Test (90% Rule)	1,287,324.07	430,159.50
11	Passes First Charge Test (Blanket)	454,174.64	3,192,502.93
12	Distribution - Total	26,532,011.33	17,195,369.53
13	Does Not Pass First Charge Test	(131,430.24)	-
14	Passes First Charge Test	497,126.81	-
15	General Plant -Total	365,696.57	-
16			
17	Total Bonus Eligible Plant	66,093,701.68	22,627,869.51

Line Notes

17 Line 3+Line 4+Line9+Line10+Line11+Line14

The Narragansett Electric Company
d/b/a National Grid
Electric Infrastructure, Safety and Reliability Plan FY 2013
Responses to Division's Data Request - Set 1
Attachment DIV 1-8
Page 2 of 2

The Narragansett Electric Company
d/b/a National Grid
Electric Infrastructure, Safety and Reliability (ISR) Plan
FY 2010 Plant Additions Eligible for Bonus Depreciation

<u>Line No.</u>	<u>Tax Class</u>	<u>Test for 50% Bonus Eligible</u>
1	Does Not Pass First Charge Test	1,108,347.36
2	Does Not Pass First Charge Test (Found No Charges)	(3,040,005.38)
3	Passes First Charge Test	10,541,005.38
4	Passes First Charge Test (90% Rule)	2,716,839.45
5	<345 KV Trans - 15 Yr. Life Total	11,326,186.81
6	Does Not Pass First Charge Test	4,945,713.28
7	Does Not Pass First Charge Test (Found No Charges)	3,347,207.34
8	Does Not Pass First Charge Test (Total Charges Zero)	(633,780.47)
9	Passes First Charge Test	40,171,756.70
10	Passes First Charge Test (90% Rule)	2,990,887.55
11	Passes First Charge Test (Blanket)	6,040,934.98
12	Distribution Total	56,862,719.38
13	Passes First Charge Test	247,578.45
14	General Plant Total	247,578.45
15	Does Not Pass First Charge Test	66,503.78
16	Passes First Charge Test	132,502.57
17	General Structures Total	199,006.35
18		
19	Total Bonus Eligible Plant	62,709,002.51

Line Notes

- 17 General Structures are excluded
19 Line 3+Line 4+Line9+Line10+Line11+Line14

Division 1-9

Request:

Please explain the increase in Inspection and Maintenance Program Costs from FY 2012 to FY 2013.

Response:

The increase in the Inspection and Maintenance Program costs from FY2012 to FY2013 is driven by an increased volume of repair work resulting from inspections. The FY 2012 program performed potted porcelain cutout replacement and feeder hardening in addition to performing the inspections only for the Inspection and Maintenance program. The FY 2013 program will perform potted porcelain cutout replacement, feeder hardening on four feeders (127W40, 127W41, 22F2, 69F3), inspections and the construction for the Level 2 work on approximately 32 feeders, which represents approximately 80% of the inspections completed to date.

Prepared by or under the supervision of: Jennifer L. Grimsley