

May 23, 2016

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4323 – Revised Electric Earnings Reports**  
**Twelve Months Ended December 31, 2013**  
**Twelve Months Ended December 31, 2014**

**Docket 4599 – 2016 Electric Retail Rates Filing**  
**Compliance Filing**

Dear Ms. Massaro:

In accordance with the Amended Settlement Agreement approved by the Rhode Island Public Utilities Commission (PUC) in Order No. 21011 (April 11, 2013) in Docket No. 4323, enclosed are ten (10) copies of revised electric earnings reports for the twelve-month period ended December 31, 2013 and December 31, 2014 (Reports) for The Narragansett Electric Company.<sup>1</sup>

The Company is submitting these revised earnings reports for calendar years 2013 and 2014 in compliance with the PUC's decision in Docket No. 4599, 2016 Electric Retail Rates Filing. Specifically, the revisions sought in that docket were to revise the earnings reports to reflect an update to the Company's rate base to correct the commodity-related cash working capital allowance in rate base. In Docket No. 4599, the Company acknowledged discrepancies in the categorization of its accounts receivable balances between its electric and gas business segments that occurred after the January 2012 replacement the RI gas business customer service system. These discrepancies caused an understatement of electric accounts receivables and a resulting understatement in the customer payment lag percentage and the commodity-related cash working capital allowance in rate base. The Company calculates its commodity-related cash working capital allowance in the Electric Retail Rate Filing that it files with the PUC by February 15 of each year. The Company utilized the customer payment lag approved in the Company's last base rate case (Docket No. 4323) of 10.93 percent for purposes of approximating the revised commodity-related cash working capital allowance in rate base for the revised 2013 and 2014 earnings reports.

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid.

Luly E. Massaro  
Revised Electric Earnings Reports  
May 23, 2016  
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The Company is also revising its earnings reports for these years to reflect resubmissions of the Company's FERC Form 1 and quarterly FERC Form 3-Q filings, and revised Integrated Facilities Agreement (IFA) billings from the Company to its affiliated transmission service provider, New England Power Company (NEP). The Company has included the resubmitted FERC Form 1 filings for 2013 and 2014 with this compliance filing. Due to the voluminous nature of the FERC Form 1 filings for 2013 and 2014, the Company is providing these files on CD-ROM. The footnotes to the financial statements for these resubmitted FERC Form 1's begin on page 122 of those filings. Footnote #1 of the footnotes to the financial statements contains a description of the reasons for the resubmissions of these reports. The IFA billings to NEP were revised as a result of the resubmitted FERC Form 1 and quarterly Form 3-Q filings and to true up estimated IFA filings to actuals. The Company's earnings reports are based on total electric earnings and total electric rate base, which are then adjusted to remove IFA related activity and balances to arrive at electric distribution net operating income and rate base.

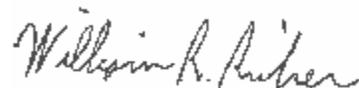
The Company has highlighted the applicable amounts that have been revised in each earnings report to reflect the updated cash working capital, and the resubmissions of the FERC Form 1 and quarterly FERC Form 3-Q filings. In addition, we have added a column called "Other Adjustments" on page 2 of the 2013 earnings report to improve the presentation of the data on that page consistent with the presentation used in the 2014 earnings reports and the recently filed earnings report for 2015.

The Company filed its Electric Earnings Report for the twelve months ended December 31, 2013 on November 7, 2014 and reported a return on distribution common equity of 6.34 percent. The return on distribution common equity in the attached revised Electric Earnings Report for the twelve months ended December 31, 2013 is 6.98 percent.

The Company filed its Electric Earnings Report for the twelve months ended December 31, 2014 on May 1, 2015 and reported a return on distribution common equity of 6.05 percent. The return on distribution common equity in the attached revised Electric Earnings Report for the twelve months ended December 31, 2014 is 7.52 percent.

Thank you for your attention to this transmittal. If you have any questions regarding this filing, please contact me at 781-907-2149.

Very truly yours,



William R. Richer

Enclosures

cc: Docket 4599 Service List  
Steve Scialabba, Division  
David Efron, Division  
Leo Wold, Esq.



**The Narragansett Electric Company**  
**Return on Rate Base**  
**Return on Common Equity**  
**Twelve Months Ended December 31, 2013**

Line No.		Twelve Months Ending December 31, 2013				
		<u>Earned 1/</u>	<u>Earned 2/</u>	<u>Allowed 3/</u>	<u>Ceiling 3/</u>	
1						
2	Return on Distribution Rate Base	5.92%	6.21%	7.18%	7.18%	
3						
4	Return on Distribution Common Equity	6.98%	7.57%	9.53%	9.53%	
5						
6						
7						
8						
9						
10						
11	-----Blended rate - one month per Company/Division Settlement Agreement in Docket 4065 and eleven months per Compliance Filing in Docket 4323 -----					
12			<u>Allowed</u>		<u>Ceiling</u>	
13			Cost	Weighted	Cost	Weighted
14		<u>Total</u>	<u>Rate</u>	<u>Cost</u>	<u>Rate</u>	<u>Cost</u>
15						
16	Long Term Debt	49.63%	4.99%	2.48%	4.99%	2.48%
17	Short Term Debt	1.11%	0.86%	0.01%	0.86%	0.01%
18	Preferred Stock	0.15%	4.50%	0.01%	4.50%	0.01%
19	Common Equity	49.11%	9.53%	4.68%	9.53%	4.68%
20		<u>100.00%</u>		<u>7.18%</u>		<u>7.18%</u> 4/

1/ Excludes Conservation & Load Management ("C&LM" aka Energy Efficiency) Incentive.  
2/ Includes C&LM Incentive.  
3/ Allowed Return and Ceiling, presented below.

5-Quarter Average DISTRIBUTION Rate Base as of 12/31/2013		----- EARNED -----				
<u>\$558,376,556</u> 5/		<u>Total</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>	<u>Taxes</u>	<u>Pre-Tax Weighted Cost</u>
29	Long Term Debt \$277,094,366	49.63%	4.99%	2.48%		2.48%
30	Short Term Debt \$6,207,286	1.11%	0.86%	0.01%		0.01%
31	Preferred Stock \$856,177	0.15%	4.50%	0.01%	0.01%	0.02%
32	Common Equity \$274,218,727	49.11%	6.98%	3.43%	1.85% (b)	5.28%
33	<u>\$558,376,556</u>	<u>100.00%</u>		<u>5.93%</u>	<u>1.86%</u>	<u>7.79%</u>

(b) includes adj. for Flowthrough Items

4/ From Page 7 Line 32  
5/ From Page 3 Line 29, Column (f)

PREFERRED STOCK EARNINGS, INTEREST EXPENSE,  
AND FEDERAL INCOME TAX  
CALCULATED USING IMPUTED CAPITAL STRUCTURE

				\$000s
PREF. STOCK:	\$558,376,556	X	0.01% (c) =	\$56
INTEREST:	\$558,376,556	X	2.49% (d) =	13,904
FIT:	\$558,376,556	X	1.85% (e) =	10,343
	Plus: (Flowthrough Items)/65%-(Flowthrough Items) (f)			<u>30</u>
	Total Federal Income Taxes ("FIT")			<u>\$10,373</u>

(c) From Line 31, Column "Weighted Cost"  
(d) Sum of Lines 29 and 30, Column "Weighted Cost".  
(e) (0.01% + 3.43%) / 65% - (0.01% + 3.43%)  
(f) Flowthrough Items

Investment Tax Credit ("ITC") Amortization	(\$272)
ITC Basis Reduction Depreciation	227
AFUDC Equity Depreciation	101

\$56

**THE NARRAGANSETT ELECTRIC COMPANY****Return on Equity Calculation****Twelve Months Ended December 31, 2013**

Line No.		Total Company A	Integrated Facilities Agreement ("IFA") Amount B	Other Adjustments C	Distribution Amount Per Schedules D=A-B+C	
1	Revenue - Sales of Electricity	\$ 389,186	\$0		\$ 389,186	
2	Other Revenue	527,528	-		527,528	1/
3	Total Revenue	\$ 916,714	\$ -		\$ 916,714	
4	Operating Expenses:					
5	Purchased Power	\$ 401,598	-		401,598	
6	Transmission Wheeling	135,349	-		135,349	
7	Transmission Wheeling - IFA Credit	(96,293)	-	96,293	0	
8	Genl & Admin. O&M	85,931	6,937		78,994	
9	All Other Operation & Maintenance ("O&M") expense	150,206	8,631	1,299	142,874	3/
10	Company Share of Earned Savings	-	-	3,250	3,250	4/
11	Depreciation	56,606	12,930		43,676	
12	Amort. - Loss on Reaq. Debt	734	153		581	
13	Amortization - Other	(205)	-		(205)	
14	Gross Earnings Tax	34,145	-		34,145	
15	Municipal Tax	34,818	8,046		26,772	
16	Other Non-Income taxes	2,939	227		2,712	
17	Current and Deferred Income Taxes	29,015	-	(29,015)	-	7/
18	Amortization of ITC	(394)	(122)		(272)	
19	Interest on Customer Deposits	671	-		671	5/
20	Donations	750	-		750	5/
21	Total Operating Expenses	\$ 835,869	\$ 36,802	\$ 71,827	\$ 870,894	
22	Net Operating Income	\$ 80,845				
23	Distribution Operating Income Before Taxes				\$ 45,820	
24	Adjustments:					
25	Service Quality ("SQ") Penalties Accrued				-	6/
26	C&LM Incentive				(2,510)	
27						
28	Adjusted Distribution Operating Income Before Taxes				43,310	
29	Interest Charges				13,904	7/
30	Income Taxes @ 35% (net of ITC)				10,217	8/
31	Net Income				19,190	
32	Less: Preferred Stock Requirements				56	7/
33	Earnings Available for Common				\$ 19,134	
34	Average Common Equity - 5-Quarter Average				274,219	7/
35	Rate of Return on Adjusted Average Common Equity				6.98%	

**Notes**

1/ Excludes excess earnings accrual of \$0 for the 12 month period.

2/ Excludes \$0, for storm related expenses as incurred.

3/ Excludes Membership Dues of \$0 and \$899 of other O&amp;M. Includes 100% of C&amp;LM expenses and an adjustment of \$2198 to normalize uncollectible accounts expense to actual net write-offs.

4/ Pursuant to Docket 4065 Settlement and continued in Docket 4323 settlement, Company share of Earned Savings equals \$3250 annually, effective January 2010.

5/ Below the line items brought above the line for ratemaking.

6/ Effective Dec. 2005, SQ penalties booked below the line.

7/ Calculated using imputed capital structure and cost rates; see Page 1 at Lines 44, 43 and 32, respectively.

8/ Includes impact of flowthrough items from Page 1 at Line 58.

**THE NARRAGANSETT ELECTRIC COMPANY**  
**Rate Base - Distribution**  
**Five Quarter Average**

Line No.	Description	(a) December 2012	(b) March 2013	(c) June 2013	(d) September 2013	(e) December 2013	(f) 5-Quarter Average
1	Utility Plant in Service	\$ 1,302,311,813	\$ 1,364,710,278	\$ 1,318,899,943	\$ 1,328,664,733	\$ 1,335,987,432	1/ \$ 1,330,114,840
2							
3	Property Held for Future Use	2,484,080	2,484,327	2,484,327	2,484,327	2,484,327	2,484,278
4	Less: Contribution in Aid of Construction	102,762	102,762	102,762	102,762	102,762	102,762
5	Less: Accumulated Depreciation	561,869,566	584,460,523	592,797,860	602,247,216	610,174,409	1/ 590,309,915
6							
7	Net Plant in Service	<u>\$ 742,823,565</u>	<u>\$ 782,631,320</u>	<u>\$ 728,483,648</u>	<u>\$ 728,799,082</u>	<u>\$ 728,194,588</u>	<u>\$ 742,186,441</u>
8							
9	Plus:						
10	Materials and Supplies	\$ 5,181,330	\$ 4,395,569	\$ 4,635,109	\$ 4,381,132	\$ 4,441,211	1/ \$ 4,606,870
11	Prepayments	-	-	-	-	-	-
12	Loss on Reacquired Debt	3,171,513	2,931,821	2,734,135	2,566,122	2,390,440	1/ 2,758,806
13	Cash Working Capital	5,851,029	4,975,475	4,975,475	4,975,475	4,975,475	5,150,586
14	Cash Working Capital - Commodity & Gross Receipts Tax	17,717,512	22,795,509	22,795,509	22,795,509	22,795,509	2/ 21,779,910
15	Unamortized Interest Rate Lock	3,918,016	3,825,584	3,733,152	3,640,720	3,548,288	3,733,152
16	Unamortized Debt Issuance Costs (\$550M)	1,505,482	1,481,014	1,456,547	1,432,079	1,407,611	1,456,547
17	Unamortized Debt Issuance Costs (\$250M)	1,091,154	1,082,035	1,072,917	1,063,799	1,054,681	1,072,917
18							
19	Subtotal	<u>\$ 38,436,036</u>	<u>\$ 41,487,008</u>	<u>\$ 41,402,843</u>	<u>\$ 40,854,836</u>	<u>\$ 40,613,215</u>	<u>\$ 40,558,788</u>
20							
21	Less:						
22	Accumulated Deferred Federal Income Taxes ("FIT")	\$ 178,563,028	\$ 233,329,371	\$ 223,901,518	\$ 221,834,767	\$ 203,357,322	1/ \$ 212,197,201
23	Accumulated Deferred FIT on Loss for Reacquired Debt	1,110,030	1,026,137	956,947	898,143	836,654	1/ 965,582
24	Customer Deposits	3,328,859	3,645,716	3,793,576	3,623,221	3,966,684	3,671,611
25	Injuries and Damages Reserve - Uninsured Claims	6,342,177	9,303,202	7,633,625	7,120,228	7,272,159	7,534,278
26							
27	Subtotal	<u>\$ 189,344,093</u>	<u>\$ 247,304,427</u>	<u>\$ 236,285,666</u>	<u>\$ 233,476,359</u>	<u>\$ 215,432,819</u>	<u>\$ 224,368,673</u>
28							
29	Rate Base	<u>\$ 591,915,508</u>	<u>\$ 576,813,902</u>	<u>\$ 533,600,825</u>	<u>\$ 536,177,559</u>	<u>\$ 553,374,984</u>	<u>\$ 558,376,556</u>

**Line Notes**

29 Line 7 + Line 19 - Line 27

**Notes:**

1/ Revised per resubmitted calendar year 2013 FERC Form 1 and Form 3-Qs.

2/ Revised to reflect corrected calendar years 2012 and 2013 commodity and GRT-related cash working capital per Docket RIPUC 4599.

**THE NARRAGANSETT ELECTRIC COMPANY**  
**Rate Base - Integrated Facilities Agreement (IFA)**  
**Five Quarter Average**

Line No.	Description	(a) December 2012	(b) March 2013	(c) June 2013	(d) September 2013	(e) December 2013	(f) 5-Quarter Average
1	Utility Plant in Service	\$ 486,729,573	\$ 493,192,934	\$ 633,015,249	\$ 626,636,967	\$ 630,912,714	1/ \$ 574,097,487
2							
3	Property Held for Future Use	12,531,903	12,531,903	12,531,903	12,531,903	12,531,903	12,531,903
4	Less: Contribution in Aid of Construction						
5	Less: Accumulated Depreciation	90,948,004	79,039,931	77,541,846	66,214,132	70,644,396	1/ 76,877,662
6							
7	Net Plant in Service	\$ 408,313,472	\$ 426,684,906	\$ 568,005,306	\$ 572,954,738	\$ 572,800,221	\$ 509,751,729
8							
9	Plus:						
10	Materials and Supplies	\$ 1,616,374	\$ 1,682,105	\$ 2,011,069	\$ 2,160,386	\$ 2,172,257	1/ \$ 1,928,438
11	Prepayments	-	405,267	157,383	5,102,071	125,799	1/ 1,158,104
12	Loss on Reacquired Debt	1,015,626	1,121,955	1,186,280	1,265,384	1,301,258	1/ 1,178,100
13	Cash Working Capital	1,241,865	1,890,022	1,890,022	1,890,022	1,890,022	1/ 1,760,391
14	Unamortized Interest Rate Lock	2,424,787	2,367,582	2,310,378	2,253,173	2,195,969	2,310,378
15	Unamortized Debt Issuance Costs (\$550M)	931,714	916,572	901,429	886,286	871,144	901,429
16	Unamortized Debt Issuance Costs (\$250M)	675,294	669,651	664,008	658,365	652,722	664,008
17							
18	Subtotal	\$ 7,905,661	\$ 9,053,155	\$ 9,120,570	\$ 14,215,687	\$ 9,209,170	\$ 9,900,849
19							
20	Less:						
21	Accumulated Deferred FIT	\$ 46,167,431	\$ 58,470,270	\$ 61,583,621	\$ 68,994,519	\$ 86,511,000	1/ \$ 64,345,368
22	Accumulated Deferred FIT on Loss on Reacquired Debt	355,469	392,684	415,198	442,884	455,440	1/ 412,335
23	Customer Deposits	-	-	-	-	-	-
24	Injuries and Damages Reserve - Uninsured Claims	-	-	-	-	-	-
25							
26	Subtotal	\$ 46,522,900	\$ 58,862,954	\$ 61,998,819	\$ 69,437,403	\$ 86,966,440	\$ 64,757,703
27							
28	Rate Base	\$ 369,696,233	\$ 376,875,106	\$ 515,127,057	\$ 517,733,022	\$ 495,042,951	\$ 454,894,874

**Line Notes**

28 Line 7 + Line 18 - Line 26

**Note:**

1/ Revised per resubmitted calendar year 2013 FERC Form 1 and Form 3-Qs.

**THE NARRAGANSETT ELECTRIC COMPANY**  
**Rate Base - Total Distribution and IFA**  
**Five Quarter Average**

Line No.	Description	(a) December 2012	(b) March 2013	(c) June 2013	(d) September 2013	(e) December 2013	(f) 5-Quarter Average
1	Utility Plant in Service	\$ 1,789,041,386	\$ 1,857,903,212	\$ 1,951,915,192	\$ 1,955,301,700	\$ 1,966,900,146	1/ \$ 1,904,212,327
2							
3	Property Held for Future Use	15,015,983	15,016,230	15,016,230	15,016,230	15,016,230	15,016,181
4	Less: Contribution in Aid of Construction	102,762	102,762	102,762	102,762	102,762	102,762
5	Less: Accumulated Depreciation	652,817,570	663,500,454	670,339,706	668,461,348	680,818,805	1/ 667,187,577
6							
7	Net Plant in Service	<u>\$ 1,151,137,037</u>	<u>\$ 1,209,316,226</u>	<u>\$ 1,296,488,954</u>	<u>\$ 1,301,753,820</u>	<u>\$ 1,300,994,809</u>	<u>\$ 1,251,938,169</u>
8							
9	Plus:						
10	Materials and Supplies	\$ 6,797,704	\$ 6,077,674	\$ 6,646,178	\$ 6,541,518	\$ 6,613,468	1/ \$ 6,535,308
11	Prepayments	-	405,267	157,383	5,102,071	125,799	1/ 1,158,104
12	Loss on Reacquired Debt	4,187,139	4,053,777	3,920,414	3,831,506	3,691,698	3,936,907
13							
14	Cash Working Capital	7,092,894	6,865,497	6,865,497	6,865,497	6,865,497	1/ 6,910,977
15	Cash Working Capital - Commodity & Gross Receipts Tax	17,717,512	22,795,509	22,795,509	22,795,509	22,795,509	2/ 21,779,910
16	Unamortized Interest Rate Lock	6,342,803	6,193,166	6,043,530	5,893,893	5,744,257	6,043,530
17	Unamortized Debt Issuance Costs (\$550M)	2,437,197	2,397,586	2,357,976	2,318,365	2,278,755	2,357,976
18	Unamortized Debt Issuance Costs (\$250M)	1,766,448	1,751,687	1,736,925	1,722,164	1,707,402	1,736,925
19							
20	Subtotal	<u>\$ 46,341,697</u>	<u>\$ 50,540,163</u>	<u>\$ 50,523,413</u>	<u>\$ 55,070,524</u>	<u>\$ 49,822,386</u>	<u>\$ 50,459,636</u>
21							
22	Less:						
23	Accumulated Deferred FIT	\$ 224,730,459	\$ 291,799,641	\$ 285,485,139	\$ 290,829,286	\$ 289,868,322	1/ \$ 276,542,569
24	Accumulated Deferred FIT on Loss for Reacquired Debt	1,465,499	1,418,822	1,372,145	1,341,027	1,292,094	1,377,917
25	Customer deposits	3,328,859	3,645,716	3,793,576	3,623,221	3,966,684	3,671,611
26	Injuries and Damages Reserve - Uninsured Claims	6,342,177	9,303,202	7,633,625	7,120,228	7,272,159	7,534,278
27							
28	Subtotal	<u>\$ 235,866,993</u>	<u>\$ 306,167,381</u>	<u>\$ 298,284,485</u>	<u>\$ 302,913,762</u>	<u>\$ 302,399,259</u>	<u>\$ 289,126,376</u>
29							
30	Rate Base	<u><u>\$ 961,611,741</u></u>	<u><u>\$ 953,689,008</u></u>	<u><u>\$ 1,048,727,883</u></u>	<u><u>\$ 1,053,910,582</u></u>	<u><u>\$ 1,048,417,936</u></u>	<u><u>\$ 1,013,271,430</u></u>

**Line Notes**

30 Line 7 + Line 20 - Line 28

**Notes:**

1/ Revised per resubmitted calendar year 2013 FERC Form 1 and Form 3-Qs.

2/ Revised to reflect corrected calendar years 2012 and 2013 commodity and GRT-related cash working capital per Docket RIPUC 4599.

**THE NARRAGANSETT ELECTRIC COMPANY**  
**Calculation of Excess Earnings for Twelve months ended December 31, 2013**  
(\$000)

Line

1	Actual Distribution Earnings Available for Common	\$19,134 (a)		
2				
3				
4	Actual Average Common Equity	\$274,219 (a)		
5				
6				Customer
7	Average Annual Return		<u>6.98%</u> (b)	<u>Share</u>
8				
9	ROE in 50%/50% Bandwith (>9.53%, <10.53%)		0.00% * 50.00%	= 0.00%
10	ROE in 75%/25% Bandwith (>10.53%)		0.00% * 75.00%	= <u>0.00%</u>
11				
12	Total Customer ROE Sharing			0.00%
13	Actual Average Common Equity			<u>\$274,219</u>
14				
15	Actual Annual Customer Shared Earnings			\$0
16	Tax Gross-up			<u>/ 65.00%</u>
17				
18	Annual Customer Shared Earnings - Pre-tax			-
19				
20	Total Customer Shared Earnings for the twelve months ending December 31, 2013			<u>\$ -</u>

Notes

(a) From Page 2 of 7

(b) Line 1 divided by Line 4 ; equals Page 2 of 7 at Line 35

**The Narragansett Electric Company**  
**Calculation of Return on Rate Base**  
**Twelve Months Ended December 31, 2013**

1		----- Per Company/Division Settlement Agreement in Docket 4065 -----				
2			<u>Allowed</u>		<u>Ceiling</u>	
3			<u>Cost</u>	<u>Weighted</u>	<u>Cost</u>	<u>Weighted</u>
4		<u>Total</u>	<u>Rate</u>	<u>Cost</u>	<u>Rate</u>	<u>Cost</u>
5						
6	Long Term Debt	46.05%	5.298%	2.44%	5.298%	2.44%
7	Short Term Debt	4.98%	1.600%	0.08%	1.600%	0.08%
8	Preferred Stock	0.19%	4.500%	0.01%	4.500%	0.01%
9	Common Equity	48.78%	9.800%	4.78%	9.800%	4.78%
10		<u>100.00%</u>		<u>7.31%</u>		<u>7.31%</u>
11						
12		----- Per Company/Division Settlement Agreement in Docket 4323 -----				
13			<u>Allowed</u>		<u>Ceiling</u>	
14			<u>Cost</u>	<u>Weighted</u>	<u>Cost</u>	<u>Weighted</u>
15		<u>Ratio</u>	<u>Rate</u>	<u>Cost</u>	<u>Rate</u>	<u>Cost</u>
16	Long Term Debt	49.95%	4.960%	2.48%	4.960%	2.48%
17	Short Term Debt	0.76%	0.790%	0.01%	0.790%	0.01%
18	Preferred Stock	0.15%	4.500%	0.01%	4.500%	0.01%
19	Common Equity	49.14%	9.500%	4.67%	9.500%	4.67%
20		<u>100.00%</u>		<u>7.17%</u>		<u>7.17%</u>
21						
22						
23		----- Blended Rate 1 month Docket 4065 and 11 months Docket 4323 -----				
24			<u>Allowed</u>		<u>Ceiling</u>	
25			<u>Cost</u>	<u>Weighted</u>	<u>Cost</u>	<u>Weighted</u>
26		<u>Total</u>	<u>Rate</u>	<u>Cost</u>	<u>Rate</u>	<u>Cost</u>
27						
28	Long Term Debt	49.63%	4.988%	2.48%	4.988%	2.48%
29	Short Term Debt	1.11%	0.858%	0.01%	0.858%	0.01%
30	Preferred Stock	0.15%	4.500%	0.01%	4.500%	0.01%
31	Common Equity	49.11%	9.525%	4.68%	9.525%	4.68%
32		<u>100.00%</u>		<u>7.18%</u>		<u>7.18%</u>

**Line Notes**

28	Line 6 * 1/12 plus Line 16 * 11/12
29	Line 7 * 1/12 plus Line 17 * 11/12
30	Line 8 * 1/12 plus Line 18 * 11/12
31	Line 9 * 1/12 plus Line 19 * 11/12

**The Narragansett Electric Company**  
**Return on Rate Base**  
**Return on Common Equity**  
**Twelve Months Ended December 31, 2014**

Line No.		Twelve Months Ending December 31, 2014			
		Earned 1/	Earned 2/	Allowed 3/	Ceiling 3/
1					
2	Return on Distribution Rate Base	6.18%	6.67%	7.17%	7.17%
3					
4	Return on Distribution Common Equity	7.52%	8.50%	9.50%	9.50%
5					
6					

1/ Excludes Conservation & Load Management ("C&LM" aka Energy Efficiency) Incentive.  
2/ Includes C&LM Incentive.  
3/ Allowed Return and Ceiling, presented below.

	Total	Allowed		Ceiling	
		Cost Rate	Weighted Cost	Cost Rate	Weighted Cost
16 Long Term Debt	49.95%	4.96%	2.48%	4.96%	2.48%
17 Short Term Debt	0.76%	0.79%	0.01%	0.79%	0.01%
18 Preferred Stock	0.15%	4.50%	0.01%	4.50%	0.01%
19 Common Equity	49.14%	9.50%	4.67%	9.50%	4.67%
20	<u>100.00%</u>		<u>7.17%</u>		<u>7.17%</u>

22 5-Quarter Average  
23 DISTRIBUTION  
24 Rate Base  
25 as of  
26 12/31/2014

27 \$558,965,340 4/

----- EARNED -----

	Total	EARNED		Taxes	Pre-Tax Weighted Cost
		Cost Rate	Weighted Cost		
29 Long Term Debt \$279,203,188	49.95%	4.96%	2.48%		2.48%
30 Short Term Debt \$4,248,137	0.76%	0.79%	0.01%		0.01%
31 Preferred Stock \$838,448	0.15%	4.50%	0.01%	0.01%	0.02%
32 Common Equity \$274,675,568	49.14%	7.52%	3.69%	2.01% (b)	5.70%
33 <u>\$558,965,340</u>	<u>100.00%</u>		<u>6.19%</u>	<u>2.02%</u>	<u>8.21%</u>

(b) includes adj. for Flowthrough Items

4/ From Page 3 Line 29, Column (f)

PREFERRED STOCK EARNINGS, INTEREST EXPENSE,  
AND FEDERAL INCOME TAX  
CALCULATED USING IMPUTED CAPITAL STRUCTURE

					\$000s
PREF. STOCK:	\$558,965,340	X	0.01% (c)	=	\$56
INTEREST:	\$558,965,340	X	2.49% (d)	=	13,918
FIT:	\$558,965,340	X	1.99% (e)	=	11,136
Plus: (Flowthrough Items)/65%-(Flowthrough Items) (f)					<u>128</u>
Total Federal Income Taxes ("FIT")					<u>\$11,264</u>

(c) From Line 31, Column "Weighted Cost"

(d) Sum of Lines 29 and 30, Column "Weighted Cost".

(e) (0.01% + 3.69%) / 65% - (0.01% + 3.69%)

(f) Flowthrough Items

Investment Tax Credit ("ITC") Amortization	(\$103)
ITC Basis Reduction Depreciation	152
AFUDC Equity Depreciation	188

\$237

**THE NARRAGANSETT ELECTRIC COMPANY****Return on Equity Calculation****Twelve Months Ended December 31, 2014**

(\$000s)

Line No.		Total	Less: Integrated Facilities Agreement ("IFA") Amount	Other Adjustments	Distribution Amount
		Company	Adjusted		Per Schedules
		<u>A</u>	<u>B</u>	<u>C</u>	<u>D=A-B+C</u>
1	Revenue - Sales of Electricity	\$ 412,682			\$ 412,682
2	Other Revenue	589,641			589,641 1/
3	Total Revenue	\$ 1,002,323			\$ 1,002,323
4	Operating Expenses:				
5	Purchased Power	\$ 431,945			\$ 431,945
6	Transmission Wheeling	154,719			154,719
7	Transmission Wheeling - IFA Credit	(112,738)		112,738	-
8	Uncollectible Expense	20,741		(3,913)	16,829
9	Genl & Admin. O&M	89,338	12,210		77,128
10	All Other Operation & Maintenance ("O&M") expense	157,611	11,286	(619)	145,705 2/
11	Company Share of Earned Savings	-		3,250	3,250 3/
12	Depreciation	60,472	14,532		45,941
13	Amort. - Loss on Reaq. Debt	613	103		510
14	Amortization - Other	-			-
15	Gross Earnings Tax	39,383			39,383
16	Municipal Tax	44,875	13,255		31,620
17	Other Non-Income taxes	4,484	590		3,894
18	Current and Deferred Income Taxes	24,400		(24,400)	- 6/
19	Amortization of ITC	(153)	(50)		(103)
20	Interest on Customer Deposits	864			864 4/
21	Donations	629			629 4/
22	Total Operating Expenses	\$ 917,184	\$ 51,926	\$ 87,056	\$ 952,314
23	Net Operating Income	\$ 85,139			
24	Distribution Operating Income Before Taxes				\$ 50,009
25	Adjustments:				
26	Service Quality ("SQ") Penalties Accrued				- 5/
27	C&LM Incentive				(4,174)
28					
29	Adjusted Distribution Operating Income Before Taxes				45,835
30	Interest Charges				13,918 6/
31	Income Taxes @ 35% (net of ITC)				11,218 7/
32	Net Income				20,699
33	Less: Preferred Stock Requirements				56 6/
34	Earnings Available for Common				\$ 20,643
35	Average Common Equity - 5-Quarter Average				274,676 6/
36	Rate of Return on Adjusted Average Common Equity				7.52%

**Notes**

1/ Excludes excess earnings accrual of \$0 for the 12 month period.

2/ Excludes \$0 for storm related expenses, \$5 for sales expense as incurred, and \$614 for Band A through C variable pay.

3/ Pursuant to Docket 4065 Settlement, and continued in Docket 4323 settlement, Company share of Earned Savings equals \$3250 annually, effective January 2010.

4/ Below the line items brought above the line for ratemaking.

5/ Effective Dec. 2005, SQ penalties booked below the line.

6/ Calculated using imputed capital structure and cost rates; see Page 1 at Lines 44, 43 and 32, respectively.

7/ Includes impact of flowthrough items from Page 1 at Line 58.

**THE NARRAGANSETT ELECTRIC COMPANY**  
**Rate Base - Distribution**  
**Five Quarter Average**

Line No.	Description	(a) December 2013	(b) March 2014	(c) June 2014	(d) September 2014	(e) December 2014	(f) 5-Quarter Average
1	Utility Plant in Service	\$ 1,335,987,432	\$ 1,359,742,081	\$ 1,371,762,740	\$ 1,386,224,727	\$ 1,402,789,673	1/ \$ 1,371,301,331
2							
3	Property Held for Future Use	2,484,327	2,484,327	2,484,327	2,484,327	2,484,574	2,484,376
4	Less: Contribution in Aid of Construction	102,762	(10)	(10)	(10)	(10)	20,544
5	Less: Accumulated Depreciation	610,174,409	617,682,173	627,187,596	632,515,836	635,832,098	1/ 624,678,422
6							
7	Net Plant in Service	<u>\$ 728,194,588</u>	<u>\$ 744,544,245</u>	<u>\$ 747,059,481</u>	<u>\$ 756,193,228</u>	<u>\$ 769,442,159</u>	<u>\$ 749,086,740</u>
8							
9	Plus:						
10	Materials and Supplies	\$ 4,441,211	\$ 4,596,298	\$ 4,501,019	\$ 4,562,010	\$ 4,836,033	1/ \$ 4,587,314
11	Prepayments	-	1,122,623	491,973	830,066	1,411,164	1/ 771,165
12	Loss on Reacquired Debt	2,390,440	2,412,727	2,354,932	2,314,333	2,396,204	1/ 2,373,727
13	Cash Working Capital	4,975,475	4,975,475	4,975,475	4,975,475	4,975,475	4,975,475
14	Cash Working Capital - Commodity & Gross Receipts Tax	22,795,509	29,949,604	29,949,604	29,949,604	29,949,604	2/ 28,518,785
15	Unamortized Interest Rate Lock	3,548,288	3,455,855	3,363,422	3,270,989	3,178,556	3,363,422
16	Unamortized Debt Issuance Costs (\$550M)	1,407,611	1,383,143	1,358,675	1,334,208	1,309,740	1,358,675
17	Unamortized Debt Issuance Costs (\$250M)	1,054,681	1,045,562	1,036,444	1,027,326	1,018,207	1,036,444
18							
19	Subtotal	<u>\$ 40,613,215</u>	<u>\$ 48,941,287</u>	<u>\$ 48,031,545</u>	<u>\$ 48,264,009</u>	<u>\$ 49,074,983</u>	<u>\$ 46,985,008</u>
20							
21	Less:						
22	Accumulated Deferred Federal Income Taxes ("FIT")	\$ 215,302,665	\$ 213,713,589	\$ 249,826,041	\$ 253,219,067	\$ 198,774,595	1/ \$ 226,167,192
23	Accumulated Deferred FIT on Loss for Reacquired Debt	836,654	844,454	824,226	810,016	838,671	1/ 830,804
24	Customer Deposits	3,966,684	3,825,807	3,927,910	4,329,142	8,360,179	3/ 4,881,945
25	Injuries and Damages Reserve - Uninsured Claims	7,272,159	5,155,999	4,352,044	4,707,996	4,644,137	5,226,467
26							
27	Subtotal	<u>\$ 227,378,162</u>	<u>\$ 223,539,850</u>	<u>\$ 258,930,222</u>	<u>\$ 263,066,222</u>	<u>\$ 212,617,583</u>	<u>\$ 237,106,408</u>
28							
29	Rate Base	<u>\$ 541,429,641</u>	<u>\$ 569,945,682</u>	<u>\$ 536,160,804</u>	<u>\$ 541,391,015</u>	<u>\$ 605,899,560</u>	<u>\$ 558,965,340</u>

**Line Notes**

29 Line 7 + Line 19 - Line 27

**Notes**

- 1/ Revised per resubmitted calendar year 2013 and 2014 FERC Form 1 and Form 3-Qs.  
2/ Revised to reflect corrected calendar years 2013 and 2014 Commodity and GRT-related cash working capital, per Docket RIPUC 4599.  
3/ Revised to correct Company error in calendar year 2014 Electric earnings report originally filed on May 1, 2015.

**THE NARRAGANSETT ELECTRIC COMPANY**  
**Rate Base - Integrated Facilities Agreement (IFA)**  
**Five Quarter Average**

Line No.	Description	(a) December 2013	(b) March 2014	(c) June 2014	(d) September 2014	(e) December 2014	(f) 5-Quarter Average
1	Utility Plant in Service	\$ 630,912,714	\$ 647,854,847	\$ 652,655,693	\$ 656,389,262	\$ 658,575,411	1/ \$ 649,277,585
2							
3	Property Held for Future Use	12,531,903	12,531,903	12,531,903	12,531,903	12,531,903	12,531,903
4	Less: Contribution in Aid of Construction						
5	Less: Accumulated Depreciation	70,644,396	76,161,121	79,344,994	81,400,652	83,841,164	1/ 78,278,465
6							
7	Net Plant in Service	\$ 572,800,221	\$ 584,225,629	\$ 585,842,602	\$ 587,520,513	\$ 587,266,150	\$ 583,531,023
8							
9	Plus:						
10	Materials and Supplies	\$ 2,172,257	\$ 2,250,135	\$ 2,202,182	\$ 2,223,676	\$ 2,341,329	1/ \$ 2,237,916
11	Prepayments	125,799	549,585	240,704	404,602	683,103	1/ 400,758
12	Loss on Reacquired Debt	1,301,258	1,181,159	1,152,181	1,128,083	981,516	1/ 1,148,839
13	Cash Working Capital	1,890,022	2,801,494	2,801,494	2,801,494	2,801,494	1/ 2,619,200
14	Unamortized Interest Rate Lock	2,195,969	2,138,764	2,081,560	2,024,356	1,967,152	2,081,560
15	Unamortized Debt Issuance Costs (\$550M)	871,144	856,001	840,858	825,716	810,573	840,858
16	Unamortized Debt Issuance Costs (\$250M)	652,722	647,079	641,436	635,793	630,149	641,436
17							
18	Subtotal	\$ 9,209,171	\$ 10,424,217	\$ 9,960,416	\$ 10,043,720	\$ 10,215,316	\$ 9,970,568
19							
20	Less:						
21	Accumulated Deferred FIT	\$ 86,511,000	\$ 72,595,237	\$ 75,097,364	\$ 78,592,577	\$ 99,195,146	1/ \$ 82,398,265
22	Accumulated Deferred FIT on Loss on Reacquired Debt	455,440	413,406	403,263	394,829	343,531	1/ 402,094
23	Customer Deposits	-	-	-	-	-	-
24	Injuries and Damages Reserve - Uninsured Claims	-	-	-	-	-	-
25							
26	Subtotal	\$ 86,966,440	\$ 73,008,642	\$ 75,500,628	\$ 78,987,406	\$ 99,538,676	\$ 82,800,359
27							
28	Rate Base	\$ 495,042,952	\$ 521,641,204	\$ 520,302,390	\$ 518,576,826	\$ 497,942,790	\$ 510,701,232

**Line Notes**

28 Line 7 + Line 18 - Line 26

**Notes**

1/ Revised per resubmitted calendar year 2013 and 2014 FERC Form 1 and Form 3-Qs.

**THE NARRAGANSETT ELECTRIC COMPANY**  
**Rate Base - Total Distribution and IFA**  
**Five Quarter Average**

Line No.	Description	(a) December 2013	(b) March 2014	(c) June 2014	(d) September 2014	(e) December 2014	(f) 5-Quarter Average
1	Utility Plant in Service	\$ 1,966,900,146	\$ 2,007,596,928	\$ 2,024,418,433	\$ 2,042,613,989	\$ 2,061,365,084	1/ \$ 2,020,578,916
2							
3	Property Held for Future Use	15,016,230	15,016,230	15,016,230	15,016,230	15,016,477	15,016,279
4	Less: Contribution in Aid of Construction	102,762	(10)	(10)	(10)	(10)	20,544
5	Less: Accumulated Depreciation	680,818,805	693,843,294	706,532,590	713,916,488	719,673,262	1/ 702,956,888
6							
7	Net Plant in Service	<u>\$ 1,300,994,809</u>	<u>\$ 1,328,769,874</u>	<u>\$ 1,332,902,083</u>	<u>\$ 1,343,713,741</u>	<u>\$ 1,356,708,309</u>	<u>\$ 1,332,617,763</u>
8							
9	Plus:						
10	Materials and Supplies	\$ 6,613,468	/1 \$ 6,846,433	\$ 6,703,202	\$ 6,785,686	\$ 7,177,362	1/ 6,825,230
11	Prepayments	125,799	1,672,208	732,677	1,234,667	2,094,267	1/ 1,171,924
12	Loss on Reacquired Debt	3,691,698	3,593,886	3,507,113	3,442,416	3,377,720	3,522,567
13							
14	Cash Working Capital	6,865,497	7,776,969	7,776,969	7,776,969	7,776,969	1/ 7,594,675
15	Cash Working Capital - Commodity & Gross Receipts Tax	22,795,509	/2 29,949,604	29,949,604	29,949,604	29,949,604	2/ 28,518,785
16	Unamortized Interest Rate Lock	5,744,257	5,594,619	5,444,982	5,295,345	5,145,708	5,444,982
17	Unamortized Debt Issuance Costs (\$550M)	2,278,755	2,239,144	2,199,534	2,159,923	2,120,313	2,199,534
18	Unamortized Debt Issuance Costs (\$250M)	1,707,402	1,692,641	1,677,880	1,663,118	1,648,357	1,677,880
19							
20	Subtotal	<u>\$ 49,822,386</u>	<u>\$ 59,365,504</u>	<u>\$ 57,991,960</u>	<u>\$ 58,307,729</u>	<u>\$ 59,290,299</u>	<u>\$ 56,955,576</u>
21							
22	Less:						
23	Accumulated Deferred FIT	\$ 301,813,665	\$ 286,308,825	\$ 324,923,406	\$ 331,811,644	\$ 297,969,741	1/ \$ 308,565,456
24	Accumulated Deferred FIT on Loss for Reacquired Debt	1,292,094	1,257,860	1,227,490	1,204,846	1,182,202	1,232,898
25	Customer deposits	3,966,684	3,825,807	3,927,910	4,329,142	8,360,179	3/ 4,881,945
26	Injuries and Damages Reserve - Uninsured Claims	7,272,159	5,155,999	4,352,044	4,707,996	4,644,137	1/ 5,226,467
27							
28	Subtotal	<u>\$ 314,344,602</u>	<u>\$ 296,548,492</u>	<u>\$ 334,430,849</u>	<u>\$ 342,053,628</u>	<u>\$ 312,156,259</u>	<u>\$ 319,906,766</u>
29							
30	Rate Base	<u>\$ 1,036,472,593</u>	<u>\$ 1,091,586,886</u>	<u>\$ 1,056,463,194</u>	<u>\$ 1,059,967,842</u>	<u>\$ 1,103,842,350</u>	<u>\$ 1,069,666,573</u>

**Line Notes**

30 Line 7 + Line 20 - Line 28

**Notes**

- 1/ Revised per resubmitted calendar year 2013 and 2014 FERC Form 1 and Form 3-Qs.  
2/ Revised to reflect corrected calendar years 2013 and 2014 Commodity and GRT-related cash working capital, per Docket RIPUC 4599.  
3/ Revised to correct Company error in calendar year 2014 Electric earnings report originally filed on May 1, 2015.

**THE NARRAGANSETT ELECTRIC COMPANY**  
**Calculation of Excess Earnings for Twelve months ended December 31, 2014**  
(\$000)

Line

1	Actual Distribution Earnings Available for Common	\$20,643 (a)		
2				
3				
4	Actual Average Common Equity	\$274,676 (a)		
5				
6				Customer
7	Average Annual Return		<u>7.52%</u> (b)	<u>Share</u>
8				
9	ROE in 50%/50% Bandwith (>9.5%, <10.5%)		0.00% * 50.00%	= 0.00%
10	ROE in 75%/25% Bandwith (>10.5%)		0.00% * 75.00%	= <u>0.00%</u>
11				
12	Total Customer ROE Sharing			0.00%
13	Actual Average Common Equity			<u>\$274,676</u>
14				
15	Actual Annual Customer Shared Earnings			\$0
16	Tax Gross-up			<u>/ 65.00%</u>
17				
18	Annual Customer Shared Earnings - Pre-tax			-
19				
20	Total Customer Shared Earnings for the twelve months ending December 31, 2014			<u>\$ -</u>

Notes

(a) From Page 2 of 6

(b) Line 1 divided by Line 4 ; equals Page 2 of 6 at Line 36