

December 19, 2013

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4451 – The Narragansett Electric Company, d/b/a National Grid
2014 Energy Efficiency Program Plan
Response to Record Request 5**

Dear Ms. Massaro:

Enclosed are ten (10) copies of National Grid's¹ response to Record Request 5 issued at the Commission's evidentiary hearing on December 11, 2013.

This transmittal completes the Company's responses to Record Requests issued in this proceeding.

Thank you for your attention to this filing. If you have any questions, please feel free to contact me at (401) 784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

cc: Docket 4451 Service List
Karen Lyons, Esq.
Jon Hagopian, Esq.
Steve Scialabba, Division

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

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted to the individuals listed below. Copies of this filing were hand delivered to the RI Public Utilities Commission and the RI Division of Public Utilities and Carriers.

Joanne M. Scanlon

December 19, 2013
Date

**Docket No. 4451 - National Grid - 2014 Energy Efficiency Program Plan
Service list updated 11/5/13**

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Record Request 5

Request:

With respect to FERC Form 1 that the Company has filed for 2012, please provide the Company's annual return inclusive of the shareholder incentive. Please also provide this information for 2013.

Response:

The most recent earnings report filed for the Company's electric business was for the twelve-month period ended September 30, 2012. This report was filed on May 1, 2013 and is included as Attachment RR5-1 to this response. The Company reported an annual Return on Distribution Common Equity of 6.73% excluding Energy Efficiency accrued incentives of \$1,572,000, and 7.11% including those incentives. These return percentages can be found on Line 4 of Page 1 of 6 of Attachment RR5-1.

The most recent filed earnings report for the Company's gas business was also for the twelve-month period ended September 30, 2012. This report was filed on June 28, 2013 and is included as Attachment RR5-2 to this response. The Company reported an annual Return on Equity of 4.41% including accrued Energy Efficiency incentives. The return percentage can be found on Line 6 of Page 1 of 13 of Attachment RR-2. The Company has not previously filed its return on equity calculations excluding incentives.

The Company accrues on its books an estimate of incentives that it expects to earn for each program year under generally accepted accounting principles. The amounts accrued are based on the Company's anticipated achieved program energy savings for the program year. The accrual estimate is adjusted in the year following the program year and is ultimately trued up to the actual earned incentive level filed with the Commission in the Company's Year End Report.

Since calendar year 2013 has not yet ended, the Company is not able to provide this information for 2013.



Thomas R. Teehan
Senior Counsel

May 1, 2013

VIA HAND DELIVERY AND ELECTRONIC MAIL

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

RE: Docket 3617 – Earnings Report
Twelve Months Ended September 30, 2012

Dear Ms. Massaro:

In accordance with the Second Amended Stipulation and Settlement approved by the Commission in Order No. 18037 (November 9, 2004) in Docket No. 3617, enclosed are ten (10) copies of the earnings report for the twelve-month period ended September 30, 2012 for The Narragansett Electric Company d/b/a National Grid (the “Company”).

Because the Company recently implemented a new Enterprise Resource Planning (“ERP”) system, certain financial information for the months of November and December 2012 is not available at this time. As soon as this information is available, the Company will file a supplemental earnings report for the twelve months ended December 31, 2012.

Thank you for your attention to our filing. If you have any questions regarding this matter, please contact me at 401-784-7667.

Very truly yours,

A handwritten signature in blue ink that reads "T. R. Teehan".

Thomas R. Teehan

Enclosures

cc: Docket 3617 Service List
Steve Scialabba, Division
David Efron, Division
Sharon Colby-Camara

The Narragansett Electric Company
Return on Rate Base
Return on Common Equity
Twelve Months Ended September 30, 2012

Page 1 of 6

Line No		Twelve Months Ending September 30, 2012			
		<u>Earned 1/</u>	<u>Earned 2/</u>	<u>Allowed 3/</u>	<u>Ceiling 3/</u>
1					
2	Return on Distribution Rate Base	5.81%	5.99%	7.31%	7.31%
3					
4	Return on Distribution Common Equity	6.73%	7.11%	9.80%	9.80%
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					

----- Per Company/Division Settlement Agreement in Docket 4065 -----

	Allowed			Ceiling	
	Total	Cost Rate	Weighted Cost	Cost Rate	Weighted Cost
Long Term Debt	46.05%	5.30%	2.44%	5.30%	2.44%
Short Term Debt	4.98%	1.60%	0.08%	1.60%	0.08%
Preferred Stock	0.19%	4.50%	0.01%	4.50%	0.01%
Common Equity	48.78%	9.80%	4.78%	9.80%	4.78%
	<u>100.00%</u>		<u>7.31%</u>		<u>7.31%</u>

Line No	5-Quarter Average DISTRIBUTION Rate Base As Of 09/30/2012 4/ \$556,417,801	----- EARNED -----				
		Total	Cost Rate	Weighted Cost	Taxes	Pre-Tax Weighted Cost
22						
23						
24						
25						
26						
27						
28						
29	Long Term Debt \$256,230,397	46.05%	5.30%	2.44%		2.44%
30	Short Term Debt \$27,709,606	4.98%	1.60%	0.08%		0.08%
31	Preferred Stock \$1,057,194	0.19%	4.50%	0.01%	0.00%	0.01%
32	Common Equity \$271,420,603	48.78%	6.73%	3.28%	1.76% (b)	5.05%
33	<u>\$556,417,801</u>	<u>100.00%</u>		<u>5.81%</u>	<u>1.77%</u>	<u>7.58%</u>
34						
35						

(b) includes adj. for Flowthrough Items

4/ From Page 3 Line 24

**PREFERRED STOCK EARNINGS, INTEREST EXPENSE,
AND FEDERAL INCOME TAX
CALCULATED USING IMPUTED CAPITAL STRUCTURE
PER DOCKET 2930 SETTLEMENT AGREEMENT**
0

									\$(000)
PREF. STOCK:	\$556,417,801	X		0.01%	=				\$48
INTEREST:	\$556,417,801	X		2.52%	=				\$14,018
FIT:	\$556,417,801	X		1.77% (c)	=				\$9,862
	Plus: (Flowthrough Items)/65%-(Flowthrough Items)			(d)					(26)
	Total FIT								<u>\$9,836</u>

(c) (0.01% + 3.28%) / 65% - (0.01% + 3.28%)

(d) Flowthrough Items

ITC Amortization	(\$364)
ITC Basis Reduction Depreciation	73
AFC Equity Depreciation	243
	<u>(\$48)</u>

THE NARRAGANSETT ELECTRIC COMPANY
Return on Equity Calculation
Twelve Months Ended September 30, 2012

(000)

Line No.	Total Company	Integrated Facilities Agreement Amount	Distribution Amount Per Schedules
A	B	C	D
1 Revenue - Sales of Electricity	\$ 347,478	\$ -	\$ 347,478
2 Other Revenue	445,357	-	445,357
3 Total Revenue	\$ 792,835	\$ -	\$ 792,835
4 Operating Expenses:			
5 Purchased Power	353,171	-	353,171
6 Fuel	-	-	-
7 Production O&M	-	-	-
8 Transmission Wheeling	121,130	-	121,130
9 Genl & Admin. O&M	77,035	2,827	74,208
10 All Other O&M, Including C&LM	31,215	7,361	97,572
11 Company Share of Earned Savings	-	-	3,250
12 Depreciation	50,064	7,382	42,682
13 Amort. - Loss on Reaq. Debt	569	125	444
14 Amortization - Other	836	-	836
15 Gross Earnings Tax	29,960	-	29,960
16 Municipal Tax	29,469	5,858	23,611
17 Other Taxes	2,264	130	2,134
18 Current and Deferred Income Taxes	25,067		
19 Amortization of ITC	(467)	(102)	(364)
20 (Gain)/Loss on Disposition of Utility Plant	-	-	0
21 Interest on Cust. Deposits	141	-	141
22 Donations	514	-	514
23 Total Operating Expenses	\$ 720,969		\$ 749,289
24 Net Operating Income	\$ 71,866		
25 Distribution Operating Income Before Taxes			\$ 43,547
26 Adjustments:			
27 SQS Penalties Accrued			-
28 C&LM Incentive			(1,572)
29			
30 Adjusted Distribution Operating Income Before Taxes			41,975
31 Interest Charges			14,018
32 Income Taxes @ 35% (net of ITC)			9,640
33 Net Income			18,316
34 Less: Preferred Stock Requirements			48
35 Earnings Available for Common			\$ 18,268
36 Average Common Equity - 5-Quarter Average			271,421
37 Rate of Return on Adjusted Average Common Equity			6.73%

NOTES:

- 1/ Excludes excess earnings accrual of \$0 for the 12 month period.
2/ Excludes \$0, for storm related expenses as incurred.
3/ Excludes \$0, for storm related expenses as incurred.
4/ Excludes IFA credit of \$73,195, Membership Dues of \$0 and \$522 of other O&M.
Includes 100% of C&LM expenses and an adjustment of \$1213 to normalize uncollectible accounts expense to actual net write-offs.
5/ Pursuant to Docket 4065 Settlement, Company share of Earned Savings equals \$3250 annually, effective January 2010.
6/ Below the line items brought above the line for ratemaking.
7/ Effective Dec. 2005, SQ penalties booked below the line.
8/ Calculated using imputed capital structure and cost rates in Company/Division Settlement in Docket 4065 (see cover page).
9/ Includes impact of flowthrough items (see cover page)

THE NARRAGANSETT ELECTRIC COMPANY
Rate Base - Distribution
Five Quarter Average

Line No.	Description	(a) September 2011	(b) December 2011	(c) March 2012	(d) June 2012	(e) September 2012	(f) 5 Quarter Average
1	Utility Plant in Service	\$ 1,257,037,677	\$ 1,264,385,192	\$ 1,282,538,944	\$ 1,290,518,265	\$ 1,295,831,520	\$ 1,278,062,320
2							
3	Property Held for Future Use	-	-	2,481,052	2,484,080	2,484,080	1,489,843
4	Less: Contribution in Aid of Construction	102,772	102,772	102,762	102,762	102,762	102,766
5	Less: Accumulated Depreciation	548,237,706	554,328,227	550,613,675	565,478,096	569,720,339	557,675,609
6							
7	Net Plant in Service	<u>\$ 708,697,199</u>	<u>\$ 709,954,193</u>	<u>\$ 734,303,560</u>	<u>\$ 727,421,487</u>	<u>\$ 728,492,500</u>	<u>\$ 721,773,788</u>
8							
9	Plus:						
10	Materials and Supplies	\$ 4,952,801	\$ 5,336,036	\$ 5,144,792	\$ 4,846,892	\$ 4,839,571	\$ 5,024,019
11	Prepayments	700,954	1,513,552	707,077	(113,016)	325,704	626,854
12	Loss on Reacquired Debt	3,902,355	3,746,306	3,638,995	3,487,013	3,277,485	3,610,431
13	Cash Working Capital	5,851,029	5,851,029	5,851,029	5,851,029	5,851,029	5,851,029
14	Cash Working Capital - Commodity & Gross Receipts Tax	21,031,968	21,031,968	14,299,032	14,299,032	14,299,032	16,992,206
15							
16	Subtotal	<u>\$ 36,439,108</u>	<u>\$ 37,478,891</u>	<u>\$ 29,640,925</u>	<u>\$ 28,370,950</u>	<u>\$ 28,592,822</u>	<u>\$ 32,104,539</u>
17							
18	Less:						
19	Accumulated Deferred FIT	\$ 192,314,243	\$ 188,684,507	\$ 177,752,363	\$ 182,174,590	\$ 182,652,454	\$ 184,715,631
20	Customer Deposits	5,724,922	5,784,669	3,382,546	3,560,690	3,656,930	4,421,951
21	Injuries and Damages Reserve	6,315,000	6,637,946	9,834,769	9,443,698	9,383,303	8,322,943
22							
23	Subtotal	<u>\$ 204,354,165</u>	<u>\$ 201,107,123</u>	<u>\$ 190,969,678</u>	<u>\$ 195,178,978</u>	<u>\$ 195,692,687</u>	<u>\$ 197,460,526</u>
24							
25	Rate Base	<u>\$ 540,782,142</u>	<u>\$ 546,325,961</u>	<u>\$ 572,974,806</u>	<u>\$ 560,613,460</u>	<u>\$ 561,392,635</u>	<u>\$ 556,417,801</u>

Column/Line Notes

25 Line 7 + Line 16 - Line 23

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

Line No.	Description	(a) September 2011	(b) December 2011	(c) March 2012	(d) June 2012	(e) September 2012	(f) 5 Quarter Average
1	Utility Plant in Service	\$ 302,882,774	\$ 324,533,645	\$ 326,386,654	\$ 346,653,917	\$ 393,918,769	\$ 338,875,152
2							
3	Property Held for Future Use	12,735,777	12,735,777	12,531,903	12,531,903	12,531,903	12,613,453
4	Less: Contribution in Aid of Construction						
5	Less: Accumulated Depreciation	82,110,822	83,558,648	90,196,434	81,252,457	76,596,757	82,743,023
6							
7	Net Plant in Service	<u>\$ 233,507,729</u>	<u>\$ 253,710,774</u>	<u>\$ 248,722,122</u>	<u>\$ 277,933,363</u>	<u>\$ 329,853,915</u>	<u>\$ 268,745,581</u>
8							
9	Plus:						
10	Materials and Supplies	\$ 1,246,919	\$ 1,418,965	\$ 1,359,004	\$ 1,349,592	\$ 1,532,991	\$ 1,381,494
11	Prepayments	305,597	536,775	318,086	113,016	265,122	307,719
12	Loss on Reacquired Debt	982,458	996,222	961,246	970,941	1,038,182	989,810
13	Cash Working Capital	2,994,268	(1,551,535)	1,513,649	1,671,340	1,292,915	1,184,127
14							
15	Subtotal	<u>\$ 5,529,243</u>	<u>\$ 1,400,426</u>	<u>\$ 4,151,985</u>	<u>\$ 4,104,888</u>	<u>\$ 4,129,211</u>	<u>\$ 3,863,151</u>
16							
17	Less:						
18	Accumulated Deferred FIT	\$ 40,863,875	\$ 38,883,235	\$ 39,968,828	\$ 42,176,060	\$ 45,862,982	\$ 41,550,996
19	Customer Deposits	-	-	-	-	-	-
20	Injuries and Damages Reserve	-	-	-	-	-	-
21							
22	Subtotal	<u>\$ 40,863,875</u>	<u>\$ 38,883,235</u>	<u>\$ 39,968,828</u>	<u>\$ 42,176,060</u>	<u>\$ 45,862,982</u>	<u>\$ 41,550,996</u>
23							
24	Rate Base	<u>\$ 198,173,096</u>	<u>\$ 216,227,965</u>	<u>\$ 212,905,280</u>	<u>\$ 239,862,191</u>	<u>\$ 288,120,144</u>	<u>\$ 231,057,735</u>

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

Line No.	Description	(a) September 2011	(b) December 2011	(c) March 2012	(d) June 2012	(e) September 2012	(f) 5 Quarter Average
1	Utility Plant in Service	\$ 1,559,920,450	\$ 1,588,918,837	\$ 1,608,925,598	\$ 1,637,172,182	\$ 1,689,750,289	\$ 1,616,937,471
2							
3	Property Held for Future Use	12,735,777	12,735,777	15,012,955	15,015,983	15,015,983	14,103,295
4	Less: Contribution in Aid of Construction	102,772	102,772	102,762	102,762	102,762	102,766
5	Less: Accumulated Depreciation	630,348,528	637,886,875	640,810,109	646,730,553	646,317,096	640,418,632
6							
7	Net Plant in Service	<u>\$ 942,204,928</u>	<u>\$ 963,664,967</u>	<u>\$ 983,025,682</u>	<u>\$ 1,005,354,851</u>	<u>\$ 1,058,346,415</u>	<u>\$ 990,519,368</u>
8							
9	Plus:						
10	Materials and Supplies	\$ 6,199,721	\$ 6,755,001	\$ 6,503,796	\$ 6,196,484	\$ 6,372,563	\$ 6,405,513
11	Prepayments	1,006,551	2,050,327	1,025,163	(0)	590,826	934,574
12	Loss on Reacquired Debt	4,884,814	4,742,527	4,600,241	4,457,954	4,315,667	4,600,241
13	Cash Working Capital	8,845,297	4,299,494	7,364,678	7,522,369	7,143,944	7,035,156
14	Cash Working Capital - Commodity	21,031,968	21,031,968	14,299,032	14,299,032	14,299,032	9,440,115
15							
16	Subtotal	<u>\$ 41,968,350</u>	<u>\$ 38,879,317</u>	<u>\$ 33,792,910</u>	<u>\$ 18,176,806</u>	<u>\$ 18,423,001</u>	<u>\$ 28,415,598</u>
17							
18	Less:						
19	Accumulated Deferred FIT	\$ 233,178,118	\$ 215,632,743	\$ 217,721,191	\$ 224,350,650	\$ 228,515,436	\$ 223,879,627
20	Customer Deposits	5,724,922	5,784,669	3,382,546	3,560,690	3,656,930	4,421,951
21	Injuries and Damages Reserve	6,315,000	6,637,946	9,834,769	9,443,698	9,383,303	8,322,943
22							
23	Subtotal	<u>\$ 245,218,040</u>	<u>\$ 228,055,358</u>	<u>\$ 230,938,505</u>	<u>\$ 237,355,038</u>	<u>\$ 241,555,669</u>	<u>\$ 236,624,522</u>
24							
25	Rate Base	<u>\$ 738,955,239</u>	<u>\$ 774,488,926</u>	<u>\$ 785,880,086</u>	<u>\$ 786,176,619</u>	<u>\$ 835,213,747</u>	<u>\$ 782,310,444</u>

Line Notes

Column (a) - (e) From Company books

25 Line 7 + Line 16 - Line 23

THE NARRAGANSETT ELECTRIC COMPANY
Calculation of Excess Earnings for Twelve months ended September 30, 2012
(\$000)

<u>Line</u>					
1	Actual Distribution Earnings Available for Common	\$18,268	(a)		
2					
3					
4	Actual Average Common Equity	\$271,421	(a)		
5					
6					Customer
7	Average Annual Return			<u>6.73%</u>	<u>Share</u>
8					
9	ROE in 50%/50% Bandwith (>9.8%, <10.8%)			0.00% * 50.00%	= 0.00%
10	ROE in 75%/25% Bandwith (>10.8%)			0.00% * 75.00%	= <u>0.00%</u>
11					
12	Total Customer ROE Sharing				0.00%
13	Actual Average Common Equity				<u>\$271,421</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 twelve months ending 09/30/2012				<u>\$ -</u>

(a) From Page 2 of 6



Thomas R. Teehan
Senior Counsel

June 28, 2013

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Gas Earning Sharing Mechanism
Twelve Months Ended September 30, 2012**

Dear Ms. Massaro:

In accordance with the provisions of the Amended Settlement approved by the Rhode Island Public Utilities Commission in Docket 4323 as reflected in National Grid's¹ gas tariff, RIPUC NG-Gas No. 101, Section 3, Schedule A, Sheet 13, subpart 5.0, enclosed are ten (10) copies of the earnings report for the gas operations of The Narragansett Electric Company d/b/a National Grid (the "Company") for the twelve-month period ended September 30, 2012.

Because the Company recently implemented a new Enterprise Resource Planning ("ERP") system, certain financial information for the months of November 2012 through March 2013 is not available at this time. As soon as this information is available, the Company will file a supplemental earnings report for the twelve months ended March 31, 2013.

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,

A handwritten signature in blue ink that reads "T. Teehan".

Thomas R. Teehan

Enclosure

cc: Docket 4323 Service List
Steve Scialabba, Division
David Effron, Division
Sharon Colby-Camara

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

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically submitted to the individuals listed below. The Commission received hard copies of this transmittal.

Joanne M. Scanlon

June 28, 2013

Date

**National Grid (NGrid) – Request for Change in Electric & Gas Distribution Rates
Docket No. 4323 – Service List updated on 6/22/12**

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National Grid
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National Grid - RI Gas
For the Twelve Months ended September 30, 2012

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**National Grid - RI Gas
Earnings Sharing Calculation
For the Twelve Months ended September 30, 2012**

1	Average Rate Base	\$	342,815,219
2	Equity Component of Rate Base		47.71%
3	Average Common Equity	\$	163,557,141
4			
5	Net Income Available for Common Stock	\$	7,206,829
6	Return on Common Equity		4.41%
7			
8	Return on Equity > 10.50% and < 11.50%		0.00%
9	Earnings to be Shared	\$	-
10	Earnings to Customers - 50%	\$	-
11			
12	Return on Equity > 11.50 %		0.00%
13	Earnings to be Shared	\$	-
14	Earnings to Customers - 75%	\$	-
15			
16	Total After tax Earnings Credited to Customers	\$	-
17			
18	Total Earnings Credited to DAC	\$	-

Notes:

- 1 From Page 5 of 13 line 23(f)
- 2 From Page 4 of 13 line 8(a)
- 3 Line 1 times line 2
- 5 From Page 2 of 13 line 50
- 6 Line 5 divided by line 3
- 8 Smaller of 11.50% or Line 6 minus 10.50%
- 9 Line 3 times line 8
- 10 Line 9 times 50%
- 12 If Line 6 is greater than 11.50%, line 6 minus 11.50%, if not, 0%
- 13 Line 3 times line 12
- 14 Line 13 times 75%
- 16 Line 10 plus line 14
- 18 Line 16 divided by 65%

National Grid - RI Gas
Income Statement
For the Twelve Months ended September 30, 2012

	<u>2012</u>
1 <u>Operating Revenues</u>	
2 Total Firm Gas	\$ 331,333,619
3 Transportation	\$ 26,119,517
4 Other Revenues	\$ 12,033,138
5 FY12 Customer Portion of On System Non-Firm Margin not booked in FY12	\$ (798,299)
6 FY11 Customer Portion of On System Non-Firm Margin booked in FY12	\$ 815,442
7 Total Operating Revenues	<u>\$ 369,503,417</u>
8	
9 <i>Adjustment to Operating Revenue:</i>	
10 Prior years GCR adjustments	\$ 12,401,351
11 Unbilled Revenues	\$ (1,973,621)
12 Inventory Financing	\$ (2,351,159)
13 Total Adjusted Operating Revenues	<u>\$ 377,579,988</u>
14	
15 <u>Operating Expenses</u>	
16 Production (Gas Costs)	\$ 205,604,719
17 Storage	\$ 717,378
18 Transmission	\$ 20,944
19 Distribution	\$ 28,882,452
20 Customer Accounts	\$ 25,793,379
21 Sales	\$ -
22 Administrative and General	\$ 42,667,957
23 Total Operating Expenses	<u>\$ 303,686,831</u>
24	
25 <i>Adjustments to Operating Expense:</i>	
26 Unbilled Gas Costs	\$ (865,977)
27 Savings Imputed in Base Rates	\$ 2,450,000
28 Total Adjusted Operating Expenses	<u>\$ 305,270,854</u>
29	
30 <u>Other Expenses</u>	
31 Depreciation and Amortization	\$ 27,950,774
32 Local and Other Taxes	\$ 16,180,973
33 Revenue Related Taxes (Gross Earnings Tax - GET)	\$ 10,309,671
34 Federal Income Taxes @ 35%	\$ 3,880,600
35 Total Other Expenses	<u>\$ 58,322,018</u>
36	
37 Income Before Interest Expense	<u>\$ 13,987,117</u>
38	
39 <u>Interest Expense</u>	
40 Short-Term Debt	\$ 67,953
41 Long-Term Debt	\$ 7,507,506
42 Other Interest Expense	\$ 72,872
43 AFUDC	\$ (868,043)
44 Total Interest Expense	<u>\$ 6,780,288</u>
45	
46 Net Income / (Loss)	<u>\$ 7,206,829</u>
47	
48 Preferred Dividends	<u>\$ -</u>
49	
50 Net Income / (Loss) Applicable to Common Equity	<u>\$ 7,206,829</u>

Notes:

- 4 From Page 7 of 13 line 11
- 27 Docket No. 3943 (4/4/2008) Attachment NG-MDL-4 Page 1 of 6 Line 7
- 32 From Page 6 of 13 sum of line 3 through line 5
- 34 From Page 3 of 13 line 20
- 40 From Page 4 of 13 line 25(b)
- 41 From Page 4 of 13 line 17(b)
- 42 From Page 8 of 13 line 3
- 48 From Page 4 of 13 line 34(b)

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National Grid - RI Gas
Federal Income Tax Calculation
For the Twelve Months ended September 30, 2012

1	Operating Revenues	\$	377,579,988
2			
3	Less:		
4			
5	Operating Expenses		305,270,854
6	Depreciation and Amortization		27,950,774
7	Local and Other Taxes		16,180,973
8	Revenue Related Taxes (GET)		10,309,671
9	Interest - Short-Term Debt		67,953
10	Interest - Long-Term Debt		7,507,506
11	Other Interest		72,872
12	AFUDC		(868,043)
13			
14	Total Deductions	\$	366,492,559
15			
16	Taxable Income	\$	11,087,429
17			
18	Federal Income Tax Rate		35%
19			
20	Federal Income Tax Expense	\$	3,880,600

Notes:

- 1 From Page 2 of 13 line 13
- 5 From Page 2 of 13 line 28
- 6 From Page 2 of 13 line 31
- 7 From Page 2 of 13 line 32
- 8 From Page 2 of 13 line 33
- 9 From Page 2 of 13 line 40
- 10 From Page 2 of 13 line 41
- 11 From Page 2 of 13 line 42
- 12 From Page 2 of 13 line 43

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National Grid - RI Gas
Applicable Capital Structure, Interest Expense and Preferred Dividends
For the Twelve Months ended September 30, 2012

	%	\$
	(a)	(b)
1 Rate Base		<u>\$ 342,815,219</u>
2		
3 Capital Structure		
4		
5 Short-Term Debt	11.66%	\$ 39,972,255
6 Long-Term Debt	40.63%	139,285,823
7 Preferred Stock	0.00%	-
8 Common Equity	47.71%	163,557,141
9	<u>100.0%</u>	<u>\$ 342,815,219</u>
10 Interest Expense		
11		
12		
13 Long-Term Debt Portion	40.63%	\$ 139,285,823
14		
15 Cost of Long-Term Debt September 2012		5.39%
16		
17 Proforma Long-Term Debt Interest for the Year Ended September 2012		<u>\$ 7,507,506</u>
18		
19		
20		
21 Short-Term Debt Portion	11.66%	\$ 39,972,255
22		
23 Cost of Short-Term Debt September 2012		0.17%
24		
25 Proforma Short-Term Debt Interest for the Year Ended September 2012		<u>\$ 67,953</u>
26		
27 Preferred Dividends		
28		
29		
30 Preferred Stock Portion	0.00%	\$ -
31		
32 Cost of Preferred Stock		0.00%
33		
34 Proforma Preferred Stock for the Year Ended September 2012		<u>\$ -</u>

Notes:
1(b) From Page 5 of 13 line 23(f)
5(a)-8(a) Imputed capital structure per Docket No. 4323
5(b)-8(b) Line 1(b) times Line 5(a) through Line 8(a)
13 Line 1(b) times Line 13(a)
15 From Page 10 of 13 line 9(b)
23 From Page 11 of 13 line 14(b)
25 Line 21 (b) times line 23 (b)

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National Grid - RI Gas
Rate Base
For the Twelve Months ended September 30, 2012

	September 2011 (a)	December 2011 (b)	March 2012 (c)	June 2012 (d)	September 2012 (e)	Average September 2012 (f)
1 Gas Plant In Service	\$ 668,481,797	\$ 680,565,745	\$ 698,916,387	\$ 710,787,522	\$ 741,522,528	\$ 700,054,796
2 CWIP	58,257,285	66,634,719	50,920,884	55,909,131	37,071,870	53,758,778
3 Less: Accumulated Depreciation	310,098,873	314,350,902	308,505,930	313,391,340	316,503,065	312,570,022
4 Less: Contribution in Aid of Construction	6,124,476	5,584,444	5,587,250	5,586,650	5,356,673	5,647,899
5						
6 Net Plant	410,515,734	427,265,117	435,744,091	447,718,663	456,734,661	435,595,653
7						
8 Materials and Supplies	2,850,745	3,087,476	2,957,930	2,717,318	2,857,981	2,894,290
9 Prepaid Expenses, Excluding Taxes	250,000	0	440,375	0	102,098	158,494
10 Deferred Debits	840,000	780,000	720,000	660,000	600,000	720,000
11 Unamortized debt expense and Interest Rate Lock	3,827,856	3,746,080	3,664,309	3,582,546	3,500,789	3,664,316
12 Cash Working Capital	28,635,175	22,551,215	22,551,215	22,551,215	22,072,138	23,672,192
13						
14 Subtotal	36,403,777	30,164,772	30,333,829	29,511,079	29,133,006	31,109,292
15						
16 Accumulated Deferred FIT	78,548,236	80,298,900	96,440,213	100,961,060	105,545,826	92,358,847
17 Hold Harmless	26,806,031	26,558,229	26,374,450	26,190,670	26,006,891	26,387,254
18 Customer Deposits	4,445,132	4,620,876	4,718,154	4,718,154	4,718,154	4,644,094
19 Injuries and Damages Reserve	195,000	115,000	685,387	850,387	651,887	499,532
20						
21 Subtotal	109,994,398	111,593,005	128,218,203	132,720,271	136,922,757	123,889,727
22						
23 Rate Base	\$ 336,925,113	\$ 345,836,884	\$ 337,859,717	\$ 344,509,471	\$ 348,944,909	\$ 342,815,219

Notes:

- 1(a)-4(e) From Company Financial Statements
- 1(f)-4(f) Average of Column (a) through Column (e)
- 6(a)-6(e) Line 1 plus line 2 minus line 3 minus line 4
- 6(f) Average of Column (a) through Column (e)
- 8(a)-11(e) From Company Financial Statements
- 8(f)-11(f) Average of Column (a) through Column (e)
- 10 Reflects the amortization of Y2K related costs per Docket No. 3401
- 12 From Page 6 of 13 Line 13
- 14 Sum of Line 8 through Line 12
- 16(a)-19(e) From Company Financial Statements
- 16(f)-19(f) Average of Column (a) through Column (e)
- 17 Hold Harmless rate base credit per Docket No. 3859
- 21 Sum of Line 16 through Line 19
- 23 Line 6 + Line 14 - Line 21

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National Grid - RI Gas
Cash Working Capital Calculation
For the Twelve Months ended September 30, 2012

1 Gas Costs	\$	205,604,719
2 Operating Expenses		98,082,111
3 Payroll Taxes		2,327,643
4 Property Taxes		13,619,051
5 State Taxes Other		234,279
6 Revenue Related Taxes (GET)		10,309,671
7 Total	\$	330,177,474
8		
9 Daily Cash Requirement	\$	904,596
10		
11 Net Lag Days		24.40
12		
13 Total Working Capital	\$	22,072,138

Notes:

- 1 From Page 2 of 13 Line 16
- 2 From Page 2 of 13 Sum of Line 17 through Line 22
- 3-5 From Company Financial Statements
- 6 From Page 2 of 13 Line 33
- 7 Sum of Lines 1 through Line 6
- 9 Line 7 divided by 365 days
- 11 Per Docket No. 3943
- 13 Line 9 times Line 11

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National Grid - RI Gas
Detail Other Revenue/(Expense)
For the Twelve Months ended September 30, 2012

1	Rent from Gas Property	\$	317,864
2	Displacement Revenue		829,836
3	Recovery of Supervision & Administrative Costs		97,709
4	Other Revenue		28,569
5	RDM Revenue		15,709,947
6	LIEAP Revenue		(271,472)
7	Misc Revenue		-
8	Interest on Customer Arrears		781,019
9	Excess Sharing Non-Firm Margin		<u>(5,460,334)</u>
10			
11	Total Other Revenue		<u>\$ 12,033,138</u>

Notes:

- 1-9 From Company Financial Statements
- 11 Sum of line 1 through line 9

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National Grid - RI Gas
Detail Other Interest Expense
For the Twelve Months ended September 30, 2012

1	Interest on Customer Deposits	\$	72,872
2			
3	Total Other Interest Expense	<u>\$</u>	<u>72,872</u>

Notes:

- 1 From Company Financial Statements
- 3 Line 1

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National Grid - RI Gas
Detail Non-Operating Income / (Expense)
For the Twelve Months ended September 30, 2012

1	Service Contract Revenue	\$	(488)
2	Share Awards		(839,000)
3	Interest on Over / (Under) Collections, primarily Deferred Gas Costs		507,885
4	Deferred Compensation - Life Insurance		11,891
5	Federal Income Taxes on Non-Operating Income		(296,563)
6	NGPMP per Docket 4038		(1,000,000)
7	Lobbying / Legal and Political Expense		(212,353)
8	Penalties		(79,642)
9	Other		351,369
10	Total Non-Operating Income/(Expense)	\$	<u>(1,556,902)</u>

Notes:

- 1-9 From Company Financial Statements
- 10 Sum of line 1 through line 9

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National Grid
Calculation of Average Long-Term Debt Interest Rate
For the Twelve Months ended September 30, 2012

<u>Description</u>	(a) Average Long-Term Debt Balance	(b) Rate	(c) Long-Term Interest Expense
1 Providence Gas FMB S	14,464,000	6.82%	986,445
2 Providence Gas FMB N	10,000,000	9.63%	963,000
3 Providence Gas FMB O	12,500,000	8.46%	1,057,500
4 Providence Gas FMB P (Annual sinking fund 9/30 \$625,000)	6,875,000	8.09%	556,188
5 Providence Gas FMB R (Annual sinking fund 12/15 \$750,000)	10,656,250	7.50%	799,219
6 Narragansett Senior Note \$250M due 3-15-2020	250,000,000	4.53%	11,325,000
7 Narragansett Senior Note \$300M due 3-15-2040	300,000,000	5.64%	16,920,000
8			
9 Totals	\$ 604,495,250	5.39%	\$ 32,607,351

Notes:

1-7 From Financial Statements
9(b) Average of Line 1 through Line 7

1(a) *Average amounts represent Narragansett Electric Company consolidated amounts as the Gas division is not a legal entity.

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National Grid - RI Gas
Calculation of Average Short-Term Debt Interest Rate
For the Twelve Months ended September 30, 2012

		(a) Average Short-Term Debt Balance ¹	(b) Weighted Cost Rate	(c) Short-Term Interest Expense
	<u>Month</u>			
1	Oct-11	89,401,613	0.09%	\$ 6,929
2	Nov-11	114,139,167	0.10%	\$ 9,512
3	Dec-11	130,578,226	0.17%	\$ 19,115
4	Jan-12	170,639,516	0.20%	\$ 29,388
5	Feb-12	159,715,517	0.21%	\$ 27,019
6	Mar-12	181,123,387	0.21%	\$ 32,753
7	Apr-12	175,497,500	0.19%	\$ 27,787
8	May-12	183,440,323	0.17%	\$ 26,854
9	Jun-12	190,861,667	0.16%	\$ 25,448
10	Jul-12	227,976,613	0.17%	\$ 33,373
11	Aug-12	243,981,452	0.16%	\$ 33,615
12	Sep-12	232,138,333	0.15%	\$ 29,017
13				
14	Average	\$ 174,957,776	0.17%	\$ 300,810

Notes:

- 1(a)-12(a) Average amounts represent Narragansett Electric Company consolidated amounts as the Gas division is not a legal entity and participates in the National Grid money pool as a division of Narragansett Electric
- 14(b) Average of Line 1 through Line 12

National Grid - RI Gas
Merger Hold Harmless Rate Base Credit

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National Grid - RI Gas
Rate Base Adjustments
Merger Hold Harmless Rate Base Credit

Line No.			
1	Balance as of September 30, 2007		\$34,139,677 1/
2			
3	Increase / (Decrease) 12 Months Ended 9/30/08		<u>(2,624,545)</u>
4			
5	Balance as of:	9/30/08	\$31,515,132 1/
6			
7			
8		10/31/08	31,283,677
9		11/30/08	31,052,222
10		12/31/08	30,820,767 1/
11		1/31/09	30,647,907
12		2/28/09	30,475,046
13		3/31/09	30,302,186 1/
14		4/30/09	30,129,326
15		5/31/09	29,956,466
16		6/30/09	29,783,606 1/
17		7/31/09	29,610,746
18		8/31/09	29,437,886
19		9/30/09	<u>29,265,026 1/</u>
20			
21	Rate Year Merger Hold Harmless - Five Quarter Average		<u>\$30,337,343</u>

1/ Hold Harmless Rate Base Credit Per DJE-2 (Revised) from Docket No. 3859.

@ 12/31/06 per DJE-2 Revised	35,764,025
Imputed 3/31/07	35,222,576
Imputed 6/30/07	34,681,127
Imputed 9/30/07	34,139,677
@ 12/31/07 per DJE-2 Revised	33,598,228
Imputed 3/31/08	32,903,863
Imputed 6/30/08	32,209,497
Imputed 9/30/08	31,515,132
@ 12/31/08 per DJE-2 Revised	30,820,767
Imputed 3/31/09	30,302,186
Imputed 6/30/09	29,783,606
Imputed 9/30/09	29,265,026
@ 12/31/09 per DJE-2 Revised	28,746,445

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Schedule DJE-2
Revised

NATIONAL GRID
MERGER ADJUSTMENT TO ADIT
Projected Deferred Tax Schedule
(\$000)

<u>As of 31-Dec</u>	<u>Southern Union ADIT</u>	<u>National Grid ADIT</u>	<u>Difference</u>	<u>Southern Union ADITC</u>	<u>ADIT Merger Adjustment</u>
2006	34,845	214	34,631	1,133	35,764
2007	33,908	1,238	32,670	928	33,598
2008	32,170	2,073	30,097	724	30,821
2009	30,086	1,859	28,227	519	28,746
2010	29,473	2,238	27,235	315	27,549
2011	29,632	3,184	26,448	110	26,558
2012	29,583	3,760	25,823		25,823
2013	29,515	4,286	25,229		25,229
2014	29,199	4,628	24,572		24,572
2015	29,095	5,530	23,566		23,566
2016	28,823	6,531	22,292		22,292
2017	28,342	7,568	20,774		20,774
2018	27,627	8,606	19,020		19,020
2019	26,847	9,842	17,005		17,005
2020	25,922	11,305	14,617		14,617
2021	24,732	12,797	11,934		11,934
2022	23,374	14,311	9,064		9,064