Memorandum

TO: RHODE ISLAND PUBLIC UTILITIES COMMISSION

**FROM: DAVID EFFRON, BERKSHIRE CONSULTING SERVICES,
ON BEHALF OF THE DIVISION OF PUBLIC UTILITIES AND CARRIERS**

DATE: FEBRUARY12, 2016

Electric Infrastructure, Safety, and Reliability Plan FY 2017, Docket 4592

The Narragansett Electric Company d/b/a National Grid ("Narragansett" or "the Company") submitted its Fiscal Year 2017 Infrastructure, Safety, and Reliability (ISR) Plan on December 9, 2015. Calculations supporting the revenue requirements associated with the vegetation management, inspection & maintenance, and qualifying capital investment components are included in the Electric ISR Plan. At the request of the Division, I have reviewed the filing for the purpose of verifying the accuracy of the filed revenue requirements associated with the FY 2017 activity under the ISR programs.

The Protecting Americans from Tax Hikes Act of 2015 ("PATH Act") was signed into law on December 18, 2015. The PATH Act extended 50% bonus depreciation through 2017, with retroactive effect to January 1, 2015. The Company's filing of December 9, 2015 did not reflect the extension of 50% bonus depreciation through 2017 in the calculation of the ISR revenue requirements. This was discussed with Narragansett. The Company noted that the Fiscal Year 2015 tax return had been filed in December 2015, and the capital repairs deductions had brought the taxable income below zero and put it in a net operating loss ("NOL") position for Fiscal Year 2015, even prior to the recognition of the additional 50% bonus depreciation. The effect of the Fiscal Year 2015 NOL, which has the effect of increasing the ISR revenue requirement, had not been reflected in the filed FY 2017 ISR revenue requirement, and doing so would offset any reduction to the revenue requirement from increasing the balance of accumulated deferred income taxes resulting from the 2015 bonus depreciation.

Given the effect of the capital repairs deductions on the Company's taxable income, it is uncertain that the continuing 50% bonus depreciation in 2016 and 2017 will provide immediate significant income tax benefits to the Company in those years. Therefore, it was agreed that it was unnecessary to modify the Company's estimate of the Fiscal Year 2017 revenue requirement at this time. At the time of reconciliation, the actual effects of the relevant bonus depreciation and NOLs will be known and will be reflected in the reconciliation of the actual revenue requirement to the estimated revenue requirement. The issue of the treatment of NOLs was addressed and resolved in Docket Nos. 4473 and 4539. The Company has properly reflected that treatment in the present filing. In sum based on my review, I believe the revenue requirement associated with the filed FY 2017 Electric ISR Plan is reasonably calculated, for effect April 1, 2016, subject to the future reconciliation of the FY 2017 Plan.