

Record Request No. 35

Request:

How much of the overall revenue requirement in each rate year is labor expense?

Response:

Labor expense in the overall revenue requirement for each rate year is comprised of the Labor Expense calculations summarized on Schedule 12, Pages 1 through 4 of Attachment 2 to the Settlement Agreement, plus the labor amounts for the incremental FTEs working on the Gas Business Enablement project, the manager and intern positions being requested for the Sustainability Hub, the Customer Affordability Marketing Analyst position, and positions requested under the Power Sector Transformation program related to the System Data Portal, Electric Transportation, Electric Heat, and Strategic Electrification Marketing Fund initiatives per Attachment RR-PUC-34 to Record Request No. 34 and per Attachment RR-PUC-35 to this request. As the Electric Transportation initiative includes labor dollars charged to both capital and operating expense, the attached calculation shows the revenue requirement on just the labor portion of total Electric Transportation program costs.

Total labor expense included in the Narragansett Electric and Narragansett Gas revenue requirements is summarized in the tables below:

NARRAGANSETT ELECTRIC

Position	Rate Year 1 Labor \$	Rate Year 2 Labor \$	Rate Year 3 Labor \$
Labor Expense	\$51,707,478	\$53,560,974	\$55,183,457
Gas Business Enablement	\$16,396	\$20,508	\$2,467
Sustainability Hub – Manager and Intern	\$90,576	\$90,576	\$90,576
Customer Affordability Marketing Analyst	\$37,297	\$37,297	\$37,297
System Data Portal	\$230,000	\$345,000	\$345,000
Electric Transportation	\$162,741	\$186,525	\$180,856
Electric Heat	\$44,640	\$44,640	\$44,640
Strategic Electrification Marketing Fund	\$64,637	\$65,209	\$65,793
Total Labor	\$52,353,765	\$54,350,729	\$55,950,086

NARRAGANSETT GAS

Position	Rate Year 1 Labor \$	Rate Year 2 Labor \$	Rate Year 3 Labor \$
Labor Expense	\$33,465,578	\$34,873,821	\$35,939,787
Gas Business Enablement	\$85,383	\$121,198	\$17,253
Sustainability Hub – Manager and Intern	\$49,224	\$49,224	\$49,224
Customer Affordability Marketing Analyst	\$20,269	\$20,269	\$20,269
Total Labor	\$33,620,454	\$35,064,512	\$36,026,533

COMBINED TOTAL

Position	Rate Year 1 Labor \$	Rate Year 2 Labor \$	Rate Year 3 Labor \$
Labor Expense	\$85,173,056	\$88,434,795	\$91,123,244
Gas Business Enablement	\$101,779	\$141,706	\$19,720
Sustainability Hub – Manager and Intern	\$139,800	\$139,800	\$139,800
Customer Affordability Marketing Analyst	\$57,565	\$57,565	\$57,565
System Data Portal	\$230,000	\$345,000	\$345,000
Electric Transportation	\$162,741	\$186,525	\$180,856
Electric Heat	\$44,640	\$44,640	\$44,640
Strategic Electrification Marketing Fund	\$64,637	\$65,209	\$65,793
Total Labor	\$85,974,218	\$89,415,240	\$91,976,618

The Narragansett Electric Company
d/b/a National Grid
Power Sector Transformation (PST)
Electric Transportation Initiative - Labor Costs
Annual Revenue Requirement Summary

Line No.			Rate Year Ending <u>August 31, 2019</u> (a)	Rate Year Ending <u>August 31, 2020</u> (b)	Rate Year Ending <u>August 31, 2021</u> (c)
	Operation and Maintenance (O&M) Expenses:				
1	Offpeak Charging Rebate		\$55,713	\$56,828	\$28,982
2	Discount Pilot for DC Fast Charging				
3	Customer Fleet Advisory Services				
4	Charging Demonstration Marketing		\$98,966	\$100,945	\$102,964
5	Initiative Evaluation				
6	Total O&M costs	Sum of Lines 1 through 5	\$154,679	\$157,773	\$131,946
7	Other O&M Expenses and Program Administration Costs:				
8	Program Administration Costs - NG Heavy Duty Fleet Lease and O&M				
9	Program Administration Costs - Off-Peak Rebate				
10	Program Administration Costs - Commercial Rate Discount				
11	Program Administration Costs - Evaluation				
12	Total Other O&M Expenses and Program Administration Costs	Sum of Lines 8 through 11	\$0	\$0	\$0
13	Total O&M Costs, Other O&M Costs and Program Administration Costs	Line 6 + Line 12	\$154,679	\$157,773	\$131,946
14	Participation Payment Offset				
15	Total Net O&M Expense Component of Revenue Requirement	Line 13 + Line 14	\$154,679	\$157,773	\$131,946
16	Capital Investment:				
17	Estimated Revenue Requirement on Rate Year Capital investment		\$8,062	\$20,529	\$19,583
18	Estimated Revenue Requirement on Data Year 1 Capital investment			\$8,223	\$20,939
19	Estimated Revenue Requirement on Data Year 2 Capital investment				\$8,388
20	Total Capital Investment Component of Revenue Requirement	Sum of Lines 17 through 19	\$8,062	\$28,752	\$48,910
21	Total Revenue Requirement	Line 15 + Line 20	\$162,741	\$186,525	\$180,856

The Narragansett Electric Company
d/b/a National Grid
Power Sector Transformation (PST)
Revenue Requirement on Estimated Capital Investment 12 months ending August 31, 2019
Electric Transportation Initiative - Labor Costs

Line No.		Rate Year Ending August 31, 2019 (a)	Rate Year Ending August 31, 2020 (b)	Rate Year Ending August 31, 2021 (c)
<u>Estimated Capital Investment</u>				
1	EDC Costs (Make-Ready & Utility-Operated)	\$0	\$0	\$0
2	Premise Work Costs (Make-Ready & Utility-Operated)	\$0	\$0	\$0
3	EVSE Costs (Utility-Operated Charging Program Sites, and Company Fleet EVSE)	\$0	\$0	\$0
4	Total Capitalized Labor & Tool Costs	\$153,587	\$0	\$0
5	Total Estimated Capital Investment	\$153,587	\$0	\$0
<u>Depreciable Net Capital Included in Rate Base</u>				
6	Total Allowed Capital Included in Rate Base in Current Year	Line 5	\$153,587	\$0
7	Retirements	Line 4 * 0%	\$0	\$0
8	Net Depreciable Capital Included in Rate Base	Column (a) = Line 6 - Line 7; Column (b) = Prior Year Line 6	\$153,587	\$153,587
<u>Change in Net Capital Included in Rate Base</u>				
9	Capital Included in Rate Base	Line 5	\$153,587	\$0
10	Cost of Removal	\$0	\$0	\$0
11	Total Net Plant in Service Including Cost of Removal	Line 8 + Line 10	\$153,587	\$153,587
<u>Tax Depreciation</u>				
12	Vintage Year Tax Depreciation:			
13	2020 Spend	Page 3 of 10, Line 21	\$30,717	\$49,148
14	Cumulative Tax Depreciation	Previous Year Line 14 + Current Year Line 13	\$30,717	\$79,865
<u>Book Depreciation</u>				
15	Composite Book Depreciation Rate	As filed per R.I.P.U.C. Docket No. 4770	2.50%	2.50%
16	Book Depreciation	Column (a) = Line 1 * Line 15 * 50% ; Column (b) = Line 1 * Line 15	\$0	\$0
17	Cumulative Book Depreciation	Previous Year Line 17 + Current Year Line 16	\$0	\$0
18	Composite Book Depreciation Rate	As filed per R.I.P.U.C. Docket No. 4770	5.00%	5.00%
19	Book Depreciation	Column (a) = Line 2 * Line 18 * 50% ; Column (b) = Line 2 * Line 18	\$0	\$0
20	Cumulative Book Depreciation	Previous Year Line 20 + Current Year Line 19	\$0	\$0
21	Composite Book Depreciation Rate	As filed per R.I.P.U.C. Docket No. 4770	10.00%	10.00%
22	Book Depreciation	Column (a) = Line 3 * Line 21 * 50% ; Column (b) = Line 3 * Line 21	\$0	\$0
23	Cumulative Book Depreciation	Previous Year Line 23 + Current Year Line 22	\$0	\$0
24	Composite Book Depreciation Rate	As filed per R.I.P.U.C. Docket No. 4770	2.50%	2.50%
25	Book Depreciation	Column (a) = Line 4 * Line 24 * 50% ; Column (b) = Line 4 * Line 24	\$1,920	\$3,840
26	Cumulative Book Depreciation	Previous Year Line 26 + Current Year Line 25	\$1,920	\$5,760
27	Total Cumulative Book Depreciation	Line 17 + Line 20 + Line 23 + Line 26	\$1,920	\$5,760
<u>Deferred Tax Calculation:</u>				
28	Cumulative Book / Tax Timer	Line 14 - Line 27	\$28,797	\$74,105
29	Effective Tax Rate		21.00%	21.00%
30	Deferred Tax Reserve	Line 28 * Line 29	\$6,047	\$15,562
31	Less: FY 2020 Federal NOL		\$0	\$0
32	Less: Proration Adjustment	Col (a) = Page 8 of 10, Line 40; Col (b) = , Line 40; Col (c) = , Line 40	(\$3,283)	(\$5,166)
33	Net Deferred Tax Reserve	Sum of Lines 30 through 32	\$2,764	\$10,396
<u>Rate Base Calculation:</u>				
34	Cumulative Incremental Capital Included in Rate Base	Line 11	\$153,587	\$153,587
35	Accumulated Depreciation	- Line 27	(\$1,920)	(\$5,760)
36	Deferred Tax Reserve	- Line 33	(\$2,764)	(\$10,396)
37	Year End Rate Base	Sum of Lines 34 through 36	\$148,903	\$137,431
<u>Revenue Requirement Calculation:</u>				
38	Average Rate Base	Column (a) = Current Year Line 37 ÷ 2; Column (b & c) = (Prior Year Line 26 + Current Year Line 26) ÷ 2	\$74,451	\$143,167
39	Pre-Tax ROR		8.25%	8.25%
40	Return and Taxes	Line 38 * Line 39	\$6,142	\$11,811
41	Book Depreciation	Line 16 + Line 19 + Line 22 + Line 25	\$1,920	\$3,840
42	Property Taxes	Tax Rate 3.176% MAL-7 - Columns (b & c) Line 8 * 3.176%	\$0	\$4,878
43	Annual Revenue Requirement	Line 40 through Line 42	\$8,062	\$20,529

1/ Weighted Average Cost of Capital as file in R.I.P.U.C. Docket No. 4770, Schedule MAL-1-ELEC

	Ratio	Rate	Rate	Taxes	Return
Long Term Debt	47.85%	4.69%	2.24%		2.24%
Short Term Debt	1.11%	1.76%	0.02%		0.02%
Preferred Stock	0.09%	4.50%	0.00%		0.00%
Common Equity	50.95%	9.2750%	4.73%	1.26%	5.99%
	100.00%		6.99%	1.26%	8.25%

**The Narragansett Electric Company
d/b/a National Grid
Power Sector Transformation (PST)
Calculation of Tax Depreciation and Repairs Deduction on Rate Year 2019 Capital Investments
Electric Transportation Initiative - Labor Costs**

Line No.			Rate Year Ending August 31, 2019 (a)	Rate Year Ending August 31, 2020 (b)	Rate Year Ending August 31, 2021 (c)
	<u>Capital Repairs Deduction</u>				
1	Plant Additions	Page 2 of 10, Line 5	\$153,587		
2	Capital Repairs Deduction Rate	Per Tax Department	0.00%		
3	Capital Repairs Deduction	Line 1 * Line 2	\$0		
	<u>Bonus Depreciation</u>				
4	Plant Additions	Line 1	\$153,587		
5	Less Capital Repairs Deduction	Line 3	\$0		
6	Plant Additions Net of Capital Repairs Deduction	Line 4 - Line 5	\$153,587		
7	Percent of Plant Eligible for Bonus Depreciation	Per Tax Department	100.00%		
8	Plant Eligible for Bonus Depreciation	Line 6 * Line 7	\$153,587		
9	Bonus Depreciation Rate (April 2019 - December 2019)	1 * 75% * 0%	0.00%		
10	Bonus Depreciation Rate (January 2020 - Mar 2020)	1 * 25% * 0%	0.00%		
11	Total Bonus Depreciation Rate	Line 9 + Line 10	0.00%		
12	Bonus Depreciation	Line 8 * Line 11	\$0		
	<u>Remaining Tax Depreciation</u>				
13	Plant Additions	Line 1	\$153,587		
14	Less Capital Repairs Deduction	Line 3	\$0		
15	Less Bonus Depreciation	Line 12	\$0		
16	Remaining Plant Additions Subject to 20 YR MACRS Tax Depreciation	Line 13 - Line 14 - Line 15	\$153,587	\$153,587	\$153,587
17	5 YR MACRS Tax Depreciation Rates	Per IRS Publication 946	20.00%	32.00%	19.20%
18	Remaining Tax Depreciation	Line 16 * Line 17	\$30,717	\$49,148	\$29,489
19	FY20 Loss incurred due to retirements	Per Tax Department	\$0		
20	Cost of Removal	Page 2 of 10, Line 10	\$0		
21	Total Tax Depreciation and Repairs Deduction	Sum of Lines 3, 12, 18, 19, and 20	\$30,717	\$49,148	\$29,489

The Narragansett Electric Company
d/b/a National Grid
Power Sector Transformation (PST)
Revenue Requirement on Estimated Capital Investment 12 months ending August 31, 2020
Electric Transportation Initiative - Labor Costs

Line No.		Rate Year Ending August 31, 2020 (a)	Rate Year Ending August 31, 2021 (b)
<u>Estimated Capital Investment</u>			
1	EDC Costs (Make-Ready & Utility-Operated)	\$0	
2	Premise Work Costs (Make-Ready & Utility-Operated)	\$0	
3	EVSE Costs (Utility-Operated Only)	\$0	
4	Total Capitalized Labor & Tool Costs	\$156,658	
5	Total Estimated Capital Investment Line 1 + Line 4	\$156,658	\$0
<u>Depreciable Net Capital Included in Rate Base</u>			
6	Total Allowed Capital Included in Rate Base in Current Year Line 5	\$156,658	\$0
7	Retirements Line 4 * 0%	\$0	\$0
8	Net Depreciable Capital Included in Rate Base Column (a) = Line 4 - Line 5; Column (b) = Prior Year Line 6	\$156,658	\$156,658
<u>Change in Net Capital Included in Rate Base</u>			
9	Capital Included in Rate Base Line 5	\$156,658	\$0
10	Cost of Removal Section 2, Page 27 of 27, Chart 11	\$0	\$0
11	Total Net Plant in Service Including Cost of Removal Line 8 + Line 10	\$156,658	\$156,658
<u>Tax Depreciation</u>			
12	Vintage Year Tax Depreciation:		
13	2021 Spend Page 5 of 10, Line 21	\$31,332	\$50,131
14	Cumulative Tax Depreciation Previous Year Line 14 + Current Year Line 13	\$31,332	\$81,463
<u>Book Depreciation</u>			
15	Composite Book Depreciation Rate As filed per R.I.P.U.C. Docket No. 4770	2.50%	2.50%
16	Book Depreciation Column (a) = Line 1 * Line 15 * 50%; Column (b) = Line 1 * Line 15	\$0	\$0
17	Cumulative Book Depreciation Previous Year Line 17 + Current Year Line 16	\$0	\$0
18	Composite Book Depreciation Rate As approved per R.I.P.U.C. Docket No. 4770	5.00%	5.00%
19	Book Depreciation Column (a) = Line 2 * Line 18 * 50%; Column (b) = Line 2 * Line 18	\$0	\$0
20	Cumulative Book Depreciation Previous Year Line 20 + Current Year Line 19	\$0	\$0
21	Composite Book Depreciation Rate As approved per R.I.P.U.C. Docket No. 4770	10.00%	10.00%
22	Book Depreciation Column (a) = Line 3 * Line 21 * 50%; Column (b) = Line 3 * Line 21	\$0	\$0
23	Cumulative Book Depreciation Previous Year Line 23 + Current Year Line 22	\$0	\$0
24	Composite Book Depreciation Rate As filed per R.I.P.U.C. Docket No. 4770	2.50%	2.50%
25	Book Depreciation Column (a) = Line 4 * Line 26 * 50%; Column (b) = Line 4 * Line 26	\$1,958	\$3,916
26	Cumulative Book Depreciation Previous Year Line 26 + Current Year Line 25	\$1,958	\$5,875
27	Total Cumulative Book Depreciation Line 17 + Line 20 + Line 23 + Line 26	\$1,958	\$5,875
<u>Deferred Tax Calculation:</u>			
28	Cumulative Book / Tax Timer Line 14 - Line 17	\$29,374	\$75,588
29	Effective Tax Rate	21.00%	21.00%
30	Deferred Tax Reserve Line 28 * Line 29	\$6,168	\$15,874
31	Less: FY 2021 Federal NOL	\$0	\$0
32	Less: Proration Adjustment Col (a) = Page 8 of 10, Line 40; Col (b) = Page 9 of 10, Line 40	(\$3,349)	(\$5,269)
33	Net Deferred Tax Reserve Sum of Lines 30 through 32	\$2,819	\$10,604
<u>Rate Base Calculation:</u>			
34	Cumulative Incremental Capital Included in Rate Base Line 11	\$156,658	\$156,658
35	Accumulated Depreciation - Line 27	(\$1,958)	(\$5,875)
36	Deferred Tax Reserve - Line 33	(\$2,819)	(\$10,604)
37	Year End Rate Base Sum of Lines 34 through 36	\$151,880	\$140,179
<u>Revenue Requirement Calculation:</u>			
38	Average Rate Base Column (a) = Current Year Line 37 ÷ 2; Column (b) = (Prior Year Line 37 + Current Year Line 37) ÷ 2	\$75,940.23	\$146,030
39	Pre-Tax ROR 1/	8.25%	8.25%
40	Return and Taxes Line 38 * Line 39	\$6,265	\$12,047
41	Book Depreciation Line 16 + Line 19 + Line 22 + Line 25	\$1,958	\$3,916
42	Property Taxes Tax Rate 3.176% MAL-7 - Columns (b) Line 8 * 3.176%	\$0	\$4,975
43	Annual Revenue Requirement Line 38 through Line 42	\$8,223	\$20,939

1/ Weighted Average Cost of Capital as file in R.I.P.U.C. Docket No. 4770, Schedule MAL-1-ELEC

	Ratio	Rate	Rate	Taxes	Return
Long Term Debt	47.85%	4.69%	2.24%	0.00%	2.24%
Short Term Debt	1.11%	1.76%	0.02%	0.00%	0.02%
Preferred Stock	0.09%	4.50%	0.00%	0.00%	0.00%
Common Equity	50.95%	9.2750%	4.73%	1.26%	5.99%
	100.00%		6.99%	1.26%	8.25%

**The Narragansett Electric Company
d/b/a National Grid
Power Sector Transformation (PST)
Calculation of Tax Depreciation and Repairs Deduction on Rate Year 2020 Capital Investments
Electric Transportation Initiative - Labor Costs**

Line No.			Rate Year Ending August 31, 2020 (a)	Rate Year Ending August 31, 2021 (b)
	<u>Capital Repairs Deduction</u>			
1	Plant Additions	Page 4 of 10, Line 5	\$156,658	
2	Capital Repairs Deduction Rate	Per Tax Department	0.00%	
3	Capital Repairs Deduction	Line 1 * Line 2	<u>\$0</u>	
	<u>Bonus Depreciation</u>			
4	Plant Additions	Line 1	\$156,658	
5	Less Capital Repairs Deduction	Line 3	<u>\$0</u>	
6	Plant Additions Net of Capital Repairs Deduction	Line 4 - Line 5	\$156,658	
7	Percent of Plant Eligible for Bonus Depreciation	Per Tax Department	100.00%	
8	Plant Eligible for Bonus Depreciation	Line 6 * Line 7	<u>\$156,658</u>	
9	Bonus Depreciation Rate (April 2020 - December 2020)	0%	0.00%	
10	Bonus Depreciation Rate (January 2021 - Mar 2021)	0%	<u>0.00%</u>	
11	Total Bonus Depreciation Rate	Line 9 + Line 10	0.00%	
12	Bonus Depreciation	Line 8 * Line 11	<u>\$0</u>	
	<u>Remaining Tax Depreciation</u>			
13	Plant Additions	Line 1	\$156,658	
14	Less Capital Repairs Deduction	Line 3	\$0	
15	Less Bonus Depreciation	Line 12	<u>\$0</u>	
16	Remaining Plant Additions Subject to 20 YR MACRS Tax Depreciation	Line 13 - Line 14 - Line 15	\$156,658	\$156,658
17	5 YR MACRS Tax Depreciation Rates	Per IRS Publication 946	<u>20.000%</u>	32.000%
18	Remaining Tax Depreciation	Line 16 * Line 17	\$31,332	\$50,131
19	FY21 Loss incurred due to retirements	Per Tax Department	\$0	\$0
20	Cost of Removal	Page 4 of 10, Line 10	<u>\$0</u>	<u>\$0</u>
21	Total Tax Depreciation and Repairs Deduction	Sum of Lines 3, 12, 18, 19, and 20	<u>\$31,332</u>	<u>\$50,131</u>

**The Narragansett Electric Company
d/b/a National Grid
Power Sector Transformation (PST)
Revenue Requirement on Estimated Capital Investment 12 months ending August 31, 2021
Electric Transportation Initiative - Labor Costs**

Line No.		Rate Year Ending <u>August 31, 2021</u> (a)
<u>Estimated Capital Investment</u>		
1	EDC Costs (Make-Ready & Utility-Operated)	\$0
2	Premise Work Costs (Make-Ready & Utility-Operated)	\$0
3	EVSE Costs (Utility-Operated Only)	\$0
4	Total Capitalized Labor & Tool Costs	<u>\$159,792</u>
5	Total Estimated Capital Investment	Line 1 + Line 4 <u>\$159,792</u>
<u>Depreciable Net Capital Included in Rate Base</u>		
6	Total Allowed Capital Included in Rate Base in Current Year	Line 5 \$159,792
7	Retirements	Line 4 * 0% <u>\$0</u>
8	Net Depreciable Capital Included in Rate Base	Column (a) = Line 4 - Line 5; Column (b) = Prior Year Line 6 <u>\$159,792</u>
<u>Change in Net Capital Included in Rate Base</u>		
9	Capital Included in Rate Base	Line 5 \$159,792
10	Cost of Removal	Section 2, Page 27 of 27, Chart 11 \$0
11	Total Net Plant in Service Including Cost of Removal	Line 8 + Line 10 \$159,792
<u>Tax Depreciation</u>		
12	Vintage Year Tax Depreciation:	
13	2022 Spend	Page 7 of 10, Line 21 \$31,958
14	Cumulative Tax Depreciation	Previous Year Line 14 + Current Year Line 13 \$31,958
<u>Book Depreciation</u>		
15	Composite Book Depreciation Rate	As approved per R.I.P.U.C. Docket No. 4770 2.50%
16	Book Depreciation	Column (a) = Line 1 * Line 15 * 50% \$0
17	Cumulative Book Depreciation	Previous Year Line 17 + Current Year Line 16 \$0
18	Composite Book Depreciation Rate	As approved per R.I.P.U.C. Docket No. 4770 5.00%
19	Book Depreciation	Column (a) = Line 2 * Line 18 * 50% \$0
20	Cumulative Book Depreciation	Previous Year Line 20 + Current Year Line 19 \$0
21	Composite Book Depreciation Rate	As approved per R.I.P.U.C. Docket No. 4770 10.00%
22	Book Depreciation	Column (a) = Line 3 * Line 21 * 50% \$0
23	Cumulative Book Depreciation	Previous Year Line 23 + Current Year Line 22 \$0
24	Composite Book Depreciation Rate	As approved per R.I.P.U.C. Docket No. 4770 2.50%
25	Book Depreciation	Column (a) = Line 4 * Line 24 * 50% \$1,997
26	Cumulative Book Depreciation	Previous Year Line 26 + Current Year Line 25 \$1,997
27	Total Cumulative Book Depreciation	Line 17 + Line 20 + Line 23 + Line 26 <u>\$1,997</u>
<u>Deferred Tax Calculation:</u>		
28	Cumulative Book / Tax Timer	Line 14 - Line 27 \$29,961
29	Effective Tax Rate	<u>21.00%</u>
30	Deferred Tax Reserve	Line 28 * Line 29 \$6,292
31	Less: FY 2022 Federal NOL	-
32	Less: Proration Adjustment	Col (a) = Page 8 of 10, Line 40; Col = Page 9 of 10, Line 40 (\$3,416)
33	Net Deferred Tax Reserve	Sum of Lines 30 through 32 <u>\$2,876</u>
<u>Rate Base Calculation:</u>		
34	Cumulative Incremental Capital Included in Rate Base	Line 11 \$159,792
35	Accumulated Depreciation	- Line 27 (\$1,997)
36	Deferred Tax Reserve	- Line 33 (\$2,876)
37	Year End Rate Base	Sum of Lines 34 through 36 <u>\$154,918</u>
<u>Revenue Requirement Calculation:</u>		
38	Average Rate Base	Column (a) = Current Year Line 27 ÷ 2 \$77,459.20
39	Pre-Tax ROR	1) <u>8.25%</u>
40	Return and Taxes	Line 38 * Line 39 \$6,390
41	Book Depreciation	Line 16 + Line 19 + Line 22 + Line 25 \$1,997
42	Property Taxes	Tax Rate 3.176% MAL-7 \$0
43	Annual Revenue Requirement	Line 40 through Line 42 \$8,388

1/ Weighted Average Cost of Capital as file in R.I.P.U.C. Docket No. 4770, Schedule MAL-1-ELEC

	Ratio	Rate	Rate	Taxes	Return
Long Term Debt	47.85%	4.69%	2.24%	0.00%	2.24%
Short Term Debt	1.11%	1.76%	0.02%	0.00%	0.02%
Preferred Stock	0.09%	4.50%	0.00%	0.00%	0.00%
Common Equity	50.95%	9.28%	4.73%	1.26%	5.99%
	<u>100.00%</u>		<u>6.99%</u>	<u>1.26%</u>	<u>8.25%</u>

The Narragansett Electric Company
d/b/a National Grid
Power Sector Transformation (PST)
Calculation of Tax Depreciation and Repairs Deduction on Rate Year 2021 Capital Investments
Electric Transportation Initiative - Labor Costs

Line No.		Rate Year Ending August 31, 2021 (a)
	<u>Capital Repairs Deduction</u>	
1	Plant Additions	Page 6 of 10, Line 5 \$159,792
2	Capital Repairs Deduction Rate	Per Tax Department 0.00%
3	Capital Repairs Deduction	Line 1 * Line 2 \$0
	<u>Bonus Depreciation</u>	
4	Plant Additions	Line 1 \$159,792
5	Less Capital Repairs Deduction	Line 3 \$0
6	Plant Additions Net of Capital Repairs Deduction	Line 4 - Line 5 \$159,792
7	Percent of Plant Eligible for Bonus Depreciation	Per Tax Department 100.00%
8	Plant Eligible for Bonus Depreciation	Line 6 * Line 7 \$159,792
9	Bonus Depreciation Rate (April 2021 - December 2021)	0% 0.00%
10	Bonus Depreciation Rate (January 2022 - Mar 2022)	0% 0.00%
11	Total Bonus Depreciation Rate	Line 9 + Line 10 0.00%
12	Bonus Depreciation	Line 8 * Line 11 \$0
	<u>Remaining Tax Depreciation</u>	
13	Plant Additions	Line 1 \$159,792
14	Less Capital Repairs Deduction	Line 3 \$0
15	Less Bonus Depreciation	Line 12 \$0
16	Remaining Plant Additions Subject to 20 YR MACRS Tax Depreciation	Line 13 - Line 14 - Line 15 \$159,792
17	5 YR MACRS Tax Depreciation Rates	Per IRS Publication 946 20.000%
18	Remaining Tax Depreciation	Line 16 * Line 17 \$31,958
19	FY22 Loss incurred due to retirements	Per Tax Department \$0
20	Cost of Removal	Page 6 of 10, Line 10 \$0
21	Total Tax Depreciation and Repairs Deduction	Sum of Lines 3, 12, 18, 19, and 20 \$31,958

**The Narragansett Electric Company
d/b/a National Grid
Power Sector Transformation (PST)
Calculation of Rate Year 2019 Net Deferred Tax Reserve Proration
Electric Transportation Initiative - Labor Costs**

Line No.	Deferred Tax Subject to Proration		(a)=Sum of (b)	(b) Vintage Year
			Total	August 31, 2019
1	Book Depreciation	Page 2 of 10, Line 16 + Line 19 + Line 22 + Line 25	\$1,920	\$1,920
2	Bonus Depreciation	Page 3 of 10, Line 12	\$0	\$0
3	Remaining MACRS Tax Depreciation	Page 3 of 10, Line 18	(\$30,717)	(\$30,717)
4	FY20 tax (gain)/loss on retirements	Page 3 of 10, Line 19	\$0	\$0
5	Cumulative Book / Tax Timer	Sum of Lines 1 through 4	(\$28,797)	(\$28,797)
6	Effective Tax Rate		21.00%	21.00%
7	Deferred Tax Reserve	Line 5 * Line 6	(\$6,047)	(\$6,047)
Deferred Tax Not Subject to Proration				
8	Capital Repairs Deduction	Page 3 of 10, Line 3	\$0	\$0
9	Cost of Removal	Page 3 of 10, Line 20	\$0	\$0
10	Book/Tax Depreciation Timing Difference at 3/31/2020		\$0	\$0
11	Cumulative Book / Tax Timer	Line 8 + Line 9 + Line 10	\$0	\$0
12	Effective Tax Rate		21.00%	21.00%
13	Deferred Tax Reserve	Line 11 * Line 12	\$0	\$0
14	Total Deferred Tax Reserve	Line 7 + Line 13	(\$6,047)	(\$6,047)
15	Net Operating Loss	Page 2 of 10, Line 31	\$0	\$0
16	Net Deferred Tax Reserve	Line 14 + Line 15	(\$6,047)	(\$6,047)
Allocation of FY 2020 Estimated Federal NOL				
17	Cumulative Book/Tax Timer Subject to Proration	Col (b) = Line 5	(\$28,797)	(\$28,797)
18	Cumulative Book/Tax Timer Not Subject to Proration	Line 11	\$0	\$0
19	Total Cumulative Book/Tax Timer	Line 17 + Line 18	(\$28,797)	(\$28,797)
20	Total FY 2020 Federal NOL	(Page 2 of 10, Line 31) / 21%	\$0	\$0
21	Allocated FY 2020 Federal NOL Not Subject to Proration	(Line 18 / Line 19) * Line 20	\$0	\$0
22	Allocated FY 2020 Federal NOL Subject to Proration	(Line 17 / Line 19) * Line 20	\$0	\$0
23	Effective Tax Rate		21.00%	21.00%
24	Deferred Tax Benefit subject to proration	Line 22 * Line 23	\$0	\$0
25	Net Deferred Tax Reserve subject to proration	Line 7 + Line 24	(\$6,047)	(\$6,047)

		(i)	(j)		
		Number of Days in			
Proration Calculation		Month	Proration Percentage	(k)= Sum of (l)	(l)
26	April 2019	30	91.78%	(\$463)	(\$463)
27	May 2019	31	83.29%	(\$420)	(\$420)
28	June 2019	30	75.07%	(\$378)	(\$378)
29	July 2019	31	66.58%	(\$336)	(\$336)
30	August 2019	31	58.08%	(\$293)	(\$293)
31	September 2019	30	49.86%	(\$251)	(\$251)
32	October 2019	31	41.37%	(\$208)	(\$208)
33	November 2019	30	33.15%	(\$167)	(\$167)
34	December 2019	31	24.66%	(\$124)	(\$124)
35	January 2020	31	16.16%	(\$81)	(\$81)
36	February 2020	28	8.49%	(\$43)	(\$43)
37	March 2020	31	0.00%	\$0	\$0
38	Total	365		(\$2,764)	(\$2,764)
39	Deferred Tax Without Proration	Line 25		(\$6,047)	(\$6,047)
40	Proration Adjustment	Line 38 - Line 39		\$3,283	\$3,283

Column Notes:

- (j) Sum of remaining days in the year (Col (i)) ÷ 365
(l) through (r) = Current Year Line 25 ÷ 12 * Current Month Col (j)

The Narragansett Electric Company
d/b/a National Grid
Power Sector Transformation (PST)
Calculation of Rate Year 2020 Net Deferred Tax Reserve Proration
Electric Transportation Initiative - Labor Costs

		(a)=Sum of (b) through (c)	(b) Vintage Year	(c) Vintage Year	
Line No.	Deferred Tax Subject to Proration	Total	August 31, 2020	August 31, 2019	
1	Book Depreciation	Col (b) = Page 4 of 10, Line 16 + Line 19 + Line 22 + Line 25; Col (c) = Page 2 of 10, Line 16 + Line 19 + Line 22 + Line 25	\$5,798	\$1,958	\$3,840
2	Bonus Depreciation	Col (b) =Page 5 of 10, Line 12 ; Col (c) = Page 3 of 10, Line 12	\$0	\$0	\$0
3	Remaining MACRS Tax Depreciation	Col (b) = Page 4 of 10, Line 18 ; Col (c) =Page 2 of 10, Line 18	(\$80,480)	(\$31,332)	(\$49,148)
4	FY21 tax (gain)/loss on retirements	Col (b) = Page 5 of 10, Line 19 ; Col (c) = Page 3 of 10, Line 19	\$0	\$0	\$0
5	Cumulative Book / Tax Timer	Sum of Lines 1 through 4	(\$74,682)	(\$29,374)	(\$45,308)
6	Effective Tax Rate		21.00%	21.00%	21.00%
7	Deferred Tax Reserve	Line 5 * Line 6	(\$15,683)	(\$6,168)	(\$9,515)
Deferred Tax Not Subject to Proration					
8	Capital Repairs Deduction	Page 5 of 10, Line 3	\$0	\$0	
9	Cost of Removal	Page 5 of 10, Line 20	\$0	\$0	
10	Book/Tax Depreciation Timing Difference at 3/31/2021		\$0	\$0	
11	Cumulative Book / Tax Timer	Line 8 + Line 9 + Line 10	\$0	\$0	
12	Effective Tax Rate		21.00%	21.00%	
13	Deferred Tax Reserve	Line 11 * Line 12	\$0	\$0	
14	Total Deferred Tax Reserve	Line 7 + Line 13	(\$15,683)	(\$6,168)	(\$9,515)
15	Net Operating Loss		\$0	\$0	\$0
16	Net Deferred Tax Reserve	Line 14 + Line 15	(\$15,683)	(\$6,168)	(\$9,515)
Allocation of FY 2021 Estimated Federal NOL					
17	Cumulative Book/Tax Timer Subject to Proration	Col (b) = Line 5	(\$29,374)	(\$29,374)	
18	Cumulative Book/Tax Timer Not Subject to Proration	Line 11	\$0	\$0	
19	Total Cumulative Book/Tax Timer	Line 17 + Line 18	(\$29,374)	(\$29,374)	
20	Total FY 2021 Federal NOL		\$0	\$0	
21	Allocated FY 2021 Federal NOL Not Subject to Proration	(Line 18 / Line 19) * Line 20	\$0	\$0	
22	Allocated FY 2021 Federal NOL Subject to Proration	(Line 17 / Line 19) * Line 20	\$0	\$0	
23	Effective Tax Rate		21.00%	21.00%	
24	Deferred Tax Benefit subject to proration	Line 22 * Line 23	\$0	\$0	
25	Net Deferred Tax Reserve subject to proration	Line 7 + Line 24	(\$15,683)	(\$6,168)	(\$9,515)

		(i)	(j)			
		<u>Number of Days in</u>		(k)= Sum of (l)		
	Proration Calculation	<u>Month</u>	<u>Proration Percentage</u>	through (m)	(l)	(m)
26	April 2020	30	91.78%	(\$1,200)	(\$472)	(\$728)
27	May 2020	31	83.29%	(\$1,089)	(\$428)	(\$660)
28	June 2020	30	75.07%	(\$981)	(\$386)	(\$595)
29	July 2020	31	66.58%	(\$870)	(\$342)	(\$528)
30	August 2020	31	58.08%	(\$759)	(\$299)	(\$461)
31	September 2020	30	49.86%	(\$652)	(\$256)	(\$395)
32	October 2020	31	41.37%	(\$541)	(\$213)	(\$328)
33	November 2020	30	33.15%	(\$433)	(\$170)	(\$263)
34	December 2020	31	24.66%	(\$322)	(\$127)	(\$196)
35	January 2021	31	16.16%	(\$211)	(\$83)	(\$128)
36	February 2021	28	8.49%	(\$111)	(\$44)	(\$67)
37	March 2021	31	0.00%	\$0	\$0	\$0
38	Total	365		(\$7,168)	(\$2,819)	(\$4,349)
39	Deferred Tax Without Proration	Line 25		(\$15,683)	(\$6,168)	(\$9,515)
40	Proration Adjustment	Line 38 - Line 39		\$8,515	\$3,349	\$5,166

Column Notes:

- (j) Sum of remaining days in the year (Col (i)) ÷ 365
(l) through (r) = Current Year Line 25 ÷ 12 * Current Month Col (j)

**The Narragansett Electric Company
d/b/a National Grid
Power Sector Transformation (PST)
Calculation of Rate Year 2021 Net Deferred Tax Reserve Proration
Electric Transportation Initiative - Labor Costs**

		(a)=Sum of (b) through (d)	(b) Vintage Year August 31, 2021	(c) Vintage Year August 31, 2020	(d) Vintage Year August 31, 2019		
Line No.	Deferred Tax Subject to Proration	Total					
1	Book Depreciation	Col (b) = Page 6 of 10, Line 16 + Line 19 + Line 22 + Line 25; Col (c) = Page 4 of 10, Line 16 + Line 19 + Line 22 + Line 25; Col (d) = Page 2 of 10, Line 16 + Line 19 + Line 22 + Line 25	\$9,754	\$1,997	\$3,916	\$3,840	
2	Bonus Depreciation	Col (b) =Page 7 of 10, Line 12 ; Col (c) =Page 5 of 10, Line 12 ; Col (d) = Page 3 of 10, Line 12	\$0	\$0	\$0	\$0	
3	Remaining MACRS Tax Depreciation	Col (b) = Page 6 of 10, Line 18 ; Col (c) = Page 4 of 10, Line 18 ; Col (d) =Page 2 of 10, Line 18	(\$111,578)	(\$31,958)	(\$50,131)	(\$29,489)	
4	FY22 tax (gain)/loss on retirements	Col (b) = Page 7 of 10, Line 19 ; Col (c) = Page 5 of 10, Line 19 ; Col (d) = Page 3 of 10, Line 19	\$0	\$0	\$0	\$0	
5	Cumulative Book / Tax Timer	Sum of Lines 1 through 4	(\$101,824)	(\$29,961)	(\$46,215)	(\$25,649)	
6	Effective Tax Rate		21.00%	21.00%	21.00%	21.00%	
7	Deferred Tax Reserve	Line 5 * Line 6	(\$21,383)	(\$6,292)	(\$9,705)	(\$5,386)	
Deferred Tax Not Subject to Proration							
8	Capital Repairs Deduction	Page 7 of 10, Line 3	\$0	\$0			
9	Cost of Removal	Page 7 of 10, Line 20	\$0	\$0			
10	Book/Tax Depreciation Timing Difference at 3/31/2022		\$0	\$0			
11	Cumulative Book / Tax Timer	Line 8 + Line 9 + Line 10	\$0	\$0			
12	Effective Tax Rate		21.00%	21.00%			
13	Deferred Tax Reserve	Line 11 * Line 12	\$0	\$0			
14	Total Deferred Tax Reserve	Line 7 + Line 13	(\$21,383)	(\$6,292)	(\$9,705)	(\$5,386)	
15	Net Operating Loss		\$0	-			
16	Net Deferred Tax Reserve	Line 14 + Line 15	(\$21,383)	(\$6,292)	(\$9,705)	(\$5,386)	
Allocation of FY 2022 Estimated Federal NOL							
17	Cumulative Book/Tax Timer Subject to Proration	Col (b) = Line 5	(\$29,961)	(\$29,961)			
18	Cumulative Book/Tax Timer Not Subject to Proration	Line 11	\$0	\$0			
19	Total Cumulative Book/Tax Timer	Line 17 + Line 18	(\$29,961)	(\$29,961)			
20	Total FY 2022 Federal NOL		\$0	\$0			
21	Allocated FY 2022 Federal NOL Not Subject to Proration	(Line 18 / Line 19) * Line 20	\$0	\$0			
22	Allocated FY 2022 Federal NOL Subject to Proration	(Line 17 / Line 19) * Line 20	\$0	\$0			
23	Effective Tax Rate		21.00%	21.00%			
24	Deferred Tax Benefit subject to proration	Line 22 * Line 23	\$0	\$0			
25	Net Deferred Tax Reserve subject to proration	Line 7 + Line 24	(\$21,383)	(\$6,292)	(\$9,705)	(\$5,386)	
		(i)	(j)	(k)= Sum of (l) through (n)	(l)	(m)	(n)
Proration Calculation		Number of Days in Month	Proration Percentage				
26	April 2021	30	91.78%	(\$1,635)	(\$481)	(\$742)	(\$412)
27	May 2021	31	83.29%	(\$1,484)	(\$437)	(\$674)	(\$374)
28	June 2021	30	75.07%	(\$1,338)	(\$394)	(\$607)	(\$337)
29	July 2021	31	66.58%	(\$1,186)	(\$349)	(\$538)	(\$299)
30	August 2021	31	58.08%	(\$1,035)	(\$305)	(\$470)	(\$261)
31	September 2021	30	49.86%	(\$889)	(\$261)	(\$403)	(\$224)
32	October 2021	31	41.37%	(\$737)	(\$217)	(\$335)	(\$186)
33	November 2021	30	33.15%	(\$591)	(\$174)	(\$268)	(\$149)
34	December 2021	31	24.66%	(\$439)	(\$129)	(\$199)	(\$111)
35	January 2022	31	16.16%	(\$288)	(\$85)	(\$131)	(\$73)
36	February 2022	28	8.49%	(\$151)	(\$45)	(\$69)	(\$38)
37	March 2022	31	0.00%	\$0	\$0	\$0	\$0
38	Total	365		(\$9,774)	(\$2,876)	(\$4,436)	(\$2,462)
39	Deferred Tax Without Proration	Line 25	(\$21,383)	(\$6,292)	(\$9,705)	(\$5,386)	
40	Proration Adjustment	Line 38 - Line 39	\$11,609	\$3,416	\$5,269	\$2,924	

Column Notes:

- (j) Sum of remaining days in the year (Col (i)) ÷ 365
(l) through (r) = Current Year Line 25 ÷ 12 * Current Month Col (j)