

Record Request No. 45

Request:

Assuming Rate Year 1 earnings are as follows, how much would the Company end up with under the Earnings Sharing Mechanism:

9.275% ROE plus 2018 maximum energy efficiency incentive plus the maximum Performance Incentive Mechanism Incentives in the first year.

Then, compare that to actual earnings with 2018 energy efficiency plus maximum Performance Incentive Mechanism Incentives in the first year plus estimated RE Growth Program, Long-Term Contracting for Renewable Energy, Distributed Generation Standard Contracts for 2018.

Response:

Please refer to the calculation provided on Attachment RR-PUC-45.

Earnings Sharing Mechanism for Narragansett Electric Company

		Sharing Threshold		Actual Earnings		
		Earnings %	\$ Value		Earnings %	\$ Value
1				Estimated 2018 LTCRER/DG incentives	0.473%	\$ 1,758,009
2				Estimated 2018 Renewable Energy Growth incentives	0.052%	\$ 191,349
3	Maximum PIMs in Rate Year 1	0.386%	\$ 1,432,000	Maximum PIMs in Rate Year 1	0.386%	\$ 1,432,000
4	2018 Maximum Energy Efficiency incentives	1.463%	\$ 5,433,340	Estimated 2018 Energy Efficiency incentives	1.170%	\$ 4,346,672
5	Base earnings	9.275%	\$ 34,445,495	Base earnings	9.275%	\$ 34,445,495
6	Total earnings- Sharing Threshold	<u>11.124%</u>	<u>\$ 41,310,835</u>	Total earnings - Actual Earnings	<u>11.356%</u>	<u>\$ 42,173,525</u>
7						
8				Delta	0.232%	\$ 862,690
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15			0.01%			
16	Rate Year 1 value of a basis point per Page 2		\$ 37,138	after tax		
17			\$ 47,010	pre-tax		

Basis Point Calculation for Narragansett Electric Company  
Based on Rate Years Ending August 31, 2019 through August 31, 2021 Rate Base

1 Basis Point = 1/100 of 1% (i.e. .0001)

Narragansett - Electric

	<u>RYE Aug 2019</u>	<u>RYE Aug 2020</u>	<u>RYE Aug 2021</u>
1 Ratebase (settlement agreement)	\$728,902,391	\$731,009,300	\$734,278,092
2 Common Equity %	50.95%	50.95%	50.95%
3 Common Equity	\$371,375,768	\$372,449,238	\$374,114,688
4 1 Basis Point Equals	0.0001	0.0001	0.0001
5 <b>1 Basis Point of Common Equity before Taxes</b>	<b>\$37,138</b>	<b>\$37,245</b>	<b>\$37,411</b>
6 Approximate Tax Rate (State and Federal)	21.00%	21.00%	21.00%
7 Tax Rate Gross Up Factor (1-21.0000%)	79.00%	79.00%	79.00%
8 <b>1 Basis Point of Common Equity Grossed up for Taxes</b>	<b>\$47,010</b>	<b>\$47,145</b>	<b>\$47,356</b>