



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Peter F. Kilmartin, Attorney General

March 16, 2018

Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02889

Re: Docket No. 4770

Dear Ms. Massaro,

On March 2, 2018, the Company filed with the Commission updated revenue requirement schedules and work papers via Flash Drive, intended to show the impact of the Tax Cuts & Jobs Act (the "Act") on the revenue requirements for both the electric and gas businesses in this rate case.

On Tuesday March 6, consultants for the Division participated in a teleconference with representatives from the Company to discuss the updated revenue requirements reflected in the March 2 filing. In addition to discussing the impact of the new tax law, the Company informed Division representatives that the updated revenue requirements included corrections related to the deferred tax reserve balances made as result of responses provided to Data Requests DIV 2-14, 20 and 28.

During the teleconference, the Company also informed the Division that certain impacts related to the Act were not provided in the March 2, 2018 submission. These items primarily relate to excess deferred tax liabilities that result from the reduction in the federal income tax rate from 35% to 21%. As of today, the Company has not been able to provide an estimate of the impacts on revenue requirements relating to these items or indicate when such an update would be forthcoming. The Division's consultants indicate that these additional impacts could be significant, resulting in additional reductions to the revenue requirements in excess of several million dollars.

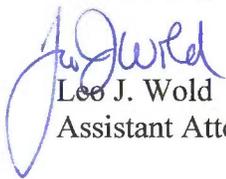
Accordingly, the combination of the dramatic change in the revenue requirements already provided in the March 2 filing, along with the changes to the deferred tax liabilities that are still being determined, is substantial. Not only do they affect the size of the rate increase being sought by the Company, but it also could have significant impacts on the issues that are now present in this case relating to the allocated cost of service study, the size of the rate increases to the various rate

classes, and, ultimately, the design of the actual rates for each rate class. For example, the Company is proposing to move all rate classes to class-equalized rates of return, a proposal which has material impacts on the varying magnitude of any rate increases to specific rate classes.

Even with the extension of time granted to the Division for filing its case on April 6, the Division's consultants have indicated that it is unlikely that the information necessary to fairly evaluate the effects of the changes will be provided in enough time for the Division to take them all into account in its testimony that it files on April 6. At this time, the Division is not requesting an additional extension for the filing of its case. However, the Division is requesting a procedural accommodation to allow the Division to file supplemental testimony to address the effects of these changes on the revenue requirement and the issues revolving around the allocated cost of service study and rate design proposals.

Given these complexities, the Division requests a procedural conference to discuss and address the matter in a way that allows the Division and the other parties to respond meaningfully to the Company's case.

Very truly yours,

A handwritten signature in blue ink, appearing to read "L. J. Wold", is written over the typed name.

Lee J. Wold
Assistant Attorney General