

July 7, 2020

VIA ELECTRONIC MAIL

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

**RE: Docket 4770 – Electric Earnings Sharing Mechanism
Earnings Report - Twelve Months Ended December 31, 2019
Response to PUC Data Request 1-1**

Dear Ms. Massaro:

On behalf of National Grid¹ enclosed please find a copy of the Company's response to PUC Data Request 1-1 in the above-referenced docket.²

The Company's responses to PUC Data Requests 1-2 through 1-10 are pending.

Thank you for your attention to this transmittal. If you have any questions regarding this filing, please contact me at 401-784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosure

cc: Docket 4770 Service List
John Bell, Division
Christy Hetherington, Esq.
Leo Wold, Esq.

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

² Per practice during the COVID-19 emergency period, the Company is providing a PDF version of the responses to the Division's Informal Data Requests in this matter. The Company will provide the Commission Clerk with a hard copy and, if needed, additional hard copies of the filing at a later date.

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



Joanne M. Scanlon

July 7, 2020
Date

**National Grid Docket No. 4770 (Rate Application) & Docket No. 4780 (PST)
Combined Service list updated 4/23/2020**

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The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
In Re: Electric and Gas Earnings Reports
Twelve Months Ended December 31, 2019
Responses to PUC's First Set of Informal Data Requests
Issued on July 2, 2020

PUC 1-1

Request:

NO LATER THAN TUESDAY, JULY 7, 2020, please provide a copy of all data requests and responses, whether formal or informal, issued by the Division of Public Utilities and Carriers in reference to the 2019 Earnings Reports filed by National Grid. This response should include all responses that, if issued formally within this docket, would have been due on or before July 7, 2020 under the Commission's 21-day discovery response rule.

Response:

Please see Attachment PUC 1-1 for a copy of the Company's responses to the Division's Informal Data Requests issued in reference to the Company's 2019 Earnings Reports.

The Narragansett Electric Company

d/b/a National Grid

RIPUC Docket No. 4770

In Re: Electric and Gas Earnings Reports

Twelve Months Ended December 31, 2019

Responses to Division's First Set of Informal Data Requests

Issued on May 18, 2020

Division Informal 1-1Request:

Please provide an explanation for why the Company's electric distribution base earnings were 34.5 basis points in excess of the allowed return on equity in 2019. In providing this explanation, please also provide a schedule(s), as appropriate, to show the material differences between (i) the line item costs/revenue requirements that were assumed in the cost of service for Year 2 of the rate plan and (ii) the corresponding costs actually incurred in 2019 that made a material difference in causing the Company to exceed its allowed return.

Response:

During the process of responding to the Division's First Set of Informal Data Requests, the Company discovered an error made in Docket 4770 Electric Earnings Sharing Mechanism Earnings Report ("Earnings Report") for Twelve Months Ended December 31, 2019 and 2018. When adjusting the total Electric business results for Block Island Transmission System (BITS) amounts billed to New England Power Co., the Company incorrectly removed \$9.1 million and \$8.9 million from the electric General & Administrative and All Other Operation and Maintenance expense line items in CY 2019 and CY 2018, respectively. While a proxy of distribution G&A and O&M expenses is used in the calculation of the monthly BITS surcharge billed to New England Power Co, in accordance with the FERC formula rate under NEP Electric Tariff No. 1, only a small amount of operating expense has actually been incurred to maintain BITS-related assets (\$114,500 in CY 2019 and \$189,000 in CY 2018). Therefore, reducing total electric operating expense by the \$9.1 million in CY 2019 and \$8.9 million in CY 2018 artificially under-states the expense incurred to operate the electric distribution business in each calendar year. BITS-related rate base, depreciation expense and property tax expense have also been excluded from total Electric results. This treatment is consistent with the calculation of the electric distribution revenue requirements in Docket 4770. The Company, therefore, submitted revised Electric Earnings Report for both CY 2019 and CY 2018 to the Public Utilities Commission on June 24, 2020, attached to this response as Attachment DIV Informal 1-1-1 and Attachment DIV Informal 1-1-2. The revised electric distribution base earnings are 131.5 basis points lower than the allowed return on equity in CY 2019.

Attachment DIV Informal 1-1-3, Page 1 Column (g) shows the material difference between the line item costs/revenue requirements that were assumed in the cost of service for Year 2 of the rate plan and the corresponding costs actually incurred in CY 2019. Page 1 Column (e) shows the material difference between the line item costs/revenue requirements that were assumed in the cost of service prorated for CY 2019 of the rate plan and the corresponding costs actually

The Narragansett Electric Company

d/b/a National Grid

RIPUC Docket No. 4770

In Re: Electric and Gas Earnings Reports

Twelve Months Ended December 31, 2019

Responses to Division's First Set of Informal Data Requests

Issued on May 18, 2020

Division Informal 1-1, page 2

incurred in CY 2019. Page 2 shows the calculation of combined line item costs/revenue requirements pursuant to Docket 4770 and Docket 4780.

As shown on Page 1 in Attachment DIV 1-1-3, the four major differences are:

- | | | |
|-------------------------------------|-----------------------|------------------|
| • Revenue | \$0.47 million lower | -12 basis points |
| • Operation and Maintenance Expense | \$6.48 million higher | 172 basis points |
| • Depreciation | \$0.64 million lower | -17 basis points |
| • Other Tax | \$0.50 million lower | -13 basis points |

Attachment DIV Informal 1-1-4 shows the calculation of updated electric distribution rate base for CY 2019 by removing rate base items related to the Renewable Energy Growth program and Electric Infrastructure, Safety, and Reliability recovery mechanism that are incremental to the level of rate base assumed in Docket 4770.

The Narragansett Electric Company
Return on Rate Base (Revised)
Return on Common Equity (Revised)
Twelve Months Ended December 31, 2019

<u>Line No.</u>	<u>Twelve Months Ending December 31, 2019</u>				
	<u>Base Earnings</u>	<u>Actual Earnings</u>	<u>Allowed</u>	<u>Ceiling</u>	
1					
2	<u>1/</u>	<u>2/</u>	<u>3/</u>	<u>3/</u>	
3	Return on Distribution Rate Base	6.30%	6.89%	6.97%	6.97%
4					
5	Return on Distribution Common Equity	7.96%	9.12%	9.275%	9.275%
6					
7	1/	Excludes incentives and penalties detailed at Page 2, Lines 3 through 8			
8	2/	Includes incentives detailed at Page 2			
9	3/	Allowed Return and Ceiling, presented below.			
10		----- Per Amended Settlement Agreement in Docket 4770 -----			
11		<u>Allowed</u>		<u>Ceiling</u>	
12		<u>Cost</u>	<u>Weighted</u>	<u>Cost</u>	<u>Weighted</u>
13		<u>Rate</u>	<u>Cost</u>	<u>Rate</u>	<u>Cost</u>
14		<u>Total</u>			
15	Short Term Debt	0.60%	1.76%	0.01%	1.76%
16	Long Term Debt	48.35%	4.62%	2.23%	4.62%
17	Preferred Stock	0.10%	4.50%	0.00%	4.50%
18	Common Equity	50.95%	9.275%	4.73%	9.275%
19		<u>100.00%</u>	<u>6.97%</u>	<u>6.97%</u>	<u>6.97%</u>
20					
21					
22		----- EARNED -----			
23		<u>Cost</u>	<u>Weighted</u>		<u>Pre-Tax</u>
24		<u>Rate</u>	<u>Cost</u>	<u>Taxes</u>	<u>Weighted Cost</u>
25		<u>Amount</u>	<u>Total</u>		
26	Short Term Debt	\$5,105,360	0.60%	1.76%	0.01%
27	Long Term Debt	\$411,406,888	48.35%	4.62%	2.23%
28	Preferred Stock	\$850,893	0.10%	4.50%	0.00%
29	Common Equity	\$433,530,112	50.95%	7.96%	4.05%
				0.68% 5/	4.73%
	5-Quarter Average				
	Distribution Rate Base				
30	as of Dec 31, 2019	\$850,893,253 4/	100.00%	6.30%	0.68%
31				6.98%	6.98%
32	4/	Page 4 of 7 (R), Line 37, Column (f)			
33	5/	includes adj. for Flowthrough Items below			
34					
35					
36		<u>PREFERRED STOCK EARNINGS, INTEREST EXPENSE,</u>			
37		<u>AND FEDERAL INCOME TAX</u>			
38		<u>CALCULATED USING IMPUTED CAPITAL STRUCTURE</u>			
39					
40				<u>\$000s</u>	
41	PREF. STOCK:	\$850,893,253 X	0.00% (a)	=	\$38
42	INTEREST:	\$850,893,253 X	2.24% (b)	=	\$19,060
43					
44	FIT:	\$850,893,253 X	1.08% (c)	=	\$9,181
45	Plus: Flowthrough Items		(d)		(\$3,366)
46	Total Federal Income Taxes ("FIT")				<u>\$5,815</u>
47					
48	(a)	From Line 28, Column "Weighted Cost"			
49	(b)	Sum of Lines 26 and 27, Column "Weighted Cost".			
50	(c)	(0.00% + 4.05%) / 79% - (0.00% + 4.05%)			
51	(d)	Flowthrough Items (tax effected)			
52					\$1
53					(\$9)
54					\$63
55					\$650
56					(\$4,070)
57					
58					<u>(\$3,366)</u>

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
In Re: Electric and Gas Earnings Reports
Attachment DIV 1-1-1
Responses to the Division's First Set of Informal Data Requests
Page 2 of 7

THE NARRAGANSETT ELECTRIC COMPANY
Return on Equity Calculation (Revised)
Return on Rate Base Calculation (Revised)
Twelve Months Ended December 31, 2019
(\$000s)

<u>Line</u> <u>No.</u>		Return on Equity			Return on Rate Base			
		Base	Basis	Actual	Base	Basis	Actual	
		Earnings	Points	Earnings	Earnings	Points	Earnings	
	(a)	(b)	(c)	(d)	(e)	(f)		
1	Distribution Operating Income Before Taxes	\$65,809		\$65,809	\$65,809		\$65,809	1/
2	Adjustments:							
3	Service Quality ("SQ") Penalties Accrued	\$0	0.00%		\$0	0.00%		2/, 3/
4	Energy Efficiency Program Incentive	(\$3,708)	-0.86%		(\$3,708)	-0.44%		3/
5	System Reliability Procurement Incentives	\$0	0.00%		\$0	0.00%		3/
6	LTCRER Incentive	(\$2,309)	-0.53%		(\$2,309)	-0.27%		3/
7	RE Growth Remuneration	(\$380)	-0.09%		(\$380)	-0.04%		3/
8	Performance Incentive Mechanism Incentives	\$0	0.00%		\$0	0.00%		3/
9								
10	Adjusted Distribution Operating Income Before Taxes	\$59,413		\$65,809	\$59,413		\$65,809	4/
11	Interest Charges	\$19,060		\$19,060	\$19,060		\$19,060	5/
12	Income Taxes @ 21% net of flowthrough	\$5,815	-0.31%	\$7,158	\$5,815	-0.16%	\$7,158	6/
13								
14	Net Income	\$34,538		\$39,591	\$53,598		\$58,651	7/
15								
16	Less: Preferred Stock Requirements	\$38		\$38	\$38		\$38	5/
17	Earnings Available for Common	\$34,499		\$39,553	\$53,598		\$58,651	8/
18								
19	Average Common Equity - 5-Quarter Average	\$433,530		\$433,530	\$850,893		\$850,893	5/
20								
21	Rate of Return on Adjusted Average Common Equity	7.96%		9.12%	6.30%		6.89%	9/

Notes

- 1/ Page 3 of 7 (R), Line 27, Column (f)
2/ Effective Dec. 2005, SQ penalties booked below the line.
3/ Column (b) = column (a) ÷ Line 19 (a). Column (e) = column (d) ÷ Line 19 (d)
4/ Sum of Lines 1 thru 8
5/ Calculated using imputed capital structure and cost rates; see Page 1 of 7 (R), Lines 42, 41, 29, and 30
6/ Page 1 of 7 (R), Line 46
7/ Column (a) & (c): Line 10 - Line 11 - Line 12. Column (d) & (f): Line 10 - Line 12
8/ Line 14 - Line 16
9/ Line 17 ÷ Line 19

THE NARRAGANSETT ELECTRIC COMPANY
Income Statement (Revised)
Twelve Months Ended December 31, 2019
(\$000s)

Line No.		Total Electric Business (a)	Less: Integrated Facilities Agreement (IFA) and Block Island Transmission System Amounts Billed to New England Power Co. (b)	Other Adjustments (c)	Electric Distribution Amount Per Schedules (d) = a-b+c	Add: Block Island Transmission System (BITS) O&M Amounts (e)	Electric Distribution Amount Revised Amount (f) =(d) + (e)	
1	Revenue - Sales of Electricity	\$381,303			\$381,303		\$381,303	
2	Other Revenue	\$759,216		(\$772)	\$758,444		\$758,444	1/
3	Total Revenue	\$1,140,519			\$1,139,747		\$1,139,747	
4	Operating Expenses:							
5	Purchased Power	\$422,137			\$422,137		\$422,137	
6	Transmission Wheeling	\$207,822			\$207,822		\$207,822	
7	Transmission Wheeling - IFA Credit	(\$141,221)	(\$141,221)		\$0		\$0	
8	Uncollectible Expense	\$14,958		(\$851)	\$14,107		\$14,107	2/
9	Genl & Admin. O&M	\$126,300	\$17,404		\$108,896	\$6,073	\$114,968	3/
10	All Other Operation & Maintenance ("O&M") expense	\$192,543	\$13,598	\$601	\$179,546	\$3,076	\$182,622	4/
11	Company Share of Earned Savings	\$0			\$0		\$0	
12	Depreciation	\$75,522	\$22,676		\$52,846		\$52,846	
13	Amortization of Loss on Reacquired Debt	\$681	\$68	(\$552)	\$61		\$61	5/
14	Amortization - Other	\$786			\$786		\$786	
15	Gross Earnings Tax	\$43,385			\$43,385		\$43,385	
16	Municipal Tax	\$48,504	\$17,805		\$30,699		\$30,699	
17	Other Non-Income taxes	\$4,886	\$587		\$4,299		\$4,299	
18	Current and Deferred Income Taxes	\$16,658		(\$16,658)	\$0		\$0	
19	Regulatory Debits	\$0			\$0		\$0	
20	Accretion Expense	\$0		\$0	\$0		\$0	
21	Amortization of ITC	(\$2)	(\$4)		\$2		\$2	
22	Interest on Customer Deposits	\$203			\$203		\$203	
23	Donations	\$0		\$0	\$0		\$0	
24	Total Operating Expenses	\$1,013,163	(\$69,086)	(\$17,460)	\$1,064,789	\$9,149	\$1,073,938	
26	Net Operating Income	\$127,356						
27	Distribution Operating Income Before Taxes				\$74,958		\$65,809	

Notes

- In both December 2018 and 2019, the Renewable Energy Growth (REG) Performance Based Incentive (PBI) credits to solar customers were not recorded until the following month. The revenues in both period were overstated. The timing differences need to be adjusted.
- 1/ Adjustments to revenue:
Less: Dec 2019 REG PBI Payment recorded in Jan 2020 (\$1,764,051)
Add: Dec 2018 REG PBI Payment recorded in Jan 2019 \$992,184
Total Adjustment to Revenue (\$771,867)
- 2/ To adjust the bad debt to actual write off for ratemaking.
The operation and maintenance expense of Block Island Transmission System (BITS) is the reserve for future repairs. It should not be removed from the company's operation and maintenance expenses.
- 3/(e),4/(e) operation and maintenance expenses.
- 4/(c) Adjustment to all Other Operation & Maintenance expense
Variable Pay (\$232,182)
Sales expense (\$241,441)
Amortization of Service Company EDIT not charged to NECO Electric \$1,074,519
Total Adjustment \$600,896
- 5/ To agree with amortization portion related to electric distribution business.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
In Re: Electric and Gas Earnings Reports
Attachment DIV 1-1-1
Responses to the Division's First Set of Informal Data Requests
Page 4 of 7

THE NARRAGANSETT ELECTRIC COMPANY
Rate Base - Electric Distribution
Five Quarter Average

Line No.	Description	(a) December 2018	(b) March 2019	(c) June 2019	(d) September 2019	(e) December 2019	(f) 5-Quarter Average
1	Utility Plant in Service	\$ 1,647,962,718	\$ 1,692,885,996	\$ 1,714,356,857	\$ 1,746,612,053	\$ 1,754,536,149	\$ 1,711,270,755
2	IFA allocated Plant	-	-	-	-	-	-
3	Block Island Transmission System (BITS) Asset:	-	-	-	-	-	-
4	Total Distribution Plant	\$ 1,647,962,718	\$ 1,692,885,996	\$ 1,714,356,857	\$ 1,746,612,053	\$ 1,754,536,149	\$ 1,711,270,755
5							
6							
7	Property Held for Future Use	2,496,158	2,496,289	2,496,289	2,496,042	2,496,042	\$ 2,496,164
8	Less: Contribution in Aid of Construction	557,062	554,316	629,316	629,316	629,316	599,865
9	Less: Accumulated Depreciation	688,791,676	699,055,938	703,551,605	711,650,943	721,426,094	704,895,251
10	Less: IFA allocated Depreciation	-	-	-	-	-	-
11	Less: Block Island Transmission System (BITS) Depreciation	-	-	-	-	-	-
12	Total Accumulated Depreciation	688,791,676	699,055,938	703,551,605	711,650,943	721,426,094	704,895,251
13							
14	Net Plant in Service	\$ 961,110,139	\$ 995,772,031	\$ 1,012,672,225	\$ 1,036,827,835	\$ 1,034,976,781	\$ 1,008,271,802
15							
16	Plus:						
17	Materials and Supplies	\$ 4,370,667	\$ 4,294,394	\$ 4,162,981	\$ 3,289,386	\$ 3,358,250	\$ 3,895,136
18	Prepayments	74,706	5,172,450	1,990,321.88	1,785,697	74,791	1,819,593
19	Loss on Reacquired Debt	1,639,400	1,649,258	1,621,399	1,590,792	1,578,604	1,615,891
20	Cash Working Capital	17,922,078	17,922,078	17,922,078	17,922,078	17,922,078	17,922,078
21	Cash Working Capital - Commodity & Gross Receipts Tax	32,926,823	40,289,969	40,289,969	40,289,969	40,289,969	38,817,340
22	Unamortized Interest Rate Lock	2,043,065	2,018,562	1,994,059	1,969,556	1,945,053	1,994,059
23	Unamortized Debt Issuance Costs (\$550M)	918,255	893,787	869,319	844,851	820,383	869,319
24	Unamortized Debt Issuance Costs (\$250M 2012)	872,315	863,196	854,078	844,960	835,842	854,078
25	Unamortized Debt Issuance Costs (\$350M 2018)	587,697	572,366	557,034	541,703	526,372	557,034
26							
27	Subtotal	\$ 61,355,006	\$ 73,676,059	\$ 70,261,239	\$ 69,078,992	\$ 67,351,342	\$ 68,344,528
28							
29	Less:						
30	Accumulated Deferred Federal Income Taxes ("FIT")	\$ 213,644,353	\$ 217,741,483	\$ 218,567,094	\$ 216,107,774	\$ 210,167,705	\$ 215,245,682
31	Block Island Transmission System (BITS) ADII	-	-	-	-	-	-
32	Accumulated Deferred FIT on Loss for Reacquired Debt	344,274	346,344	340,494	334,066	331,507	339,337
33	Customer Deposits	9,706,952	9,856,245	10,573,489	10,299,922	10,253,679	10,138,057
34							
35	Subtotal	\$ 223,695,579	\$ 227,944,073	\$ 229,481,077	\$ 226,741,762	\$ 220,752,891	\$ 225,723,076
36							
37	Rate Base	\$ 798,769,565	\$ 841,504,018	\$ 853,452,387	\$ 879,165,065	\$ 881,575,232	\$ 850,893,253

Line Notes

37 Line 14 + Line 27 - Line 35

THE NARRAGANSETT ELECTRIC COMPANY
Rate Base - Integrated Facilities Agreement (IFA) and Block Island Transmission System (BITS)
Five Quarter Average

Line No.	Description	(a) December 2018	(b) March 2019	(c) June 2019	(d) September 2019	(e) December 2019	(f) 5-Quarter Average
1	Utility Plant in Service	\$ 892,862,522	\$ 896,692,970	\$ 919,408,439	\$ 924,547,866	\$ 929,607,048	\$ 912,623,769
2	IFA allocated Plant	5,038,313	6,515,697	6,537,370	6,582,534	6,693,216	6,273,426
3	Block Island Transmission System (BITS) Asset:	114,082,570	114,762,669	114,854,958	115,174,705	115,340,155	114,843,011
4	Total Transmission Plant	<u>\$ 1,011,983,405</u>	<u>\$ 1,017,971,337</u>	<u>\$ 1,040,800,766</u>	<u>\$ 1,046,305,105</u>	<u>\$ 1,051,640,420</u>	<u>\$ 1,033,740,207</u>
5							
6							
7	Property Held for Future Use	12,531,903	\$12,532,019	\$12,532,019	\$12,532,019	12,532,019	12,531,996
8	Less: Contribution in Aid of Construction						
9	Less: Accumulated Depreciation	123,042,222	124,547,901	128,957,074	133,245,092	136,364,673	129,231,392
10	Less: IFA allocated Depreciation	1,085,039	1,449,193	1,471,514	1,506,874	1,528,837	1,408,291
11	Less: Block Island Transmission System (BITS) Depreciation	4,815,416	5,456,262	6,103,540	6,753,179	7,404,134	6,106,506
12	Total Accumulated Depreciation	<u>128,942,677</u>	<u>131,453,356</u>	<u>136,532,127</u>	<u>141,505,145</u>	<u>145,297,644</u>	<u>136,746,190</u>
13							
14	Net Plant in Service	<u>\$ 895,572,630</u>	<u>\$ 899,050,000</u>	<u>\$ 916,800,658</u>	<u>\$ 917,331,980</u>	<u>\$ 918,874,795</u>	<u>\$ 909,526,013</u>
15							
16	Plus:						
17	Materials and Supplies	\$ 3,106,046	\$ 2,949,928	\$ 2,994,625	\$ 2,933,793	\$ 2,888,603	\$ 2,974,599
18	Prepayments	41,883	\$1,084,834	\$1,685,395	\$1,116,190	37,672	793,195
19	Loss on Reacquired Debt	919,099	\$863,052	\$844,722	\$829,141	795,140	850,231
20	Cash Working Capital	2,921,874	\$2,614,437	\$2,614,437	\$2,614,437	3,735,588	2,900,155
21	Cash Working Capital - Commodity & Gross Receipts Tax	-	-	-	-	-	-
22	Unamortized Interest Rate Lock	1,264,429	1,249,264	1,234,100	1,218,936	1,203,771	1,234,100
23	Unamortized Debt Issuance Costs (\$550M)	568,290	553,147	538,005	522,862	507,719	538,005
24	Unamortized Debt Issuance Costs (\$250M 2012)	539,860	534,216	528,573	522,930	517,287	528,573
25	Unamortized Debt Issuance Costs (\$350M 2018)	492,345	479,501	466,657	453,813	440,970	466,657
26							
27	Subtotal	<u>\$ 9,853,825</u>	<u>\$ 10,328,380</u>	<u>\$ 10,906,514</u>	<u>\$ 10,212,102</u>	<u>\$ 10,126,749</u>	<u>\$ 10,285,514</u>
28							
29	Less:						
30	Accumulated Deferred Federal Income Taxes ("FIT")	\$ 140,243,847	\$ 140,017,869	\$ 140,691,316	\$ 139,915,390	\$ 140,291,084	\$ 140,231,901
31	Block Island Transmission System (BITS) ADIT	21,366,231	21,574,352	21,681,145	21,787,939	21,894,733	21,660,880
32	Accumulated Deferred FIT on Loss on Reacquired Debt	193,011	181,241	177,392	174,120	166,979	178,548
33	Customer Deposits	-	-	-	-	-	-
34							
35	Subtotal	<u>\$ 161,803,089</u>	<u>\$ 161,773,461</u>	<u>\$ 162,549,854</u>	<u>\$ 161,877,449</u>	<u>\$ 162,352,797</u>	<u>\$ 162,071,330</u>
36							
37	Rate Base	<u>\$ 743,623,367</u>	<u>\$ 747,604,919</u>	<u>\$ 765,157,319</u>	<u>\$ 765,666,633</u>	<u>\$ 766,648,748</u>	<u>\$ 757,740,197</u>

Line Notes

37 Line 14 + Line 27 - Line 35

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

Line No.	Description	(a) December 2018	(b) March 2019	(c) June 2019	(d) September 2019	(e) December 2019	(f) 5-Quarter Average
1	Utility Plant in Service	\$ 2,540,825,240	\$ 2,589,578,966	\$ 2,633,765,296	\$ 2,671,159,919	\$ 2,684,143,197	\$ 2,623,894,524
2	IFA allocated Plant	5,038,313	6,515,697	6,537,370	6,582,534	6,693,216	6,273,426
3	Block Island Transmission System (BITS) Asset:	114,082,570	114,762,669	114,854,958	115,174,705	115,340,155	114,843,011
4	Total Utility Plant in Service	\$ 2,659,946,123	\$ 2,710,857,333	\$ 2,755,157,623	\$ 2,792,917,158	\$ 2,806,176,569	\$ 2,745,010,961
5							
6							
7	Property Held for Future Use	\$ 15,028,061	\$ 15,028,308	\$ 15,028,308	\$ 15,028,061	\$ 15,028,061	\$ 15,028,160
8	Less: Contribution in Aid of Construction	557,062	554,316	629,316	629,316	629,316	599,865
9	Less: Accumulated Depreciation	811,833,898	823,603,839	832,508,679	844,896,035	857,790,767	834,126,644
10	Less: IFA allocated Depreciation	1,085,039	1,449,193	1,471,514	1,506,874	1,528,837	1,408,291
11	Less: Block Island Transmission System (BITS) Depreciation	4,815,416	5,456,262	6,103,540	6,753,179	7,404,134	6,106,506
12	Total Accumulated Depreciation	817,734,353	830,509,294	840,083,732	853,156,088	866,723,738	841,641,441
13							
14	Net Plant in Service	\$ 1,856,682,769	\$ 1,894,822,031	\$ 1,929,472,883	\$ 1,954,159,815	\$ 1,953,851,576	\$ 1,917,797,815
15							
16	Plus:						
17	Materials and Supplies	7,476,714	\$7,244,321	\$7,157,606	\$6,223,179	\$6,246,853	\$ 6,869,735
18	Prepayments	116,589	6,257,284	3,675,717	2,901,886	112,463	2,612,788
19	Loss on Reacquired Debt	2,558,499	2,512,310	2,466,121	2,419,933	2,373,744	2,466,121
20	Cash Working Capital	20,843,952	20,536,515	20,536,515	20,536,515	21,657,666	20,822,233
21	Cash Working Capital - Commodity & Gross Receipts Tax	32,926,823	40,289,969	40,289,969	40,289,969	40,289,969	38,817,340
22	Unamortized Interest Rate Lock	3,307,493	3,267,826	3,228,159	3,188,491	3,148,824	3,228,159
23	Unamortized Debt Issuance Costs (\$550M)	1,486,545	1,446,934	1,407,324	1,367,713	1,328,103	1,407,324
24	Unamortized Debt Issuance Costs (\$250M 2012)	1,412,174	1,397,413	1,382,651	1,367,890	1,353,129	1,382,651
25	Unamortized Debt Issuance Costs (\$350M 2018)	1,080,042	1,051,867	1,023,692	995,517	967,342	1,023,692
26							
27	Subtotal	\$ 71,208,831	\$ 84,004,439	\$ 81,167,754	\$ 79,291,094	\$ 77,478,092	\$ 78,630,042
28							
29	Less:						
30	Accumulated Deferred Federal Income Taxes (FIT)	\$ 353,888,200	\$ 357,759,352	\$ 359,258,411	\$ 356,023,164	\$ 350,458,789	\$ 355,477,583
31	Block Island Transmission System (BITS) ADIT	21,366,231	21,574,352	21,681,145	21,787,939	21,894,733	21,660,880
32	Accumulated Deferred FIT on Loss on Required Debt	537,285	527,585	517,885	508,186	498,486	517,885
33	Customer Deposits	9,706,952	9,856,245	10,573,489	10,299,922	10,253,679	10,138,057
34							
35	Subtotal	\$ 385,498,668	\$ 389,717,534	\$ 392,030,930	\$ 388,619,211	\$ 383,105,688	\$ 387,794,406
36							
37	Rate Base	\$ 1,542,392,931	\$ 1,589,108,936	\$ 1,618,609,706	\$ 1,644,831,697	\$ 1,648,223,980	\$ 1,608,633,450

Line Notes

37 Line 14 + Line 27 - Line 35

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
In Re: Electric and Gas Earnings Reports
Attachment DIV 1-1-1
Responses to the Division's First Set of Informal Data Requests
Page 7 of 7

THE NARRAGANSETT ELECTRIC COMPANY
Calculation of Excess Earnings for Twelve months ended December 31, 2019 (Revised)
(\$000)

Line

1	Base Distribution Earnings Available for Common	\$34,499 (a)		
2				
3				
4	Actual Average Common Equity	\$433,530 (a)		
5				
6				Customer
7	Average Annual Return		<u>7.9600%</u> (b)	Share
8				
9	ROE in 50%/50% Bandwith (>9.275%, <10.275%)		0.0000% * 50.00%	= 0.0000%
10	ROE in 75%/25% Bandwith (>10.275%)		0.0000% * 75.00%	= <u>0.0000%</u>
11				
12	Total Customer ROE Sharing			0.0000%
13	Actual Average Common Equity			<u>\$433,530</u>
14				
15	Actual Annual Customer Shared Earnings			\$0
16	Tax Gross-up			<u>/ 79.00%</u>
17				
18	Annual Customer Shared Earnings - Pre-tax			-
19				
20	Total Customer Shared Earnings for the twelve months ending December 31, 2019			<u>\$ -</u>

Notes

(a) From Page 2 of 7 (R) Line 17 and Line 19

(b) Line 1 divided by Line 4; equals Page 2 of 7 (R) Line 21

The Narragansett Electric Company
Return on Rate Base (Revised)
Return on Common Equity (Revised)
Twelve Months Ended December 31, 2018

<u>Line No.</u>	Twelve Months Ending December 31, 2018				
	<u>Base Earnings</u>	<u>Actual Earnings</u>	<u>Allowed</u>	<u>Ceiling</u>	
1					
2	<u>1/</u>	<u>2/</u>	<u>3/</u>	<u>3/</u>	
3	Return on Distribution Rate Base	4.67%	5.37%	6.97%	6.97%
4					
5	Return on Distribution Common Equity	4.76%	6.14%	9.28%	9.28%
6					
7	1/ Excludes incentives and penalties detailed at Page 2, Lines 3 through 8				
8	2/ Includes incentives detailed at Page 2				
9	3/ Allowed Return and Ceiling, presented below.				
10				----- Per Amended Settlement Agreement in Docket 4770 -----	
11				Allowed	Ceiling
12				Cost	Weighted
13	<u>Total</u>	<u>Rate</u>	<u>Cost</u>	<u>Rate</u>	<u>Cost</u>
14					
15	Short Term Debt	0.60%	1.76%	0.01%	1.76%
16	Long Term Debt	48.35%	4.62%	2.23%	4.62%
17	Preferred Stock	0.10%	4.50%	0.00%	4.50%
18	Common Equity	50.95%	9.275%	4.73%	9.28%
19		<u>100.00%</u>		<u>6.97%</u>	<u>6.97%</u>
20					
21					
22				----- EARNED -----	
23				Cost	Pre-Tax
24	<u>Amount</u>	<u>Total</u>	<u>Rate</u>	<u>Cost</u>	<u>Weighted Cost</u>
25					
26	Short Term Debt	\$4,487,011	0.60%	1.76%	0.01%
27	Long Term Debt	\$361,578,286	48.35%	4.62%	2.23%
28	Preferred Stock	\$747,835	0.10%	4.50%	0.00%
29	Common Equity	\$381,022,000	50.95%	4.76%	2.43%
				<u>0.52%</u> 5/	<u>2.95%</u>
	5-Quarter Average				
	Distribution Rate Base				
30	as of Dec 31, 2018	\$747,835,132 4/	100.00%	4.67%	0.52%
31					5.19%
32	4/ Page 4 of 7 (R), Line 37, Column (f)				
33	5/ includes adj. for Flowthrough Items below				
34					
35					
36	<u>PREFERRED STOCK EARNINGS, INTEREST EXPENSE,</u>				
37	<u>AND FEDERAL INCOME TAX</u>				
38	<u>CALCULATED USING IMPUTED CAPITAL STRUCTURE</u>				
39					
40				<u>\$000s</u>	
41	PREF. STOCK:	\$747,835,132	X	0.00% (a)	= \$34
42	INTEREST:	\$747,835,132	X	2.24% (b)	= \$16,752
43					
44	FIT:	\$747,835,132	X	0.65% (c)	= \$4,833
45	Plus: Flowthrough Items			(d)	(\$963)
46	Total Federal Income Taxes ("FIT")				<u>\$3,870</u>
47					
48	(a)	From Line 28, Column "Weighted Cost"			
49	(b)	Sum of Lines 26 and 27, Column "Weighted Cost".			
50	(c)	(0.00% + 2.43%) / 79% - (0.00% + 2.43%)			
51	(d)	Flowthrough Items (tax effected)			
52					(\$4)
53					\$37
54					\$42
55					\$650
56					(\$1,689)
57					
58					<u>(\$963)</u>

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
In Re: Electric and Gas Earnings Reports
Attachment DIV 1-1-2
Responses to the Division's First Set of Informal Data Requests
Page 2 of 7

THE NARRAGANSETT ELECTRIC COMPANY
Return on Equity Calculation (Revised)
Return on Rate Base Calculation (Revised)
Twelve Months Ended December 31, 2018
(\$000s)

<u>Line</u> <u>No.</u>	Return on Equity			Return on Rate Base			
	Base	Basis	Actual	Base	Basis	Actual	
	Earnings	Points	Earnings	Earnings	Points	Earnings	
	(a)	(b)	(c)	(d)	(e)	(f)	
1	Distribution Operating Income Before Taxes	\$45,423		\$45,423		\$45,423	1/
2	Adjustments:						
3	Service Quality ("SQ") Penalties Accrued	\$0	0.00%		\$0	0.00%	2/, 3/
4	Energy Efficiency Program Incentive	(\$4,652)	-1.22%		(\$4,652)	-0.62%	3/
5	System Reliability Procurement Incentives	\$0	0.00%		\$0	0.00%	3/
6	LTCRER Incentive	(\$1,773)	-0.47%		(\$1,773)	-0.24%	3/
7	RE Growth Remuneration	(\$196)	-0.05%		(\$196)	-0.03%	3/
8	Performance Incentive Mechanism Incentives	\$0	0.00%		\$0	0.00%	3/
9							
10	Adjusted Distribution Operating Income Before Taxes	\$38,801		\$45,423	\$38,801		\$45,423 4/
11	Interest Charges	\$16,752		\$16,752	\$16,752		\$16,752 5/
12	Income Taxes @ 21% net of flowthrough	\$3,870		\$5,260	\$3,870		\$5,260 6/
13							
14	Net Income	\$18,180		\$23,411	\$34,932		\$40,162 7/
15							
16	Less: Preferred Stock Requirements	\$34		\$34	\$34		\$34 5/
17	Earnings Available for Common	\$18,146		\$23,377	\$34,932		\$40,162 8/
18							
19	Average Common Equity - 5-Quarter Average	\$381,022		\$381,022	\$747,835		\$747,835 5/
20							
21	Rate of Return on Adjusted Average Common Equity	4.76%		6.14%	4.67%		5.37% 9/

Notes

- 1/ Page 3 of 7 (R), Line 27, Column (f)
2/ Effective Dec. 2005, SQ penalties booked below the line.
3/ Column (b) = column (a) ÷ Line 19 (a). Column (e) = column (d) ÷ Line 19 (d)
4/ Sum of Lines 1 thru 8
5/ Calculated using imputed capital structure and cost rates; see Page 1 of 7 (R), Lines 42, 41, and 29
6/ Page 1 of 7 (R) Line 46
7/ Column (a) & (c): Line 10 - Line 11 - Line 12. Column (d) & (f): Line 10 - Line 12
8/ Line 14 - Line 16
9/ Line 17 ÷ Line 19

THE NARRAGANSETT ELECTRIC COMPANY
Income Statement (Revised)
Twelve Months Ended December 31, 2018
(\$000s)

Line No.		Total Electric Business (a)	Less: Integrated Facilities Agreement (IFA) and Block Island Transmission System Amounts Billed to New England Power Co.		Other Adjustments (c)	Electric Distribution Amount Per Schedules (d) = a-b+c	Island Transmission System (BITS) O&M Amounts (e)	Electric Distribution Amount Revised Amount (f) = (d) + (e)	
			(b)						
1	Revenue - Sales of Electricity	\$380,622				\$380,622		\$380,622	
2	Other Revenue	\$708,944				\$708,944		\$708,944	1/
3	Total Revenue	\$1,089,566				\$1,089,566		\$1,089,566	
4	Operating Expenses:								
5	Purchased Power	\$416,227				\$416,227		\$416,227	
6	Transmission Wheeling	\$214,086				\$214,086		\$214,086	
7	Transmission Wheeling - IFA Credit	(\$147,595)	(\$147,595)			\$0		\$0	
8	Uncollectible Expense	\$14,356			(\$2,215)	\$12,142		\$12,142	2/
9	Genl & Admin. O&M	\$124,218		\$1,915	\$3,002	\$125,305		\$125,305	3/
10	All Other Operation & Maintenance ("O&M") expense	\$168,416		\$30,970	\$1,631	\$139,077	\$8,925	\$148,002	4/
11	Company Share of Earned Savings	\$0			\$2,167	\$2,167		\$2,167	5/
12	Depreciation	\$73,087	\$24,535		\$0	\$48,552		\$48,552	
13	Amortization of Loss on Reacquired Debt	\$533	\$75		(\$346)	\$113		\$113	
14	Amortization - Other	\$219	(4)			\$223		\$223	
15	Gross Earnings Tax	\$41,525				\$41,525		\$41,525	
16	Municipal Tax	\$49,717	\$19,569			\$30,148		\$30,148	
17	Other Non-Income taxes	\$5,412	\$321			\$5,091		\$5,091	
18	Current and Deferred Income Taxes	\$24,443			(\$24,443)	\$0		\$0	
19	Regulatory Debits	\$0				\$0		\$0	
20	Accretion Expense	\$0			\$0	\$0		\$0	
21	Amortization of ITC	(\$21)		(\$6)		(\$15)		(\$15)	
22	Interest on Customer Deposits	\$160				\$160		\$160	
23	Donations	\$627			(\$209)	\$418		\$418	6/
24	Total Operating Expenses	\$985,411	(\$70,220)	(\$20,412)		\$1,035,218	\$8,925	\$1,044,143	
25									
26	Net Operating Income	\$104,155							
27	Distribution Operating Income Before Taxes					\$54,348		\$45,423	

Notes

- 1/ Excludes excess earnings accrual of \$0 for the 12 month period.
2/ To adjust the bad debt to actual write off for ratemaking.
3/ The company made expense reduction adjustment for fiscal 2018, 3 quarters are related to calendar year 2017 and should be added back.
4/ (c) Excludes \$2.5 million out of period reduction to storm related expenses; \$0.3 million in sales and general advertising expense; and \$0.6 million in variable pay.
4/ (e) The operation and maintenance expense of Block Island Transmission System (BITS) is the reserve for future repairs. It should not be removed from the company's operation and maintenance expenses.
5/ Pursuant to Docket 4323, the Company share of Earned Savings equals \$3.25 million annually, prorate for 8 months before the new rates under Docket 4770.
6/ Under Docket 4323, donation is deductible for ratemaking, prorate for 8 months before the new rates under Docket 4770. .

THE NARRAGANSETT ELECTRIC COMPANY
Rate Base - Electric Distribution
Five Quarter Average

Line No.	Description	(a) December 2017	(b) March 2018	(c) June 2018	(d) September 2018	(e) December 2018	(f) 5-Quarter Average
1	Utility Plant in Service	\$ 1,540,193,364	\$ 1,592,127,548	\$ 1,615,423,659	\$ 1,629,530,567	\$ 1,647,962,718	\$ 1,605,047,571
2	IFA allocated Plant	-	-	-	-	-	-
3	Block Island Transmission System (BITS) Assets	-	-	-	-	-	-
4	Total Distribution Plant	<u>\$ 1,540,193,364</u>	<u>\$ 1,592,127,548</u>	<u>\$ 1,615,423,659</u>	<u>\$ 1,629,530,567</u>	<u>\$ 1,647,962,718</u>	<u>\$ 1,605,047,571</u>
5							
6							
7	Property Held for Future Use	2,496,405	2,496,405	2,496,405	2,496,158	2,496,158	\$ 2,496,306
8	Less: Contribution in Aid of Construction	(222,216)	332,062	482,252	557,062	557,062	341,244
9	Less: Accumulated Depreciation	666,908,851	667,895,017	673,452,326	678,995,663	688,791,676	675,208,707
10	Less: IFA allocated Depreciation	-	-	-	-	-	-
11	Less: Block Island Transmission System (BITS) Depreciation	-	-	-	-	-	-
12	Total Accumulated Depreciation	<u>666,908,851</u>	<u>667,895,017</u>	<u>673,452,326</u>	<u>678,995,663</u>	<u>688,791,676</u>	<u>675,208,707</u>
13							
14	Net Plant in Service	<u>\$ 876,003,134</u>	<u>\$ 926,396,874</u>	<u>\$ 943,985,486</u>	<u>\$ 952,474,000</u>	<u>\$ 961,110,139</u>	<u>\$ 931,993,926</u>
15							
16	Plus:						
17	Materials and Supplies	\$ 3,695,981	\$ 5,005,852	\$ 4,472,144	\$ 4,112,123	\$ 4,370,667	\$ 4,331,353
18	Prepayments	1,522,484	885,046	4,621,198.68	2,986,856	74,706	2,018,058
19	Loss on Reacquired Debt	1,752,405	1,728,929	1,703,157	1,669,231	1,639,400	1,698,624
20	Cash Working Capital	4,975,475	4,975,475	4,975,475	17,922,078	17,922,078	10,154,116
21	Cash Working Capital - Commodity & Gross Receipts Tax	23,686,328	32,926,823	32,926,823	32,926,823	32,926,823	31,078,724
22	Unamortized Interest Rate Lock	2,069,360	2,116,573	2,092,070	2,067,567	2,043,065	2,077,727
23	Unamortized Debt Issuance Costs (\$550M)	1,016,126	991,658	967,190	942,722	918,255	967,190
24	Unamortized Debt Issuance Costs (\$250M 2012)	908,788	\$899,670	\$890,551	\$881,433	\$872,315	\$890,551
25	Unamortized Debt Issuance Costs (\$350M 2018)	-	-	-	\$603,028	\$587,697	\$238,145
26							
27	Subtotal	<u>\$ 39,626,947</u>	<u>\$ 49,530,026</u>	<u>\$ 52,648,609</u>	<u>\$ 64,111,863</u>	<u>\$ 61,355,006</u>	<u>\$ 53,454,490</u>
28							
29	Less:						
30	Accumulated Deferred Federal Income Taxes ("FIT")	\$ 215,503,710	\$ 238,209,087	\$ 228,698,305	\$ 228,603,982	\$ 213,644,353	\$ 224,931,887
31	Accumulated Deferred FIT on Loss for Reacquired Debt	613,342	363,075	357,663	350,539	344,274	405,778
32	Customer Deposits	8,961,553	8,769,946	9,370,158	9,535,622	9,706,952	9,268,846
33	Injuries and Damages Reserve - Uninsured Claims	4,934,361	5,049,297	5,050,202	-	-	3,006,772
34							
35	Subtotal	<u>\$ 230,012,966</u>	<u>\$ 252,391,405</u>	<u>\$ 243,476,327</u>	<u>\$ 238,490,142</u>	<u>\$ 223,695,579</u>	<u>\$ 237,613,284</u>
36							
37	Rate Base	<u>\$ 685,617,114</u>	<u>\$ 723,535,494</u>	<u>\$ 753,157,768</u>	<u>\$ 778,095,720</u>	<u>\$ 798,769,565</u>	<u>\$ 747,835,132</u>

Line Notes

35 Line 14 + Line 24 - Line 33

THE NARRAGANSETT ELECTRIC COMPANY
Rate Base - Integrated Facilities Agreement (IFA) and Block Island Transmission System (BITS)
Five Quarter Average

Line No.	Description	(a) December 2017	(b) March 2018	(c) June 2018	(d) September 2018	(e) December 2018	(f) 5-Quarter Average
1	Utility Plant in Service	\$ 840,536,616	\$ 861,903,434	\$ 869,305,373	\$ 892,862,522	\$ 892,862,522	\$ 871,494,093
2	IFA allocated Plant	5,484,673	4,826,887	4,873,107	5,038,313	5,038,313	5,052,259
3	Block Island Transmission System (BITS) Assets	111,730,437	110,056,768	110,971,119	111,602,559	114,082,570	111,688,691
4	Total Transmission Plant	<u>\$ 957,751,726</u>	<u>\$ 976,787,089</u>	<u>\$ 985,149,599</u>	<u>\$ 1,009,503,394</u>	<u>\$ 1,011,983,405</u>	<u>\$ 988,235,043</u>
5							
6							
7	Property Held for Future Use	12,531,903	12,531,903	12,531,903	12,531,903	12,531,903	12,531,903
8	Less: Contribution in Aid of Construction						
9	Less: Accumulated Depreciation	106,968,106	111,037,950	117,583,447	123,042,222	123,042,222	116,334,789
10	Less: IFA allocated Depreciation	1,722,878	1,032,064	1,045,087	1,085,039	1,085,039	1,194,021
11	Less: Block Island Transmission System (BITS) Depreciation	208,038	3,026,582	3,568,138	4,186,929	4,815,416	3,161,021
12	Total Accumulated Depreciation	<u>108,899,022</u>	<u>115,096,596</u>	<u>122,196,672</u>	<u>128,314,190</u>	<u>128,942,677</u>	<u>120,689,831</u>
13							
14	Net Plant in Service	<u>\$ 861,384,607</u>	<u>\$ 874,222,396</u>	<u>\$ 875,484,830</u>	<u>\$ 893,721,107</u>	<u>\$ 895,572,630</u>	<u>\$ 880,077,114</u>
15							
16	Plus:						
17	Materials and Supplies	\$ 2,708,039	\$ 2,818,410	\$ 2,724,125	\$ 2,803,897	\$ 3,106,046	\$ 2,832,103
18	Prepayments	860,846	495,593	2,571,463	1,673,869	41,883	1,128,731
19	Loss on Reacquired Debt	990,849	968,136	947,720	935,457	919,099	952,252
20	Cash Working Capital	3,161,077	3,789,939	3,059,825	2,165,878	2,921,874	3,019,719
21	Cash Working Capital - Commodity & Gross Receipts Tax	-	-	-	-	-	-
22	Unamortized Interest Rate Lock	1,280,704	\$1,309,922	\$1,294,758	\$1,279,593	\$1,264,429	\$1,285,881
23	Unamortized Debt Issuance Costs (\$550M)	677,568	\$613,718	\$598,576	\$583,433	\$568,290	\$608,317
24	Unamortized Debt Issuance Costs (\$250M 2012)	562,432	\$556,789	\$551,146	\$545,503	\$539,860	\$551,146
25	Unamortized Debt Issuance Costs (\$350M 2018)	-	-	-	505,188	492,345	199,507
26							
27	Subtotal	<u>\$ 10,241,514</u>	<u>\$ 10,552,509</u>	<u>\$ 11,747,613</u>	<u>\$ 10,492,817</u>	<u>\$ 9,853,825</u>	<u>\$ 10,577,656</u>
28							
29	Less:						
30	Accumulated Deferred Federal Income Taxes ("FIT")	\$ 139,364,226	\$ 148,371,113	\$ 155,058,171	\$ 155,786,483	\$ 161,610,078	\$ 152,038,014
31	Accumulated Deferred FIT on Loss on Reacquired Debt	346,797	203,309	199,021	196,446	193,011	227,717
32	Customer Deposits	-	-	-	-	-	-
33	Injuries and Damages Reserve - Uninsured Claims	-	-	-	-	-	-
34							
35	Subtotal	<u>\$ 139,711,023</u>	<u>\$ 148,574,421</u>	<u>\$ 155,257,193</u>	<u>\$ 155,982,929</u>	<u>\$ 161,803,089</u>	<u>\$ 152,265,731</u>
36							
37	Rate Base	<u>\$ 731,915,098</u>	<u>\$ 736,200,484</u>	<u>\$ 731,975,250</u>	<u>\$ 748,230,996</u>	<u>\$ 743,623,367</u>	<u>\$ 738,389,039</u>

Line Notes

35 Line 14 + Line 24 - Line 33

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

Line No.	Description	(a) December 2017	(b) March 2018	(c) June 2018	(d) September 2018	(e) December 2018	(f) 5-Quarter Average
1	Utility Plant in Service	\$ 2,380,729,980	\$ 2,454,030,982	\$ 2,484,729,032	\$ 2,522,393,089	\$ 2,540,825,240	\$ 2,476,541,665
2	IFA allocated Plant	5,484,673	4,826,887	4,873,107	5,038,313	5,038,313	5,052,259
3	Block Island Transmission System (BITS) Assets	111,730,437	110,056,768	110,971,119	111,602,559	114,082,570	111,688,691
4	Total Utility Plant in Service	<u>\$ 2,497,945,090</u>	<u>\$ 2,568,914,637</u>	<u>\$ 2,600,573,258</u>	<u>\$ 2,639,033,961</u>	<u>\$ 2,659,946,123</u>	<u>\$ 2,593,282,614</u>
5							
6							
7	Property Held for Future Use	\$ 15,028,308	\$ 15,028,308	\$ 15,028,308	\$ 15,028,061	\$ 15,028,061	\$ 15,028,209
8	Less: Contribution in Aid of Construction	(222,216)	332,062	482,252	557,062	557,062	341,244
9	Less: Accumulated Depreciation	773,876,957	778,932,967	791,035,773	802,037,885	811,833,898	791,543,496
10	Less: IFA allocated Depreciation	1,722,878	1,032,064	1,045,087	1,085,039	1,085,039	1,194,021
11	Less: Block Island Transmission System (BITS) Depreciation	208,038	3,026,582	3,568,138	4,186,929	4,815,416	3,161,021
12	Total Accumulated Depreciation	<u>775,807,873</u>	<u>782,991,613</u>	<u>795,648,998</u>	<u>807,309,853</u>	<u>817,734,353</u>	<u>795,898,538</u>
13							
14	Net Plant in Service	<u>\$ 1,737,387,741</u>	<u>\$ 1,800,619,270</u>	<u>\$ 1,819,470,316</u>	<u>\$ 1,846,195,107</u>	<u>\$ 1,856,682,769</u>	<u>\$ 1,812,071,041</u>
15							
16	Plus:						
17	Materials and Supplies	6,404,020	\$7,824,262	\$7,196,269	\$6,916,020	\$7,476,714	\$ 7,163,457
18	Prepayments	2,383,330	1,380,640	7,192,662	4,660,725	116,589	3,146,789
19	Loss on Reacquired Debt	2,743,254	2,697,065	2,650,877	2,604,688	2,558,499	2,650,877
20	Cash Working Capital	8,136,552	8,765,414	8,035,300	20,087,956	20,843,952	13,173,835
21	Cash Working Capital - Commodity & Gross Receipts Tax	23,686,328	32,926,823	32,926,823	32,926,823	32,926,823	31,078,724
22	Unamortized Interest Rate Lock	3,350,064	3,426,495	3,386,828	3,347,161	3,307,493	3,363,608
23	Unamortized Debt Issuance Costs (\$550M)	1,693,694	1,605,376	1,565,766	1,526,155	1,486,545	1,575,507
24	Unamortized Debt Issuance Costs (\$250M 2012)	1,471,220	1,456,458	1,441,697	1,426,936	1,412,174	1,441,697
25	Unamortized Debt Issuance Costs (\$350M 2018)	-	-	-	1,108,217	1,080,042	437,652
26							
27	Subtotal	<u>\$ 49,868,461</u>	<u>\$ 60,082,534</u>	<u>\$ 64,396,222</u>	<u>\$ 74,604,680</u>	<u>\$ 71,208,831</u>	<u>\$ 64,032,146</u>
28							
29	Less:						
30	Accumulated Deferred Federal Income Taxes (FIT)	354,867,936	\$ 386,580,200	\$ 383,756,476	\$ 384,390,465	\$ 375,254,432	\$ 376,969,902
31	Accumulated Deferred FIT on Loss on Required Debt	960,139	566,384	556,684	546,984	537,285	\$ 633,495
32	Customer Deposits	8,961,553	\$8,769,946	\$9,370,158	\$9,535,622	\$9,706,952	\$ 9,268,846
33	Injuries and Damages Reserve - Uninsured Claims	4,934,361	\$5,049,297	\$5,050,202	\$0	\$0	\$ 3,006,772
34							
35	Subtotal	<u>\$ 369,723,989</u>	<u>\$ 400,965,827</u>	<u>\$ 398,733,520</u>	<u>\$ 394,473,071</u>	<u>\$ 385,498,668</u>	<u>\$ 389,879,015</u>
36							
37	Rate Base	<u>\$ 1,417,532,213</u>	<u>\$ 1,459,735,978</u>	<u>\$ 1,485,133,019</u>	<u>\$ 1,526,326,716</u>	<u>\$ 1,542,392,931</u>	<u>\$ 1,486,224,171</u>

Line Notes

35 Line 14 + Line 24 - Line 33

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
In Re: Electric and Gas Earnings Reports
Attachment DIV 1-1-2
Responses to the Division's First Set of Informal Data Requests
Page 7 of 7

THE NARRAGANSETT ELECTRIC COMPANY
Calculation of Excess Earnings for Twelve months ended December 31, 2018
(\$000)

Line

1	Base Distribution Earnings Available for Common	\$18,146 (a)		
2				
3				
4	Actual Average Common Equity	\$381,022 (a)		
5				
6				Customer
7	Average Annual Return		<u>4.76%</u> (b)	<u>Share</u>
8				
9	ROE in 50%/50% Bandwith (>9.275%, <10.275%)		0.00% * 50.00%	= 0.00%
10	ROE in 75%/25% Bandwith (>10.275%)		0.00% * 75.00%	= <u>0.00%</u>
11				
12	Total Customer ROE Sharing			0.00%
13	Actual Average Common Equity			<u>\$381,022</u>
14				
15	Actual Annual Customer Shared Earnings			\$0
16	Tax Gross-up			<u>/ 79.00%</u>
17				
18	Annual Customer Shared Earnings - Pre-tax			-
19				
20	Total Customer Shared Earnings for the twelve months ending December 31, 2018			<u>\$ -</u>

Notes

- (a) From Page 2 of 7 (R) Line 17 and Line 19
(b) Line 1 divided by Line 4; equals Page 2 of 7 (R) Line 21

The Narragansett Electric Company d/b/a National Grid
Illustrative Statement of Electric Operations Income and Revenue Deficiency Summary
The Twelve Months Ended Dec 31, 2019 vs Rate Case Dockets 4770 & 4780

	Actual Book Amount Year Ended Dec 31, 2019 (a)	Normalizing Adjustments (b)	Adjusted Book Amount Year Ended Dec 31, 2019 (c) = (a) + (b)	Prorated CY 2019 per Dockets 4770 & 4780 (d)	Actual vs Prorated CY 2019 (e) = (c) - (d)	Rate Year Ending August 31, 2020 per Dockets 4770 & 4780 (f)	Actual CY 19 vs Rate Case RY 2 (g) = (c) - (f)
1 Revenues	\$1,140,519,157	(\$844,836,681)	\$295,682,476	\$296,149,937	(\$467,461)	\$303,020,983	(\$7,338,507)
2 Purchased Power & Other Reconciling Expense	\$422,137,014	(\$422,137,014)	\$0	\$0	\$0	\$0	\$0
3 Net Distribution Revenues	\$718,382,143	(\$422,699,667)	\$295,682,476	\$296,149,937	(\$467,461)	\$303,020,983	(\$7,338,507)
4 Operation & Maintenance Expenses	\$400,400,063	(\$241,266,222)	\$159,133,841	\$152,653,679	\$6,480,162	\$158,458,765	\$675,076
5 Amortization of Regulatory Deferrals	\$0	\$471,908	\$471,908	\$471,908	\$0	\$471,908	\$0
6 Amortization of Utility Plant	\$785,674	(\$785,675)	(\$0)	\$0	(\$0)	\$0	(\$0)
7 Depreciation	\$75,522,338	(\$25,441,974)	\$50,080,364	\$50,720,367	(\$640,003)	\$51,594,521	(\$1,514,157)
8 Municipal Taxes	\$48,504,420	(\$17,805,444)	\$30,698,976	\$30,530,258	\$168,718	\$30,530,258	\$168,718
9 Payroll Taxes	\$5,063,185	(\$611,117)	\$4,452,068	\$4,190,816	\$261,251	\$4,263,404	\$188,664
10 Gross Receipts Taxes	\$43,385,316	(\$43,385,316)	\$0	\$0	\$0	\$0	\$0
11 Other Taxes	(\$177,045)	\$138,611	(\$38,435)	\$458,435	(\$496,870)	\$466,493	(\$504,928)
12 Interest on Customer Deposits	\$203,289	\$0	\$203,289	\$189,574	\$13,715	\$304,467	(\$101,178)
13 Total Operating Revenue Deductions	\$573,687,241	(\$328,685,230)	\$245,002,011	\$239,215,038	\$5,786,973	\$246,089,816	(\$1,087,805)
14 Operating Income Before Income Taxes	\$144,694,902	(\$94,014,437)	\$50,680,465	\$56,934,899	(\$6,254,434)	\$56,931,167	(\$6,250,702)
15 Income Taxes				\$6,160,307		\$6,160,307	
16 Operating Income After Income Taxes				\$50,774,592		\$50,770,860	
17 Rate Base			\$740,856,415	\$728,500,109	\$12,356,306	\$728,500,109	\$12,356,306

Notes:

- (a) Per Company's books
 (b) Page 3, Line 31
 (c) Att. DIV 1-1-4, Page 3, Line 36, Column (f)
 (d) Page 2, Column (i)
 (e) Page 2, Column (i)
 (f) Page 2, Column (h)

The Narragansett Electric Company d/b/a National Grid
 Combined Revenue Requirement under Docket 4770 & 4780
 Rate Year Ending August 31, 2021 and Rate Year Ending August 31, 2022

	Docket 4770 General Case RY1	Docket 4780 PST RY1	Reclass from OM to Revenue	Total RY 1 (d) = (a) + (b) + (c)	Docket 4770 General Case RY2	Docket 4780 PST RY2	Reclass from OM to Revenue	Total RY 2 (h) = (e) + (f) + (g)	Prorate CY 2019 (i) = (d)×8÷12 + (h)×4÷12
	(a)	(b)	(c)	(c)	(e)	(f)	(g)	(g)	(i)
1 Revenues	\$291,188,372	\$2,077,323	(\$551,281)	\$292,714,414	\$294,892,686	\$8,679,578	(\$551,281)	\$303,020,983	\$296,149,937
2 Purchased Power & Other Reconciling Exp	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3									
4									
5 Net Distribution Revenues	\$291,188,372	\$2,077,323	(\$551,281)	\$292,714,414	\$294,892,686	\$8,679,578	(\$551,281)	\$303,020,983	\$296,149,937
6									
7 Operation & Maintenance Expenses	\$148,380,053	\$1,922,365	(\$551,281)	\$149,751,137	\$150,916,736	\$8,093,310	(\$551,281)	\$158,458,765	\$152,653,679
8									
9 Amortization of Regulatory Deferrals	\$471,908	\$0	\$0	\$471,908	\$471,908	\$0	\$0	\$471,908	\$471,908
10									
11 Amortization of Utility Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12									
13 Depreciation	\$50,128,332	\$154,958	\$0	\$50,283,290	\$51,008,253	\$586,268	\$0	\$51,594,521	\$50,720,367
14									
15 Municipal Taxes	\$30,530,258	\$0	\$0	\$30,530,258	\$30,530,258	\$0	\$0	\$30,530,258	\$30,530,258
16									
17 Payroll Taxes	\$4,154,522	\$0	\$0	\$4,154,522	\$4,263,404	\$0	\$0	\$4,263,404	\$4,190,816
18									
19 Gross Receipts Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20									
21 Other Taxes	\$454,406	\$0	\$0	\$454,406	\$466,493	\$0	\$0	\$466,493	\$458,435
22									
23 Interest on Customer Deposits	\$132,127	\$0	\$0	\$132,127	\$304,467	\$0	\$0	\$304,467	\$189,574
24									
25 Total Operating Revenue Deductions	\$234,251,607	\$2,077,323	(\$551,281)	\$235,777,649	\$237,961,519	\$8,679,578	(\$551,281)	\$246,089,816	\$239,215,038
26									
27 Operating Income Before Income Taxes	\$56,936,765	\$0	\$0	\$56,936,765	\$56,931,167	\$0	\$0	\$56,931,167	\$56,934,899
28									
29 Income Taxes	\$6,160,307	\$0	\$0	\$6,160,307	\$6,148,009	\$0	\$0	\$6,160,307	\$6,160,307
30									
31 Operating Income After Income Taxes	\$50,776,458	\$0	\$0	\$50,776,458	\$50,783,158	\$0	\$0	\$50,770,860	\$50,774,592
32									
33 Rate Base	\$728,500,109	\$0	\$0	\$728,500,109	\$728,596,238	\$0	\$0	\$728,500,109	\$728,500,109

Notes:

(a),(e) RIPUC Docket No. 4770, Electric Distribution Rate Changes for Rate Year 2, Schedule 3, page 1 of 1

(b),(f) RIPUC Docket No. 4770, Electric Distribution Rate Changes for Rate Year 2, Schedule 6, page 1 of 1

(c),(g) Paperless bill credit approved in Docket 4770

The Narragansett Electric Company d/b/a National Grid
Normalizing Adjustment Details
The Twelve Months Ended Dec 31, 2019

Description	Revenue	O&M	Reg Deferral	Amortization	Depreciation	Municipal Tax	Payroll Tax	Gross Receipts Taxes	Other Taxes	Interest	Total (k)= sum of (a) through (j)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
1 Database	(\$1,140,519,156)	\$822,537,077	\$0	\$785,674	\$75,522,338	\$48,504,420	\$5,063,185	\$43,385,316	(\$177,045)	\$203,289	(\$144,694,901)
2											\$0
3 Adjustments:											\$0
4 Re-class Amort of Reg Def		(\$471,908)	\$471,908								\$0
5 Purchased Power	\$422,137,014	(\$422,137,014)									\$0
6 Wheeling	\$187,007,817	(\$187,007,817)									\$0
7 DSM	\$108,720,251	(\$108,720,251)									\$0
8 Gross Receipts Taxes	\$43,142,647							(\$43,385,316)	\$242,669		\$0
9 Pension/PBOP	(\$1,422,869)	\$1,422,869									\$0
10 AMP & AMI	\$989,283	(\$989,283)									\$0
11 Other Uncollectibles	\$10,057,660	(\$10,057,660)									\$0
12 Working Capital Impact on ARRF	\$3,030,141										\$0
13 Inspection/Maintenance		(\$606,687)									\$3,030,141
14 VM for Exp/VM IM for Rev	\$13,993,560	(\$12,530,938)									(\$606,687)
15 ISR CAPEX and Property Tax	\$7,139,784				(\$2,746,220)		(\$24,588)				\$1,438,034
16 Property Tax Tracker	(\$227,892)			(\$442,878)							\$3,950,686
17 Regrowth OM & Capital	\$1,581,230	(\$812,807)		(\$342,797)	(\$19,721)						(\$227,892)
18 Storm	\$20,705,726	(\$20,705,726)									\$405,905
19 BITS	\$20,813,904										\$0
20 IFA		\$98,495,353			(\$3,569,624)	(\$1,643,189)	(\$586,693)				\$15,601,091
21 EE Incentive	\$3,707,945				(\$19,106,409)						\$62,639,995
22 LTCRER Incentive	\$2,309,072										\$3,707,945
23 RE Growth Remuneration	\$379,541										\$2,309,072
24 PBI Payment cut-off	\$771,867										\$379,541
25 EDIT to service company rent		\$1,074,519									\$771,867
26 Variable Pay to Labor	(\$232,182)	(\$232,182)									\$1,074,519
27 Advertising	(\$237,663)	(\$237,663)									(\$232,182)
28 Storm Re-class	\$43,102						\$164		(\$104,058)		(\$237,663)
29 Other		\$70,857									(\$60,792)
30											\$70,857
31 Total Adjustments	\$844,836,680	(\$663,403,236)	\$471,908	(\$785,675)	(\$25,441,974)	(\$17,805,444)	(\$611,117)	(\$43,385,316)	\$138,611	\$0	\$94,014,436
32											\$0
33 Adjusted Amounts	(\$295,682,476)	\$159,133,841	\$471,908	(\$0)	\$50,080,364	\$30,698,976	\$4,452,068	\$0	(\$38,435)	\$203,289	(\$50,680,465)

Notes:

- 1 Per Company's books
- 31 Sum of Line 4 through Line 29
- 33 Line 1 + Line 31

The Narragansett Electric Company
Return on Rate Base
Return on Common Equity
Twelve Months Ended December 31, 2019

<u>Line No.</u>	Twelve Months Ending December 31, 2019				
	<u>Base Earnings</u>	<u>Actual Earnings</u>	<u>Allowed</u>	<u>Ceiling</u>	
1					
2	<u>1/</u>	<u>2/</u>	<u>3/</u>	<u>3/</u>	
3	Return on Distribution Rate Base	6.23%	6.92%	6.97%	6.97%
4					
5	Return on Distribution Common Equity	7.83%	9.17%	9.275%	9.275%
6					
7	1/ Excludes incentives and penalties detailed at Page 2, Lines 3 through 8				
8	2/ Includes incentives detailed at Page 2				
9	3/ Allowed Return and Ceiling, presented below.				
10			----- Per Amended Settlement Agreement in Docket 4770 -----		
11			Allowed		Ceiling
12			Cost	Weighted	Cost
13		<u>Total</u>	<u>Rate</u>	<u>Cost</u>	<u>Rate</u>
14					<u>Cost</u>
15	Short Term Debt	0.60%	1.76%	0.01%	1.76%
16	Long Term Debt	48.35%	4.62%	2.23%	4.62%
17	Preferred Stock	0.10%	4.50%	0.00%	4.50%
18	Common Equity	50.95%	9.275%	4.73%	9.275%
19		<u>100.00%</u>	<u>6.97%</u>		<u>6.97%</u>
20					
21					
22			----- EARNED -----		
23			Cost	Weighted	Pre-Tax
24		<u>Amount</u>	<u>Rate</u>	<u>Cost</u>	<u>Taxes</u>
25		<u>Total</u>			<u>Weighted Cost</u>
26	Short Term Debt	\$4,445,138	0.60%	1.76%	0.01%
27	Long Term Debt	\$358,204,077	48.35%	4.62%	2.23%
28	Preferred Stock	\$740,856	0.10%	4.50%	0.00%
29	Common Equity	\$377,466,343	50.95%	7.83%	3.99%
					0.61% 5/
					4.60%
	5-Quarter Average				
	Distribution Rate Base				
30	as of Dec 31, 2019	<u>\$740,856,415 4/</u>	<u>100.00%</u>	<u>6.23%</u>	<u>0.61%</u>
31					<u>6.84%</u>
32	4/ Page 3 of 4, Line 36, Column (f)				
33	5/ includes adj. for Flowthrough Items below				
34					
35					
36					
37					
38					
39					
40					
41	PREF. STOCK:	\$740,856,415 X	0.00% (a)	=	\$33
42	INTEREST:	\$740,856,415 X	2.24% (b)	=	\$16,595
43					
44	FIT:	\$740,856,415 X	1.06% (c)	=	\$7,865
45	Plus: Flowthrough Items		(d)		(\$3,366)
46	Total Federal Income Taxes ("FIT")				<u>\$4,499</u>
47					
48	(a)	From Line 28, Column "Weighted Cost"			
49	(b)	Sum of Lines 26 and 27, Column "Weighted Cost".			
50	(c)	(0.00% + 3.99%) / 79% - (0.00% + 3.99%)			
51	(d)	Flowthrough Items (tax effected)			
52		Investment Tax Credit ("ITC") Amortization			\$1
53		ITC Basis Reduction Depreciation			(\$9)
54		AFUDC Equity Depreciation			\$63
55		Unfunded Amortization			\$650
56		Amortization of Federal Rate Change			(\$4,070)
57					
58					<u>(\$3,366)</u>

THE NARRAGANSETT ELECTRIC COMPANY**Return on Equity Calculation****Return on Rate Base Calculation****Twelve Months Ended December 31, 2019****(\$000s)**

<u>Line No.</u>	Return on Equity			Return on Rate Base			
	Base	Basis	Actual	Base	Basis	Actual	
	Earnings	Points	Earnings	Earnings	Points	Earnings	
	(a)	(b)	(c)	(d)	(e)	(f)	
1	Distribution Operating Income Before Taxes	\$57,077		\$57,077		\$57,077	1/
2	Adjustments:						
3	Service Quality ("SQ") Penalties Accrued	\$0	0.00%		\$0	0.00%	2/, 3/
4	Energy Efficiency Program Incentive	(\$3,708)	-0.98%		(\$3,708)	-0.50%	3/
5	System Reliability Procurement Incentives	\$0	0.00%		\$0	0.00%	3/
6	LTCRER Incentive	(\$2,309)	-0.61%		(\$2,309)	-0.31%	3/
7	RE Growth Remuneration	(\$380)	-0.10%		(\$380)	-0.05%	3/
8	Performance Incentive Mechanism Incentives	\$0	0.00%		\$0	0.00%	3/
9							
10	Adjusted Distribution Operating Income Before Taxes	\$50,680		\$57,077	\$50,680		\$57,077 4/
11	Interest Charges	\$16,595		\$16,595	\$16,595		\$16,595 5/
12	Income Taxes @ 21% net of flowthrough	\$4,499	-0.36%	\$5,842	\$4,499	-0.18%	\$5,842 6/
13							
14	Net Income	\$29,586		\$34,640	\$46,181		\$51,235 7/
15							
16	Less: Preferred Stock Requirements	\$33		\$33	\$33		\$33 5/
17	Earnings Available for Common	\$29,553		\$34,606	\$46,181		\$51,235 8/
18							
19	Average Common Equity - 5-Quarter Average	\$377,466		\$377,466	\$740,856		\$740,856 5/
20							
21	Rate of Return on Adjusted Average Common Equity	7.83%	9.17%		6.23%	6.92%	9/

Notes

- 1/ Line 10 - Sum of Line 3 through Line 8
2/ Effective Dec. 2005, SQ penalties booked below the line.
3/ Column (b) = column (a) ÷ Line 19 (a). Column (e) = column (d) ÷ Line 19 (d)
4/ Attachment DIV 1-1-3, Page 1, Line 27, Column (c)
5/ Calculated using imputed capital structure and cost rates; see Page 1 of 4, Lines 42, 41, 29, and 30
6/ Page 1 of 4, Line 46
7/ Column (a) & (c): Line 10 - Line 11 - Line 12. Column (d) & (f): Line 10 - Line 12
8/ Line 14 - Line 16
9/ Line 17 ÷ Line 19

THE NARRAGANSETT ELECTRIC COMPANY

Rate Base - Electric Distribution
Five Quarter Average

Line No.	Description	(a)	(b)	(c)	(d)	(e)	(f)
		December 2018	March 2019	June 2019	September 2019	December 2019	5-Quarter Average
1	Utility Plant in Service	\$ 1,647,962,718	\$ 1,692,885,996	\$ 1,714,356,857	\$ 1,746,612,053	\$ 1,754,536,149	\$ 1,711,270,755
2	IFA allocated Plant	-	-	-	-	-	-
3	Block Island Transmission System (BITS) Assets	-	-	-	-	-	-
3a	Less: RE Growth Intangible Rate Base	184,607	1,453,762	1,381,636	1,310,154	1,238,670	1,113,766
3b	Less: RE Growth Meter Rate Base	250,494	269,162	282,389	295,615	308,841	281,300
3c	Less: ISR Rate Base	46,912,496	56,037,779	76,678,273	97,318,766	117,959,259	78,981,315
7							
4	Total Distribution Plant	\$ 1,600,615,121	\$ 1,635,125,292	\$ 1,636,014,559	\$ 1,647,687,518	\$ 1,635,029,379	\$ 1,630,894,374
5							
6							
7	Property Held for Future Use	2,496,158	2,496,289	2,496,289	2,496,042	2,496,042	\$ 2,496,164
8	Less: Contribution in Aid of Construction	557,062	554,316	629,316	629,316	629,316	599,865
9	Less: Accumulated Depreciation	688,791,676	699,055,938	703,551,605	711,650,943	721,426,094	704,895,251
10	Less: RE Growth						
11	Less: ISR	1,766,869	2,225,142	3,142,283	4,059,425	4,976,566	3,234,057
12	Total Accumulated Depreciation	687,024,807	696,830,796	700,409,321	707,591,519	716,449,529	701,661,194
13							
14	Net Plant in Service	\$ 915,529,411	\$ 940,236,470	\$ 937,472,211	\$ 941,962,725	\$ 920,446,577	\$ 931,129,479
15							
16	Plus:						
17	Materials and Supplies	\$ 4,370,667	\$ 4,294,394	\$ 4,162,981	\$ 3,289,386	\$ 3,358,250	\$ 3,895,136
18	Prepayments	74,706	5,172,450	1,990,321.88	1,785,697	74,791	1,819,593
19	Loss on Reacquired Debt	1,639,400	1,649,258	1,621,399	1,590,792	1,578,604	1,615,891
20	Cash Working Capital	17,922,078	17,922,078	17,922,078	17,922,078	17,922,078	17,922,078
21	Cash Working Capital - Commodity & Gross Receipts Tax	32,926,823	40,289,969	40,289,969	40,289,969	40,289,969	38,817,340
21a	Less: Cash Working Capital - Commodity & Gross Receipts Tax	(32,926,823)	(40,289,969)	(40,289,969)	(40,289,969)	(40,289,969)	(38,817,340)
22	Unamortized Interest Rate Lock	2,043,065	2,018,562	1,994,059	1,969,556	1,945,053	1,994,059
23	Unamortized Debt Issuance Costs (\$550M)	918,255	893,787	869,319	844,851	820,383	869,319
24	Unamortized Debt Issuance Costs (\$250M 2012)	872,315	863,196	854,078	844,960	835,842	854,078
25	Unamortized Debt Issuance Costs (\$350M 2018)	587,697	572,366	557,034	541,703	526,372	557,034
26	Subtotal	\$ 28,428,183	\$ 33,386,090	\$ 29,971,270	\$ 28,789,023	\$ 27,061,373	\$ 29,527,188
27							
28	Less:						
29	Accumulated Deferred Federal Income Taxes ("FIT")	\$ 213,644,353	\$ 217,741,483	\$ 218,567,094	\$ 216,107,774	\$ 210,167,705	\$ 215,245,682
30	Block Island Transmission System (BITS) ADIT	-	-	-	-	-	-
30a	Less: ADIT for ISR	(3,574,591)	(4,345,155)	(5,788,307)	(7,231,460)	(8,674,613)	(5,922,825)
31	Accumulated Deferred FIT on Loss for Reacquired Debt	344,274	346,344	340,494	334,066	331,507	339,337
32	Customer Deposits	9,706,952	9,856,245	10,573,489	10,299,922	10,253,679	10,138,057
33							
34	Subtotal	\$ 220,120,988	\$ 223,598,918	\$ 223,692,770	\$ 219,510,302	\$ 212,078,278	\$ 219,800,251
35							
36	Rate Base	\$ 723,836,605	\$ 750,023,642	\$ 743,750,712	\$ 751,241,446	\$ 735,429,671	\$ 740,856,415

Line Notes

- 1-36 Agree with CY 2019 Electric Earnings Sharing Mechanism Earnings Report ("Earnings Report"), Page 4 of 7, Line 1 through Line 36 except for the following lines.
3a Based on 2020 RE Growth Factor Filing, Schedule NG-4a
3b Based on 2020 RE Growth Factor Filing, Schedule NG-4B
3c,21a,30a FY 2020 Electric Infrastructure, Safety, and Reliability Plan Reconciliation Filing, Attachment MAL-1

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
In Re: Electric and Gas Earnings Reports
Attachment DIV Informal 1-1-4
Responses to the Division's First Set of Informal Data Requests
Page 4 of 4

THE NARRAGANSETT ELECTRIC COMPANY
Calculation of Excess Earnings for Twelve months ended December 31, 2019
(\$000)

Line

1	Base Distribution Earnings Available for Common	\$29,553 (a)		
2				
3				
4	Actual Average Common Equity	\$377,466 (a)		
5				
6				Customer
7	Average Annual Return		<u>7.8300%</u> (b)	<u>Share</u>
8				
9	ROE in 50%/50% Bandwith (>9.275%, <10.275%)		0.0000% * 50.00%	= 0.0000%
10	ROE in 75%/25% Bandwith (>10.275%)		0.0000% * 75.00%	= <u>0.0000%</u>
11				
12	Total Customer ROE Sharing			0.0000%
13	Actual Average Common Equity			<u>\$377,466</u>
14				
15	Actual Annual Customer Shared Earnings			\$0
16	Tax Gross-up			<u>/ 79.00%</u>
17				
18	Annual Customer Shared Earnings - Pre-tax			-
19				
20	Total Customer Shared Earnings for the twelve months ending December 31, 2019			<u>\$ -</u>

Notes

- (a) From Page 2 of 4 Line 17 and Line 19
(b) Line 1 divided by Line 4; equals Page 2 of 4 Line 21

The Narragansett Electric Company

d/b/a National Grid

RIPUC Docket No. 4770

In Re: Electric and Gas Earnings Reports

Twelve Months Ended December 31, 2019

Responses to the Division's First Set of Informal Data Requests

Issued on May 18, 2020

Division Informal 1-2Request:

Referring to the Income Statement on page 3, line 9, the net "Gen & Admin O&M" expense shown in column (d) of the 2019 earnings report is \$108,896,000. By comparison, the same line item in the 2018 earnings report is \$125,305,000. Please explain why this item of net expense decreased by over \$16 million from calendar year 2018 to calendar year 2019.

Response:

The major adjustments made to the calendar year income statements are the adjustments for Integrated Facilities Agreement (IFA) and Block Island Transmission System (BITS) amounts billed to New England Power Co. As of the filing date of the Company's Electric and Gas Earnings Reports, the IFA billing reconciliation for the calendar year had not been finalized yet; therefore, the prior year IFA filing true-up is included in the following year adjustments. This caused the fluctuation of adjustments between the "Gen & Admin O&M" expense and the "All Other Operation & Maintenance ("O&M") expense". As explained in the Company's response to the Division's First Set of Informal Data Request 1-1, the Company submitted revised Earnings Reports for both calendar year 2018 and 2019 on June 24, 2020. The revision alters the "Gen & Admin O&M" expense and the "All Other Operation & Maintenance ("O&M") expense" individually. However, the change in total Operation and Maintenance expense remains the same: an increase of \$24 million from calendar year 2018 to calendar year 2019.

Please refer to Line 11 in Attachment DIV Informal 1-2. The CY 2019 IFA adjustment to "Gen & Admin O&M" expense (Column (b) less Column (e)) increased by \$9 million from \$2 million in CY 2018. In contrast, on line 12, the CY 2019 IFA adjustment to "All Other Operation & Maintenance ("O&M") expense" decreased by \$11 million from \$22 million in CY 2018. The classification change in IFA adjustments caused the fluctuation between the "Gen & Admin O&M" expense and the "All Other Operation & Maintenance ("O&M") expense. Therefore, the expense fluctuation between the two years should be considered on a total basis which is a \$24 million increase from calendar year 2018 to calendar year 2019, as shown on Line 13, Column (f). The detailed changes are listed from Line 17 through Line 37 on Attachment DIV Informal 1-2.

THE NARRAGANSETT ELECTRIC COMPANY
Operation and Maintenance Analysis
Twelve Months Calendar 2019 vs Calendar 2018
(\$ millions)

	Per FERC Form 1 (a)	Less: Integrated Facilities Agreement (IFA) and Block Island Transmission System (BITS) Amounts Billed to New England Power Co. (b)	Other Adjustments (c)	Electric Distribution Amount (d) = (a)-(b)+(c)	Add: Block Island Transmission System (BITS) O&M Amounts (e)	Revised Electric Distribution Amount (f) = (d)+(e)
Changes in "Genl & Admin. O&M" and "All Other Operation & Maintenance ("O&M") expense"						
1 4770-CY2019-Electric Earnings (PUC 5-6-20)						
2 Genl & Admin. O&M	\$126	\$17	\$0	\$109	\$6	\$115
3 All Other Operation & Maintenance ("O&M") expense	\$193	\$14	\$1	\$180	\$3	\$183
4 Total of Line 9 and Line 10	<u>\$319</u>	<u>\$31</u>	<u>\$1</u>	<u>\$288</u>	<u>\$9</u>	<u>\$298</u>
5 4323/4770-CY2018-Electric Earnings (PUC 5-1-19)						
6 Genl & Admin. O&M	\$124	\$2	\$3	\$125		\$125
7 All Other Operation & Maintenance ("O&M") expense	\$168	\$31	\$2	\$139	\$9	\$148
8 Total of Line 9 and Line 10	<u>\$293</u>	<u>\$33</u>	<u>\$5</u>	<u>\$264</u>	<u>\$9</u>	<u>\$273</u>
9 Variance						
10 Genl & Admin. O&M	\$2	\$15	(\$3)	(\$16)	\$6	(\$10)
11 All Other Operation & Maintenance ("O&M") expense	\$24	(\$17)	(\$1)	\$40	(\$6)	\$35
12 Total Variance CY2019 vs CY2018	<u>\$26</u>	<u>(\$2)</u>	<u>(\$4)</u>	<u>\$24</u>	<u>\$0</u>	<u>\$24</u>
13						
14 Explanation of Variances						
15 Increase in Genl & Admin. O&M						
16 Increase in A&G Consultant expense						\$1
17 Decrease in Injuries and damages						(\$3)
18 Increase in Pension/PBOP expense						\$3
19 Decrease in Regulatory Commission expense						(\$1)
20 Total Increase in Genl & Admin. O&M						<u>(\$1)</u>
21						
22 Increase in All Other Operation & Maintenance ("O&M") expense						
23 Increase in Energy Efficiency related expenses						\$9
24 Increase in customer outreach, mostly EV Incentive						\$1
25 Decrease in Electric Maintenance & Construction						(\$2)
26 Increase in US IT, cyber security for GBE project						\$2
27 Increase in Vegetation Management						\$3
28 Increase in US Engineering due to Grid Mod program						\$2
29 Amortization of Excess ADIT from Service Company						\$1
30 Increase in Capital related Operation and Maintenance Expense						\$2
31 Net Increase in Non-deferrable Storms and Amortization of Storm Fund Deferral						\$3
32 Decrease in IFA adjustment						\$2
33 Other						\$1
34 Total Increase in All Other Operation & Maintenance ("O&M") expense						<u>\$25</u>
35						
36 Total Increase						<u>\$24</u>
37						

Line Notes:

3 4770-CY2019-Electric Earnings (PUC 5-6-20) Report Revised, Page 3, Line 9	11	Line 3 - Line 7
4 4770-CY2019-Electric Earnings (PUC 5-6-20) Report Revised, Page 3, Line 10	12	Line 4 - Line 8
5 Line 3 + Line 4	13	Line 5 - Line 9
7 CY2018-Electric Earnings (PUC 5-1-19) Report Revised, Page 3, Line 9	21	Sum of Line 17 through Line 20
8 CY2018-Electric Earnings (PUC 5-1-19) Report Revised, Page 3, Line 10	34	Line 13 Column (f) - Line 13 Column (b)
9 Line 7 + Line 8	35	Sum of Line 24 through Line
	37	Line 21 + Line 35

The Narragansett Electric Company

d/b/a National Grid

RIPUC Docket No. 4770

In Re: Electric and Gas Earnings Reports

Twelve Months Ended December 31, 2019

Responses to the Division's First Set of Informal Data Requests

Issued on May 18, 2020

Division Informal 1-3Request:

Referring to the Income Statement on page 3, line 10, the net "All Other Operation & Maintenance (O&M) expense" shown in column (d) of the 2019 earnings report is \$179,546,000. By comparison, the same line item in the 2018 earnings report is \$139,077,000. Please explain why this item of net expense increased by over \$40 million from calendar year 2018 to calendar year 2019.

Response:

As stated in the Company's response to Division Informal Data Request 1-2, the classification change in IFA adjustments caused the fluctuation between the "Gen & Admin O&M" expense and the "All Other Operation & Maintenance ("O&M")" expense line items of the income statement. Therefore, the expense fluctuation between the two years should be considered on a total basis which is a \$24 million increase from calendar year 2018 to calendar year 2019, as shown on Line 13, Column (f) of Attachment DIV Informal 1-2. The detailed changes are listed from Line 17 through Line 37 on the Attachment.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
In Re: Electric and Gas Earnings Reports
Twelve Months Ended December 31, 2019
Responses to the Division's First Set of Informal Data Requests
Issued on May 18, 2020

Division Informal 1-4

Request:

Did the Company implement any cost-reduction initiatives in 2019 that affected the base distribution cost of service for calendar year 2019, FY 2020, and/or Rate Year 2? If so, please describe and quantify the reductions that were implemented.

Response:

National Grid is committed to continuously identifying opportunities to be more efficient and productive for the benefit of customers. The aim of our effort is to find sustainable ways to achieve efficiencies that will improve both the quality and cost-effectiveness of National Grid's services to customers. In FY 2020, the Company estimates it saved approximately \$2 million in operating expenses related to the Electric Business Unit and its focused efforts on crew efficiency, such as enabling remote training on inclement weather days, and operating model improvements.

The Narragansett Electric Company

d/b/a National Grid

RIPUC Docket No. 4770

In Re: Electric and Gas Earnings Reports

Twelve Months Ended December 31, 2019

Responses to the Division's First Set of Informal Data Requests

Issued on May 18, 2020

Division Informal 1-5

Request:

Please provide an update on the balance of the Storm Fund, taking into account the credit of \$947,000. Please provide a schedule showing additions made to the Storm Fund for costs that were charged to the fund, if any, in 2019.

Response:

As of April 30, 2020, the current deficit balance in the Storm Fund is \$112,721,840 and can be found on Page 1, Line 5, Column (i) of Attachment DIV Informal 1-5.

The Narragansett Electric Company
d/b/a National Grid
Storm Fund Activity

Storm Fund Deficit with Current Levels of Customer Contributions Through April 2020

Line No.	Month	Beginning Balance	Monthly Contributions				Monthly Interest	Storm Charges ¹	Adjustments	Ending Balance
			Monthly Contribution	Monthly Contribution	Supplemental Contribution	Total Monthly Contributions				
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	January-20	(\$113,885,909)	\$359,261	\$250,000	\$1,743,731	\$2,352,992	(\$278,921)	(\$1,182,245)	\$0	(\$112,994,083)
2	February-20	(112,994,083)	359,261	250,000	1,615,010	2,224,271	(276,864)	(1,342,272)	0	(112,388,948)
3	March-20	(112,388,948)	359,261	250,000	1,558,013	2,167,274	(202,410)	(2,360,379)	0	(112,784,463)
4	April-20	(112,784,463)	359,261	250,000	1,574,875	2,184,136	(203,065)	(2,865,448)	947,000	(112,721,840)
5	Period Ended 4/30/20	(\$113,885,909)	\$1,437,044	\$1,000,000	\$6,491,629	\$8,928,673	(\$961,260)	(\$7,750,344)	\$947,000	(\$112,721,840)

Column Notes:

- (a) Beginning balance is the ending balance per the 2019 Annual Report as filed in the Company's April 1, 2020 filing, RIPUC Docket No. 2509, Attachment 2.
- (b) Per RIPUC Docket No. 4770, the base distribution rate revenue requirement includes \$4,311,132 annually as a contribution to the Storm Fund.
- (c) Per RIPUC Docket No. 4323, an additional \$3.0 million is to be contributed annually to the Storm Fund for a period of six years commencing February 1, 2013. At the end of the six-year period, the continuation of this supplemental \$3.0 million annual Storm Fund contribution will be subject to PUC review. Per RIPUC Docket No. 4686, an extension of an additional \$3.0 million is to be contributed annually to the Storm Fund for a period of twenty-six months, with an expiration date of March 31, 2021.
- (d) Per RIPUC Docket No. 4686, Storm Fund Replenishment Factor (SFRF) amount for a period of four years commencing July 1, 2017.
- (e) Column (b) + Column (c) + Column (d).
- (f) ((Current Month Beginning Balance) - (Previous Month Total Contributions / 2) x Current Customer Deposit Rate/12).
- (g) Page 2 (Represents preliminary costs for qualifying storm events experienced after December 31, 2019).
- (h) Per RIPUC Docket No. 4770/4780 Amended Settlement Agreement, the company credited \$947,000 to customers as the base earnings exceed the allowed ROE of 9.275%.
- (i) Column (a) + Column (e) + Column (f) + Column (g) + Column (h). Ending balance does not reflect true up of storm-related capital costs to actual installed units for storm events experienced after April 2016.

¹ May 2020 amounts are not reflected due to the financial records are not closed for the month.

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Storm Fund Charges

Estimated Storm Costs for Storm Events Not Yet Filed (February 2019 - April 2020 Events)

Line No.	Month	February 25, 2019 Wind Storm (Quiana)	October 16, 2019 Wind/Rain Storm	October 31, 2019 Wind/Rain Storm	February 7, 2020 Wind Storm	April 13, 2020 Wind Storm	Total
		(a)	(b)	(c)	(d)	(e)	(f)
1	January-20	(\$1,828)	(\$508,360)	(\$672,057)			(\$1,182,245)
2	February-20	(9,128)	(89,611)	(6,873)	(\$1,236,660)		(\$1,342,272)
3	March-20	(705)	(837,472)	(134,610)	(1,387,592)		(\$2,360,379)
4	April-20		(105,079)	(102,753)	(1,198,046)	(1,459,570)	(\$2,865,448)
5	Period Ended 4/30/20 ¹	(\$11,661)	(\$1,540,522)	(\$916,293)	(\$3,822,298)	(\$1,459,570)	(\$7,750,344)
							\$0

Column Notes:

- (a) Represents preliminary costs associated with the February 25, 2019 Wind Storm (Quiana).
- (b) Represents preliminary costs associated with the October 16, 2019 Wind/Rain Storm.
- (c) Represents preliminary costs associated with the October 31, 2019 Wind/Rain Storm.
- (d) Represents preliminary costs associated with the February 7, 2020 Wind Storm.
- (e) Represents preliminary costs associated with the April 13, 2020 Wind storm.
- (f) Sum of Column (a) + (b) + (c) + (d) + (e).

¹ May 2020 amounts are not reflected due to the financial records are not closed for the month.

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In Re: Electric and Gas Earnings Reports
Twelve Months Ended December 31, 2019

Responses to the Division's First Set of Informal Data Requests
Issued on May 18, 2020

Division Informal 1-6

Request:

Please provide a more complete explanation of what occurred in the accounting of the Renewable Energy Growth program PBI credits which resulted in revenues being overstated in 2018 and 2019, as noted in footnote 1 of the Income Statement on page 3 of the filing.

Response:

The PBI credit transactions for the Renewable Energy Growth Program are passed from the customer billing system, CSS, to the SAP general ledger once a month after the execution of CSS bill group 20. The CSS billing cycle does not finish until after midnight. When bill group 20 occurs on the last day of the month, the CSS transactions are passed to SAP the following day which could be the first day of the next month.

Example:

- Nov 2018 – CSS bill group 20 was on 11/29/2018. Payment transactions were sent to SAP after midnight. SAP processed those transactions with a November date.
- Dec 2018 - CSS bill group 20 was on 12/31/2018. Payment transactions were sent to SAP after midnight. SAP processed those transactions with a January date.
- Jan 2019 - CSS bill group 20 was on 1/30/2019. Payment transactions were sent to SAP after midnight. SAP processed those transactions with a January date.
- Dec 2019 - CSS bill group 20 was on 12/31/2019. Payment transactions were sent to SAP after midnight. SAP processed those transactions with a January date.
- Jan 2020 - CSS bill group 20 was on 1/30/2020. Payment transactions were sent to SAP after midnight. SAP processed those transactions with a January date.

The result is both December 2018 and January 2019 PBI credits were posted to SAP in January 2019 and both December 2019 and January 2020 PBI credits were posted to SAP in January 2020. Therefore, as noted in footnote 1 of the Income Statement on Page 3, the CY 2019 electric earnings report includes a net normalizing adjustment to reduce Other Revenue by \$0.8 million to properly reflect the December 2018 and December 2019 PBI credits in the periods in which they were incurred: (1) reduce CY 2019 revenue by \$1.8 million of December 2019 PBI credits posted in January 2020, and (2) increase CY 2019 revenue by \$1.0 million to normalize for December 2018 PBI credits posted in January 2019.

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Issued on May 18, 2020

Division Informal 1-7Request:

With respect to operating costs actually incurred in calendar year 2020 through April, please describe the cost incurrence trends being seen by the Company in light of the COVID shutdown, compared to what reasonable expectations were prior to the onset of the COVID shutdown. In answering this request, please distinguish between costs that are fully reconcilable and those that are embedded in the revenue requirement that established base distribution rates for Year 2 of the rate plan.

Response:

The Company's major cost trends observed in light of the COVID-19 economic shutdown have related to:

Capital stranding costs

The COVID-19 pandemic has impacted the ability to complete the capital workplan as certain capital work has been delayed/rescheduled due to limitations during the event. We expect to see internal labor that would have completed capital work charged to Opex rather than capital since the capital work has been delayed and re-phased. This incremental Opex expense was not contemplated as part of the work plan prior to the onset of the COVID-19 shutdown. As the rate allowance is set assuming a normalized test-year level of labor and benefits charged to operating expense, this shift in labor from capital work to Opex work will drive underperformance (or unrecovered Opex) against the level of Opex labor embedded in distribution base rates. Our current base rates assumed a split of 44.82% Opex / 55.18% Capex for Gas and 46.60% Opex / 53.40% Capex for Electric. Any reduction to capital labor resulting from this shift would be reconciled and returned to customers through the FY 2021 ISR reconciliation filing, thereby ensuring customers are not harmed by lower capital costs but leaving the Company with an under-recovery of labor costs.

Indirect costs on the Company's bad debt expense related to the effects on the broader economy

Many of the Company's customers are impacted by the shutdown and the increased estimate in uncollectible accounts drove an increase expense beyond that which would have been incurred under normal conditions. For ratemaking and regulated earnings reporting purposes, the level of uncollectible expense recovery included in base distribution rates is based on an historical average of customer account write-offs net of recoveries. As shutoff moratoriums continue and customers take advantage of various repayment plan options outlined in the Company's

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Customer Assistance Plan in RIPUC Docket No. 5022, the Company may not know the impact of COVID-19 on net write-offs until well into CY 2021. However, the Company continues to see the aging of arrears and the amount of arrears in >60 days and >120 days buckets growing, foreshadowing a significant increase in the potential future bad debt.

Cash working capital

An additional outcome of COVID-19's financial impact on customers is the effect on customer payment lag and the resulting impact on the Company's available cash working capital. The Company anticipates cash working capital needs will exceed the level expected prior to COVID-19 driven by an increase in customer payment lag. The anticipated increase in customer payment lag will be partially mitigated through the recovery of actual cash working capital requirements on electric commodity costs included in the Company's Standard Offer Service Administrative Cost Factors filed annually with the PUC as part of the Company's Annual Retail Rate Filing. The gas commodity-related cash working capital allowance collected through the annual Gas Cost Recovery charge is calculated using the customer payment lag established in the most recent rate case, not the actual payment lag. From a regulated distribution earnings perspective, the level of delivery-related cash working capital reflected in rate base is tempered to the level of cash working capital approved in the Company's most recent distribution rate case, so while regulated earnings would reflect no impact of potential increases in actual cash working capital requirements, actual cash constraints could impact the scheduling of work and financing costs.

Direct and incremental costs to conduct operations consistent with Center for Disease Control guidelines for safe operations

As responded to regarding Division Informal 1-5 in RIPUC Docket No. 5022, the Company has incurred \$3.4M of incremental costs in March and April 2020 to conduct operations consistent with Center for Disease Control guidelines for safe operations. These costs include the purchase of personal protective equipment, enhanced facilities cleaning, sequestering control room personnel, implementing our Customer Assistance Plan, and other workforce expenses. None of these operating costs are currently reconcilable or recovered in base rates.

Employee travel expenses

The Company has restricted travel to office locations and in between offices. With these restrictions, the Company has observed a decrease in employee expenses and travel related expenses. Employee travel expenses are generally not reconcilable except for programmatic costs such as Gas Business Enablement where the Company is deferring any difference in actual operating expenses versus the rate allowance and may include some employee travel expenses.

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The above response contemplates solely the nature of the costs incurred to date; however, it should be noted that the Company is actively monitoring regional mandates, health, and safety information to incorporate into its plan forward for the “new normal,” which will likely require some of the incremental costs such as making offices and operational sites safe for the return of Company employees, personal protective equipment, cleaning, and other costs types to continue until an effective vaccine is created and implemented widely for COVID-19.

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Issued on May 18, 2020

Division Informal 1-8Request:

Referring to the Income Statement on page 2, line 15, the line item "Distribution," the expense shown in the 2019 earnings report is \$26,169,442. By comparison, the same line item in the 2018 earnings report is \$29,169,442. Please explain why this item of expense decreased by over \$3 million from calendar year 2018 to calendar year 2019.

Response:

Distribution expense decreased by over \$3 million from calendar year 2018 to calendar year 2019 mostly due to the presentation of Account 870 "Operation Supervision and Engineering" on Page 323 "Gas Operation & Maintenance Expenses" of the Company's Annual Reports.

The Company's December 31, 2018 Annual Report contained \$1,695,794 in Account 870 under the Distribution Expenses account hierarchy. The December 31, 2019 Annual Report contained \$1,864,919 in Account 870, but the account moved from Distribution Expenses to Transmission Expenses, in line with the current Electronic Code of Federal Regulations (eCFR) account hierarchy published online.

For convenience of review, Attachment DIV Informal 1-8 contains Page 323 of the Company's December 31, 2018 and December 31, 2019 Annual Reports, as well as the current eCFR account hierarchy.

Had the account hierarchy remained the same from calendar year 2018 to calendar year 2019, Distribution expense would have decreased by \$1 million rather than \$3 million.

	<u>2018</u>	<u>2019</u>	<u>Inc/(Dec)</u>
Transmission	\$1,140,245	\$2,551,617	\$1,411,372
less Account 870		(\$1,864,919)	(\$1,864,919)
	\$1,140,245	\$686,698	(\$453,547)
Distribution	\$29,303,308	\$26,169,442	(\$3,133,867)
plus Account 870		\$1,864,919	\$1,864,919
	\$29,303,308	\$28,034,361	(\$1,268,948)

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In Re: Electric and Gas Earnings Reports

Twelve Months Ended December 31, 2019

Responses to Division's First Set of Informal Data Requests

Issued on May 18, 2020

Division Informal 1-9Request:

Referring to the Income Statement on page 2, line 18, the line item "Administrative and General," the expense shown in the 2019 earnings report is \$35,196,593. By comparison, the same line item in the 2018 earnings report is \$39,242,635. Please explain why this item of expense decreased by over \$4 million from calendar year 2018 to calendar year 2019.

Response:

There are four primary drivers of the \$4.3 million decrease in Administrative and General Expenses from calendar year 2018 to calendar year 2019.

- (1) Employee Pensions and Benefits decreased \$6.6 million resulting from the decrease in rate allowance approved in the RIPUC Docket No. 4770 settlement agreement. Prior to the settlement agreement, the rate allowance was set at \$7.7 million for Pensions and \$4.3 million for Post-Retirement Benefits Other than Pensions (PBOP). Effective September 1, 2018, the settlement agreement reset the rate allowances at \$3.3 million for Pensions and (\$1.2) million for PBOPs, a cumulative \$6.6 million decrease.
- (2) Employee Pensions and Benefits decreased an additional \$5.8 million because the Company did not change the rate allowance on its books at September 1, 2018 but instead made a one-time \$2.6 million decrease to Pensions and a \$3.2 million decrease to PBOPs at fiscal year-end, March 31, 2019. The Company has further determined that \$3.3 million of that adjustment is out of period (September through December 2018) and should be removed from the 2019 Earnings Sharing Mechanism (ESM) and included in 2018. This adjustment will increase the 2018 Return on Equity from 9.02% to 9.68%, and trigger earnings sharings with customers of \$1.0 million. This value will be returned to customers, with interest, through the Company's upcoming Distribution Adjustment Clause (DAC).
- (3) Injuries and Damages increased \$5.9 million due to costs associated with the Aquidneck Island Gas Service Interruption (Aquidneck). While preparing its response to this informal information request, the Company performed a thorough review of the adjustments associated with this incident and determined that \$5 million in insurance claims reserves and claims payments had not been coded to the specific orders created to capture the Aquidneck costs and was therefore not included in the original adjustment. Furthermore, the Company determined it should add back \$2.6 million in non-incremental labor and overheads that should not have been included in the Aquidneck orders. The total Aquidneck adjustment increased \$2.4 million, from \$25.4 million submitted in the original filing, to \$27.8 million.

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Division Informal 1-9, page 2

(4) A&G Rents increased \$1.6 million as a result of increased Gas Business Enablement costs.

The Company will provide revised calendar year 2018 and calendar year 2019 Earnings Reports with its upcoming Distribution Adjustment Clause filing to be submitted by August 1, 2020.

Name of Respondent		This Report Is:	Date of Report	Year Ending
The Narragansett Electric Company		<input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission	(Mo, Da, Yr)	December 31, 2018
GAS OPERATION AND MAINTENANCE EXPENSES (Continued)				
Line No.	Account		Amount for Current Year (b)	Amount for Previous Year (c)
	(a)			
174	3. TRANSMISSION EXPENSES			
175	Operation			
176	850	Operation Supervision and Engineering	-	45,022
177	851	System Control and Load Dispatching	-	-
178	852	Communication System Expenses	-	-
179	854	Gas for Compressor Station Fuel	-	-
180	855	Other Fuel and Power for Compressor Stations	-	-
181	856	Mains Expenses	16,264	-
182	857	Measuring and Regulating Station Expenses	2,979	-
183	858	Transmission and Compression of Gas by Others	-	-
184	859	Other Expenses	-	-
185	860	Rents	-	-
186	TOTAL Operation (Total of lines 176 thru 185)		19,243	45,022
187	Maintenance			
188	861	Maintenance Supervision and Engineering	294,656	151,155
189	862	Maintenance of Structures and Improvements	-	-
190	863	Maintenance of Mains	809,893	163
191	864	Maintenance of Compressor Station Equipment	-	-
192	865	Maintenance of Measuring and Regulating Station Equipment	16,452	-
193	866	Maintenance of Communication Equipment	-	-
194	867	Maintenance of Other Equipment	-	-
195	TOTAL Maintenance (Total of lines 188 thru 194)		1,121,001	151,318
196	TOTAL Transmission Expenses (Total of lines 186 and 195)		1,140,244	196,340
197	4. DISTRIBUTION EXPENSES			
198	Operation			
199	870	Operation Supervision and Engineering	1,695,794	3,379,035
200	871	Distribution Load Dispatching	632,769	916,027
201	872	Compressor Station Labor and Expenses	-	-
202	873	Compressor Station Fuel and Power	17,909	16,979

Name of Respondent		This Report Is:	Date of Report	Year Ending
The Narragansett Electric Company		<input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission	(Mo, Da, Yr)	December 31, 2019
GAS OPERATION AND MAINTENANCE EXPENSES (Continued)				
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)	
174	3. TRANSMISSION EXPENSES			
175	Operation			
176	850 Operation Supervision and Engineering	-	-	
177	851 System Control and Load Dispatching	-	-	
178	852 Communication System Expenses	-	-	
179	854 Gas for Compressor Station Fuel	-	-	
180	855 Other Fuel and Power for Compressor Stations	-	-	
181	856 Mains Expenses	46,029	16,264	
182	857 Measuring and Regulating Station Expenses	1,824	2,979	
183	858 Transmission and Compression of Gas by Others	-	-	
184	859 Other Expenses	-	-	
185	860 Rents	-	-	
186	TOTAL Operation (Total of lines 176 thru 185)	47,853	19,243	
187	Maintenance			
188	861 Maintenance Supervision and Engineering	96,163	294,656	
189	862 Maintenance of Structures and Improvements	-	-	
190	863 Maintenance of Mains	517,314	809,893	
191	864 Maintenance of Compressor Station Equipment	-	-	
192	865 Maintenance of Measuring and Regulating Station Equipment	25,368	16,452	
193	866 Maintenance of Communication Equipment	-	-	
194	867 Maintenance of Other Equipment	-	-	
195	870 Operation Supervision and Engineering	1,864,919	1,695,794	
196	TOTAL Maintenance (Total of lines 188 thru 195)	2,503,764	2,816,795	
197	TOTAL Transmission Expenses (Total of lines 186 and 196)	2,551,617	2,836,038	
198	4. DISTRIBUTION EXPENSES			
199	Operation			
200	871 Distribution Load Dispatching	769,259	632,769	
201	872 Compressor Station Labor and Expenses	-	-	
202	873 Compressor Station Fuel and Power	13,677	17,909	

- 845.2 Power.
- 845.3 Rents.
- 845.4 Demurrage charges.
- 845.5 Wharfage receipts—credit.
- 845.6 Processing liquefied or vaporized gas by others.
- 846.1 Gas losses.
- 846.2 Other expenses.

MAINTENANCE

- 847.1 Maintenance supervision and engineering.
- 847.2 Maintenance of structures and improvements.
- 847.3 Maintenance of LNG processing terminal equipment.
- 847.4 Maintenance of LNG transportation equipment.
- 847.5 Maintenance of measuring and regulating equipment.
- 847.6 Maintenance of compressor station equipment.
- 847.7 Maintenance of communication equipment.
- 847.8 Maintenance of other equipment.

3. TRANSMISSION EXPENSES

OPERATION

- 850 Operation supervision and engineering.
- 851 System control and load dispatching.
- 852 Communication system expenses.
- 853 Compressor station labor and expenses.
- 854 Gas for compressor station fuel.
- 855 Other fuel and power for compressor stations.
- 856 Mains expenses.
- 857 Measuring and regulating station expenses.
- 858 Transmission and compression of gas by others.
- 859 Other expenses.
- 860 Rents.

MAINTENANCE

- 861 Maintenance supervision and engineering.
- 862 Maintenance of structures and improvements.
- 863 Maintenance of mains.
- 864 Maintenance of compressor station equipment.
- 865 Maintenance of measuring and regulating station equipment.
- 866 Maintenance of communication equipment.
- 867 Maintenance of other equipment.
- 870 Operation supervision and engineering.

4. DISTRIBUTION EXPENSES

OPERATION

- 871 Distribution load dispatching.
- 872 Compressor station labor and expenses.
- 873 Compressor station fuel and power (Major only).
- 874 Mains and services expenses.

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Twelve Months Ended December 31, 2019

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Division Informal 1-9, page 2

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