

March 1, 2019

VIA HAND DELIVERY AND ELECTRONIC MAIL

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

RE: Docket 4770 – Application of The Narragansett Electric Company d/b/a National Grid for Approval of a Change in Electric and Gas Base Distribution Rates Excess Deferred Income Tax True-Up – Supplemental Compliance Filing

Dear Ms. Massaro:

On behalf of National Grid, I enclose for filing with the Public Utilities Commission (PUC) one original and nine copies of the Company's excess accumulated deferred income tax (ADIT) true up filing for the PUC's review and approval, in compliance with Article II, Section C.22.a. (Section 22.a.) of the Amended Settlement Agreement approved by the PUC on August 24, 2018, in the above-referenced docket (Amended Settlement Agreement).

Specifically, this filing includes (1) a reconciliation of the impact of the actual excess ADIT amortization with the high-level estimates of excess ADIT amortization in the amounts of \$5.1 million and \$2.0 million for Narragansett Electric and Narragansett Gas, respectively, included in the Company's August 16, 2018 compliance filing in the above-referenced docket and (2) a determination of the final revenue requirements for Narragansett Electric and Narragansett Gas effective September 1, 2018. From these supplemental revenue requirements, the Company has calculated the difference between the revenue requirements it began recovering September 1, 2018, and the supplemental revenue requirements in this supplemental compliance filing in Docket No. 4770 (Deferred Tax Differential). This filing also addresses the ratemaking treatment of the Deferred Tax Differential for Narragansett Electric and Narragansett Gas.

To support the Company's excess ADIT true-up, this filing includes the pre-filed joint direct testimony of Company Witnesses Pamela D. Bushmich, Melissa A. Little, Michael J. Pini, and Robin E. Pieri. Ms. Bushmich sponsors the calculation of the updated amounts of excess ADIT and the associated amortization and discusses the reasons for the differences in these amounts from what was included in the Narragansett Electric and Narragansett Gas revenue requirements in the Company's August 16, 2018 Compliance Filing in Docket No. 4770 approved by the PUC on August 24, 2018 (Compliance Filing). Ms. Little sponsors the calculation of the updated revenue requirements for Narragansett Electric and Narragansett Gas, the difference in the revenue requirements from those included in the Compliance Filing and discusses what changed in the respective revenue requirements as a result of the true-up of excess ADIT. Ms. Pieri and Mr. Pini sponsor the proposal regarding the ratemaking treatment of

the change in the revenue requirements for Rate Year 1, Rate Year 2, and Rate Year 3, including proposed base distribution rates and bill impacts for Rate Year 2 and Rate Year 3, and proposed tariff revisions for Narragansett Electric and Narragansett Gas, respectively.

The following is an overview of the highlights by topic of this supplemental compliance filing as discussed in the Company's joint pre-filed direct testimony:

Excess Accumulated Deferred Income Tax True-up

- The main differences from the Compliance Filing relate to plant differences for the repair deduction and bonus depreciation offset by an increase to net operating loss (NOL).
- The Company's property-related protected excess ADIT has been amortized in accordance with the Average Rate Assumption Method (ARAM). Property-related unprotected excess ADIT has been amortized over 30 years as discussed in Section 22.a. of the Amended Settlement Agreement. All other unprotected excess ADIT has been amortized over 10 years as discussed in Section 22.a. of the Amended Settlement Agreement.

Updated Revenue Requirements

- The updated excess ADIT results in increases to the Narragansett Electric revenue requirements of \$1.8 million in Rate Year 1, \$1.5 million in Rate Year 2, and \$1.2 million in Rate Year 3 compared to the Narragansett Electric revenue requirements included in the Compliance Filing. The updated excess ADIT results in decreases to the Narragansett Gas revenue requirements of \$0.4 million in Rate Year 1, \$0.4 million in Rate Year 2, and \$0.5 million in Rate Year 3 compared to the revenue requirements included in the Compliance Filing.
- For Narragansett Electric, the total revised revenue requirements (1) excluding Power Sector Transformation (PST) (also referred to as base case) are \$292.9 million in Rate Year 1, \$296.5 million in Rate Year 2, and \$298.8 million in Rate Year 3; and (2) including PST are \$295.0 million in Rate Year 1, \$305.2 million in Rate Year 2, and \$309.2 million in Rate Year 3 (Supplemental Compliance Attachment 1, Page 1).
- For Narragansett Gas, the total revised revenue requirements (1) excluding PST (base case) are \$218.2 million in Rate Year 1, \$223.9 million in Rate Year 2, and \$227.2 million in Rate Year 3; and (2) including PST are \$218.2 million in Rate Year 1, \$225.8 million in Rate Year 2, and \$229.8 million in Rate Year 3 (Supplemental Compliance Attachment 1, Page 1).

- Supplemental Compliance Attachment 2 includes only the revenue requirement Schedules that have been created or revised subsequent to the Compliance Filing to reflect the updated amortization of excess ADIT as calculated in Supplemental Attachment 31. Revisions are highlighted in green.

Rate Proposals on Updated Revenue Requirements

This filing also includes the following rate proposals:

- To update distribution revenue targets for the Narragansett Electric and Narragansett Gas for Rate Year 1, Rate Year 2, and Rate Year 3.
- To recover the incremental Rate Year 1 Narragansett Electric distribution revenue of approximately \$1.8 million through Narragansett Electric's Revenue Decoupling Mechanism.
- To credit the decrease in Rate Year 1 Narragansett Gas distribution revenue of approximately \$0.4 million through a new factor in Narragansett Gas's Distribution Adjustment Charge effective November 1, 2019.
- To update Rate Year 2 and Rate Year 3 base distribution rates for Narragansett Electric and Narragansett Gas.

Bill Impacts

For Narragansett Electric, the updated monthly bill increases in Rate Year 2 for a residential customer on Standard Offer Service and using 500 kWh per month is \$1.17, or 1.1 percent, and in Rate Year 3 is \$0.41, or 0.4 percent. This compares to the increases presented in the Compliance Filing for Rate Year 2 of \$1.03, or 0.9 percent, and for Rate Year 3 of \$0.44, or 0.4 percent (Supplemental Compliance Attachment 10).

For Narragansett Gas, the updated annual bill increases for a residential heating customer using 845 therms per year in Rate Year 2 is \$21.73, or 1.8 percent, and in Rate Year 3 is \$11.77, or 1.0 percent. This compares to the increases presented in the Compliance Filing for Rate Year 2 of \$23.01, or 1.9 percent, and for Rate Year 3 of \$11.94, or 1.0 percent (Supplemental Compliance Attachment 17).

Proposed Narragansett Electric Tariff Revisions

The Company proposes the following revisions to Narragansett Electric's Revenue Decoupling Mechanism (RDM) Provision, RIPUC No. 2218 (canceling RIPUC No. 2201), Sheet 2 of 3:

- To state the amount that it will reflect in its RDM reconciliation for the Rate Year 1 increase in the next scheduled RDM reconciliation filing following the PUC's decision on this filing.

- To revise the RDM Provision to reflect the Settlement Agreement among the Company, the Division of Public Utilities and Carriers, the Office of Energy Resources, and the State of Rhode Island Office of Lieutenant Governor Daniel J. McKee filed with the PUC on January 24, 2019, and pending a PUC ruling in Docket No. 4808 (the Docket No. 4808 Settlement).

The appropriate tariff pages marked to identify the revisions to the tariff currently in effect are contained in this filing as Supplemental Compliance Attachment 13.

Proposed Narragansett Gas Tariff Revisions

The Company also proposes the following revisions to Narragansett Gas's tariff, RIPUC NG-GAS No. 101:

- To include a proposed new DAC component that would credit to customers (1) the credit for the impact from the reduction in the Rate Year 1 revenue requirement, and (2) the credit associated with the Docket No. 4808 Settlement Agreement:
 - Section 3, Schedule A, Sheets 1, 2, 3, 9, and 10.
- To reflect the base distribution rates for Rate Year 2 and Rate Year 3 that are proposed in this filing:
 - Section 4, Schedule A, Sheet 1;
 - Section 4, Schedule B, Sheet 1;
 - Section 4, Schedule C, Sheet 1;
 - Section 4, Schedule D, Sheet 1;
 - Section 5, Schedule A, Sheet 1;
 - Section 5, Schedule B, Sheets 1 and 2;
 - Section 5, Schedule C, Sheet 2;
 - Section 5, Schedule D, Sheet 2;
 - Section 5, Schedule E, Sheet 2; and
 - Section 5, Schedule F, Sheet 2.

The appropriate tariff pages marked to identify the additions to the tariff currently in effect are contained in this filing as Supplemental Compliance Attachment 19.

To reduce the volume of paper submitted with this filing, the Company is not submitting a clean version of the tariff at this time (and not including compliance filing schedules that did not change from the Compliance Filing filed on August 16, 2018). Instead, the Company will file the clean version of the tariff as a compliance filing following the PUC's ruling on this filing.

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Thank you for your attention to this transmittal. If you have any questions, please contact me at 781-907-2153.

Very truly yours,

A handwritten signature in blue ink that reads "Celia B. O'Brien". The signature is written in a cursive style.

Celia B. O'Brien

Enclosures

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

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

March 1, 2019
Date

Docket No. 4770 - National Grid – Rate Application
Service list updated 8/27/2018

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