

October 5, 2020

VIA ELECTRONIC MAIL

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

**RE: Docket 4770 – Revised Gas Earnings Sharing Mechanism
Revised Gas Earnings Report - Twelve Months Ended December 31, 2018
Revised Gas Earnings Report - Twelve Months Ended December 31, 2019
Second Revised Gas Earnings Report – Twelve Months Ended December 31, 2019**

Dear Ms. Massaro:

Enclosed is an electronic version¹ of revised earnings reports for the twelve-month period ended December 31, 2018 and the twelve-month period ended December 31, 2019, for the gas operations of the Company² in accordance with Article II, Section 6 of the Amended Settlement Agreement approved by the Rhode Island Public Utilities Commission (PUC) on August 24, 2018, in the above-referenced docket.

On May 1, 2020, the Company filed its earnings report for the twelve-month period ended December 31, 2019. That filing reflected “base earnings” of 8.89% return on equity, resulting in no earnings sharing with customers for calendar year (“CY”) 2019. Similarly, on May 1, 2019, the Company filed its earnings report for the twelve-month period ended December 31, 2018. That filing reflected “base earnings” of 8.99%, resulting in no earnings sharing with customers for CY 2018. On August 3, 2020, the Company filed its 2020 Distribution Adjustment Clause (“DAC”) filing, which includes a gas earnings sharing mechanism as a component of the DAC. In the pre-filed direct testimony of Company Witness Melissa A. Little, Ms. Little discussed certain adjustments to the Administrative and General Expenses for CY 2018 and CY 2019 related to an out of period Pension and Post-Retirement Benefits Other than Pensions adjustment and Aquidneck Island event expense (*See* CY 2019 Revised Earnings Sharing Mechanism, Page 14, Lines 40, 56-57; CY 2018 Revised Earnings Sharing Mechanism, Page 14, Line 54), as well as an adjustment to the cost of long-term debt in the interest expense calculation (*See* CY 2019 Revised Earnings Sharing Mechanism Page 10, Line 14; CY 2018 Revised Earnings Sharing Mechanism, Page 10, Line 12). These adjustments resulted in a revised return on equity for CY 2019 of 8.53%, which is a 0.36% decrease compared to the CY 2019 earnings originally reported on May 1, 2020, and remains under the 9.275 percent allowed return on equity.

¹ Per practice during the COVID-19 emergency period, the Company is providing a PDF version of the 2019 Revised Gas Earnings Reports, and the 2018 Revised Gas Earnings Report. The Company will provide the Commission Clerk with five (5) hard copies of this filing within 24 hours of the electronic filing.

² The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

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Twelve Months Ended December 31, 2018 and December 31, 2019
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The revised CY 2018 return on equity is 9.456%. As the revised CY 2018 return on equity is above the allowed return of 9.275% and below 10.275%, 50 percent of the earnings above 9.275% or 0.181% will be shared with customers plus interest, totaling \$461,331. The Company has proposed to credit those earnings through the 2020 DAC in Docket No. 5040.

Also, while responding to data requests in Docket No. 5040, the Company discovered that a \$173,692 manual entry concerning a new lease agreement between NG LNG and the Company was recorded to the Miscellaneous Service Revenues account, whereas it should have been in the Rent from Gas Property account and shown in Other Revenues, resulting in an adjustment to the net income used to calculate the Company's return on equity (*See* CY 2019 Second Revised Gas Earnings Sharing Mechanism, Page 9, Line 1; Page 14, Line 24).³ This adjustment resulted in a further revised return on equity for CY 2019 from 8.53% to 8.57% (*See* CY 2019 Second Revised Gas Earnings Sharing Mechanism, Page 1, Line 15), which remains below the 9.275% earnings sharing threshold. Thus, there is no impact on the gas earnings sharing mechanism for CY 2019.

The Company previously filed revised earnings reports for CY 2019 and CY 2018 as Schedules MAL-1 and MAL-2, respectively, to the 2020 DAC in Docket No. 5040 because the gas earnings sharing mechanism is a component of the DAC. The Company is filing duplicate copies of those reports, together with the CY 2019 Second Revised Gas Earnings Report, in the above-referenced docket in accordance with the Amended Settlement Agreement. The Company is simultaneously filing the CY 2019 Second Revised Gas Earnings Report in Docket No. 5040 to facilitate the Public Utilities Commission's review of the Company's gas earnings sharing mechanism in that docket.

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.

³ *See* National Grid's response to Division Data Request 2-7 and Division Data Request 2-7-Supplemental, Docket No. 5040.

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism**

**National Grid - RI Gas
Revised CY 2018 Earnings Sharing Calculation
For the Twelve Months ended December 31, 2018**

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National Grid - RI Gas
Revised CY 2018 Earnings Sharing Calculation
For the Twelve Months ended December 31, 2018

1	Average Rate Base	\$776,357,063	
2	Equity Component of Rate Base	50.95%	
3	Average Common Equity	<u>\$395,553,923</u>	
4			
5	Actual Total Earnings	\$39,707,293	
6	Return on Common Equity before Incentives	10.038%	
7			
8	Less incentives:		
9	Energy Efficiency shareholder incentive	\$1,627,345	0.41%
10	Natural Gas Portfolio Management Plan	\$620,636	0.16%
11	Gas Procurement Incentive Plan	<u>\$54,616</u>	0.01%
12		\$2,302,597	
13			
14	Base Earnings	\$37,404,696	
15	Return on Common Equity after Incentives	<u>9.456%</u>	
16			
17	<u>Return on Equity > 9.275% and < 10.275%</u>	0.181%	
18	Earnings to be Shared	<u>\$715,953</u>	
19	Earnings to Customers - 50%	<u>\$357,976</u>	
20			
21	Return on Equity > 10.275%	0.00%	
22	Earnings to be Shared	<u>\$0</u>	
23	Earnings to Customers - 75%	<u>\$0</u>	
24			
25	Total After tax Earnings Credited to Customers	<u><u>\$357,976</u></u>	
26			
27	Total Earnings Credited to DAC	\$453,134	
28	Interest owed to Customers	<u>\$8,197</u>	
29	Total Earnings and Interest Credited to DAC	<u><u>\$461,331</u></u>	

Notes:

- 1 From Page 5 of 15 line 24(f)
- 2 From Page 4 of 15 line 8(a)
- 3 Line 1 times line 2
- 5 Line 12 plus line 14
- 6 Line 5 divided by line 3
- 9 Line 9 divided by line 3
- 10 Line 10 divided by line 3
- 11 Line 11 divided by line 3
- 14 From Page 2 of 15 line 46
- 15 Line 14 divided by line 3
- 17 Smaller of 10.275% or Line 15 minus 9.275%.
- 18 Line 3 times line 17
- 19 Line 18 times 50%
- 21 If Line 15 is greater than 10.275%
- 22 Line 3 times line 21
- 23 Line 22 times 75%
- 25 Line 19 plus line 23
- 27 Page 15 of 15 line 2
- 28 Page 15 of 15 line 15(d)
- 29 Line 27 plus line 28

The Narragansett Electric Company
d/b/a National Grid
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Revised Gas Earnings Sharing Mechanism
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**National Grid - RI Gas
Income Statement
For the Twelve Months ended December 31, 2018**

	<u>2018</u>
1 <u>Operating Revenues</u>	
2 Total Firm Gas	\$399,470,253
3 Transportation	\$45,239,575
4 Other Revenues	(\$10,714,584)
5 Total Operating Revenues	<u>\$433,995,243</u>
6	
7 <i>Adjustment to Operating Revenue:</i>	
8 Inventory Financing	(\$929,960)
9 Total Adjusted Operating Revenues	<u>\$433,065,283</u>
10	
11 <u>Operating Expenses</u>	
12 Production (Gas Costs)	\$180,027,225
13 Storage	\$5,917,311
14 Transmission	\$1,140,245
15 Distribution	\$29,303,308
16 Customer Accounts	\$40,559,678
17 Sales	\$0
18 Administrative and General	<u>\$36,184,284</u>
19 Total Operating Expenses	<u>\$293,132,051</u>
20	
21 <i>Adjustments to Operating Expense:</i>	
22 Savings Imputed in Base Rates	\$1,633,333
23 Total Adjusted Operating Expenses	<u>\$294,765,384</u>
24	
25 <u>Other Expenses</u>	
26 Depreciation and Amortization	\$35,164,510
27 Local and Other Taxes	\$25,648,707
28 Revenue Related Taxes (Gross Earnings Tax - GET)	\$12,651,187
29 Federal Income Taxes @ 21%	\$9,109,269
30 Total Other Expenses	<u>\$82,573,673</u>
31	
32 Income Before Interest Expense	<u>\$55,726,226</u>
33	
34 <u>Interest Expense</u>	
35 Other Income/Expenses	\$0
36 Short-Term Debt	\$97,821
37 Long-Term Debt	\$19,669,317
38 Other Interest Expense	\$42,195
39 AFUDC	(\$1,522,739)
40 Total Interest Expense	<u>\$18,286,594</u>
41	
42 Net Income / (Loss)	<u>\$37,439,632</u>
43	
44 Preferred Dividends	<u>\$34,936</u>
45	
46 Net Income / (Loss) Applicable to Common Equity	<u><u>\$37,404,696</u></u>

Notes:

- 4 From Page 7 of 15 line 10
- 22 Docket No. 3943 (4/4/2008) Attachment NG-MDL-4 Page 1 of 6 Line 7 (8 months)
- 27 From Page 6 of 15 sum of line 3 through line 5
- 29 From Page 3 of 15 line 20
- 36 From Page 4 of 15 line 25(b)
- 37 From Page 4 of 15 line 17(b)
- 38 From Page 8 of 15 line 3
- 44 From Page 4 of 15 line 34(b)

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism
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**National Grid - RI Gas
Federal Income Tax Calculation
For the Twelve Months ended December 31, 2018**

1	Operating Revenues	\$433,065,283
2		
3	Less:	
4		
5	Operating Expenses	\$294,765,384
6	Depreciation and Amortization	\$35,164,510
7	Local and Other Taxes	\$25,648,707
8	Revenue Related Taxes (GET)	\$12,651,187
9	Interest - Short-Term Debt	\$97,821
10	Interest - Long-Term Debt	\$19,669,317
11	Other Interest	\$42,195
12	AFUDC	<u>(\$1,522,739)</u>
13		
14	Total Deductions	<u>\$386,516,382</u>
15		
16	Taxable Income	\$46,548,901
17		
18	Federal Income Tax Rate	<u>21.00%</u>
19		
20	Imputed Federal Income Tax Expense	\$9,775,269
21		
22	Amortization of EDIT (Sept-Dec)	(\$666,000)
23		
24	Net Federal Income Tax Expense	<u><u>\$9,109,269</u></u>

Notes:

- | | |
|----|--|
| 1 | From Page 2 of 15 line 9 |
| 5 | From Page 2 of 15 line 23 |
| 6 | From Page 2 of 15 line 26 |
| 7 | From Page 2 of 15 line 27 |
| 8 | From Page 2 of 15 line 28 |
| 9 | From Page 2 of 15 line 36 |
| 10 | From Page 2 of 15 line 37 |
| 11 | From Page 2 of 15 line 38 |
| 12 | From Page 2 of 15 line 39 |
| 14 | Sum of Line 5 through line 12 |
| 16 | Line 1 minus line 14 |
| 18 | Federal income Tax Rate: rate of 21% |
| 20 | Line 16 times Line 18 |
| 22 | Docket No. 4770, Compliance Attachment 2, Schedule 10-GAS, Page 1, Line 20 |
| 24 | Line 20 plus Line 22 |

**The Narragansett Electric Company
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Revised Gas Earnings Sharing Mechanism
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**National Grid - RI Gas
Applicable Capital Structure, Interest Expense and Preferred Dividends
For the Twelve Months ended December 31, 2018**

	%	\$
	(a)	(b)
1		\$776,357,063
2		
3		
4	<u>Docket 4770</u>	
5	0.60%	\$4,658,142
6	48.35%	\$375,368,640
7	0.10%	\$776,357
8	50.95%	\$395,553,923
9	100.00%	\$776,357,063
10	Interest Expense	
11		
12		
13	48.35%	\$375,368,640
14		
15		5.2400%
16		
17		\$19,669,317
18		
19		
20		
21	0.60%	\$4,658,142
22		
23		2.10%
24		
25		\$97,821
26		
27	Preferred Dividends	
28		
29		
30	0.10%	\$776,357
31		
32		4.50%
33		
34		\$34,936

Notes:

- 1(b) From Page 5 of 15 line 24(f)
- 5(a)-8(a) Docket 4770, Compliance Filing Attachment 2, Schedule 1-GAS, Page 4 of 4
- 5(b)-8(b) Line 1(b) times Line 5(a) through Line 8(a)
- 13 Line 1(b) times Line 13(a)
- 15 From Page 10 of 15 line 14(g)
- 17 Line 13(b) times line 15(b)
- 21 Line 1(b) times Line 21(a)
- 23 From Page 11 Line 14(b)
- 25 Line 21(b) times line 23(b)
- 30 Line 1(b) times Line 30(a)
- 32 Cost rate per Docket No. 4770, Compliance Attachment 2, Schedule 1-GAS, Page 4 Line 5
- 34 Line 30(b) times line 32(b)

National Grid - RI Gas
Rate Base
For the Twelve Months ended December 31, 2018

	December 2017 (a)	March 2018 (b)	June 2018 (c)	September 2018 (d)	December 2018 (e)	5 Quarter Average December 2018 (f)
1 Gas Plant In Service	\$1,153,416,688	\$1,196,039,463	\$1,216,320,455	\$1,244,302,519	\$1,270,410,017	\$1,216,097,828
2 CWIP	\$76,022,283	\$52,548,788	\$62,799,396	\$69,056,353	\$75,391,908	\$67,163,746
3 Less: Accumulated Depreciation	\$381,913,835	\$388,566,984	\$392,205,142	\$395,245,923	\$399,108,875	\$391,408,152
4 Less: Contribution in Aid of Construction	\$38	\$38	\$38	\$38	\$38	\$38
5						
6 Net Plant	\$847,525,098	\$860,021,229	\$886,914,671	\$918,112,911	\$946,693,012	\$891,853,384
7						
8 Materials and Supplies	\$3,580,099	\$3,981,153	\$4,425,685	\$4,593,747	\$4,724,404	\$4,261,017
9 Prepaid Expenses, Excluding Taxes	\$864,353	\$1,811,623	\$128,359	\$267,841	\$4,774	\$615,390
10 Deferred Debits	\$0	\$0	\$0	\$1,793,454	\$1,686,909	\$696,073
11 Unamortized debt expense and Interest Rate Lock	\$1,727,831	\$1,697,996	\$1,668,162	\$2,113,277	\$2,071,368	\$1,855,727
12 Cash Working Capital	\$19,692,717	\$29,919,678	\$29,919,678	\$29,919,678	\$29,919,678	\$27,874,286
13						
14 Subtotal	\$25,865,000	\$37,410,450	\$36,141,884	\$38,687,998	\$38,407,133	\$35,302,493
15						
16 Accumulated Deferred FIT	\$87,805,880	\$69,153,777	\$74,302,956	\$77,337,699	\$79,976,277	\$77,715,318
17 Excess Deferred Tax	\$51,547,315	\$48,219,314	\$48,219,314	\$48,219,314	\$58,151,908	\$50,871,433
18 Excess Deferred Tax Amortization	\$0	\$0	\$0	(\$166,500)	(\$666,000)	(\$166,500)
19 Hold Harmless	\$20,773,882	\$20,335,534	\$19,897,186	\$19,458,837	\$19,020,489	\$19,897,186
20 Customer Deposits	\$1,840,627	\$1,857,003	\$1,830,117	\$1,875,748	\$1,982,743	\$1,877,248
21 Injuries and Damages Reserve	\$1,065,107	\$1,007,021	\$948,521	\$0	\$0	\$604,130
22						
23 Subtotal	\$163,032,811	\$140,572,649	\$145,198,094	\$146,725,099	\$158,465,417	\$150,798,814
24						
25 Rate Base	\$710,357,287	\$756,859,030	\$777,858,460	\$810,075,809	\$826,634,728	\$776,357,063

Notes:

- 1(a)-4(c) From Company Financial Statements
- 1(f)-4(f) Average of Column (a) through Column (e)
- 6(a)-6(c) Line 1 plus line 2 minus line 3 minus line 4
- 6(f) Average of Column (a) through Column (e)
- 8(a)-11(c) From Company Financial Statements
- 8(f)-11(f) Average of Column (a) through Column (e)
- 12(b)-12(e) From Page 6 of 15 Line 13
- 14 Sum of Line 8 through Line 12
- 16(a)-21(e) From Company Financial Statements
- 16(f)-21(f) Average of Column (a) through Column (e)
- 17 Excess Deferred Tax for change in tax rate from 35% to 21%
- 18 Amortization of Excess Deferred Tax per Docket 4770, Compliance Attachment 2, Schedule 11-Gas, Page 11, Line 51
- 19 Hold Harmless rate base credit per Docket No. 3859
- 23 Sum of Line 16 through Line 21
- 25 Line 6 + Line14 - Line 23

The Narragansett Electric Company
d/b/a National Grid
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National Grid - RI Gas
Cash Working Capital Calculation
For the Twelve Months ended December 31, 2018

1	Gas Costs	\$180,027,225
2	Operating Expenses	\$113,104,826
3	Payroll Taxes	\$2,502,790
4	Property Taxes	\$23,065,094
5	State Taxes Other	\$80,823
6	Revenue Related Taxes (GET)	\$12,651,187
7	Total	<u>\$331,431,945</u>
8		
9	Daily Cash Requirement	\$908,033
10		
11	Net Lag Days	32.95
12		
13	Total Working Capital	<u><u>\$29,919,678</u></u>

Notes:

- 1 From Page 2 of 15 line 12
- 2 From Page 2 of 15 lines 13-18
- 3-5 From Company Financial Statements
- 6 From Page 2 of 15 line 28
- 7 Sum of Lines 1 through line 6
- 9 Line 7 divided by 365 days
- 11 Per Docket No. 4770, Schedule MAL-42-GAS,
(Page 3 of 29, Line 18 - Page 2 of 29, Line 1)
- 13 Line 9 times line 11

The Narragansett Electric Company
d/b/a National Grid
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Revised Gas Earnings Sharing Mechanism
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National Grid - RI Gas
Detail Other Revenue/(Expense)
For the Twelve Months ended December 31, 2018

1	Rent from Gas Property	\$675,018
2	Other Revenue	(\$2,115,622)
3	Recovery of Supervision & Administrative Costs	(\$29,462)
4	RDM Revenue	(\$9,368,557)
5	DAC Revenue	\$188,781
6	LIHEAP Revenue	(\$384,504)
7	Misc Revenue	\$0
8	Interest on Customer Arrears	\$319,761
9		
10	Total Other Revenue	<u><u>(\$10,714,585)</u></u>

Notes:

- 1-8 From Company Financial Statements
- 10 Sum of line 1 through line 8

The Narragansett Electric Company
d/b/a National Grid
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Revised Gas Earnings Sharing Mechanism
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National Grid - RI Gas
Detail Other Interest Expense
For the Twelve Months ended December 31, 2018

1	Interest on Customer Deposits	\$42,195
2		
3	Total Other Interest Expense	<u>\$42,195</u>

Notes:

- 1 From Company Financial Statements
- 3 Line 1

National Grid - RI Gas
Detail Non-Operating Income / (Expense)
For the Twelve Months ended December 31, 2018

1	Service Contract Revenue	\$167,650
2	Share Awards	(\$169,346)
3	Interest on Over / (Under) Collections, primarily Deferred Gas Costs	\$45,128
4	Deferred Compensation - Life Insurance	(\$16,913)
5	Federal Income Taxes on Non-Operating Income	(\$859,958)
6	NGPMP per Docket 4038	\$0
7	Lobbying / Legal and Political Expense	\$526,601
8	Penalties	\$175,400
9	Other	\$2,935,897
10	Total Non-Operating Income/(Expense)	<u>\$2,804,459</u>

Notes:

- 1-9 From Company Financial Statements
- 10 Sum of line 1 through line 9

National Grid - RI Gas
Calculation of Average Long-Term Debt Interest Rate
For the Twelve Months ended December 31, 2018

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Series	Percent	Due	Amount	Annual Interest	Annual Amortization of DD&E	Total Expense	Cost of Debt	
<u>Senior Unsecured Notes</u>								
1	Senior Notes	4.534%	15-Mar-2020	\$250,000,000	\$11,335,000	\$664,600	\$11,999,600	4.80%
2	Senior Notes	5.638%	15-Mar-2040	\$300,000,000	\$16,914,000	\$279,300	\$17,193,300	5.73%
3	Senior Notes	4.170%	10-Dec-2042	\$250,000,000	\$10,425,000	\$75,000	\$10,500,000	4.20%
4	Senior Notes	3.919%	1-Aug-2028	\$148,750,000	\$5,829,513	\$61,185	\$5,890,698	3.96%
<u>First Mortgage Bonds (*)</u>								
5	Providence Gas FMB S	6.820%	1-Apr-2018	\$3,616,000	\$246,611	\$7,000	\$253,611	7.01%
6	Providence Gas FMB N	9.630%	30-May-2020	\$10,000,000	\$963,000	\$4,100	\$967,100	9.67%
7	Providence Gas FMB O	8.460%	30-Sep-2022	\$12,500,000	\$1,057,500	\$4,300	\$1,061,800	8.49%
8	FMB Series P	8.090%	30-Sep-2022	\$2,968,750	\$240,172	\$3,500	\$243,672	8.21%
9	FMB Series R	7.500%	15-Dec-2025	\$5,968,750	\$447,656	\$4,100	\$451,756	7.57%
10	Total			<u>\$983,803,500</u>	<u>\$47,458,452</u>	<u>\$1,103,085</u>	<u>\$48,561,537</u>	<u>4.94%</u>
11	Electric Operations	70.000%		\$688,662,450	\$32,303,450	\$783,994	\$33,087,444	4.80%
12	Gas Operations	30.000%		<u>\$295,141,050</u>	<u>\$15,155,002</u>	<u>\$319,091</u>	<u>\$15,474,094</u>	<u>5.24%</u>
13	Legacy Debt			\$35,053,500	\$2,954,939	\$23,000	\$2,977,939	8.50%
14	New Debt			\$260,087,550	\$12,200,063	\$296,091	\$12,496,154	4.80%
15	Total			<u>\$983,803,500</u>	<u>\$47,458,452</u>	<u>\$1,103,085</u>	<u>\$48,561,537</u>	<u>4.94%</u>
				<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Notes:

- 1-9 From Financial Statements
11 Line 10 times Line 11(a)
12 Line 13 + Line 14
13 Sum of Lines 5 through 9
14 Line 10 less Line 11
15 Line 11 + Line 12

1(c)-11(c) *Average amounts represent The Narragansett Electric Company consolidated amounts as the Gas division is not a legal entity.

National Grid - RI Gas
Calculation of Average Short-Term Debt Interest Rate
For the Twelve Months ended December 31, 2018

	(a)	(b)	(c)
<u>Month</u>	<u>Average Short-Term Debt Balance</u>	<u>Weighted Cost Rate</u>	<u>Short-Term Interest Expense</u>
1 Jan-18	\$188,410,097	1.73%	\$272,423
2 Feb-18	\$207,257,672	1.88%	\$287,680
3 Mar-18	\$266,688,204	1.91%	\$427,366
4 Apr-18	\$289,320,538	2.23%	\$524,088
5 May-18	\$256,154,242	2.32%	\$499,462
6 Jun-18	\$279,330,467	2.25%	\$512,578
7 Jul-18	\$241,974,306	2.31%	\$499,785
8 Aug-18	-	2.28%	-
9 Sep-18	-	2.24%	-
10 Oct-18	-	2.36%	-
11 Nov-18	-	2.48%	-
12 Dec-18	-	2.59%	-
13			
14 Average	\$144,094,627	2.10%	\$3,023,383

Notes:

1(a)-12(a) Average amounts represent The Narragansett Electric Company consolidated amounts as the Gas division is not a legal entity and participates in the National Grid money pool as a division of The Narragansett Electric.

14(b) Line 14 (c) divided by Line 14 (a)

**National Grid - RI Gas
Merger Hold Harmless Rate Base Credit
For the Twelve Months ended December 31, 2018**

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
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The Narragansett Electric Company d/b/a National Grid
Merger Hold Harmless Rate Base Credit Adjustments To Rate Base
Test Year Ending June 31,2017 through Rate Year 1 Ending August 31, 2019

Description	Period (a)	Monthly Expense (b)	Merger Hold Harmless Rate Base Credit (c)
1			\$21,532,971
2			
3			(\$253,030)
4			
5			\$21,279,942
6			
7			
8	08/31/18		(\$1,674,988.40)
9			
10			\$19,604,953
11	09/30/18	(\$146,116)	\$19,458,837
12	10/31/18	(\$146,116)	\$19,312,721
13	11/30/18	(\$146,116)	\$19,166,605
14	12/31/18	(\$146,116)	\$19,020,489
15	01/31/19	(\$167,950)	\$18,852,539
16	02/28/19	(\$167,950)	\$18,684,590
17	03/31/19	(\$167,950)	\$18,516,640
18	04/30/19	(\$167,950)	\$18,348,691
19	05/31/19	(\$167,950)	\$18,180,741
20	06/30/19	(\$167,950)	\$18,012,792
21	07/31/19	(\$167,950)	\$17,844,842
22	08/31/19	(\$167,950)	\$17,676,893
23			
24			<u>\$18,662,756</u>

Line Notes

- 1(c) Page 21 of 23 Line 5 Column (e)
- 3(c) Page 21 of 23 Line 6 Column (f) divide by 3 times 2
- 5(c) Line 1 + Line 8
- 11(b) Page 21 of 23 Line 10 Column (f) divide by 3 times 1
- 12(b) Page 21 of 23 Line 11 Column (f) divide by 3 times 1
- 13(b) Page 21 of 23 Line 11 Column (f) divide by 3 times 1
- 14(b) Page 21 of 23 Line 11 Column (f) divide by 3 times 1
- 15(b) Page 21 of 23 Line 12 Column (f) divide by 3 times 1
- 16(b) Page 21 of 23 Line 12 Column (f) divide by 3 times 1
- 17(b) Page 21 of 23 Line 12 Column (f) divide by 3 times 1
- 18(b) Page 21 of 23 Line 13 Column (f) divide by 3 times 1
- 19(b) Page 21 of 23 Line 13 Column (f) divide by 3 times 1
- 20(b) Page 21 of 23 Line 13 Column (f) divide by 3 times 1
- 21(b) Page 21 of 23 Line 14 Column (f) divide by 3 times 1
- 22(b) Page 21 of 23 Line 14 Column (f) divide by 3 times 1

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism
Page 13 of 15**

Schedule DJE-2
Revised

NATIONAL GRID
MERGER ADJUSTMENT TO ADIT
Projected Deferred Tax Schedule
(\$000)

<u>As of 31-Dec</u>	Southern Union <u>ADIT</u>	National Grid <u>ADIT</u>	<u>Difference</u>	Southern Union <u>ADITC</u>	ADIT Merger <u>Adjustment</u>
2006	\$ 34,845	\$ 214	\$ 34,631	\$ 1,133	\$ 35,764
2007	\$ 33,908	\$ 1,238	\$ 32,670	\$ 928	\$ 33,598
2008	\$ 32,170	\$ 2,073	\$ 30,097	\$ 724	\$ 30,821
2009	\$ 30,086	\$ 1,859	\$ 28,227	\$ 519	\$ 28,746
2010	\$ 29,473	\$ 2,238	\$ 27,235	\$ 315	\$ 27,549
2011	\$ 29,632	\$ 3,184	\$ 26,448	\$ 110	\$ 26,558
2012	\$ 29,583	\$ 3,760	\$ 25,823		\$ 25,823
2013	\$ 29,515	\$ 4,286	\$ 25,229		\$ 25,229
2014	\$ 29,199	\$ 4,628	\$ 24,572		\$ 24,572
2015	\$ 29,095	\$ 5,530	\$ 23,566		\$ 23,566
2016	\$ 28,823	\$ 6,531	\$ 22,292		\$ 22,292
2017	\$ 28,342	\$ 7,568	\$ 20,774		\$ 20,774
2018	\$ 27,627	\$ 8,606	\$ 19,020		\$ 19,020
2019	\$ 26,847	\$ 9,842	\$ 17,005		\$ 17,005
2020	\$ 25,922	\$ 11,305	\$ 14,617		\$ 14,617
2021	\$ 24,732	\$ 12,797	\$ 11,934		\$ 11,934
2022	\$ 23,374	\$ 14,311	\$ 9,064		\$ 9,064

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism
Page 14 of 15

National Grid - RI Gas
Reconciliation of Revised CY 2018 Gas Earnings Sharing Mechanism to Annual Report
For the Twelve Months ended December 31, 2018

1	Operating Revenues	
2	Gas Operating Revenues shown on Page 301, Line 1(f) of the Annual Report	\$394,332,382
3	1 Remove Energy Efficiency Incentives	(\$1,627,345)
4	2 Unbilled Revenue Net Margin	\$7,726,911
5	3 Unbilled Energy Efficiency	(\$961,695)
6	Gas Earnings Sharing Mechanism, Page 2, Total Firm Gas Revenues	<u>\$399,470,253</u>
7		
8	Revenues from Transportation shown on Page 301, Line 7(f) of the Annual Report	\$45,282,322
9	1 Unbilled Transportation	(\$42,747)
10	Gas Earnings Sharing Mechanism, Page 2, Transportation Revenues	<u>\$45,239,575</u>
11		
12	Miscellaneous Service Revenues shown on Page 301, Line 4(f) of the Annual Report	(\$376)
13	Rent from Gas Property shown on Page 301, Line 12(f) of the Annual Report	\$675,018
14	Other Gas Revenues shown on Page 301, Line 14(f) of the Annual Report	(\$4,244,179)
15	1 Excess Sharing	\$4,482,546
16	2 Off System Gas Sales	(\$5,248,914)
17	3 Contract Sharing	\$145,732
18	4 Unbilled DAC	(\$6,103,929)
19	5 Unbilled RDM	(\$740,618)
20	6 Miscellaneous Service Revenues	\$376
21	7 CSS Revenue - Customer Arrears	\$319,761
22	Gas Earnings Sharing Mechanism, Page 2, Other Revenues	<u>(\$10,714,583)</u>
23		
24	Inventory Financing	<u>(\$929,960)</u>
25		
26		
27	Operating Expenses	
28	Production expenses shown on Page 320 of the Annual Report	<u>\$180,027,225</u>
29	Gas Earnings Sharing Mechanism, Page 2, Production (Gas Costs)	<u>\$180,027,225</u>
30		
31	Natural Gas Storage expenses shown on Page 322 of the Annual Report	<u>\$5,917,312</u>
32	Gas Earnings Sharing Mechanism, Page 2, Storage	<u>\$5,917,312</u>
33		
34	Transmission expenses shown on Page 323 of the Annual Report	<u>\$1,140,244</u>
35	Gas Earnings Sharing Mechanism, Page 2, Transmission	<u>\$1,140,244</u>
36		
37	Distribution expenses shown on Page 324 of the Annual Report	<u>\$29,303,308</u>
38	Gas Earnings Sharing Mechanism, Page 2, Distribution	<u>\$29,303,308</u>
39		
40	Customer Accounts expenses shown on Pages 324-325 of the Annual Report	\$43,666,463
41	1 Zero out Uncollectible Accounts per books	(\$8,721,968)
42	2 Add Bad Debt Write-Offs	\$5,615,181
43	Gas Earnings Sharing Mechanism, Page 2, Customer Accounts	<u>\$40,559,676</u>
44		
45	Sales expenses shown on Page 325 of the Annual Report	\$233,055
46	1 Remove Sales expenses	(\$233,055)
47	Gas Earnings Sharing Mechanism, Page 2, Sales	<u>\$0</u>
48		
49	Administrative and General expenses shown on Page 325 of the Annual Report	\$37,634,675
50	1 Reclassify Donations to A&G expense from Account 426.1	\$324,271
51	2 Exclude Executive Variable Compensation not charged to customers	(\$260,147)
52	3 Normalize out of period adjustment for A&G OH Study reclassification to capital	\$1,543,836
53	4 Estimated Service Company excess deferred federal income taxes (Sept - Dec) per Docket No. 4770, Compliance Attachment 2, Schedule 17, Page 6, Line 24	\$259,759
54	5 Out of Period Pension OPEB Adjustment	<u>(\$3,318,110)</u>
55	Gas Earnings Sharing Mechanism, Page 2, Administrative and General	<u>\$36,184,284</u>

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism
Page 15 of 15**

National Grid - RI Gas
DAC Tax and Interest on Earnings Sharing
For the Twelve Months ended December 31, 2018

1	Total After-tax Earnings Credited to Customers	\$357,976
2	Tax true-up at 21%	\$453,134

		Bank of America Rate less 200 Basis			
		Beg Bal	Points	End Bal	(d) = (c) - (a)
		(a)	(b)	(c)	(d) = (c) - (a)
3	Nov-19	\$453,134	0.0275	\$454,173	\$1,038
4	Dec-19	\$454,173	0.0275	\$455,213	\$1,041
5	Jan-20	\$455,213	0.0275	\$456,257	\$1,043
6	Feb-20	\$456,257	0.0275	\$457,302	\$1,046
7	Mar-20	\$457,302	0.0178	\$457,981	\$679
8	Apr-20	\$457,981	0.0125	\$458,458	\$477
9	May-20	\$458,458	0.0125	\$458,936	\$478
10	Jun-20	\$458,936	0.0125	\$459,414	\$478
11	Jul-20	\$459,414	0.0125	\$459,893	\$479
12	Aug-20	\$459,893	0.0125	\$460,372	\$479
13	Sep-20	\$460,372	0.0125	\$460,851	\$480
14	Oct-20	\$460,851	0.0125	\$461,331	\$480
15				\$8,197	

Notes:

1 Page 1 of 15, Line 25

2 Line 1 / 79%

3(a) Line 2

Column (a) Prior Month Column (c)

Column (c) Column (a)*(1+Column (b)/12)

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism**

**National Grid - RI Gas
Revised Earnings Sharing Calculation
For the Twelve Months ended December 31, 2019**

Table of Contents

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Detail Other Interest Expense	8
Detail Non-Operating Income / (Expense)	9
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Calculation of Average Short-Term Debt Interest Rate	11
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Projected Deferred Tax Schedule	13
Reconciliation of Revised Gas Earnings Sharing Mechanism to Annual Report	14

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism
Page 1 of 14**

**National Grid - RI Gas
Revised Earnings Sharing Calculation
For the Twelve Months ended December 31, 2019**

1	Average Rate Base	\$865,035,866	
2	Equity Component of Rate Base	50.95%	
3	Average Common Equity	<u>\$440,735,773</u>	
4			
5	Actual Total Earnings	\$39,969,793	
6	Return on Common Equity with Incentives	9.07%	
7			
8	Less incentives:		
9	Energy Efficiency shareholder incentive	\$1,625,651	0.37%
10	Natural Gas Portfolio Management Plan	\$710,356	0.16%
11	Gas Procurement Incentive Plan	<u>\$17,789</u>	0.00%
12		<u>\$2,353,796</u>	
13			
14	Base Earnings	\$37,615,997	
15	Return on Common Equity without Incentives	<u>8.53%</u>	
16			
17	<u>Return on Equity > 9.275% and < 10.275%</u>	0.00%	
18	Earnings to be Shared	<u>\$0</u>	
19	Earnings to Customers - 50%	<u>\$0</u>	
20			
21	Return on Equity > 10.275%	0.00%	
22	Earnings to be Shared	<u>\$0</u>	
23	Earnings to Customers - 75%	<u>\$0</u>	
24			
25	Total After tax Earnings Credited to Customers	<u>\$0</u>	
26			
27	Total Earnings Credited to DAC	<u>\$0</u>	

Notes:

- 1 From Page 5 of 14 line 24(f)
- 2 From Page 4 of 14 line 8(a)
- 3 Line 1 times line 2
- 5 Line 12 plus line 14
- 6 Line 5 divided by line 3
- 9 Line 9 divided by line 3
- 10 Line 10 divided by line 3
- 11 Line 11 divided by line 3
- 14 From Page 2 of 14 line 42
- 15 Line 14 divided by line 3
- 17 Smaller of 10.275% or Line 15 minus 9.275%.
- 18 Line 3 times line 17
- 19 Line 18 times 50%
- 21 If Line 15 is greater than 10.275%
- 22 Line 3 times line 21
- 23 Line 22 times 75%
- 25 Line 19 plus line 23
- 27 Line 25 divided by 79%

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism
Page 2 of 14

**National Grid - RI Gas
Income Statement
For the Twelve Months ended December 31, 2019**

	<u>2019</u>
1 <u>Operating Revenues</u>	
2 Total Firm Gas	\$382,295,156
3 Transportation	\$45,636,420
4 Other Revenues	\$6,783,924
5 Total Operating Revenues	<u>\$434,715,499</u>
6	
7 <i>Adjustment to Operating Revenue:</i>	
8 Inventory Financing	<u>(\$1,018,360)</u>
9 Total Adjusted Operating Revenues	<u>\$433,697,139</u>
10	
11 <u>Operating Expenses</u>	
12 Production (Gas Costs)	\$173,520,830
13 Storage	\$3,577,240
14 Transmission	\$2,551,617
15 Distribution	<u>\$28,128,452</u>
16 Customer Accounts	\$44,832,234
17 Sales	\$0
18 Administrative and General	<u>\$34,050,518</u>
19 Total Operating Expenses	<u>\$286,660,891</u>
20	
21 <u>Other Expenses</u>	
22 Depreciation and Amortization	\$40,272,196
23 Local and Other Taxes	<u>\$28,129,437</u>
24 Revenue Related Taxes (Gross Earnings Tax - GET)	\$12,099,213
25 Federal Income Taxes @ 21%	<u>\$7,814,449</u>
26 Total Other Expenses	<u>\$88,315,295</u>
27	
28 Income Before Interest Expense	<u>\$58,720,954</u>
29	
30 <u>Interest Expense</u>	
31 Other Income/Expenses	\$0
32 Short-Term Debt	\$120,413
33 Long-Term Debt	\$20,887,787
34 Other Interest Expense	\$57,830
35 AFUDC	<u>\$0</u>
36 Total Interest Expense	<u>\$21,066,030</u>
37	
38 Net Income / (Loss)	<u>\$37,654,924</u>
39	
40 Preferred Dividends	<u>\$38,927</u>
41	
42 Net Income / (Loss) Applicable to Common Equity	<u><u>\$37,615,997</u></u>

Notes:

- 4 From Page 7 of 14 line 11
- 23 From Page 6 of 14 line 3 through 5
- 25 From Page 3 of 14 line 24
- 32 From Page 4 of 14 line 25(b)
- 33 From Page 4 of 14 line 17(b)
- 34 From Page 8 of 14 line 3
- 40 From Page 4 of 14 line 34(b)

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism
Page 3 of 14

National Grid - RI Gas
Federal Income Tax Calculation
For the Twelve Months ended December 31, 2019

1	Operating Revenues	\$433,697,139
2		
3	Less:	
4		
5	Operating Expenses	\$286,660,891
6	Depreciation and Amortization	\$40,272,196
7	Local and Other Taxes	\$28,129,437
8	Revenue Related Taxes (GET)	\$12,099,213
9	Interest - Short-Term Debt	\$120,413
10	Interest - Long-Term Debt	\$20,887,787
11	Other Interest	\$57,830
12	AFUDC	<u>\$0</u>
13		
14	Total Deductions	<u>\$388,227,766</u>
15		
16	Taxable Income	\$45,469,373
17		
18	Federal Income Tax Rate	<u>21.00%</u>
19		
20	Imputed Federal Income Tax Expense	\$9,548,568
21		
22	Amortization of EDIT	(\$1,734,119)
23		
24	Net Federal Income Tax Expense	<u><u>\$7,814,449</u></u>

Notes:

- 1 From Page 2 of 14 line 9
- 5 From Page 2 of 14 line 19
- 6 From Page 2 of 14 line 22
- 7 From Page 2 of 14 line 23
- 8 From Page 2 of 14 line 24
- 9 From Page 2 of 14 line 32
- 10 From Page 2 of 14 line 33
- 11 From Page 2 of 14 line 34
- 12 From Page 2 of 14 line 35
- 14 Sum of Line 5 through line 12
- 16 Line 1 minus line 14
- 18 Federal income Tax Rate: rate of 21%
- 20 Line 16 times Line 18
- 22 - Docket No. 4770, Excess Deferred Income Tax True-Up – Second Compliance Filing dated May 30, 2019, Second Compliance Attachment 31, Page 1
- 24 Line 20 plus Line 22

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism
Page 4 of 14

National Grid - RI Gas
Applicable Capital Structure, Interest Expense and Preferred Dividends
For the Twelve Months ended December 31, 2019

	%	\$
	(a)	(b)
1		\$865,035,866
2		
3		
4		<u>Docket 4770</u>
5	0.60%	\$5,190,215
6	48.35%	\$418,244,841
7	0.10%	\$865,036
8	50.95%	\$440,735,773
9	100.00%	\$865,035,866
10		
11		
12		
13	48.35%	\$418,244,841
14		
15		4.99%
16		
17		\$20,887,787
18		
19		
20		
21	0.60%	\$5,190,215
22		
23		2.32%
24		
25		\$120,413
26		
27		
28		
29		
30	0.10%	\$865,036
31		
32		4.50%
33		
34		\$38,927

Notes:

- 1(b) From Page 5 of 14 line 24(f)
- 5(a)-8(a) Docket 4770 Compliance Filing dated August 16, 2018, Compliance Filing Attachment 2, Schedule 1-GAS, Page 4
- 5(b)-8(b) Line 1(b) times line 5(a) through line 8(a)
- 13 Line 1(b) times line 13(a)
- 15 From Page 10 of 14 line 14(g)
- 17 Line 13(b) times line 15(b)
- 21 Line 1(b) times line 21(a)
- 23 From Page 11 of 14 line 14(b)
- 25 Line 21(b) times line 23(b)
- 30 Line 1(b) times line 30(a)
- 32 Docket 4770 Compliance Filing dated August 16, 2018, Compliance Attachment 2, Schedule 1-GAS, Page 4, Line 5
- 34 Line 30(b) times line 32(b)

National Grid - RI Gas
Rate Base
For the Twelve Months ended December 31, 2019

	December 2018 (a)	March 2019 (b)	June 2019 (c)	September 2019 (d)	December 2019 (e)	5 Quarter Average December 2019 (f)
1 Gas Plant In Service	\$1,270,410,017	\$1,306,303,326	\$1,341,681,826	\$1,377,391,497	\$1,413,654,374	\$1,341,888,208
2 CWIP	\$75,391,908	\$56,566,955	\$57,086,110	\$68,216,249	\$80,032,223	\$67,458,689
3 Less: Accumulated Depreciation	\$399,108,875	\$405,714,105	\$408,384,458	\$413,908,773	\$420,277,455	\$409,478,733
4 Less: Contribution in Aid of Construction	\$38	\$38	\$38	\$38	\$38	\$38
5						
6 Net Plant	\$946,693,012	\$957,156,137	\$990,383,440	\$1,031,698,935	\$1,073,409,104	\$999,868,126
7						
8 Materials and Supplies	\$4,724,404	\$4,832,904	\$5,382,351	\$4,763,295	\$4,814,716	\$4,903,534
9 Prepaid Expenses, Excluding Taxes	\$4,774	\$485,197	\$302,095	\$307,836	\$4,736	\$220,928
10 Deferred Debits	\$1,686,909	\$1,580,364	\$1,473,819	\$1,367,274	\$1,260,729	\$1,473,819
11 Unamortized debt expense and Interest Rate Lock	\$2,071,368	\$2,029,459	\$1,987,549	\$1,945,640	\$1,903,731	\$1,987,549
12 Cash Working Capital	\$30,219,217	\$29,509,617	\$29,509,617	\$29,509,617	\$29,509,617	\$29,651,537
13						
14 Subtotal	\$38,706,672	\$38,437,542	\$38,655,432	\$37,893,662	\$37,493,529	\$38,237,368
15						
16 Accumulated Deferred FIT	\$79,976,277	\$94,390,371	\$98,993,775	\$102,508,922	\$106,427,898	\$96,459,449
17 Excess Deferred Tax	\$58,151,908	\$58,151,908	\$58,151,908	\$58,151,908	\$58,151,908	\$58,151,908
18 Excess Deferred Tax Amortization	(\$666,000)	(\$1,165,500)	(\$1,665,000)	(\$2,120,520)	(\$2,400,119)	(\$1,603,428)
19 Hold Harmless	\$19,020,489	\$18,516,640	\$18,012,792	\$17,508,943	\$17,005,095	\$18,012,792
20 Customer Deposits	\$1,982,743	\$2,067,280	\$2,063,050	\$2,070,481	\$2,060,983	\$2,048,907
21						
22 Subtotal	\$158,465,417	\$171,960,699	\$175,556,524	\$178,119,734	\$181,245,764	\$173,069,628
23						
24 Rate Base	\$826,934,267	\$823,632,981	\$853,482,348	\$891,472,863	\$929,656,869	\$865,035,866

Notes:

- 1(a)-4(c) From Company Financial Statements
- 1(f)-4(f) Average of Column (a) through Column (e)
- 6(a)-6(c) Line 1 + Line 2 - Line 3 - Line 4
- 6(f) Average of Column (a) through Column (e)
- 8(a)-11(e) From Company Financial Statements
- 8(f)-11(f) Average of Column (a) through Column (e)
- 12(b)-12(e) From Page 6 of 14 Line 13
- 14 Sum of Line 8 through Line 12
- 16(a)-21(e) From Company Financial Statements
- 16(f)-21(f) Average of Column (a) through Column (e)
- 17 Excess Deferred Tax for change in tax rate from 35% to 21%
- 18 Per Docket No. 4770, Excess Deferred Income Tax True-Up – Second Compliance Filing dated May 30, 2019, Second Compliance Attachment 31, Page 1
- 19 Hold Harmless rate base credit per Docket No. 3859
- 22 Sum of Line 16 through Line 20
- 24 Line 6 + Line 14 - Line 22

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism
Page 6 of 14**

**National Grid - RI Gas
Cash Working Capital Calculation
For the Twelve Months ended December 31, 2019**

1	Gas Costs	\$173,520,830
2	Operating Expenses	\$113,140,061
3	Payroll Taxes	\$2,731,278
4	Property Taxes	\$25,456,447
5	State Taxes Other	(\$58,288)
6	Revenue Related Taxes (GET)	\$12,099,213
7	Total	\$326,889,540
8		
9	Daily Cash Requirement	\$895,588
10		
11	Net Lag Days	32.95
12		
13	Total Working Capital	\$29,509,617

Notes:

- 1 From Page 2 of 14 line 12
- 2 From Page 2 of 14 line 13 through 18
- 3-5 From Company Financial Statements
- 6 From Page 2 of 14 line 24
- 7 Sum of Line 1 through Line 6
- 9 Line 7 divided by 365 days
- 11 Per Docket No. 4770, Compliance Filing dated August 16, 2018,
Compliance Attachment 2, Schedule 42,
(Page 3 of 29, Line 18 - Page 2 of 29, Line 1)
- 13 Line 9 times line 11

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism
Page 7 of 14**

**National Grid - RI Gas
Detail Other Revenue/(Expense)
For the Twelve Months ended December 31, 2019**

1	Rent from Gas Property	\$1,854,100
2	Other Revenue	(\$1,282,890)
3	Recovery of Supervision & Administrative Costs	\$0
4	RDM Revenue	(\$401,010)
5	DAC Revenue	(\$22,052)
6	LIHEAP Revenue	\$5,036,120
7	Other Deferred Revenue	\$1,023,552
8	Misc Revenue	\$0
9	Interest on Customer Arrears	\$576,104
10		<hr/>
11	Total Other Revenue	<u><u>\$6,783,924</u></u>

Notes:

- 1-9 From Company Financial Statements
- 11 Sum of line 1 through line 9

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism
Page 8 of 14**

**National Grid - RI Gas
Detail Other Interest Expense
For the Twelve Months ended December 31, 2019**

1	Interest on Customer Deposits	\$57,830
2		
3	Total Other Interest Expense	<u><u>\$57,830</u></u>

Notes:

- 1 From Company Financial Statements
- 3 Line 1

National Grid - RI Gas
Detail Non-Operating Income / (Expense)
For the Twelve Months ended December 31, 2019

1	Service Contract Revenue	\$254,194
2	Share Awards	(\$553,290)
3	Interest on Over / (Under) Collections, primarily Deferred Gas Costs	\$380,908
4	Deferred Compensation - Life Insurance	(\$793)
5	Federal Income Taxes on Non-Operating Income	\$0
6	NGPMP per Docket 4038	\$0
7	Lobbying / Legal and Political Expense	(\$200,342)
8	Penalties	(\$160,919)
9	Other	(\$2,098,131)
10	Total Non-Operating Income/(Expense)	<u>(\$2,378,374)</u>

Notes:

- 1-9 From Company Financial Statements
- 10 Sum of line 1 through line 9

National Grid - RI Gas
Calculation of Average Long-Term Debt Interest Rate
For the Twelve Months ended December 31, 2019

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
<u>Series</u>	<u>Percent</u>	<u>Due</u>	<u>Amount</u>	<u>Annual Interest</u>	<u>Annual Amortization of DD&E</u>	<u>Total Expense</u>	<u>Cost of Debt</u>	
1	<u>Senior Unsecured Notes</u>							
2	Senior Notes	4.534%	15-Mar-2020	\$250,000,000	\$11,335,000	\$664,600	\$11,999,600	4.80%
3	Senior Notes	5.638%	15-Mar-2040	\$300,000,000	\$16,914,000	\$279,300	\$17,193,300	5.73%
4	Senior Notes	4.170%	10-Dec-2042	\$250,000,000	\$10,425,000	\$75,000	\$10,500,000	4.20%
5	Senior Notes	3.919%	1-Aug-2028	\$350,000,000	\$13,716,500	\$61,185	\$13,777,685	3.94%
6	<u>First Mortgage Bonds (*)</u>							
7	Providence Gas FMB N	9.630%	30-May-2020	\$10,000,000	\$963,000	\$4,100	\$967,100	9.67%
8	Providence Gas FMB O	8.460%	30-Sep-2022	\$12,500,000	\$1,057,500	\$4,300	\$1,061,800	8.49%
9	FMB Series P	8.090%	30-Sep-2022	\$2,343,750	\$189,609	\$3,500	\$193,109	8.24%
10	FMB Series R	7.500%	15-Dec-2025	\$5,218,750	\$391,406	\$4,100	\$395,506	7.58%
11								8.71%
12	Total			<u>\$1,180,062,500</u>	<u>\$54,992,016</u>	<u>\$1,096,085</u>	<u>\$56,088,101</u>	<u>4.75%</u>
13	Electric Operations	70.00%		826,043,750	37,632,039	775,824	38,407,863	4.65%
14	Gas Operations	30.00%		354,018,750	17,359,976	320,261	17,680,238	4.99%
15	Legacy Debt			30,062,500	2,601,516	16,000	2,617,516	8.71%
16	New Debt			323,956,250	14,758,461	304,261	15,062,722	4.65%
17	Electric Transmission							
18	Total			<u>1,180,062,500</u>	<u>54,992,016</u>	<u>1,096,085</u>	<u>56,088,101</u>	<u>4.75%</u>

Notes:

1-10 From Financial Statements

1(c)-10(c) *Average amounts represent The Narragansett Electric Company consolidated amounts as the Gas division is not a legal entity.

National Grid - RI Gas
Calculation of Average Short-Term Debt Interest Rate
For the Twelve Months ended December 31, 2019

	(a)	(b)	(c)
<u>Month</u>	<u>Average Short-Term Debt Balance</u>	<u>Weighted Cost Rate</u>	<u>Short-Term Interest Expense</u>
1 Jan-19	\$47,365,161	2.84%	\$108,479
2 Feb-19	\$37,982,046	2.77%	\$72,054
3 Mar-19	\$43,878,708	2.71%	\$94,148
4 Apr-19	\$41,106,442	2.73%	\$86,098
5 May-19	\$21,585,886	2.70%	\$45,313
6 Jun-19	\$26,689,709	2.67%	\$50,927
7 Jul-19	\$40,741,336	2.58%	\$85,149
8 Aug-19	\$48,200,318	2.50%	\$97,090
9 Sep-19	\$64,375,649	2.34%	\$116,438
10 Oct-19	\$70,541,282	2.28%	\$133,193
11 Nov-19	\$74,346,875	2.19%	\$130,633
12 Dec-19	\$98,402,163	2.11%	\$169,093
13			
14 Average	\$51,267,965	2.32%	\$1,188,615

Notes:

1(a)-12(a) Average amounts represent The Narragansett Electric Company consolidated amounts as the Gas division is not a legal entity and participates in the National Grid money pool as a division of The Narragansett Electric Company.

14(b) Line 14 (c) divided by Line 14 (a)

National Grid - RI Gas
Merger Hold Harmless Rate Base Credit
For the Twelve Months ended December 31, 2019

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
RIPUC Docket No. 4770
Schedule MAL-11-GAS
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The Narragansett Electric Company d/b/a National Grid
Merger Hold Harmless Rate Base Credit Adjustments To Rate Base
Test Year Ending June 31, 2017 through Rate Year 1 Ending August 31, 2019

Description	Period (a)	Monthly Expense (b)	Merger Hold Harmless Rate Base Credit (c)
1 Balance at June 30, 2017			\$21,532,971
2			
3 Subsequent 2 months			(\$253,030)
4			
5 Balance at August 31, 2017			\$21,279,942
6			
7			
8 Increase/(Decrease) 12 Months Ended	08/31/18		(\$1,674,988.40)
9			
10 Balance at August 31, 2018			\$19,604,953
11	09/30/18	(\$146,116)	\$19,458,837
12	10/31/18	(\$146,116)	\$19,312,721
13	11/30/18	(\$146,116)	\$19,166,605
14	12/31/18	(\$146,116)	\$19,020,489
15	01/31/19	(\$167,950)	\$18,852,539
16	02/28/19	(\$167,950)	\$18,684,590
17	03/31/19	(\$167,950)	\$18,516,640
18	04/30/19	(\$167,950)	\$18,348,691
19	05/31/19	(\$167,950)	\$18,180,741
20	06/30/19	(\$167,950)	\$18,012,792
21	07/31/19	(\$167,950)	\$17,844,842
22	08/31/19	(\$167,950)	\$17,676,893
23			
24 Rate Year 1 Merger Hold Harmless - 5 Quarter Average			\$18,662,756

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
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The Narragansett Electric Company d/b/a National Grid
Merger Hold Harmless Rate Base Credit Adjustments To Rate Base
Rate Year 1 Ending August 31, 2019 through Data Year 2 Ending August 31, 2021

Description	Period (a)	Monthly Expense (b)	Merger Hold Harmless Rate Base Credit (c)
1 Balance at August 31, 2019			\$17,676,893
2	09/30/19	(\$167,950)	\$17,508,943
3	10/31/19	(\$167,950)	\$17,340,994
4	11/30/19	(\$167,950)	\$17,173,044
5	12/31/19	(\$167,950)	\$17,005,095
6	01/31/20	(\$198,997)	\$16,806,098
7	02/29/20	(\$198,997)	\$16,607,100
8	03/31/20	(\$198,997)	\$16,408,103
9	04/30/20	(\$198,997)	\$16,209,106
10	05/31/20	(\$198,997)	\$16,010,109
11	06/30/20	(\$198,997)	\$15,811,112
12	07/31/20	(\$198,997)	\$15,612,115
13	08/31/20	(\$198,997)	\$15,413,118
14			
15 Rate Year 2 Merger Hold Harmless - 5 Quarter Average			\$16,576,053
16			
17 Balance at August 31, 2020			\$15,413,118
18	09/30/20	(\$198,997)	\$15,214,120
19	10/31/20	(\$198,997)	\$15,015,123
20	11/30/20	(\$198,997)	\$14,816,126
21	12/31/20	(\$198,997)	\$14,617,129
22	01/31/21	(\$223,582)	\$14,393,547
23	02/28/21	(\$223,582)	\$14,169,965
24	03/31/21	(\$223,582)	\$13,946,383
25	04/30/21	(\$223,582)	\$13,722,802
26	05/31/21	(\$223,582)	\$13,499,220
27	06/30/21	(\$223,582)	\$13,275,638
28	07/31/21	(\$223,582)	\$13,052,056
29	08/31/21	(\$223,582)	\$12,828,474
30			
31 Rate Year 3 Merger Hold Harmless - 5 Quarter Average			\$14,145,381

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism
Page 13 of 14**

Schedule DJE-2
Revised

NATIONAL GRID
MERGER ADJUSTMENT TO ADIT
Projected Deferred Tax Schedule
(\$000)

<u>As of 31-Dec</u>	Southern Union <u>ADIT</u>	National Grid <u>ADIT</u>	<u>Difference</u>	Southern Union <u>ADITC</u>	ADIT Merger <u>Adjustment</u>
2006	\$34,845	\$214	\$34,631	\$1,133	\$35,764
2007	\$33,908	\$1,238	\$32,670	\$928	\$33,598
2008	\$32,170	\$2,073	\$30,097	\$724	\$30,821
2009	\$30,086	\$1,859	\$28,227	\$519	\$28,746
2010	\$29,473	\$2,238	\$27,235	\$315	\$27,549
2011	\$29,632	\$3,184	\$26,448	\$110	\$26,558
2012	\$29,583	\$3,760	\$25,823		\$25,823
2013	\$29,515	\$4,286	\$25,229		\$25,229
2014	\$29,199	\$4,628	\$24,572		\$24,572
2015	\$29,095	\$5,530	\$23,566		\$23,566
2016	\$28,823	\$6,531	\$22,292		\$22,292
2017	\$28,342	\$7,568	\$20,774		\$20,774
2018	\$27,627	\$8,606	\$19,020		\$19,020
2019	\$26,847	\$9,842	\$17,005		\$17,005
2020	\$25,922	\$11,305	\$14,617		\$14,617
2021	\$24,732	\$12,797	\$11,934		\$11,934
2022	\$23,374	\$14,311	\$9,064		\$9,064

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Revised Gas Earnings Sharing Mechanism
Page 14 of 14

National Grid - RI Gas
Reconciliation of Revised Gas Earnings Sharing Mechanism to Annual Report
For the Twelve Months ended December 31, 2019

1	Operating Revenues	
2	Gas Operating Revenues shown on Page 301, Line 1(f) of the Annual Report	\$382,349,815
3	1 Remove Energy Efficiency Incentives	\$1,542,657
4	2 Unbilled Revenue Net Margin	(\$1,128,678)
5	3 Unbilled Energy Efficiency	(\$468,640)
6	Gas Earnings Sharing Mechanism, Page 2, Total Firm Gas Revenues	\$382,295,155
7		
8	Revenues from Transportation shown on Page 301, Line 7(f) of the Annual Report	\$45,470,915
9	1 Unbilled Transportation	\$165,505
10	Gas Earnings Sharing Mechanism, Page 2, Transportation Revenues	\$45,636,420
11		
12	Forfeited Discounts shown on Page 301, Line 3(f) of the Annual Report	\$47
13	Miscellaneous Service Revenues shown on Page 301, Line 4(f) of the Annual Report	\$149,172
14	Rent from Gas Property shown on Page 301, Line 12(f) of the Annual Report	\$1,854,100
15	Other Gas Revenues shown on Page 301, Line 14(f) of the Annual Report	\$6,673,975
16	1 Excess Sharing	\$5,561,683
17	2 Off System Gas Sales	(\$6,431,726)
18	3 Contract Sharing	\$159,688
19	4 Unbilled DAC	\$713,011
20	5 Unbilled RDM	\$845,398
21	6 Miscellaneous Service Revenues	(\$149,219)
22	7 CSS Revenue - Customer Arrears	\$576,104
23	8 Remove Energy Efficiency Incentives	(\$3,168,309)
24	Gas Earnings Sharing Mechanism, Page 2, Other Revenues	6,783,923
25		
26	Inventory Financing	(\$1,018,360)
27		
28		
29	Operating Expenses	
30	Production expenses shown on Page 320 of the Annual Report	\$173,520,830
31	Gas Earnings Sharing Mechanism, Page 2, Production (Gas Costs)	\$173,520,830
32		
33	Natural Gas Storage expenses shown on Page 322 of the Annual Report	\$3,577,240
34	Gas Earnings Sharing Mechanism, Page 2, Storage	\$3,577,240
35		
36	Transmission expenses shown on Page 323 of the Annual Report	\$2,551,617
37	Gas Earnings Sharing Mechanism, Page 2, Transmission	\$2,551,617
38		
39	Distribution expenses shown on Page 324 of the Annual Report	\$48,068,283
40	1 Normalize Aquidneck Island event expense	(\$19,939,830)
41	Gas Earnings Sharing Mechanism, Page 2, Distribution	\$28,128,453
42		
43	Customer Accounts expenses shown on Pages 324-325 of the Annual Report	\$15,373,700
44	Customer Service & Information expenses shown on Pages 325 of the Annual Report	\$31,670,920
45	1 Zero out Uncollectible Accounts per books	(\$8,817,225)
46	2 Add Bad Debt Write-Offs	\$6,604,839
47	Gas Earnings Sharing Mechanism, Page 2, Customer Accounts	\$44,832,234
48		
49	Sales expenses shown on Page 325 of the Annual Report	\$198,070
50	1 Remove Sales expenses	(\$198,070)
51	Gas Earnings Sharing Mechanism, Page 2, Sales	\$0
52		
53	Administrative and General expenses shown on Page 325 of the Annual Report	\$37,986,617
54	1 Exclude Executive Variable Compensation not charged to customers	(\$161,360)
55	2 Service Company excess deferred federal income taxes per Docket No. 4770 Excess Deferred Income Tax True-Up – Second Compliance Filing dated May 30, 2019, Second Compliance Attachment 31, Page 1	\$369,700
56	3 Normalize Aquidneck Island event expense	(\$7,462,549)
57	4 Out of Period Pension OPEB Adjustment	\$3,318,110
58	Gas Earnings Sharing Mechanism, Page 2, Administrative and General	\$34,050,518

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Second Revised Gas Earnings Sharing Mechanism

National Grid - RI Gas
Second Revised Gas Earnings Sharing Mechanism
For the Twelve Months ended December 31, 2019

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**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Second Revised Gas Earnings Sharing Mechanism
Page 1 of 14**

**National Grid - RI Gas
Second Revised Gas Earnings Sharing Mechanism
For the Twelve Months ended December 31, 2019**

1	Average Rate Base	\$865,035,866	
2	Equity Component of Rate Base	50.95%	
3	Average Common Equity	<u>\$440,735,773</u>	
4			
5	Actual Total Earnings	\$40,107,010	
6	Return on Common Equity with Incentives	9.10%	
7			
8	Less incentives:		
9	Energy Efficiency shareholder incentive	\$1,625,651	0.37%
10	Natural Gas Portfolio Management Plan	\$710,356	0.16%
11	Gas Procurement Incentive Plan	<u>\$17,789</u>	0.00%
12		<u>\$2,353,796</u>	
13			
14	Base Earnings	\$37,753,214	
15	Return on Common Equity without Incentives	<u>8.57%</u>	
16			
17	<u>Return on Equity > 9.275% and < 10.275%</u>	0.00%	
18	Earnings to be Shared	<u>\$0</u>	
19	Earnings to Customers - 50%	<u>\$0</u>	
20			
21	Return on Equity > 10.275%	0.00%	
22	Earnings to be Shared	<u>\$0</u>	
23	Earnings to Customers - 75%	<u>\$0</u>	
24			
25	Total After tax Earnings Credited to Customers	<u>\$0</u>	
26			
27	Total Earnings Credited to DAC	<u>\$0</u>	

Notes:

- 1 From Page 5 of 14 line 24(f)
- 2 From Page 4 of 14 line 8(a)
- 3 Line 1 times line 2
- 5 Line 12 plus line 14
- 6 Line 5 divided by line 3
- 9 Line 9 divided by line 3
- 10 Line 10 divided by line 3
- 11 Line 11 divided by line 3
- 14 From Page 2 of 14 line 42
- 15 Line 14 divided by line 3
- 17 Smaller of 10.275% or Line 15 minus 9.275%.
- 18 Line 3 times line 17
- 19 Line 18 times 50%
- 21 If Line 15 is greater than 10.275%
- 22 Line 3 times line 21
- 23 Line 22 times 75%
- 25 Line 19 plus line 23
- 27 Line 25 divided by 79%

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Second Revised Gas Earnings Sharing Mechanism
Page 2 of 14

**National Grid - RI Gas
Income Statement
For the Twelve Months ended December 31, 2019**

	<u>2019</u>
1 <u>Operating Revenues</u>	
2 Total Firm Gas	\$382,295,156
3 Transportation	\$45,636,420
4 Other Revenues	\$6,957,616
5 Total Operating Revenues	\$434,889,191
6	
7 <i>Adjustment to Operating Revenue:</i>	
8 Inventory Financing	(\$1,018,360)
9 Total Adjusted Operating Revenues	\$433,870,831
10	
11 <u>Operating Expenses</u>	
12 Production (Gas Costs)	\$173,520,830
13 Storage	\$3,577,240
14 Transmission	\$2,551,617
15 Distribution	\$28,128,452
16 Customer Accounts	\$44,832,234
17 Sales	\$0
18 Administrative and General	\$34,050,518
19 Total Operating Expenses	\$286,660,891
20	
21 <u>Other Expenses</u>	
22 Depreciation and Amortization	\$40,272,196
23 Local and Other Taxes	\$28,129,437
24 Revenue Related Taxes (Gross Earnings Tax - GET)	\$12,099,213
25 Federal Income Taxes @ 21%	\$7,850,925
26 Total Other Expenses	\$88,351,770
27	
28 Income Before Interest Expense	\$58,858,171
29	
30 <u>Interest Expense</u>	
32 Short-Term Debt	\$120,413
33 Long-Term Debt	\$20,887,787
34 Other Interest Expense	\$57,830
35 AFUDC	\$0
36 Total Interest Expense	\$21,066,030
37	
38 Net Income / (Loss)	\$37,792,140
39	
40 Preferred Dividends	\$38,927
41	
42 Net Income / (Loss) Applicable to Common Equity	\$37,753,214

Notes:

- 4 From Page 7 of 14 line 11
- 23 From Page 6 of 14 line 3 through 5
- 25 From Page 3 of 14 line 24
- 32 From Page 4 of 14 line 25(b)
- 33 From Page 4 of 14 line 17(b)
- 34 From Page 8 of 14 line 3
- 40 From Page 4 of 14 line 34(b)

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Second Revised Gas Earnings Sharing Mechanism
Page 3 of 14

National Grid - RI Gas
Federal Income Tax Calculation
For the Twelve Months ended December 31, 2019

1	Operating Revenues	\$433,870,831
2		
3	Less:	
4		
5	Operating Expenses	\$286,660,891
6	Depreciation and Amortization	\$40,272,196
7	Local and Other Taxes	\$28,129,437
8	Revenue Related Taxes (GET)	\$12,099,213
9	Interest - Short-Term Debt	\$120,413
10	Interest - Long-Term Debt	\$20,887,787
11	Other Interest	\$57,830
12	AFUDC	\$0
13		
14	Total Deductions	<u>\$388,227,766</u>
15		
16	Taxable Income	\$45,643,065
17		
18	Federal Income Tax Rate	<u>21.00%</u>
19		
20	Imputed Federal Income Tax Expense	\$9,585,044
21		
22	Amortization of EDIT	(\$1,734,119)
23		
24	Net Federal Income Tax Expense	<u><u>\$7,850,925</u></u>

Notes:

- 1 From Page 2 of 14 line 9
- 5 From Page 2 of 14 line 19
- 6 From Page 2 of 14 line 22
- 7 From Page 2 of 14 line 23
- 8 From Page 2 of 14 line 24
- 9 From Page 2 of 14 line 32
- 10 From Page 2 of 14 line 33
- 11 From Page 2 of 14 line 34
- 12 From Page 2 of 14 line 35
- 14 Sum of Line 5 through line 12
- 16 Line 1 minus line 14
- 18 Federal income Tax Rate: rate of 21%
- 20 Line 16 times Line 18
- 22 - Docket No. 4770, Excess Deferred Income Tax True-Up – Second Compliance
Filing dated May 30, 2019, Second Compliance Attachment 31, Page 1
- 24 Line 20 plus Line 22

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Second Revised Gas Earnings Sharing Mechanism
Page 4 of 14

National Grid - RI Gas
Applicable Capital Structure, Interest Expense and Preferred Dividends
For the Twelve Months ended December 31, 2019

	%	\$
	(a)	(b)
1		\$865,035,866
2		
3		
4	<u>Docket 4770</u>	
5	0.60%	\$5,190,215
6	48.35%	\$418,244,841
7	0.10%	\$865,036
8	50.95%	\$440,735,773
9	<u>100.00%</u>	<u>\$865,035,866</u>
10		
11		
12		
13	48.35%	\$418,244,841
14		
15		4.99%
16		
17		<u>\$20,887,787</u>
18		
19		
20		
21	0.60%	\$5,190,215
22		
23		2.32%
24		
25		<u>\$120,413</u>
26		
27		
28		
29		
30	0.10%	\$865,036
31		
32		4.50%
33		
34		<u>\$38,927</u>

Notes:

- 1(b) From Page 5 of 14 line 24(f)
- 5(a)-8(a) Docket 4770 Compliance Filing dated August 16, 2018, Compliance Filing Attachment 2, Schedule 1-GAS, Page 4
- 5(b)-8(b) Line 1(b) times line 5(a) through line 8(a)
 - 13 Line 1(b) times line 13(a)
 - 15 From Page 10 of 14 line 14(g)
 - 17 Line 13(b) times line 15(b)
 - 21 Line 1(b) times line 21(a)
 - 23 From Page 11 of 14 line 14(b)
 - 25 Line 21(b) times line 23(b)
 - 30 Line 1(b) times line 30(a)
 - 32 Docket 4770 Compliance Filing dated August 16, 2018, Compliance Attachment 2, Schedule 1-GAS, Page 4, Line 5
 - 34 Line 30(b) times line 32(b)

National Grid - RI Gas
Rate Base
For the Twelve Months ended December 31, 2019

	December 2018 (a)	March 2019 (b)	June 2019 (c)	September 2019 (d)	December 2019 (e)	5 Quarter Average December 2019 (f)
1 Gas Plant In Service	\$1,270,410,017	\$1,306,303,326	\$1,341,681,826	\$1,377,391,497	\$1,413,654,374	\$1,341,888,208
2 CWIP	\$75,391,908	\$56,566,955	\$57,086,110	\$68,216,249	\$80,032,223	\$67,458,689
3 Less: Accumulated Depreciation	\$399,108,875	\$405,714,105	\$408,384,458	\$413,908,773	\$420,277,455	\$409,478,733
4 Less: Contribution in Aid of Construction	\$38	\$38	\$38	\$38	\$38	\$38
5						
6 Net Plant	\$946,693,012	\$957,156,137	\$990,383,440	\$1,031,698,935	\$1,073,409,104	\$999,868,126
7						
8 Materials and Supplies	\$4,724,404	\$4,832,904	\$5,382,351	\$4,763,295	\$4,814,716	\$4,903,534
9 Prepaid Expenses, Excluding Taxes	\$4,774	\$485,197	\$302,095	\$307,836	\$4,736	\$220,928
10 Deferred Debits	\$1,686,909	\$1,580,364	\$1,473,819	\$1,367,274	\$1,260,729	\$1,473,819
11 Unamortized debt expense and Interest Rate Lock	\$2,071,368	\$2,029,459	\$1,987,549	\$1,945,640	\$1,903,731	\$1,987,549
12 Cash Working Capital	\$30,219,217	\$29,509,617	\$29,509,617	\$29,509,617	\$29,509,617	\$29,651,537
13						
14 Subtotal	\$38,706,672	\$38,437,542	\$38,655,432	\$37,893,662	\$37,493,529	\$38,237,368
15						
16 Accumulated Deferred FIT	\$79,976,277	\$94,390,371	\$98,993,775	\$102,508,922	\$106,427,898	\$96,459,449
17 Excess Deferred Tax	\$58,151,908	\$58,151,908	\$58,151,908	\$58,151,908	\$58,151,908	\$58,151,908
18 Excess Deferred Tax Amortization	(\$666,000)	(\$1,165,500)	(\$1,665,000)	(\$2,120,520)	(\$2,400,119)	(\$1,603,428)
19 Hold Harmless	\$19,020,489	\$18,516,640	\$18,012,792	\$17,508,943	\$17,005,095	\$18,012,792
20 Customer Deposits	\$1,982,743	\$2,067,280	\$2,063,050	\$2,070,481	\$2,060,983	\$2,048,907
21						
22 Subtotal	\$158,465,417	\$171,960,699	\$175,556,524	\$178,119,734	\$181,245,764	\$173,069,628
23						
24 Rate Base	\$826,934,267	\$823,632,981	\$853,482,348	\$891,472,863	\$929,656,869	\$865,035,866

Notes:

- 1(a)-4(c) From Company Financial Statements
- 1(f)-4(f) Average of Column (a) through Column (e)
- 6(a)-6(c) Line 1 + Line 2 - Line 3 - Line 4
- 6(f) Average of Column (a) through Column (e)
- 8(a)-11(e) From Company Financial Statements
- 8(f)-11(f) Average of Column (a) through Column (e)
- 12(b)-12(e) From Page 6 of 14 Line 13
- 14 Sum of Line 8 through Line 12
- 16(a)-21(e) From Company Financial Statements
- 16(f)-21(f) Average of Column (a) through Column (e)
- 17 Excess Deferred Tax for change in tax rate from 35% to 21%
- 18 Per Docket No. 4770, Excess Deferred Income Tax True-Up – Second Compliance Filing dated May 30, 2019, Second Compliance Attachment 31, Page 1
- 19 Hold Harmless rate base credit per Docket No. 3859
- 22 Sum of Line 16 through Line 20
- 24 Line 6 + Line 14 - Line 22

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Second Revised Gas Earnings Sharing Mechanism
Page 6 of 14**

**National Grid - RI Gas
Cash Working Capital Calculation
For the Twelve Months ended December 31, 2019**

1	Gas Costs	\$173,520,830
2	Operating Expenses	\$113,140,061
3	Payroll Taxes	\$2,731,278
4	Property Taxes	\$25,456,447
5	State Taxes Other	(\$58,288)
6	Revenue Related Taxes (GET)	\$12,099,213
7	Total	\$326,889,540
8		
9	Daily Cash Requirement	\$895,588
10		
11	Net Lag Days	32.95
12		
13	Total Working Capital	\$29,509,617

Notes:

- 1 From Page 2 of 14 line 12
- 2 From Page 2 of 14 line 13 through 18
- 3-5 From Company Financial Statements
- 6 From Page 2 of 14 line 24
- 7 Sum of Line 1 through Line 6
- 9 Line 7 divided by 365 days
- 11 Per Docket No. 4770, Compliance Filing dated August 16, 2018,
Compliance Attachment 2, Schedule 42,
(Page 3 of 29, Line 18 - Page 2 of 29, Line 1)
- 13 Line 9 times line 11

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Second Revised Gas Earnings Sharing Mechanism
Page 7 of 14

National Grid - RI Gas
Detail Other Revenue/(Expense)
For the Twelve Months ended December 31, 2019

1	Rent from Gas Property	\$2,027,792
2	Other Revenue	(\$1,282,890)
3	Recovery of Supervision & Administrative Costs	\$0
4	RDM Revenue	(\$401,010)
5	DAC Revenue	(\$22,052)
6	LIHEAP Revenue	\$5,036,120
7	Other Deferred Revenue	\$1,023,552
8	Misc Revenue	\$0
9	Interest on Customer Arrears	\$576,104
10		
11	Total Other Revenue	<u>\$6,957,616</u>

Notes:

- 1-9 From Company Financial Statements
- 11 Sum of line 1 through line 9

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Second Revised Gas Earnings Sharing Mechanism
Page 8 of 14**

**National Grid - RI Gas
Detail Other Interest Expense
For the Twelve Months ended December 31, 2019**

1	Interest on Customer Deposits	\$57,830
2		
3	Total Other Interest Expense	<u><u>\$57,830</u></u>

Notes:

- 1 From Company Financial Statements
- 3 Line 1

National Grid - RI Gas
Detail Non-Operating Income / (Expense)
For the Twelve Months ended December 31, 2019

1	Service Contract Revenue	\$80,502
2	Share Awards	(\$553,290)
3	Interest on Over / (Under) Collections, primarily Deferred Gas Costs	\$380,908
4	Deferred Compensation - Life Insurance	(\$793)
5	Federal Income Taxes on Non-Operating Income	\$0
6	NGPMP per Docket 4038	\$0
7	Lobbying / Legal and Political Expense	(\$200,342)
8	Penalties	(\$160,919)
9	Other	(\$2,098,131)
10	Total Non-Operating Income/(Expense)	<u>(\$2,552,066)</u>

Notes:

- 1-9 From Company Financial Statements
- 10 Sum of line 1 through line 9

National Grid - RI Gas
Calculation of Average Long-Term Debt Interest Rate
For the Twelve Months ended December 31, 2019

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
<u>Series</u>	<u>Percent</u>	<u>Due</u>	<u>Amount</u>	<u>Annual Interest</u>	<u>Annual Amortization of DD&E</u>	<u>Total Expense</u>	<u>Cost of Debt</u>	
1	<u>Senior Unsecured Notes</u>							
2	Senior Notes	4.534%	15-Mar-2020	\$250,000,000	\$11,335,000	\$664,600	\$11,999,600	4.80%
3	Senior Notes	5.638%	15-Mar-2040	\$300,000,000	\$16,914,000	\$279,300	\$17,193,300	5.73%
4	Senior Notes	4.170%	10-Dec-2042	\$250,000,000	\$10,425,000	\$75,000	\$10,500,000	4.20%
5	Senior Notes	3.919%	1-Aug-2028	\$350,000,000	\$13,716,500	\$61,185	\$13,777,685	3.94%
6	<u>First Mortgage Bonds (*)</u>							
7	Providence Gas FMB N	9.630%	30-May-2020	\$10,000,000	\$963,000	\$4,100	\$967,100	9.67%
8	Providence Gas FMB O	8.460%	30-Sep-2022	\$12,500,000	\$1,057,500	\$4,300	\$1,061,800	8.49%
9	FMB Series P	8.090%	30-Sep-2022	\$2,343,750	\$189,609	\$3,500	\$193,109	8.24%
10	FMB Series R	7.500%	15-Dec-2025	\$5,218,750	\$391,406	\$4,100	\$395,506	7.58%
11								8.71%
12	Total			<u>\$1,180,062,500</u>	<u>\$54,992,016</u>	<u>\$1,096,085</u>	<u>\$56,088,101</u>	<u>4.75%</u>
13	Electric Operations	70.00%		826,043,750	37,632,039	775,824	38,407,863	4.65%
14	Gas Operations	30.00%		354,018,750	17,359,976	320,261	17,680,238	4.99%
15	Legacy Debt			30,062,500	2,601,516	16,000	2,617,516	8.71%
16	New Debt			323,956,250	14,758,461	304,261	15,062,722	4.65%
17	Electric Transmission							
18	Total			<u>1,180,062,500</u>	<u>54,992,016</u>	<u>1,096,085</u>	<u>56,088,101</u>	<u>4.75%</u>

Notes:

1-10 From Financial Statements

1(c)-10(c) *Average amounts represent The Narragansett Electric Company consolidated amounts as the Gas division is not a legal entity.

National Grid - RI Gas
Calculation of Average Short-Term Debt Interest Rate
For the Twelve Months ended December 31, 2019

	(a)	(b)	(c)
<u>Month</u>	<u>Average Short-Term Debt Balance</u>	<u>Weighted Cost Rate</u>	<u>Short-Term Interest Expense</u>
1 Jan-19	\$47,365,161	2.84%	\$108,479
2 Feb-19	\$37,982,046	2.77%	\$72,054
3 Mar-19	\$43,878,708	2.71%	\$94,148
4 Apr-19	\$41,106,442	2.73%	\$86,098
5 May-19	\$21,585,886	2.70%	\$45,313
6 Jun-19	\$26,689,709	2.67%	\$50,927
7 Jul-19	\$40,741,336	2.58%	\$85,149
8 Aug-19	\$48,200,318	2.50%	\$97,090
9 Sep-19	\$64,375,649	2.34%	\$116,438
10 Oct-19	\$70,541,282	2.28%	\$133,193
11 Nov-19	\$74,346,875	2.19%	\$130,633
12 Dec-19	\$98,402,163	2.11%	\$169,093
13			
14 Average	\$51,267,965	2.32%	\$1,188,615

Notes:

1(a)-12(a) Average amounts represent The Narragansett Electric Company consolidated amounts as the Gas division is not a legal entity and participates in the National Grid money pool as a division of The Narragansett Electric Company.

14(b) Line 14 (c) divided by Line 14 (a)

National Grid - RI Gas
Merger Hold Harmless Rate Base Credit
For the Twelve Months ended December 31, 2019

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
RIPUC Docket No. 4770
Schedule MAL-11-GAS
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The Narragansett Electric Company d/b/a National Grid
Merger Hold Harmless Rate Base Credit Adjustments To Rate Base
Test Year Ending June 31, 2017 through Rate Year 1 Ending August 31, 2019

Description	Period (a)	Monthly Expense (b)	Merger Hold Harmless Rate Base Credit (c)
1 Balance at June 30, 2017			\$21,532,971
2			
3 Subsequent 2 months			(\$253,030)
4			
5 Balance at August 31, 2017			\$21,279,942
6			
7			
8 Increase/(Decrease) 12 Months Ended	08/31/18		(\$1,674,988.40)
9			
10 Balance at August 31, 2018			\$19,604,953
11	09/30/18	(\$146,116)	\$19,458,837
12	10/31/18	(\$146,116)	\$19,312,721
13	11/30/18	(\$146,116)	\$19,166,605
14	12/31/18	(\$146,116)	\$19,020,489
15	01/31/19	(\$167,950)	\$18,852,539
16	02/28/19	(\$167,950)	\$18,684,590
17	03/31/19	(\$167,950)	\$18,516,640
18	04/30/19	(\$167,950)	\$18,348,691
19	05/31/19	(\$167,950)	\$18,180,741
20	06/30/19	(\$167,950)	\$18,012,792
21	07/31/19	(\$167,950)	\$17,844,842
22	08/31/19	(\$167,950)	\$17,676,893
23			
24 Rate Year 1 Merger Hold Harmless - 5 Quarter Average			\$18,662,756

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
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The Narragansett Electric Company d/b/a National Grid
Merger Hold Harmless Rate Base Credit Adjustments To Rate Base
Rate Year 1 Ending August 31, 2019 through Data Year 2 Ending August 31, 2021

Description	Period (a)	Monthly Expense (b)	Merger Hold Harmless Rate Base Credit (c)
1 Balance at August 31, 2019			\$17,676,893
2	09/30/19	(\$167,950)	\$17,508,943
3	10/31/19	(\$167,950)	\$17,340,994
4	11/30/19	(\$167,950)	\$17,173,044
5	12/31/19	(\$167,950)	\$17,005,095
6	01/31/20	(\$198,997)	\$16,806,098
7	02/29/20	(\$198,997)	\$16,607,100
8	03/31/20	(\$198,997)	\$16,408,103
9	04/30/20	(\$198,997)	\$16,209,106
10	05/31/20	(\$198,997)	\$16,010,109
11	06/30/20	(\$198,997)	\$15,811,112
12	07/31/20	(\$198,997)	\$15,612,115
13	08/31/20	(\$198,997)	\$15,413,118
14			
15 Rate Year 2 Merger Hold Harmless - 5 Quarter Average			\$16,576,053
16			
17 Balance at August 31, 2020			\$15,413,118
18	09/30/20	(\$198,997)	\$15,214,120
19	10/31/20	(\$198,997)	\$15,015,123
20	11/30/20	(\$198,997)	\$14,816,126
21	12/31/20	(\$198,997)	\$14,617,129
22	01/31/21	(\$223,582)	\$14,393,547
23	02/28/21	(\$223,582)	\$14,169,965
24	03/31/21	(\$223,582)	\$13,946,383
25	04/30/21	(\$223,582)	\$13,722,802
26	05/31/21	(\$223,582)	\$13,499,220
27	06/30/21	(\$223,582)	\$13,275,638
28	07/31/21	(\$223,582)	\$13,052,056
29	08/31/21	(\$223,582)	\$12,828,474
30			
31 Rate Year 3 Merger Hold Harmless - 5 Quarter Average			\$14,145,381

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Second Revised Gas Earnings Sharing Mechanism
Page 13 of 14**

Schedule DJE-2
Revised

NATIONAL GRID
MERGER ADJUSTMENT TO ADIT
Projected Deferred Tax Schedule
(\$000)

<u>As of 31-Dec</u>	Southern Union <u>ADIT</u>	National Grid <u>ADIT</u>	<u>Difference</u>	Southern Union <u>ADITC</u>	ADIT Merger <u>Adjustment</u>
2006	\$34,845	\$214	\$34,631	\$1,133	\$35,764
2007	\$33,908	\$1,238	\$32,670	\$928	\$33,598
2008	\$32,170	\$2,073	\$30,097	\$724	\$30,821
2009	\$30,086	\$1,859	\$28,227	\$519	\$28,746
2010	\$29,473	\$2,238	\$27,235	\$315	\$27,549
2011	\$29,632	\$3,184	\$26,448	\$110	\$26,558
2012	\$29,583	\$3,760	\$25,823		\$25,823
2013	\$29,515	\$4,286	\$25,229		\$25,229
2014	\$29,199	\$4,628	\$24,572		\$24,572
2015	\$29,095	\$5,530	\$23,566		\$23,566
2016	\$28,823	\$6,531	\$22,292		\$22,292
2017	\$28,342	\$7,568	\$20,774		\$20,774
2018	\$27,627	\$8,606	\$19,020		\$19,020
2019	\$26,847	\$9,842	\$17,005		\$17,005
2020	\$25,922	\$11,305	\$14,617		\$14,617
2021	\$24,732	\$12,797	\$11,934		\$11,934
2022	\$23,374	\$14,311	\$9,064		\$9,064

**The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
Second Revised Gas Earnings Sharing Mechanism
Page 14 of 14**

National Grid - RI Gas
Reconciliation of Second Revised Gas Earnings Sharing Mechanism to Annual Report
For the Twelve Months ended December 31, 2019

1	Operating Revenues	
2	Gas Operating Revenues shown on Page 301, Line 1(f) of the Annual Report	\$382,349,815
3	1 Remove Energy Efficiency Incentives	\$1,542,657
4	2 Unbilled Revenue Net Margin	(\$1,128,678)
5	3 Unbilled Energy Efficiency	(\$468,640)
6	Gas Earnings Sharing Mechanism, Page 2, Total Firm Gas Revenues	\$382,295,155
7		
8	Revenues from Transportation shown on Page 301, Line 7(f) of the Annual Report	\$45,470,915
9	1 Unbilled Transportation	\$165,505
10	Gas Earnings Sharing Mechanism, Page 2, Transportation Revenues	\$45,636,420
11		
12	Forfeited Discounts shown on Page 301, Line 3(f) of the Annual Report	\$47
13	Miscellaneous Service Revenues shown on Page 301, Line 4(f) of the Annual Report	\$149,172
14	Rent from Gas Property shown on Page 301, Line 12(f) of the Annual Report	\$1,854,100
15	Other Gas Revenues shown on Page 301, Line 14(f) of the Annual Report	\$6,673,975
16	1 Excess Sharing	\$5,561,683
17	2 Off System Gas Sales	(\$6,431,726)
18	3 Contract Sharing	\$159,688
19	4 Unbilled DAC	\$713,011
20	5 Unbilled RDM	\$845,398
21	6 Miscellaneous Service Revenues	(\$149,219)
22	7 CSS Revenue - Customer Arrears	\$576,104
23	8 Remove Energy Efficiency Incentives	(\$3,168,309)
24	9 Reclass Rent Revenues from Miscellaneous Service Revenues per DIV 2-7	\$173,692
25	Gas Earnings Sharing Mechanism, Page 2, Other Revenues	6,957,615
26		
27	Inventory Financing	(\$1,018,360)
28		
29		
30	Operating Expenses	
31	Production expenses shown on Page 320 of the Annual Report	\$173,520,830
32	Gas Earnings Sharing Mechanism, Page 2, Production (Gas Costs)	\$173,520,830
33		
34	Natural Gas Storage expenses shown on Page 322 of the Annual Report	\$3,577,240
35	Gas Earnings Sharing Mechanism, Page 2, Storage	\$3,577,240
36		
37	Transmission expenses shown on Page 323 of the Annual Report	\$2,551,617
38	Gas Earnings Sharing Mechanism, Page 2, Transmission	\$2,551,617
39		
40	Distribution expenses shown on Page 324 of the Annual Report	\$48,068,283
41	1 Normalize Aquidneck Island event expense	(\$19,939,830)
42	Gas Earnings Sharing Mechanism, Page 2, Distribution	\$28,128,453
43		
44	Customer Accounts expenses shown on Pages 324-325 of the Annual Report	\$15,373,700
45	Customer Service & Information expenses shown on Pages 325 of the Annual Report	\$31,670,920
46	1 Zero out Uncollectible Accounts per books	(\$8,817,225)
47	2 Add Bad Debt Write-Offs	\$6,604,839
48	Gas Earnings Sharing Mechanism, Page 2, Customer Accounts	\$44,832,234
49		
50	Sales expenses shown on Page 325 of the Annual Report	\$198,070
51	1 Remove Sales expenses	(\$198,070)
52	Gas Earnings Sharing Mechanism, Page 2, Sales	\$0
53		
54	Administrative and General expenses shown on Page 325 of the Annual Report	\$37,986,617
55	1 Exclude Executive Variable Compensation not charged to customers	(\$161,360)
56	2 Service Company excess deferred federal income taxes per Docket No. 4770 Excess Deferred Income Tax True-Up – Second Compliance Filing dated May 30, 2019, Second Compliance Attachment 31, Page 1	\$369,700
57	3 Normalize Aquidneck Island event expense	(\$7,462,549)
58	4 Out of Period Pension OPEB Adjustment	\$3,318,110
59	Gas Earnings Sharing Mechanism, Page 2, Administrative and General	\$34,050,518

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.



Joanne M. Scanlon

October 5, 2020
Date

**National Grid Docket No. 4770 (Rate Application) & Docket No. 4780 (PST)
Combined Service list updated 8/12/2020**

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