

Memorandum

TO: RHODE ISLAND PUBLIC UTILITIES COMMISSION

**FROM: DAVID EFFRON, BERKSHIRE CONSULTING SERVICES,
ON BEHALF OF THE DIVISION OF PUBLIC UTILITIES AND CARRIERS**

DATE: FEBRUARY 22, 2018

Electric Infrastructure, Safety, and Reliability Plan FY 2019, Docket 4783

The Narragansett Electric Company d/b/a National Grid (“Narragansett” or “the Company”) submitted its Fiscal Year 2019 Infrastructure, Safety, and Reliability (ISR) Plan on December 21, 2017. Calculations supporting the revenue requirements associated with the vegetation management, inspection and maintenance, and qualifying capital investment components are included in the Electric ISR Plan.

The U.S. Federal Tax Cuts and Jobs Act (“TCJA”) was signed into law on December 20, 2017. The TCJA reduced the federal corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018. The reduced tax rate of 21% was not incorporated into the ISR revenue requirement in the filing of December 21, 2017. Division Data Request 2-1 asked the Company to provide the effect of the TCJA on the FY 2019 Electric ISR revenue requirement. Narragansett responded to this request on February 9, 2018.

As noted by the Company in its response to Division Data Request 2-1, the decrease in the federal income tax rate from 35 percent to 21 percent reduces the required pre-tax return on the ISR rate base included in the ISR revenue requirement. This decrease to the ISR revenue requirement is partially offset by the elimination of bonus depreciation as of September 28, 2017 and a slower accumulation of deferred income taxes as a result of the lower income tax rate. Narragansett calculated that the effect of the TCJA was to decrease the FY 2018 ISR revenue requirement by \$1,261,891 and the FY 2019 ISR revenue requirement by \$697,981.

The Company will reflect the reduction to FY 2018 ISR revenue requirement in the reconciliation of the revenue requirement based upon actual FY 2018 spending and revenue billed through the electric ISR factors. The TCJA reduction to FY 2019 ISR revenue requirement of \$697,981 should be incorporated into the ISR rates that will go into effect April 1, 2018.

Based on my review, I believe the revenue requirement associated with the filed FY 2019 Electric ISR Plan as revised in the response to Division Data Request 2-1 is reasonably calculated, for effect April 1, 2018, subject to the future reconciliation of the FY 2019 Plan revenue requirement.