

March 17, 2021

BY ELECTRONIC MAIL

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

RE: Docket 5099 - Proposed FY 2022 Gas Infrastructure, Safety, and Reliability Plan Responses to Record Requests

Dear Ms. Massaro:

I have enclosed an electronic version of National Grid's¹ responses to the record requests that were issued at the evidentiary hearing on March 11, 2021 in the above-referenced matter.

The Company's response to Record Request No. 4 is pending.

Thank you for your attention to this matter. If you have any questions, please contact me at 781-907-2121.

Very truly yours,



Raquel J. Webster

Enclosures

cc: Docket 5099 Service List
Leo Wold, Esq.
Al Mancini, Division
John Bell, Division
Rod Walker, Division

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

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 17, 2021

Date

Docket No. 5099- National Grid's FY 2022 Gas Infrastructure, Safety and Reliability (ISR) Plan - Service List 1/7/2021

Name/Address	E-mail Distribution	Phone
Raquel J. Webster, Esq. National Grid 40 Sylvan Road Waltham, MA 02451	raquel.webster@nationalgrid.com ;	781-907-2121
	celia.obrien@nationalgrid.com ;	
	Joanne.scanlon@nationalgrid.com ;	
	Jennifer.Hutchinson@nationalgrid.com ;	
National Grid Amy Smith Melissa Little Lee Gresham Ryan Scheib	Amy.smith@nationalgrid.com ;	
	Robert.Gresham@nationalgrid.com ;	
	Melissa.Little@nationalgrid.com ;	
	Ann.leary@nationalgrid.com ;	
	Theresa.Burns@nationalgrid.com ;	
	Michael.Pini@nationalgrid.com ;	
	Nathan.Kocon@nationalgrid.com ;	
	McKenzie.Schwartz@nationalgrid.com ;	
	Ryan.Scheib@nationalgrid.com ;	
William.richer@nationalgrid.com ;		
Division of Public Utilities & Carriers Leo Wold, Esq.	Leo.Wold@dpuc.ri.gov ;	401-780-2130
	Margaret.I.hogan@dpuc.ri.gov ;	
	Al.mancini@dpuc.ri.gov ;	
	John.bell@dpuc.ri.gov ;	
	Robert.Bailey@dpuc.ri.gov ;	
	dmacrae@riag.ri.gov ;	
	MFolcarelli@riag.ri.gov ;	
Rod Walter, CEO/President Rod Walker & Associates	Rwalker@RWalkerConsultancy.com ;	706-244-0894
Office of Energy Resources (OER) Albert Vitali, Esq. Dept. of Administration Division of Legal Services One Capitol Hill, 4 th Floor	Albert.Vitali@doa.ri.gov ;	
	Nancy.Russolino@doa.ri.gov ;	
	Christopher.Kearns@energy.ri.gov ;	
	Nicholas.Ucci@energy.ri.gov ;	

Providence, RI 02908	Carrie.Gill@energy.ri.gov ;	
File an original & five (5) copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02888	Luly.massaro@puc.ri.gov ;	401-780-2107
	Patricia.lucarelli@puc.ri.gov ;	
	Todd.bianco@puc.ri.gov ;	
	Alan.nault@puc.ri.gov ;	
Conservation Law Foundation James Crowley, Esq. Conservation Law Foundation 235 Promenade St. Suite 560, Mailbox 28 Providence, RI 02908	jcrowley@clf.org ;	401-228-1904

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 5099
In Re: Gas Infrastructure, Safety, and Reliability Plan FY2022
Responses to the Record Requests Issued at the
Commission's Evidentiary Hearing
On March 11, 2021

Record Request No. 1

Request:

Assuming the Commission wants the revenue requirement for the Gas ISR to be calculated the same as the Electric ISR, please propose a tariff to do so.

Response:

Please see Attachment RR-1(a) for clean and redlined versions of the Company's proposed tariff to align the calculation of the Gas ISR revenue requirement with the Company's Electric ISR. For the PUC's consideration, the Company has also included as Attachment RR-1(b) clean and redlined versions of the proposed tariff based on the Company's alternative revenue requirement calculation methodology, as explained in Melissa Little's written analysis filed with the PUC on March 9, 2021 in Docket 5099.

**THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
RIPUC DOCKET NO. 5099
GAS INFRASTRUCTURE, SAFETY, AND RELIABILITY PLAN FY2022
FILING ATTACHMENT RR-1(a)**

Proposed DAC Provision
Clean

DISTRIBUTION ADJUSTMENT CLAUSE

1.0 GENERAL

1.1 Purpose:

The purpose of the Distribution Adjustment Clause (“DAC”) is to establish procedures that allow the Company, subject to the jurisdiction of the PUC, to annually adjust its rates for firm sales and transportation in order to recover, credit, or reconcile the following:

- (1) the system pressure costs;
- (2) the difference between the approved AGT factor revenue collections and actual AGT factor revenue collections;
- (3) the costs of the Infrastructure, Safety, and Reliability Plan;
- (4) the amortization of the most recent ten years of Environmental Response costs;
- (5) Pension costs and Post-retirement Benefits Other than Pensions expenses;
- (6) to credit any Service Quality Performance penalties;
- (7) any over or under collections of revenue under the Revenue Decoupling mechanism;
- (8) the previous year DAC items;
- (9) any Earnings Sharing;
- (10) any Residential Assistance costs; and
- (11) the impact of the Tax Cuts and Jobs Act.

Any costs recovered through the application of the Distribution Adjustment Charge shall be identified and explained fully in the annual Distribution Adjustment Charge filing.

1.2 Applicability:

The Distribution Adjustment Charge will be applied to sales and transportation volumes under each of the Company’s firm rate schedules.

The Company will make annual DAC filings and its annual Reconciliation filings based on actual costs and volumes available at the time of filing as well as forecasts of applicable costs and volumes through October of that year. With the exception of the Infrastructure, Safety and Reliability component described in Item 3.3.2, the Distribution Adjustment Charge shall become effective with consumption as of November 1 each year.

Unless otherwise notified by the PUC, the Company shall submit the Distribution Adjustment Charge filings no later than 90 days before they are scheduled to take

DISTRIBUTION ADJUSTMENT CLAUSE

effect, provided however that the Revenue Decoupling Adjustment component of the Distribution Adjustment Charge filing will be made July 1 annually. The Annual Reconciliation filing will be made by August 1 of each year.

2.0 DISTRIBUTION ADJUSTMENT CHARGE:

The Distribution Adjustment Charge will consist of an annual System Pressure factor, an Advanced Gas Technology factor, an Infrastructure, Safety, and Reliability factor, an Environmental Response Cost factor, a Pension Adjustment Mechanism factor, a Service Quality Performance factor, a Revenue Decoupling Adjustment factor, and a Reconciliation of deferred account balance factor, an Earnings Sharing Mechanism factor, a Low Income Discount Recovery Factor, a Tax Credit Factor and an Arrearage Management Adjustment Factor. The Distribution Adjustment Charge is calculated as follows:

$$DAC = SP + AGT + ISR + ERCF + PAF + SQP + RDA + AMAF + R + ESM + LIDRF + TCF$$

Where:

DAC	Distribution Adjustment Charge applicable to all firm throughput.
SP	System Pressure factor. See Item 3.1 for calculation.
AGT	Advanced Gas Technology factor. See Item 3.2 for calculation.
ISR	Infrastructure, Safety, and Reliability factor. See Item 3.3 for calculation.
ERCF	Environmental Response Cost Factor. See Item 3.4 for calculation.
PAF	Pension Adjustment Factor. See Item 3.5 for calculation.
SQP	Service Quality Performance Factor. See Item 3.6 for calculation.
RDA	Revenue Decoupling Adjustment factor. See Item 3.7 for calculation.
AMAF	Arrearage Management Adjustment Factor. See Item 3.8 for calculation.
LIDRF	Low Income Discount Recovery Factor. See Item 3.9 for calculation.
R	Reconciliation of deferred account balances as of October 31. See Item 4.0 for calculation.
ESM	Earnings Sharing Mechanism Factor. See Item 5.0 for calculation.

DISTRIBUTION ADJUSTMENT CLAUSE

TCF Tax Credit Factor. See Item 3.10 for calculation.

The Distribution Adjustment Charge, excluding the RDA, shall be increased by the uncollectible expense percentage approved in the most recent general rate case.

3.0 DISTRIBUTION ADJUSTMENT CALCULATIONS

3.1 System Pressure Factor:

The System Pressure factor shall be computed in a manner that identifies and includes all fixed and variable gas supply costs required on an annual basis to maintain pressure within the Company's distribution system and shall identify and consider all gas supply costs that are required to maintain pressure for all portions of the Company's distribution system:

$$SP = \frac{GCSP \times SP\%}{Dt_T}$$

Where:

SP System Pressure Amount.

GCSP Forecasted Gas Costs associated with supply used to maintain system pressures, including both demand and commodity costs.

SP% Percent of supply used to maintain system pressures, as established in the most recent general rate case or DAC proceeding.

Dt_T Forecasted annual firm throughput.

3.2 AGT Factor:

The Advanced Gas Technology factor shall be determined annually, or as otherwise approved by the PUC, based on an estimate of AGT grants to be disbursed during the upcoming year, adjusted by any AGT grants from the prior year in excess of available funding or available funding in excess of AGT grants from the prior year, the total of which is the eligible AGT Costs to be approved for recovery by the PUC. The formula will be as follows:

DISTRIBUTION ADJUSTMENT CLAUSE

$$\text{AGT} = \frac{\text{AGT}}{\text{Dt}_T}$$

Where:

AGT AGT Factor

AGT AGT Costs

Dt_T Forecasted annual firm throughput in dekatherms

3.3 Infrastructure, Safety and Reliability Plan:

3.3.1 Gas Infrastructure, Safety, and Reliability Plan Filing:

In compliance with R.I.G.L. Section 39-1-27.7.1, no later than January 1 of each year, the Company shall submit to the PUC a Gas Infrastructure, Safety, and Reliability Plan (Gas ISR Plan) for the upcoming fiscal year (April to March) for review and approval within 90 days. The Gas ISR Plan shall include the upcoming fiscal year's forecasted capital investment on its gas distribution system infrastructure and may include any other costs relating to maintaining safety and reliability that have been mutually agreed upon by the Division and the Company.

3.3.2 Infrastructure, Safety and Reliability Factor:

Effective each April 1, the Company shall recover through a change in Distribution Adjustment Charge rates the Cumulative Revenue Requirement on the Adjusted Cumulative Non-growth Capital Investment as approved by the PUC in the Company's annual gas infrastructure, safety, and reliability filings less the amount included in rate base for base rate purposes. For purposes of this section, non-growth capital shall exclude general plant (FERC Accts 389 through 399). The Cumulative Revenue Requirement shall mean the return and taxes on year-end Adjusted Cumulative Non-growth Capital Investment, at a rate equal to the pre-tax weighted average cost of capital as approved by the PUC in the most recent general rate case, plus the annual depreciation net of depreciation expense attributable to general plant that was approved by the PUC in the Company's most recent general rate case adjusted, if appropriate, by later proceedings related to capital, plus the annual municipal property tax recovery mechanism.

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The Adjusted Cumulative Non-growth Capital Investment shall mean the cumulative actual non-growth capital investment recorded as in service since the end of the Company's rate year in its most recent general rate case, reflecting any difference between Actual Non-Growth Investment and Forecasted Non-Growth Investment for any period during which Forecasted Non-Growth Investment has not been reconciled to Actual Non-Growth Investment including through the end of the Company's rate year in its last general rate case. Cumulative Revenue Requirements will reflect Adjusted Cumulative Non-Growth Capital Investment as defined above plus the associated retirements, cost of removal, accumulated depreciation, and accumulated deferred taxes.

All accumulated Gas ISR investments will be eligible for inclusion in rate base recovery through new rates set in the next general rate case.

The Company shall allocate the Cumulative Revenue Requirements to its rate classes based on the rate base allocation approved by the PUC in the Company's most recent general rate case. Any other costs, including Operation and Maintenance expenses mutually agreed upon by the Division and the Company shall be allocated on a per unit basis.

3.3.3 Infrastructure, Safety and Reliability Factor: Reconciliation Mechanism:

The Company shall include an annual reconciliation mechanism associated with the ISR Factor designed to reconcile the actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to the actual billed revenue for the prior fiscal year. As part of its annual DAC filing, the Company shall submit by August 1 a reconciliation factor (either positive or negative) related to the ISR Factor recoveries and actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to take effect annually for the twelve months beginning November 1 each year.

3.4 Environmental Response Cost Factor (ERCF):

$$ERCF = \frac{\sum ERC_{Y_{t_k}}}{10} - ERC_{EMB}$$
$$D_{tr}$$

Where:

DISTRIBUTION ADJUSTMENT CLAUSE

ERC	Environmental Response Costs as defined in Section 1, Schedule B Definitions
$\sum \text{ERC}_{yT}$	The sum of Environmental Response Costs, incurred in the most recent twelve month period ended March 31.
ERC _{EMB}	Environmental Response Costs funding embedded in base rates, \$1,310,000.
D _T	Forecasted annual firm throughput

In order to limit the bill impacts that could potentially result from the incurrence of environmental remediation costs, the ERC factor, calculated as described above, shall be limited to an increase of no more than \$0.10 per dekatherm in any annual DAC filing. If this limitation results in the Company recovering less than the amount that would otherwise be eligible for recovery in a particular year, then beginning on the date that the proposed ERC factor becomes effective, carrying costs shall accrue to the Company on the portion of the environmental remediation costs not included in the ERC factor as a result of this limitation. Such carrying costs shall accrue through the year in which such amount, together with accumulated carrying costs, are recovered from ratepayers. Any amounts so deferred shall be incorporated into the ERC factor in succeeding years consistent with the \$0.10 per dekatherm ERC factor annual increase limitation. Such carrying charges shall accrue at the Interest on Deferred Balance rate specified in Section 1, Schedule B of the Company's Definition section above.

3.5 Pension Adjustment Factor:

The Pension Adjustment Factor shall recover or refund the prior fiscal year's reconciliation of the Company's actual Pension and Post-retirement Benefits Other Than Pension (PBOP) expenses to the Company's Pension and PBOP expense allowance included in distribution base rates, including interest at the rate of interest paid on customer deposits. The recoverable actual Pension and PBOP shall reflect expense recorded on the Company's books of account pursuant to the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 715, Compensation—Retirement Benefits, as amended in March 2017 in a FASB Accounting Standards Update (formerly Statement of Financial Accounting Standards ("SFAS") 87 and SFAS 106) associated with pension and PBOP. The PAF will be computed on an annual basis for the twelve months ended March 31 and will be based on the difference in the Company's actual Pension and PBOP expense for the prior twelve month period ended March 31 and the distribution base rate allowance,

DISTRIBUTION ADJUSTMENT CLAUSE

plus carrying charges at the weighted average cost of capital on the cumulative five quarter average underfunding of the Pension and PBOP Minimum Funding Obligation for the fiscal year ended March 31. The Minimum Funding Obligation will be equal to the amount of Pension and PBOP costs collected from customers during the fiscal year, plus the amounts of Pension and PBOP costs capitalized during the year. The amount collected from customers during the fiscal year would include (1) Pension and PBOP allowance included in base rates, and (2) amounts collected or refunded through the PAF. For the purpose of determining its Minimum Funding Obligation and the carrying costs that apply to that obligation, the Company shall be permitted to combine the funding of pensions and PBOPs, thereby offsetting, any deficiencies in PBOPs funding with any excess pension funding, or conversely offsetting any deficiencies in pension funding with any excess PBOP funding. The Company will be required to accrue and defer carrying charges on only the net unfunded pension/PBOP amount.

3.6 Service Quality Performance Factor:

The Service Quality Performance (SQP) Factor will be used for crediting to customers any penalties reflected in the Company's annual Service Quality Report.

3.7 Revenue Decoupling Adjustment Factor:

The Revenue Decoupling Adjustment (RDA) Factor shall be a credit or surcharge determined for all Residential rate classes and Small and Medium C&I rate classes as the sum of the March 31 deferral ending balances for each rate class divided by the forecasted total annual firm throughput for those rate classes. The March deferral ending balance for each rate class shall result from the monthly calculation of the difference between the Target Revenue-per-Customer and the Actual Revenue-Per-Customer for each twelve months ending March 31. The deferral balance will be calculated as follows:

$$RDAF = \frac{\sum_{RC} (AEB_{M-1} + DIFF_M + INT_M)}{Dt_{RC}}$$

Where:

RDAF Revenue Decoupling Adjustment Factor

\sum_{RC} The sum of the March 31 deferral ending balances for each of the following rate classes: Residential Non-heat (including Low Income

DISTRIBUTION ADJUSTMENT CLAUSE

Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.

AEB_{M-1} Account Ending Balance for prior month

$DIFF_M$ Current month Difference

$$= (RPC_{TM} - RPC_{AM}) \times CUST_M$$

RPC_{TM} Target Revenue-per-Customer based on class specific revenue per customer targets established in the most recent general rate case. The target for Low-Income classes will reflect non-discounted revenue. Low-income class revenue and customers will be included with non-discounted revenue and customers for the purposes of setting the target.

RPC_{AM} Actual Revenue-per-Customer for current month calculated as actual base revenue divided by number of customers in the current month. Revenue for Low-Income classes will reflect non-discounted revenue.

$CUST_M$ Number of customers in current month

INT_M Interest on average monthly balance based on the Bank of America Prime minus 200 basis points.

D_{tRC} Forecasted annual firm throughput for the following rate classes: Residential Non-heat (including Low Income Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.

3.8 Arrearage Management Adjustment Factor (AMAF):

In compliance with R.I.G.L. §39-2-1(d)(2), the Company shall surcharge customers allowable amounts forgiven through the Arrearage Management Plan (AMP) over the prior calendar year as described in Section 7, Schedule C, Item 9.0 through the AMAF.

$$AMAF = \frac{AMPC}{D_{tr}}$$

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Where:

AMPC Allowable arrearage management plan costs the Company may recover from firm customers in accordance with R.I.G.L. § 39-2-1(d)(2) and described in Section 7, Schedule C, Item 9.0.

Dt_T Forecasted annual firm throughput

3.9 Low Income Discount Recovery Factor (LIDRF):

The Low Income Discount Recovery Factor shall be determined annually based upon the total amount of low income discount applied to eligible customer bills. The low income discount percentages are as follows:

- Residential Assistance Non-Heating, Rate 11: 25% with an additional 5% for a total of 30% for those customers receiving benefits through Medicaid, General Public Assistance, and/or the Rhode Island Works Program (formerly known as the Family Independence Program).
- Residential Assistance Heating, Rate 13: 25% with an additional 5% for a total discount of 30% for those customers receiving benefits through Medicaid, General Public Assistance, and/or the Rhode Island Works Program.

$$\text{LIDRF} = \frac{\text{LIDC}}{\text{Dt}_T}$$

Where:

LIDC Annual low income discounts provided to eligible low income customers which the Company may recover from firm customers.

Dt_T Forecasted annual firm throughput excluding Rate 11 and Rate 13 forecasted annual throughput.

3.10 Tax Credit Factor (TCF):

The Tax Credit Factor shall credit customers (1) pursuant to the settlement agreement in Docket 4808, a one-time tax credit of \$3,064,228 for the period January 1, 2018 through August 31, 2018 associated with the reduced federal corporate income tax rate as a result of the Tax Cuts and Jobs Act; and (2) pursuant to Article II, Section

DISTRIBUTION ADJUSTMENT CLAUSE

C.22.a of the amended settlement agreement in Docket 4770, a one-time tax credit associated with the impact of the true-up of the excess Accumulated Deferred Income Tax (ADIT) for the period September 1, 2018 through August 31, 2019. The Company will determine the amount to be credited to customers by comparing the actual distribution revenue billed to firm customers during the period September 1, 2018 through August 31, 2019 and an estimate of the distribution revenue that would have been billed to firm customers if the actual impact of excess ADIT had been reflected in base distribution rates effective September 1, 2018. These one-time tax credit amounts will be credited to all firm customers during the period November 1, 2019 through October 31, 2020.

$$\text{TCF} = \frac{\text{TR}}{\text{Dt}_T}$$

Where:

TR Sum of the one-time tax credits of \$3,064,228 and the impact of the true-up of excess ADIT.

Dt_T Forecasted annual firm throughput.

4.0 DEFERRED DISTRIBUTION ADJUSTMENT COST ACCOUNT:

The Distribution Adjustment Cost Account shall include annual reconciliation for the twelve month period for the revenues and costs for the System Pressure factor, Advanced Gas Technology factor, ISR factor, Environmental Response Costs factor, Pension Adjustment factor, SQP factor, RDA factor, ESM factor, AMAF, LIDRF, TCF, and a Previous Reconciliation factor, including a true-up for any prior year's forecasted revenues and costs. Base rate related items (Advanced Gas Technology factor, Pension Adjustment factor and Environmental Response Cost factor) will be reconciled only for those non-Revenue Decoupling rate classes (Large and Extra Large high load and low load factor rate classes). For each reconciliation component, a monthly rate based on a monthly rate of the current Bank of America prime interest rate less 200 basis points (2%), multiplied by the arithmetic average of the account's beginning and ending balance shall also apply.

5.0 EARNINGS SHARING MECHANISM:

The Earnings Sharing Mechanism Credit ("ESMC") for FY 18 will be included with the September 1 DAC filing based on financial information for the 12-month period ending March 31. All subsequent ESMC will be filed on May 1 and will reflect a 12-month period

DISTRIBUTION ADJUSTMENT CLAUSE

ending December 31. For purposes of calculating earnings to be shared, the Company will be allowed to include its 50% share of net merger synergies resulting from the National Grid/KeySpan transactions, or \$2,450,000. Calculation of the ESMC is as follows:

$$\text{ESMC} = \frac{\text{ESMF}}{\text{Dt}_T}$$

Where:

ESMF Earnings Sharing Mechanism Fund is defined as customers' share of earnings subject to sharing and will be based on the return on equity authorized by the PUC in a general rate case or as otherwise authorized by the PUC. For FY 18, the annual earnings over 9.5% return on equity, up to and including 100 basis points, being shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of 9.5% return on equity shall be shared 75% to customers and 25% to the Company. For all subsequent ESMC, the annual earnings over 9.275% return on equity, and up to and including 100 basis points (i.e., 10.275%), will be shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of 9.275% return on equity (i.e., exceeding 10.275%) shall be shared 75% to customers and 25% to the Company. The Company's share of any shared earnings will be retained by Company and not reflected in any earnings report.

Dt_T Forecasted annual firm throughput

**THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
RIPUC DOCKET NO. 5099
GAS INFRASTRUCTURE, SAFETY, AND RELIABILITY PLAN FY2022
FILING ATTACHMENT RR-1(a)**

Proposed DAC Provision
Marked to Show Changes

DISTRIBUTION ADJUSTMENT CLAUSE

1.0 GENERAL

1.1 Purpose:

The purpose of the Distribution Adjustment Clause (“DAC”) is to establish procedures that allow the Company, subject to the jurisdiction of the PUC, to annually adjust its rates for firm sales and transportation in order to recover, credit, or reconcile the following:

- (1) the system pressure costs;
- (2) the difference between the approved AGT factor revenue collections and actual AGT factor revenue collections;
- (3) the costs of the Infrastructure, Safety, and Reliability Plan;
- (4) the amortization of the most recent ten years of Environmental Response costs;
- (5) Pension costs and Post-retirement Benefits Other than Pensions expenses;
- (6) to credit any Service Quality Performance penalties;
- (7) any over or under collections of revenue under the Revenue Decoupling mechanism;
- (8) the previous year DAC items;
- (9) any Earnings Sharing;
- (10) any Residential Assistance costs; and
- (11) the impact of the Tax Cuts and Jobs Act.

Any costs recovered through the application of the Distribution Adjustment Charge shall be identified and explained fully in the annual Distribution Adjustment Charge filing.

1.2 Applicability:

The Distribution Adjustment Charge will be applied to sales and transportation volumes under each of the Company’s firm rate schedules.

The Company will make annual DAC filings and its annual Reconciliation filings based on actual costs and volumes available at the time of filing as well as forecasts of applicable costs and volumes through October of that year. With the exception of the Infrastructure, Safety and Reliability component described in Item 3.3.2, the Distribution Adjustment Charge shall become effective with consumption as of November 1 each year.

Unless otherwise notified by the PUC, the Company shall submit the Distribution Adjustment Charge filings no later than 90 days before they are scheduled to take

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effect, provided however that the Revenue Decoupling Adjustment component of the Distribution Adjustment Charge filing will be made July 1 annually. The Annual Reconciliation filing will be made by August 1 of each year.

2.0 DISTRIBUTION ADJUSTMENT CHARGE:

The Distribution Adjustment Charge will consist of an annual System Pressure factor, an Advanced Gas Technology factor, an Infrastructure, Safety, and Reliability factor, an Environmental Response Cost factor, a Pension Adjustment Mechanism factor, a Service Quality Performance factor, a Revenue Decoupling Adjustment factor, and a Reconciliation of deferred account balance factor, an Earnings Sharing Mechanism factor, a Low Income Discount Recovery Factor, a Tax Credit Factor and an Arrearage Management Adjustment Factor. The Distribution Adjustment Charge is calculated as follows:

$$DAC = SP + AGT + ISR + ERCF + PAF + SQP + RDA + AMAF + R + ESM + LIDRF + TCF$$

Where:

DAC	Distribution Adjustment Charge applicable to all firm throughput.
SP	System Pressure factor. See Item 3.1 for calculation.
AGT	Advanced Gas Technology factor. See Item 3.2 for calculation.
ISR	Infrastructure, Safety, and Reliability factor. See Item 3.3 for calculation.
ERCF	Environmental Response Cost Factor. See Item 3.4 for calculation.
PAF	Pension Adjustment Factor. See Item 3.5 for calculation.
SQP	Service Quality Performance Factor. See Item 3.6 for calculation.
RDA	Revenue Decoupling Adjustment factor. See Item 3.7 for calculation.
AMAF	Arrearage Management Adjustment Factor. See Item 3.8 for calculation.
LIDRF	Low Income Discount Recovery Factor. See Item 3.9 for calculation.
R	Reconciliation of deferred account balances as of October 31. See Item 4.0 for calculation.
ESM	Earnings Sharing Mechanism Factor. See Item 5.0 for calculation.

DISTRIBUTION ADJUSTMENT CLAUSE

TCF Tax Credit Factor. See Item 3.10 for calculation.

The Distribution Adjustment Charge, excluding the RDA, shall be increased by the uncollectible expense percentage approved in the most recent general rate case.

3.0 DISTRIBUTION ADJUSTMENT CALCULATIONS

3.1 System Pressure Factor:

The System Pressure factor shall be computed in a manner that identifies and includes all fixed and variable gas supply costs required on an annual basis to maintain pressure within the Company's distribution system and shall identify and consider all gas supply costs that are required to maintain pressure for all portions of the Company's distribution system:

$$SP = \frac{GCSP \times SP\%}{Dt_T}$$

Where:

SP System Pressure Amount.

GCSP Forecasted Gas Costs associated with supply used to maintain system pressures, including both demand and commodity costs.

SP% Percent of supply used to maintain system pressures, as established in the most recent general rate case or DAC proceeding.

Dt_T Forecasted annual firm throughput.

3.2 AGT Factor:

The Advanced Gas Technology factor shall be determined annually, or as otherwise approved by the PUC, based on an estimate of AGT grants to be disbursed during the upcoming year, adjusted by any AGT grants from the prior year in excess of available funding or available funding in excess of AGT grants from the prior year, the total of which is the eligible AGT Costs to be approved for recovery by the PUC. The formula will be as follows:

DISTRIBUTION ADJUSTMENT CLAUSE

$$AGT = \frac{AGT}{Dt_T}$$

Where:

AGT AGT Factor

AGT AGT Costs

Dt_T Forecasted annual firm throughput in dekatherms

3.3 Infrastructure, Safety and Reliability Plan:

3.3.1 Gas Infrastructure, Safety, and Reliability Plan Filing:

In compliance with R.I.G.L. Section 39-1-27.7.1, no later than January 1 of each year, the Company shall submit to the PUC a Gas Infrastructure, Safety, and Reliability Plan (Gas ISR Plan) for the upcoming fiscal year (April to March) for review and approval within 90 days. The Gas ISR Plan shall include the upcoming fiscal year's forecasted capital investment on its gas distribution system infrastructure and may include any other costs relating to maintaining safety and reliability that have been mutually agreed upon by the Division and the Company.

3.3.2 Infrastructure, Safety and Reliability Factor:

Effective each April 1, the Company shall recover through a change in Distribution Adjustment Charge rates the Cumulative Revenue Requirement on the Adjusted Cumulative Non-growth Capital ~~Spending~~Investment as approved by the PUC in the Company's annual gas infrastructure, safety, and reliability filings less the amount included in rate base for base rate purposes. For purposes of this section, non-growth capital shall exclude general plant (FERC Accts 389 through 399). The Cumulative Revenue Requirement shall mean the return and taxes on year-end Adjusted Cumulative Non-growth Capital ~~Spending~~Investment, at a rate equal to the pre-tax weighted average cost of capital as approved by the PUC in the most recent general rate case, plus the annual depreciation net of depreciation expense attributable to general plant that was approved by the PUC in the Company's most recent general rate case adjusted, if appropriate, by later proceedings related to capital, plus the annual municipal property tax recovery mechanism.

DISTRIBUTION ADJUSTMENT CLAUSE

The Adjusted Cumulative Non-growth Capital ~~Spending~~ Investment shall mean the cumulative actual non-growth capital investment recorded as in service since the end of the Company's rate year in its most recent general rate case, reflecting any difference between Actual Non-Growth Investment and Forecasted Non-Growth Investment for any period during which Forecasted Non-Growth Investment has not been reconciled to Actual Non-Growth Investment including through the end of the Company's rate year in its last general rate case. Cumulative Revenue Requirements will reflect Adjusted Cumulative Non-Growth Capital ~~Spending~~ Investment as defined above plus the associated retirements, cost of removal, accumulated depreciation, and accumulated deferred taxes.

All accumulated Gas ISR investments will be eligible for inclusion in rate base recovery through new rates set in the next general rate case.

The Company shall allocate the Cumulative Revenue Requirements to its rate classes based on the rate base allocation approved by the PUC in the Company's most recent general rate case. Any other costs, including Operation and Maintenance expenses mutually agreed upon by the Division and the Company shall be allocated on a per unit basis.

3.3.3 Infrastructure, Safety and Reliability Factor: Reconciliation Mechanism:

The Company shall include an annual reconciliation mechanism associated with the ISR Factor designed to reconcile the actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to the actual billed revenue for the prior fiscal year. As part of its annual DAC filing, the Company shall submit by August 1 a reconciliation factor (either positive or negative) related to the ISR Factor recoveries and actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to take effect annually for the twelve months beginning November 1 each year.

3.4 Environmental Response Cost Factor (ERCF):

$$ERCF = \frac{\sum ERC_{yT} - ERC_{EMB}}{10 D_T}$$

Where:

DISTRIBUTION ADJUSTMENT CLAUSE

ERC	Environmental Response Costs as defined in Section 1, Schedule B Definitions
$\sum \text{ERC}_{yT}$	The sum of Environmental Response Costs, incurred in the most recent twelve month period ended March 31.
ERC _{EMB}	Environmental Response Costs funding embedded in base rates, \$1,310,000.
D _T	Forecasted annual firm throughput

In order to limit the bill impacts that could potentially result from the incurrence of environmental remediation costs, the ERC factor, calculated as described above, shall be limited to an increase of no more than \$0.10 per dekatherm in any annual DAC filing. If this limitation results in the Company recovering less than the amount that would otherwise be eligible for recovery in a particular year, then beginning on the date that the proposed ERC factor becomes effective, carrying costs shall accrue to the Company on the portion of the environmental remediation costs not included in the ERC factor as a result of this limitation. Such carrying costs shall accrue through the year in which such amount, together with accumulated carrying costs, are recovered from ratepayers. Any amounts so deferred shall be incorporated into the ERC factor in succeeding years consistent with the \$0.10 per dekatherm ERC factor annual increase limitation. Such carrying charges shall accrue at the Interest on Deferred Balance rate specified in Section 1, Schedule B of the Company's Definition section above.

3.5 Pension Adjustment Factor:

The Pension Adjustment Factor shall recover or refund the prior fiscal year's reconciliation of the Company's actual Pension and Post-retirement Benefits Other Than Pension (PBOP) expenses to the Company's Pension and PBOP expense allowance included in distribution base rates, including interest at the rate of interest paid on customer deposits. The recoverable actual Pension and PBOP shall reflect expense recorded on the Company's books of account pursuant to the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 715, Compensation—Retirement Benefits, as amended in March 2017 in a FASB Accounting Standards Update (formerly Statement of Financial Accounting Standards ("SFAS") 87 and SFAS 106) associated with pension and PBOP. The PAF will be computed on an annual basis for the twelve months ended March 31 and will be based on the difference in the Company's actual Pension and PBOP expense for the prior twelve month period ended March 31 and the distribution base rate allowance,

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plus carrying charges at the weighted average cost of capital on the cumulative five quarter average underfunding of the Pension and PBOP Minimum Funding Obligation for the fiscal year ended March 31. The Minimum Funding Obligation will be equal to the amount of Pension and PBOP costs collected from customers during the fiscal year, plus the amounts of Pension and PBOP costs capitalized during the year. The amount collected from customers during the fiscal year would include (1) Pension and PBOP allowance included in base rates, and (2) amounts collected or refunded through the PAF. For the purpose of determining its Minimum Funding Obligation and the carrying costs that apply to that obligation, the Company shall be permitted to combine the funding of pensions and PBOPs, thereby offsetting, any deficiencies in PBOPs funding with any excess pension funding, or conversely offsetting any deficiencies in pension funding with any excess PBOP funding. The Company will be required to accrue and defer carrying charges on only the net unfunded pension/PBOP amount.

3.6 Service Quality Performance Factor:

The Service Quality Performance (SQP) Factor will be used for crediting to customers any penalties reflected in the Company’s annual Service Quality Report.

3.7 Revenue Decoupling Adjustment Factor:

The Revenue Decoupling Adjustment (RDA) Factor shall be a credit or surcharge determined for all Residential rate classes and Small and Medium C&I rate classes as the sum of the March 31 deferral ending balances for each rate class divided by the forecasted total annual firm throughput for those rate classes. The March deferral ending balance for each rate class shall result from the monthly calculation of the difference between the Target Revenue-per-Customer and the Actual Revenue-Per-Customer for each twelve months ending March 31. The deferral balance will be calculated as follows:

$$RDAF = \frac{\sum_{RC} (AEB_{M-1} + DIFF_M + INT_M)}{Dt_{RC}}$$

Where:

RDAF Revenue Decoupling Adjustment Factor

\sum_{RC} The sum of the March 31 deferral ending balances for each of the following rate classes: Residential Non-heat (including Low Income

DISTRIBUTION ADJUSTMENT CLAUSE

Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.

AEB_{M-1} Account Ending Balance for prior month

$DIFF_M$ Current month Difference

$$= (RPC_{TM} - RPC_{AM}) \times CUST_M$$

RPC_{TM} Target Revenue-per-Customer based on class specific revenue per customer targets established in the most recent general rate case. The target for Low-Income classes will reflect non-discounted revenue. Low-income class revenue and customers will be included with non-discounted revenue and customers for the purposes of setting the target.

RPC_{AM} Actual Revenue-per-Customer for current month calculated as actual base revenue divided by number of customers in the current month. Revenue for Low-Income classes will reflect non-discounted revenue.

$CUST_M$ Number of customers in current month

INT_M Interest on average monthly balance based on the Bank of America Prime minus 200 basis points.

D_{TRC} Forecasted annual firm throughput for the following rate classes: Residential Non-heat (including Low Income Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.

3.8 Arrearage Management Adjustment Factor (AMAF):

In compliance with R.I.G.L. §39-2-1(d)(2), the Company shall surcharge customers allowable amounts forgiven through the Arrearage Management Plan (AMP) over the prior calendar year as described in Section 7, Schedule C, Item 9.0 through the AMAF.

$$AMAF = \frac{AMPC}{D_{tr}}$$

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Where:

AMPC Allowable arrearage management plan costs the Company may recover from firm customers in accordance with R.I.G.L. § 39-2-1(d)(2) and described in Section 7, Schedule C, Item 9.0.

Dt_T Forecasted annual firm throughput

3.9 Low Income Discount Recovery Factor (LIDRF):

The Low Income Discount Recovery Factor shall be determined annually based upon the total amount of low income discount applied to eligible customer bills. The low income discount percentages are as follows:

- Residential Assistance Non-Heating, Rate 11: 25% with an additional 5% for a total of 30% for those customers receiving benefits through Medicaid, General Public Assistance, and/or the Rhode Island Works Program (formerly known as the Family Independence Program).
- Residential Assistance Heating, Rate 13: 25% with an additional 5% for a total discount of 30% for those customers receiving benefits through Medicaid, General Public Assistance, and/or the Rhode Island Works Program.

$$\text{LIDRF} = \frac{\text{LIDC}}{\text{Dt}_T}$$

Where:

LIDC Annual low income discounts provided to eligible low income customers which the Company may recover from firm customers.

Dt_T Forecasted annual firm throughput excluding Rate 11 and Rate 13 forecasted annual throughput.

3.10 Tax Credit Factor (TCF):

The Tax Credit Factor shall credit customers (1) pursuant to the settlement agreement in Docket 4808, a one-time tax credit of \$3,064,228 for the period January 1, 2018 through August 31, 2018 associated with the reduced federal corporate income tax rate as a result of the Tax Cuts and Jobs Act; and (2) pursuant to Article II, Section

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C.22.a of the amended settlement agreement in Docket 4770, a one-time tax credit associated with the impact of the true-up of the excess Accumulated Deferred Income Tax (ADIT) for the period September 1, 2018 through August 31, 2019. The Company will determine the amount to be credited to customers by comparing the actual distribution revenue billed to firm customers during the period September 1, 2018 through August 31, 2019 and an estimate of the distribution revenue that would have been billed to firm customers if the actual impact of excess ADIT had been reflected in base distribution rates effective September 1, 2018. These one-time tax credit amounts will be credited to all firm customers during the period November 1, 2019 through October 31, 2020.

$$TCF = \frac{TR}{Dt_T}$$

Where:

TR Sum of the one-time tax credits of \$3,064,228 and the impact of the true-up of excess ADIT.

Dt_T Forecasted annual firm throughput.

4.0 DEFERRED DISTRIBUTION ADJUSTMENT COST ACCOUNT:

The Distribution Adjustment Cost Account shall include annual reconciliation for the twelve month period for the revenues and costs for the System Pressure factor, Advanced Gas Technology factor, ISR factor, Environmental Response Costs factor, Pension Adjustment factor, SQP factor, RDA factor, ESM factor, AMAF, LIDRF, TCF, and a Previous Reconciliation factor, including a true-up for any prior year’s forecasted revenues and costs. Base rate related items (Advanced Gas Technology factor, Pension Adjustment factor and Environmental Response Cost factor) will be reconciled only for those non-Revenue Decoupling rate classes (Large and Extra Large high load and low load factor rate classes). For each reconciliation component, a monthly rate based on a monthly rate of the current Bank of America prime interest rate less 200 basis points (2%), multiplied by the arithmetic average of the account’s beginning and ending balance shall also apply.

5.0 EARNINGS SHARING MECHANISM:

The Earnings Sharing Mechanism Credit (“ESMC”) for FY 18 will be included with the September 1 DAC filing based on financial information for the 12-month period ending March 31. All subsequent ESMC will be filed on May 1 and will reflect a 12-month period

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ending December 31. For purposes of calculating earnings to be shared, the Company will be allowed to include its 50% share of net merger synergies resulting from the National Grid/KeySpan transactions, or \$2,450,000. Calculation of the ESMC is as follows:

$$\text{ESMC} = \frac{\text{ESMF}}{\text{Dt}_T}$$

Where:

ESMF Earnings Sharing Mechanism Fund is defined as customers' share of earnings subject to sharing and will be based on the return on equity authorized by the PUC in a general rate case or as otherwise authorized by the PUC. For FY 18, the annual earnings over 9.5% return on equity, up to and including 100 basis points, being shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of 9.5% return on equity shall be shared 75% to customers and 25% to the Company. For all subsequent ESMC, the annual earnings over 9.275% return on equity, and up to and including 100 basis points (i.e., 10.275%), will be shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of 9.275% return on equity (i.e., exceeding 10.275%) shall be shared 75% to customers and 25% to the Company. The Company's share of any shared earnings will be retained by Company and not reflected in any earnings report.

Dt_T Forecasted annual firm throughput

**THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
RIPUC DOCKET NO. 5099
GAS INFRASTRUCTURE, SAFETY, AND RELIABILITY PLAN FY2022 FILING
ATTACHMENT RR-1(b)**

Proposed DAC Provision
Clean

DISTRIBUTION ADJUSTMENT CLAUSE

1.0 GENERAL

1.1 Purpose:

The purpose of the Distribution Adjustment Clause (“DAC”) is to establish procedures that allow the Company, subject to the jurisdiction of the PUC, to annually adjust its rates for firm sales and transportation in order to recover, credit, or reconcile the following:

- (1) the system pressure costs;
- (2) the difference between the approved AGT factor revenue collections and actual AGT factor revenue collections;
- (3) the costs of the Infrastructure, Safety, and Reliability Plan;
- (4) the amortization of the most recent ten years of Environmental Response costs;
- (5) Pension costs and Post-retirement Benefits Other than Pensions expenses;
- (6) to credit any Service Quality Performance penalties;
- (7) any over or under collections of revenue under the Revenue Decoupling mechanism;
- (8) the previous year DAC items;
- (9) any Earnings Sharing;
- (10) any Residential Assistance costs; and
- (11) the impact of the Tax Cuts and Jobs Act.

Any costs recovered through the application of the Distribution Adjustment Charge shall be identified and explained fully in the annual Distribution Adjustment Charge filing.

1.2 Applicability:

The Distribution Adjustment Charge will be applied to sales and transportation volumes under each of the Company’s firm rate schedules.

The Company will make annual DAC filings and its annual Reconciliation filings based on actual costs and volumes available at the time of filing as well as forecasts of applicable costs and volumes through October of that year. With the exception of the Infrastructure, Safety and Reliability component described in Item 3.3.2, the Distribution Adjustment Charge shall become effective with consumption as of November 1 each year.

Unless otherwise notified by the PUC, the Company shall submit the Distribution Adjustment Charge filings no later than 90 days before they are scheduled to take

DISTRIBUTION ADJUSTMENT CLAUSE

effect, provided however that the Revenue Decoupling Adjustment component of the Distribution Adjustment Charge filing will be made July 1 annually. The Annual Reconciliation filing will be made by August 1 of each year.

2.0 DISTRIBUTION ADJUSTMENT CHARGE:

The Distribution Adjustment Charge will consist of an annual System Pressure factor, an Advanced Gas Technology factor, an Infrastructure, Safety, and Reliability factor, an Environmental Response Cost factor, a Pension Adjustment Mechanism factor, a Service Quality Performance factor, a Revenue Decoupling Adjustment factor, and a Reconciliation of deferred account balance factor, an Earnings Sharing Mechanism factor, a Low Income Discount Recovery Factor, a Tax Credit Factor and an Arrearage Management Adjustment Factor. The Distribution Adjustment Charge is calculated as follows:

$$DAC = SP + AGT + ISR + ERCF + PAF + SQP + RDA + AMAF + R + ESM + LIDRF + TCF$$

Where:

DAC	Distribution Adjustment Charge applicable to all firm throughput.
SP	System Pressure factor. See Item 3.1 for calculation.
AGT	Advanced Gas Technology factor. See Item 3.2 for calculation.
ISR	Infrastructure, Safety, and Reliability factor. See Item 3.3 for calculation.
ERCF	Environmental Response Cost Factor. See Item 3.4 for calculation.
PAF	Pension Adjustment Factor. See Item 3.5 for calculation.
SQP	Service Quality Performance Factor. See Item 3.6 for calculation.
RDA	Revenue Decoupling Adjustment factor. See Item 3.7 for calculation.
AMAF	Arrearage Management Adjustment Factor. See Item 3.8 for calculation.
LIDRF	Low Income Discount Recovery Factor. See Item 3.9 for calculation.
R	Reconciliation of deferred account balances as of October 31. See Item 4.0 for calculation.
ESM	Earnings Sharing Mechanism Factor. See Item 5.0 for calculation.

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TCF Tax Credit Factor. See Item 3.10 for calculation.

The Distribution Adjustment Charge, excluding the RDA, shall be increased by the uncollectible expense percentage approved in the most recent general rate case.

3.0 DISTRIBUTION ADJUSTMENT CALCULATIONS

3.1 System Pressure Factor:

The System Pressure factor shall be computed in a manner that identifies and includes all fixed and variable gas supply costs required on an annual basis to maintain pressure within the Company's distribution system and shall identify and consider all gas supply costs that are required to maintain pressure for all portions of the Company's distribution system:

$$SP = \frac{GCSP \times SP\%}{Dt_T}$$

Where:

SP System Pressure Amount.

GCSP Forecasted Gas Costs associated with supply used to maintain system pressures, including both demand and commodity costs.

SP% Percent of supply used to maintain system pressures, as established in the most recent general rate case or DAC proceeding.

Dt_T Forecasted annual firm throughput.

3.2 AGT Factor:

The Advanced Gas Technology factor shall be determined annually, or as otherwise approved by the PUC, based on an estimate of AGT grants to be disbursed during the upcoming year, adjusted by any AGT grants from the prior year in excess of available funding or available funding in excess of AGT grants from the prior year, the total of which is the eligible AGT Costs to be approved for recovery by the PUC. The formula will be as follows:

DISTRIBUTION ADJUSTMENT CLAUSE

$$AGT = \frac{AGT}{Dt_T}$$

Where:

AGT AGT Factor

AGT AGT Costs

Dt_T Forecasted annual firm throughput in dekatherms

3.3 Infrastructure, Safety and Reliability Plan:

3.3.1 Gas Infrastructure, Safety, and Reliability Plan Filing:

In compliance with R.I.G.L. Section 39-1-27.7.1, no later than January 1 of each year, the Company shall submit to the PUC a Gas Infrastructure, Safety, and Reliability Plan (Gas ISR Plan) for the upcoming fiscal year (April to March) for review and approval within 90 days. The Gas ISR Plan shall include the upcoming fiscal year's forecasted capital investment on its gas distribution system infrastructure and may include any other costs relating to maintaining safety and reliability that have been mutually agreed upon by the Division and the Company.

3.3.2 Infrastructure, Safety and Reliability Factor:

Effective each April 1, the Company shall recover through a change in Distribution Adjustment Charge rates the Cumulative Revenue Requirement on the Adjusted Cumulative Non-growth Capital Investment as approved by the PUC in the Company's annual gas infrastructure, safety, and reliability filings less the amount included in rate base for base rate purposes. For purposes of this section, non-growth capital shall exclude general plant (FERC Accts 389 through 399). The Cumulative Revenue Requirement shall mean the return and taxes on year-end Adjusted Cumulative Non-growth Capital Investment, at a rate equal to the pre-tax weighted average cost of capital as approved by the PUC in the most recent general rate case, plus the annual depreciation net of depreciation expense attributable to general plant that was approved by the PUC in the Company's most recent general rate case adjusted, if appropriate, by later proceedings related to capital, plus the annual municipal property tax recovery mechanism.

The Adjusted Cumulative Non-growth Capital Investment shall mean:

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- (1) for projects having a construction cycle of 12 months or less, the cumulative actual non-growth capital spending, and
- (2) for projects having a construction cycle that extends over more than one 12-month period, the cumulative actual non-growth capital investment recorded as in service.

The Adjusted Cumulative Non-growth Capital Investment shall be since the end of the Company's rate year in its most recent general rate case, reflecting any difference between Actual Non-Growth Investment and Forecasted Non-Growth Investment for any period during which Forecasted Non-Growth Investment has not been reconciled to Actual Non-Growth Investment including through the end of the Company's rate year in its last general rate case. Cumulative Revenue Requirements will reflect Adjusted Cumulative Non-Growth Capital Investment as defined above plus the associated retirements, cost of removal, accumulated depreciation, and accumulated deferred taxes.

All accumulated Gas ISR investments will be eligible for inclusion in rate base recovery through new rates set in the next general rate case.

The Company shall allocate the Cumulative Revenue Requirements to its rate classes based on the rate base allocation approved by the PUC in the Company's most recent general rate case. Any other costs, including Operation and Maintenance expenses mutually agreed upon by the Division and the Company shall be allocated on a per unit basis.

3.3.3 Infrastructure, Safety and Reliability Factor: Reconciliation Mechanism:

The Company shall include an annual reconciliation mechanism associated with the ISR Factor designed to reconcile the actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to the actual billed revenue for the prior fiscal year. As part of its annual DAC filing, the Company shall submit by August 1 a reconciliation factor (either positive or negative) related to the ISR Factor recoveries and actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to take effect annually for the twelve months beginning November 1 each year.

3.4 Environmental Response Cost Factor (ERCF):

$$\text{ERCF} = \frac{\sum \text{ERC}_{Yr} - \text{ERC}_{\text{EMB}}}{10 \text{ D}_{\text{tr}}}$$

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Where:

ERC Environmental Response Costs as defined in Section 1, Schedule B Definitions

$\sum \text{ERC}_{yT}$ The sum of Environmental Response Costs, incurred in the most recent twelve month period ended March 31.

ERC_{EMB} Environmental Response Costs funding embedded in base rates, \$1,310,000.

Dt_T Forecasted annual firm throughput

In order to limit the bill impacts that could potentially result from the incurrence of environmental remediation costs, the ERC factor, calculated as described above, shall be limited to an increase of no more than \$0.10 per dekatherm in any annual DAC filing. If this limitation results in the Company recovering less than the amount that would otherwise be eligible for recovery in a particular year, then beginning on the date that the proposed ERC factor becomes effective, carrying costs shall accrue to the Company on the portion of the environmental remediation costs not included in the ERC factor as a result of this limitation. Such carrying costs shall accrue through the year in which such amount, together with accumulated carrying costs, are recovered from ratepayers. Any amounts so deferred shall be incorporated into the ERC factor in succeeding years consistent with the \$0.10 per dekatherm ERC factor annual increase limitation. Such carrying charges shall accrue at the Interest on Deferred Balance rate specified in Section 1, Schedule B of the Company's Definition section above.

3.5 Pension Adjustment Factor:

The Pension Adjustment Factor shall recover or refund the prior fiscal year's reconciliation of the Company's actual Pension and Post-retirement Benefits Other Than Pension (PBOP) expenses to the Company's Pension and PBOP expense allowance included in distribution base rates, including interest at the rate of interest paid on customer deposits. The recoverable actual Pension and PBOP shall reflect expense recorded on the Company's books of account pursuant to the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 715, Compensation—Retirement Benefits, as amended in March 2017 in a FASB Accounting Standards Update (formerly Statement of Financial Accounting Standards ("SFAS") 87 and SFAS 106) associated with pension and PBOP. The PAF will be computed on an annual basis for the twelve months ended March 31 and will be

DISTRIBUTION ADJUSTMENT CLAUSE

based on the difference in the Company’s actual Pension and PBOP expense for the prior twelve month period ended March 31 and the distribution base rate allowance, plus carrying charges at the weighted average cost of capital on the cumulative five quarter average underfunding of the Pension and PBOP Minimum Funding Obligation for the fiscal year ended March 31. The Minimum Funding Obligation will be equal to the amount of Pension and PBOP costs collected from customers during the fiscal year, plus the amounts of Pension and PBOP costs capitalized during the year. The amount collected from customers during the fiscal year would include (1) Pension and PBOP allowance included in base rates, and (2) amounts collected or refunded through the PAF. For the purpose of determining its Minimum Funding Obligation and the carrying costs that apply to that obligation, the Company shall be permitted to combine the funding of pensions and PBOPs, thereby offsetting, any deficiencies in PBOPs funding with any excess pension funding, or conversely offsetting any deficiencies in pension funding with any excess PBOP funding. The Company will be required to accrue and defer carrying charges on only the net unfunded pension/PBOP amount.

3.6 Service Quality Performance Factor:

The Service Quality Performance (SQP) Factor will be used for crediting to customers any penalties reflected in the Company’s annual Service Quality Report.

3.7 Revenue Decoupling Adjustment Factor:

The Revenue Decoupling Adjustment (RDA) Factor shall be a credit or surcharge determined for all Residential rate classes and Small and Medium C&I rate classes as the sum of the March 31 deferral ending balances for each rate class divided by the forecasted total annual firm throughput for those rate classes. The March deferral ending balance for each rate class shall result from the monthly calculation of the difference between the Target Revenue-per-Customer and the Actual Revenue-Per-Customer for each twelve months ending March 31. The deferral balance will be calculated as follows:

$$RDAF = \frac{\sum_{RC} (AEB_{M-1} + DIFF_M + INT_M)}{D_{TRC}}$$

Where:

RDAF Revenue Decoupling Adjustment Factor

DISTRIBUTION ADJUSTMENT CLAUSE

\sum_{RC}	The sum of the March 31 deferral ending balances for each of the following rate classes: Residential Non-heat (including Low Income Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.
AEB_{M-1}	Account Ending Balance for prior month
$DIFF_M$	Current month Difference $= (RPC_{TM} - RPC_{AM}) \times CUST_M$
RPC_{TM}	Target Revenue-per-Customer based on class specific revenue per customer targets established in the most recent general rate case. The target for Low-Income classes will reflect non-discounted revenue. Low-income class revenue and customers will be included with non-discounted revenue and customers for the purposes of setting the target.
RPC_{AM}	Actual Revenue-per-Customer for current month calculated as actual base revenue divided by number of customers in the current month. Revenue for Low-Income classes will reflect non-discounted revenue.
$CUST_M$	Number of customers in current month
INT_M	Interest on average monthly balance based on the Bank of America Prime minus 200 basis points.
D_{tRC}	Forecasted annual firm throughput for the following rate classes: Residential Non-heat (including Low Income Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.

3.8 Arrearage Management Adjustment Factor (AMAF):

In compliance with R.I.G.L. §39-2-1(d)(2), the Company shall surcharge customers allowable amounts forgiven through the Arrearage Management Plan (AMP) over the prior calendar year as described in Section 7, Schedule C, Item 9.0 through the AMAF.

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$$\text{AMAF} = \frac{\text{AMPC}}{\text{Dt}_T}$$

Where:

AMPC Allowable arrearage management plan costs the Company may recover from firm customers in accordance with R.I.G.L. § 39-2-1(d)(2) and described in Section 7, Schedule C, Item 9.0.

Dt_T Forecasted annual firm throughput

3.9 Low Income Discount Recovery Factor (LIDRF):

The Low Income Discount Recovery Factor shall be determined annually based upon the total amount of low income discount applied to eligible customer bills. The low income discount percentages are as follows:

- Residential Assistance Non-Heating, Rate 11: 25% with an additional 5% for a total of 30% for those customers receiving benefits through Medicaid, General Public Assistance, and/or the Rhode Island Works Program (formerly known as the Family Independence Program).
- Residential Assistance Heating, Rate 13: 25% with an additional 5% for a total discount of 30% for those customers receiving benefits through Medicaid, General Public Assistance, and/or the Rhode Island Works Program.

$$\text{LIDRF} = \frac{\text{LIDC}}{\text{Dt}_T}$$

Where:

LIDC Annual low income discounts provided to eligible low income customers which the Company may recover from firm customers.

Dt_T Forecasted annual firm throughput excluding Rate 11 and Rate 13 forecasted annual throughput.

3.10 Tax Credit Factor (TCF):

DISTRIBUTION ADJUSTMENT CLAUSE

The Tax Credit Factor shall credit customers (1) pursuant to the settlement agreement in Docket 4808, a one-time tax credit of \$3,064,228 for the period January 1, 2018 through August 31, 2018 associated with the reduced federal corporate income tax rate as a result of the Tax Cuts and Jobs Act; and (2) pursuant to Article II, Section C.22.a of the amended settlement agreement in Docket 4770, a one-time tax credit associated with the impact of the true-up of the excess Accumulated Deferred Income Tax (ADIT) for the period September 1, 2018 through August 31, 2019. The Company will determine the amount to be credited to customers by comparing the actual distribution revenue billed to firm customers during the period September 1, 2018 through August 31, 2019 and an estimate of the distribution revenue that would have been billed to firm customers if the actual impact of excess ADIT had been reflected in base distribution rates effective September 1, 2018. These one-time tax credit amounts will be credited to all firm customers during the period November 1, 2019 through October 31, 2020.

$$\text{TCF} = \frac{\text{TR}}{\text{Dt}_T}$$

Where:

TR Sum of the one-time tax credits of \$3,064,228 and the impact of the true-up of excess ADIT.

Dt_T Forecasted annual firm throughput.

4.0 DEFERRED DISTRIBUTION ADJUSTMENT COST ACCOUNT:

The Distribution Adjustment Cost Account shall include annual reconciliation for the twelve month period for the revenues and costs for the System Pressure factor, Advanced Gas Technology factor, ISR factor, Environmental Response Costs factor, Pension Adjustment factor, SQP factor, RDA factor, ESM factor, AMAF, LIDRF, TCF, and a Previous Reconciliation factor, including a true-up for any prior year's forecasted revenues and costs. Base rate related items (Advanced Gas Technology factor, Pension Adjustment factor and Environmental Response Cost factor) will be reconciled only for those non-Revenue Decoupling rate classes (Large and Extra Large high load and low load factor rate classes). For each reconciliation component, a monthly rate based on a monthly rate of the current Bank of America prime interest rate less 200 basis points (2%), multiplied by the arithmetic average of the account's beginning and ending balance shall also apply.

5.0 EARNINGS SHARING MECHANISM:

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The Earnings Sharing Mechanism Credit (“ESMC”) for FY 18 will be included with the September 1 DAC filing based on financial information for the 12-month period ending March 31. All subsequent ESMC will be filed on May 1 and will reflect a 12-month period ending December 31. For purposes of calculating earnings to be shared, the Company will be allowed to include its 50% share of net merger synergies resulting from the National Grid/KeySpan transactions, or \$2,450,000. Calculation of the ESMC is as follows:

$$\text{ESMC} = \frac{\text{ESMF}}{\text{Dt}_T}$$

Where:

ESMF Earnings Sharing Mechanism Fund is defined as customers’ share of earnings subject to sharing and will be based on the return on equity authorized by the PUC in a general rate case or as otherwise authorized by the PUC. For FY 18, the annual earnings over 9.5% return on equity, up to and including 100 basis points, being shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of 9.5% return on equity shall be shared 75% to customers and 25% to the Company. For all subsequent ESMC, the annual earnings over 9.275% return on equity, and up to and including 100 basis points (i.e., 10.275%), will be shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of 9.275% return on equity (i.e., exceeding 10.275%) shall be shared 75% to customers and 25% to the Company. The Company’s share of any shared earnings will be retained by Company and not reflected in any earnings report.

Dt_T Forecasted annual firm throughput

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RIPUC DOCKET NO. 5099
GAS INFRASTRUCTURE, SAFETY, AND RELIABILITY PLAN FY2022 FILING
ATTACHMENT RR-1(b)**

Proposed DAC Provision
Marked to Show Changes

DISTRIBUTION ADJUSTMENT CLAUSE

1.0 GENERAL

1.1 Purpose:

The purpose of the Distribution Adjustment Clause (“DAC”) is to establish procedures that allow the Company, subject to the jurisdiction of the PUC, to annually adjust its rates for firm sales and transportation in order to recover, credit, or reconcile the following:

- (1) the system pressure costs;
- (2) the difference between the approved AGT factor revenue collections and actual AGT factor revenue collections;
- (3) the costs of the Infrastructure, Safety, and Reliability Plan;
- (4) the amortization of the most recent ten years of Environmental Response costs;
- (5) Pension costs and Post-retirement Benefits Other than Pensions expenses;
- (6) to credit any Service Quality Performance penalties;
- (7) any over or under collections of revenue under the Revenue Decoupling mechanism;
- (8) the previous year DAC items;
- (9) any Earnings Sharing;
- (10) any Residential Assistance costs; and
- (11) the impact of the Tax Cuts and Jobs Act.

Any costs recovered through the application of the Distribution Adjustment Charge shall be identified and explained fully in the annual Distribution Adjustment Charge filing.

1.2 Applicability:

The Distribution Adjustment Charge will be applied to sales and transportation volumes under each of the Company’s firm rate schedules.

The Company will make annual DAC filings and its annual Reconciliation filings based on actual costs and volumes available at the time of filing as well as forecasts of applicable costs and volumes through October of that year. With the exception of the Infrastructure, Safety and Reliability component described in Item 3.3.2, the Distribution Adjustment Charge shall become effective with consumption as of November 1 each year.

Unless otherwise notified by the PUC, the Company shall submit the Distribution Adjustment Charge filings no later than 90 days before they are scheduled to take

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effect, provided however that the Revenue Decoupling Adjustment component of the Distribution Adjustment Charge filing will be made July 1 annually. The Annual Reconciliation filing will be made by August 1 of each year.

2.0 DISTRIBUTION ADJUSTMENT CHARGE:

The Distribution Adjustment Charge will consist of an annual System Pressure factor, an Advanced Gas Technology factor, an Infrastructure, Safety, and Reliability factor, an Environmental Response Cost factor, a Pension Adjustment Mechanism factor, a Service Quality Performance factor, a Revenue Decoupling Adjustment factor, and a Reconciliation of deferred account balance factor, an Earnings Sharing Mechanism factor, a Low Income Discount Recovery Factor, a Tax Credit Factor and an Arrearage Management Adjustment Factor. The Distribution Adjustment Charge is calculated as follows:

$$DAC = SP+AGT+ISR+ERCF+PAF+SQP+RDA+AMAF+R+ESM+LIDRF+TCF$$

Where:

DAC	Distribution Adjustment Charge applicable to all firm throughput.
SP	System Pressure factor. See Item 3.1 for calculation.
AGT	Advanced Gas Technology factor. See Item 3.2 for calculation.
ISR	Infrastructure, Safety, and Reliability factor. See Item 3.3 for calculation.
ERCF	Environmental Response Cost Factor. See Item 3.4 for calculation.
PAF	Pension Adjustment Factor. See Item 3.5 for calculation.
SQP	Service Quality Performance Factor. See Item 3.6 for calculation.
RDA	Revenue Decoupling Adjustment factor. See Item 3.7 for calculation.
AMAF	Arrearage Management Adjustment Factor. See Item 3.8 for calculation.
LIDRF	Low Income Discount Recovery Factor. See Item 3.9 for calculation.
R	Reconciliation of deferred account balances as of October 31. See Item 4.0 for calculation.
ESM	Earnings Sharing Mechanism Factor. See Item 5.0 for calculation.

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TCF Tax Credit Factor. See Item 3.10 for calculation.

The Distribution Adjustment Charge, excluding the RDA, shall be increased by the uncollectible expense percentage approved in the most recent general rate case.

3.0 DISTRIBUTION ADJUSTMENT CALCULATIONS

3.1 System Pressure Factor:

The System Pressure factor shall be computed in a manner that identifies and includes all fixed and variable gas supply costs required on an annual basis to maintain pressure within the Company’s distribution system and shall identify and consider all gas supply costs that are required to maintain pressure for all portions of the Company’s distribution system:

$$SP = \frac{GCSP \times SP\%}{Dt_T}$$

Where:

SP System Pressure Amount.

GCSP Forecasted Gas Costs associated with supply used to maintain system pressures, including both demand and commodity costs.

SP% Percent of supply used to maintain system pressures, as established in the most recent general rate case or DAC proceeding.

Dt_T Forecasted annual firm throughput.

3.2 AGT Factor:

The Advanced Gas Technology factor shall be determined annually, or as otherwise approved by the PUC, based on an estimate of AGT grants to be disbursed during the upcoming year, adjusted by any AGT grants from the prior year in excess of available funding or available funding in excess of AGT grants from the prior year, the total of which is the eligible AGT Costs to be approved for recovery by the PUC. The formula will be as follows:

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$$AGT = \frac{AGT}{Dt_T}$$

Where:

AGT AGT Factor

AGT AGT Costs

Dt_T Forecasted annual firm throughput in dekatherms

3.3 Infrastructure, Safety and Reliability Plan:

3.3.1 Gas Infrastructure, Safety, and Reliability Plan Filing:

In compliance with R.I.G.L. Section 39-1-27.7.1, no later than January 1 of each year, the Company shall submit to the PUC a Gas Infrastructure, Safety, and Reliability Plan (Gas ISR Plan) for the upcoming fiscal year (April to March) for review and approval within 90 days. The Gas ISR Plan shall include the upcoming fiscal year's forecasted capital investment on its gas distribution system infrastructure and may include any other costs relating to maintaining safety and reliability that have been mutually agreed upon by the Division and the Company.

3.3.2 Infrastructure, Safety and Reliability Factor:

Effective each April 1, the Company shall recover through a change in Distribution Adjustment Charge rates the Cumulative Revenue Requirement on the Adjusted Cumulative Non-growth Capital SpendingInvestment as approved by the PUC in the Company's annual gas infrastructure, safety, and reliability filings less the amount included in rate base for base rate purposes. For purposes of this section, non-growth capital shall exclude general plant (FERC Accts 389 through 399). The Cumulative Revenue Requirement shall mean the return and taxes on year-end Adjusted Cumulative Non-growth Capital SpendingInvestment, at a rate equal to the pre-tax weighted average cost of capital as approved by the PUC in the most recent general rate case, plus the annual depreciation net of depreciation expense attributable to general plant that was approved by the PUC in the Company's most recent general rate case adjusted, if appropriate, by later proceedings related to capital, plus the annual municipal property tax recovery mechanism.

The Adjusted Cumulative Non-growth Capital SpendingInvestment shall mean:

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- (1) for projects having a construction cycle of 12 months or less, the cumulative actual non-growth capital ~~investments~~pending, and
- (2) for projects having a construction cycle that extends over more than one 12-month period, the cumulative actual non-growth capital investment recorded as in service.

The Adjusted Cumulative Non-growth Capital Investment shall be since the end of the Company's rate year in its most recent general rate case, reflecting any difference between Actual Non-Growth Investment and Forecasted Non-Growth Investment for any period during which Forecasted Non-Growth Investment has not been reconciled to Actual Non-Growth Investment including through the end of the Company's rate year in its last general rate case. Cumulative Revenue Requirements will reflect Adjusted Cumulative Non-Growth Capital ~~Spending~~Investment as defined above plus the associated retirements, cost of removal, accumulated depreciation, and accumulated deferred taxes.

All accumulated Gas ISR investments will be eligible for inclusion in rate base recovery through new rates set in the next general rate case.

The Company shall allocate the Cumulative Revenue Requirements to its rate classes based on the rate base allocation approved by the PUC in the Company's most recent general rate case. Any other costs, including Operation and Maintenance expenses mutually agreed upon by the Division and the Company shall be allocated on a per unit basis.

3.3.3 Infrastructure, Safety and Reliability Factor: Reconciliation Mechanism:

The Company shall include an annual reconciliation mechanism associated with the ISR Factor designed to reconcile the actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to the actual billed revenue for the prior fiscal year. As part of its annual DAC filing, the Company shall submit by August 1 a reconciliation factor (either positive or negative) related to the ISR Factor recoveries and actual Cumulative Revenue Requirements and any associated costs approved for recovery through this mechanism to take effect annually for the twelve months beginning November 1 each year.

3.4 Environmental Response Cost Factor (ERCF):

$$ERCF = \frac{\sum ERC_{Yr} - ERC_{EMB}}{10 D_{tr}}$$

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Where:

ERC Environmental Response Costs as defined in Section 1, Schedule B Definitions

$\sum \text{ERC}_{Y_{T}}$ The sum of Environmental Response Costs, incurred in the most recent twelve month period ended March 31.

ERC_{EMB} Environmental Response Costs funding embedded in base rates, \$1,310,000.

Dt_T Forecasted annual firm throughput

In order to limit the bill impacts that could potentially result from the incurrence of environmental remediation costs, the ERC factor, calculated as described above, shall be limited to an increase of no more than \$0.10 per dekatherm in any annual DAC filing. If this limitation results in the Company recovering less than the amount that would otherwise be eligible for recovery in a particular year, then beginning on the date that the proposed ERC factor becomes effective, carrying costs shall accrue to the Company on the portion of the environmental remediation costs not included in the ERC factor as a result of this limitation. Such carrying costs shall accrue through the year in which such amount, together with accumulated carrying costs, are recovered from ratepayers. Any amounts so deferred shall be incorporated into the ERC factor in succeeding years consistent with the \$0.10 per dekatherm ERC factor annual increase limitation. Such carrying charges shall accrue at the Interest on Deferred Balance rate specified in Section 1, Schedule B of the Company's Definition section above.

3.5 Pension Adjustment Factor:

The Pension Adjustment Factor shall recover or refund the prior fiscal year's reconciliation of the Company's actual Pension and Post-retirement Benefits Other Than Pension (PBOP) expenses to the Company's Pension and PBOP expense allowance included in distribution base rates, including interest at the rate of interest paid on customer deposits. The recoverable actual Pension and PBOP shall reflect expense recorded on the Company's books of account pursuant to the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 715, Compensation—Retirement Benefits, as amended in March 2017 in a FASB Accounting Standards Update (formerly Statement of Financial Accounting Standards ("SFAS") 87 and SFAS 106) associated with pension and PBOP. The PAF will be computed on an annual basis for the twelve months ended March 31 and will be

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based on the difference in the Company’s actual Pension and PBOP expense for the prior twelve month period ended March 31 and the distribution base rate allowance, plus carrying charges at the weighted average cost of capital on the cumulative five quarter average underfunding of the Pension and PBOP Minimum Funding Obligation for the fiscal year ended March 31. The Minimum Funding Obligation will be equal to the amount of Pension and PBOP costs collected from customers during the fiscal year, plus the amounts of Pension and PBOP costs capitalized during the year. The amount collected from customers during the fiscal year would include (1) Pension and PBOP allowance included in base rates, and (2) amounts collected or refunded through the PAF. For the purpose of determining its Minimum Funding Obligation and the carrying costs that apply to that obligation, the Company shall be permitted to combine the funding of pensions and PBOPs, thereby offsetting, any deficiencies in PBOPs funding with any excess pension funding, or conversely offsetting any deficiencies in pension funding with any excess PBOP funding. The Company will be required to accrue and defer carrying charges on only the net unfunded pension/PBOP amount.

3.6 Service Quality Performance Factor:

The Service Quality Performance (SQP) Factor will be used for crediting to customers any penalties reflected in the Company’s annual Service Quality Report.

3.7 Revenue Decoupling Adjustment Factor:

The Revenue Decoupling Adjustment (RDA) Factor shall be a credit or surcharge determined for all Residential rate classes and Small and Medium C&I rate classes as the sum of the March 31 deferral ending balances for each rate class divided by the forecasted total annual firm throughput for those rate classes. The March deferral ending balance for each rate class shall result from the monthly calculation of the difference between the Target Revenue-per-Customer and the Actual Revenue-Per-Customer for each twelve months ending March 31. The deferral balance will be calculated as follows:

$$RDAF = \frac{\sum_{RC} (AEB_{M-1} + DIFF_M + INT_M)}{D_{TRC}}$$

Where:

RDAF Revenue Decoupling Adjustment Factor

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\sum_{RC}	The sum of the March 31 deferral ending balances for each of the following rate classes: Residential Non-heat (including Low Income Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.
AEB_{M-1}	Account Ending Balance for prior month
$DIFF_M$	Current month Difference
	$= (RPC_{TM} - RPC_{AM}) \times CUST_M$
RPC_{TM}	Target Revenue-per-Customer based on class specific revenue per customer targets established in the most recent general rate case. The target for Low-Income classes will reflect non-discounted revenue. Low-income class revenue and customers will be included with non-discounted revenue and customers for the purposes of setting the target.
RPC_{AM}	Actual Revenue-per-Customer for current month calculated as actual base revenue divided by number of customers in the current month. Revenue for Low-Income classes will reflect non-discounted revenue.
$CUST_M$	Number of customers in current month
INT_M	Interest on average monthly balance based on the Bank of America Prime minus 200 basis points.
D_{tRC}	Forecasted annual firm throughput for the following rate classes: Residential Non-heat (including Low Income Residential Non-heat), Residential Heat (including Low Income Residential Heat), Small C&I, and Medium C&I.

3.8 Arrearage Management Adjustment Factor (AMAF):

In compliance with R.I.G.L. §39-2-1(d)(2), the Company shall surcharge customers allowable amounts forgiven through the Arrearage Management Plan (AMP) over the prior calendar year as described in Section 7, Schedule C, Item 9.0 through the AMAF.

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$$\text{AMAF} = \frac{\text{AMPC}}{\text{Dt}_T}$$

Where:

AMPC Allowable arrearage management plan costs the Company may recover from firm customers in accordance with R.I.G.L. § 39-2-1(d)(2) and described in Section 7, Schedule C, Item 9.0.

Dt_T Forecasted annual firm throughput

3.9 Low Income Discount Recovery Factor (LIDRF):

The Low Income Discount Recovery Factor shall be determined annually based upon the total amount of low income discount applied to eligible customer bills. The low income discount percentages are as follows:

- Residential Assistance Non-Heating, Rate 11: 25% with an additional 5% for a total of 30% for those customers receiving benefits through Medicaid, General Public Assistance, and/or the Rhode Island Works Program (formerly known as the Family Independence Program).
- Residential Assistance Heating, Rate 13: 25% with an additional 5% for a total discount of 30% for those customers receiving benefits through Medicaid, General Public Assistance, and/or the Rhode Island Works Program.

$$\text{LIDRF} = \frac{\text{LIDC}}{\text{Dt}_T}$$

Where:

LIDC Annual low income discounts provided to eligible low income customers which the Company may recover from firm customers.

Dt_T Forecasted annual firm throughput excluding Rate 11 and Rate 13 forecasted annual throughput.

3.10 Tax Credit Factor (TCF):

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The Tax Credit Factor shall credit customers (1) pursuant to the settlement agreement in Docket 4808, a one-time tax credit of \$3,064,228 for the period January 1, 2018 through August 31, 2018 associated with the reduced federal corporate income tax rate as a result of the Tax Cuts and Jobs Act; and (2) pursuant to Article II, Section C.22.a of the amended settlement agreement in Docket 4770, a one-time tax credit associated with the impact of the true-up of the excess Accumulated Deferred Income Tax (ADIT) for the period September 1, 2018 through August 31, 2019. The Company will determine the amount to be credited to customers by comparing the actual distribution revenue billed to firm customers during the period September 1, 2018 through August 31, 2019 and an estimate of the distribution revenue that would have been billed to firm customers if the actual impact of excess ADIT had been reflected in base distribution rates effective September 1, 2018. These one-time tax credit amounts will be credited to all firm customers during the period November 1, 2019 through October 31, 2020.

$$\text{TCF} = \frac{\text{TR}}{\text{Dt}_T}$$

Where:

TR Sum of the one-time tax credits of \$3,064,228 and the impact of the true-up of excess ADIT.

Dt_T Forecasted annual firm throughput.

4.0 DEFERRED DISTRIBUTION ADJUSTMENT COST ACCOUNT:

The Distribution Adjustment Cost Account shall include annual reconciliation for the twelve month period for the revenues and costs for the System Pressure factor, Advanced Gas Technology factor, ISR factor, Environmental Response Costs factor, Pension Adjustment factor, SQP factor, RDA factor, ESM factor, AMAF, LIDRF, TCF, and a Previous Reconciliation factor, including a true-up for any prior year's forecasted revenues and costs. Base rate related items (Advanced Gas Technology factor, Pension Adjustment factor and Environmental Response Cost factor) will be reconciled only for those non-Revenue Decoupling rate classes (Large and Extra Large high load and low load factor rate classes). For each reconciliation component, a monthly rate based on a monthly rate of the current Bank of America prime interest rate less 200 basis points (2%), multiplied by the arithmetic average of the account's beginning and ending balance shall also apply.

5.0 EARNINGS SHARING MECHANISM:

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The Earnings Sharing Mechanism Credit (“ESMC”) for FY 18 will be included with the September 1 DAC filing based on financial information for the 12-month period ending March 31. All subsequent ESMC will be filed on May 1 and will reflect a 12-month period ending December 31. For purposes of calculating earnings to be shared, the Company will be allowed to include its 50% share of net merger synergies resulting from the National Grid/KeySpan transactions, or \$2,450,000. Calculation of the ESMC is as follows:

$$\text{ESMC} = \frac{\text{ESMF}}{\text{Dt}_T}$$

Where:

ESMF Earnings Sharing Mechanism Fund is defined as customers’ share of earnings subject to sharing and will be based on the return on equity authorized by the PUC in a general rate case or as otherwise authorized by the PUC. For FY 18, the annual earnings over 9.5% return on equity, up to and including 100 basis points, being shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of 9.5% return on equity shall be shared 75% to customers and 25% to the Company. For all subsequent ESMC, the annual earnings over 9.275% return on equity, and up to and including 100 basis points (i.e., 10.275%), will be shared 50% to customers and 50% to the Company. Any earnings more than 100 basis points in excess of 9.275% return on equity (i.e., exceeding 10.275%) shall be shared 75% to customers and 25% to the Company. The Company’s share of any shared earnings will be retained by Company and not reflected in any earnings report.

Dt_T Forecasted annual firm throughput

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 5099
In Re: Gas Infrastructure, Safety, and Reliability Plan FY2022
Responses to the Record Requests Issued at the
Commission's Evidentiary Hearing
On March 11, 2021

Record Request No. 2

Request:

How many growth meters is National Grid forecasting for FY 22?

Response:

The Company forecasts that it will install 2,573 meters for growth-related work in FY 2022.
The Company forecasts that it will purchase 3,400 meters for growth-related work in FY 2022.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 5099
In Re: Gas Infrastructure, Safety, and Reliability Plan FY2022
Responses to the Record Requests Issued at the
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On March 11, 2021

Record Request No. 3

Request:

Provide a copy of the RFI for Aquidneck Island.

Response:

Please see Attachment RR-3 for a copy of the request for information ("RFI") for Aquidneck Island for Liquid Natural Gas Barge services.

Brown, Faye

From: Prag, Janet A. (Marketing)
Sent: Wednesday, March 03, 2021 9:47 AM
Cc: Jaffe, Samara A. (Marketing)
Subject: National Grid - Request For Information ("RFI") -Aquidneck Island, Rhode Island - Liquid Natural Gas (LNG) Barge

To All Prospective Bidders:

Introduction:

The Narragansett Electric Company d/b/a National Grid ("National Grid" or "Company") is issuing this Request for Information ("RFI") to seek information about a potential floating storage and regasification barge solution to serve Aquidneck Island, addressing both the gas capacity constraint and vulnerability needs faced by the island. On Aquidneck Island, the Company serves approximately 13,800 residential and business customers who rely on National Grid for safe, reliable and affordable service. Other potential solutions previously identified in the Company's Aquidneck Island Long-Term Gas Capacity Study (<https://www.nationalgridus.com/media/pdfs/other/aquidneckislandlong-termgascapacitystudy.pdf>) remain under consideration as the Company continues its evaluation of alternatives. The Company believes that an effective long-term solution or solutions must consider a variety of factors. Safety and reliability are prerequisites for any solution. Environmental implications are also front-of-mind, as the Company is committed to the clean energy transition and working to meet Rhode Island's climate goals.

This RFI does not constitute a commitment, implied or otherwise, that National Grid will take procurement action in this matter. This RFI will enable National Grid to gather market data and make decisions regarding the selection of the appropriate solution for Aquidneck Island. National Grid is seeking information including but not limited to resource availability and lead time, permitting risk, development and operational costs of potential suppliers. Further, National Grid will not be responsible for any cost incurred in furnishing this information.

The LNG Barge Requirements:

In parallel with this RFI, the Company is investigating the feasibility of developing a vapor injection point at a shallow, offshore location within approximately three (3) miles of the coast; the exact location of this injection point has not yet been determined but is currently being developed using outside consultants. The proposed LNG barge option would include the Company contracting with a third-party owner/operator for the LNG barge. The constructed barge must be sized and designed to serve a portion of Rhode Island's incremental peak capacity needs which are anticipated to range from 5,000 dth/day-15,000 dth/day for up to ten (10) days during the months of December through and including March of each contract year. The Company desires that vaporization, metering and odorant equipment be integrated into the design providing a small-scale LNG peak shaver. For Rhode Island to be served by a domestic LNG resource, it is anticipated that a Jones Act compliant vessels will be required.

Desired Commercial Terms:

The anticipated commercial model for the barge, operations and LNG capacity would include a reservation charge for the heating season service covering the provider's costs. In addition to the cost of reserving the service vessel, the Company would expect to pay to the provider a commodity fee for LNG consumed.

Special Considerations:

During the siting review process, the barge developer will be required to provide the Company with a process safety and general safety assessment that is approved by the United States Coast Guard LNG Center of Excellence as part of the Waterways Suitability Analysis (WSA) process; the assessment shall be inclusive of a valuation for all potential leak scenarios. The LNG provider would be solely responsible for securing and maintaining all necessary permits and authorizations required for safe and continuous operation and transportation activities of the vessel into the vapor injection point. National Grid's liability for any costs related to the development would not occur until such time as the vessel is able to commence service for the Company.

Responding to this RFI: *(Note: We suggest you use the attached bid template for the responses to the questions set forth below.)*

Respondents to this RFI must be an organization experienced in the construction and operation of floating LNG storage units and technology. RFI responses must include:

- Primary point of contact for the response (i.e. name, email address, phone)
- A brief summary of previous relevant experience, including in-service facilities

Responses must also include answers to the following questions:

1. Does your organization currently own or is aware of a vessel that could meet the LNG Barge Requirements? If yes, would any retrofitting of the existing vessel be required?
2. Explain if your proposal includes a new dedicated barge to be built and representative timelines for delivery.
3. Please describe if your barge will incorporate membrane or Type C tanks.
4. Please describe your "at sea" connection needs, whether a buoy, PLEM system, swivel and yoke or other design and explain your reasoning for such choice.
5. What is the earliest date your company could make available to National Grid an LNG vessel capable of meeting the LNG Barge Requirements?
6. What is overall approximate cost of providing service to National Grid, inclusive of both fixed and variable components? As part of your response, please confirm the corresponding storage and vaporization capacity associated with the costs identified.
7. Does your proposal allow for National Grid to receive more than 10 days of service? If so, please explain your proposal to refill the LNG Barge.
8. What is the primary term of a desired contract for service with National Grid?
9. Please explain your organization's approach to securing all necessary permits and authorizations to operate the LNG vessel. As part of your response, please identify all permits required to commence construction and operation as well as risk mitigation strategies.
10. Besides securing all permits and authorizations for the vessel, what other risks has your organization identified that could impede upon being able to construct and operate a vessel able to meet National Grid's needs?

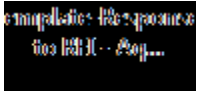
Response Submission Deadline and Instructions

Responses to this RFI must be submitted no later than 11:59 PM Eastern Standard Time, on April 12, 2021. RFI submissions will be accepted as email attachments only. All responses must be sent to

samara.jaffe@nationalgrid.com and janet.prag@nationalgrid.com with "AI LNG RFI Response" in the subject line. Inquiries related to this RFI may be submitted to Ms. Jaffe and Ms. Prag by April 1, 2021.

To the full extent that it is protected by law and regulations, information identified by a respondent as Proprietary or Confidential will be kept confidential. Respondents wishing to execute a non-disclosure agreement with National Grid related to this RFI may contact Ms. Prag via email for a proposed form of agreement.

We appreciate your interest in National Grid and the time it takes to respond to this RFI.



Janet A. Prag
Senior Contract Specialist
Gas Contracting, Compliance & Hedging
nationalgrid
100 E. Old Country Road
Hicksville, NY 11801
T: (516) 545-5463
F: (516) 806-4449
janet.prag@nationalgrid.com



Bid Template
Request for Information (“RFI”)
Aquidneck Island, Rhode Island – Liquid Natural Gas (LNG) Barge
Responses to RFI Questions

Bidder Company	Primary Bidder Contact Name:	Primary Bidder Contact Phone	Primary Bidder Contact Email:

Summary of Previous Relevant Experience Including In-Service Facilities:

Please respond to the following questions:

1. Does your organization currently own or is aware of a vessel that could meet the LNG Barge Requirements? If yes, would any retrofitting of the existing vessel be required?

Response:

2. Explain if your proposal includes a new dedicated barge to be built and representative timelines for delivery.

Response:

3. Please describe if your barge will incorporate membrane or Type C tanks.

Response:

4. Please describe your “at sea” connection needs, whether a buoy, PLEM system, swivel and yoke or other design and explain your reasoning for such choice.

Response:

5. What is the earliest date your company could make available to National Grid an LNG vessel capable of meeting the LNG Barge Requirements?

Response:

6. What is overall approximate cost of providing service to National Grid, inclusive of both fixed and variable components? As part of your response, please confirm the corresponding storage and vaporization capacity associated with the costs identified.

Response:

7. Does your proposal allow for National Grid to receive more than 10 days of service? If so, please explain your proposal to refill the LNG Barge.

Response:

8. What is the primary term of a desired contract for service with National Grid?

Response:

9. Please explain your organization's approach to securing all necessary permits and authorizations to operate the LNG vessel. As part of your response, please identify all permits required to commence construction and operation as well as risk mitigation strategies.

Response:

10. Besides securing all permits and authorizations for the vessel, what other risks has your organization identified that could impede upon being able to construct and operate a vessel able to meet National Grid's needs?

Response:

The Narragansett Electric Company
d/b/a National Grid
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Record Request No. 5

Request:

To what extent is the Company encouraging electric to gas conversions?

Response:

Outside of general information provided on the Company's website to customers who may be curious about conversion to, or expansion of, natural gas services, it is not the Company's standard procedure to actively promote or market any new gas connections for residential or commercial and industrial customers. To further clarify, the Company also does not use its energy efficiency programs to promote conversions to gas from either electricity or delivered fuel.

In the scenario where an existing commercial and industrial customer is working with a National Grid account manager to help manage energy usage and related expenditures, a discussion surrounding fuels may arise. Should the customer express interest to the Company in connecting to the gas network, the Company would help the customer explore this solution. Should a customer decide to move forward with a gas conversion, the Company would provide energy efficiency program assistance, including technical assistance and/or incentives to promote customer adoption of the most efficient gas application available.