PRE-FILED DIRECT TESTIMONY

OF

MICHAEL D. LAFLAMME

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is Michael D. Laflamme. My business address is 55 Bearfoot Road, Northborough, MA 05132.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

A. I am Director of Revenue Requirements for National Grid USA Service Company, Inc. ("Service Company"). Service Company provides engineering, financial, administrative and other technical support to subsidiary companies of National Grid USA. My current duties include revenue requirements analysis for National Grid USA's regulated businesses in New England, including The Narragansett Electric Company d/b/a National Grid ("National Grid" or "Narragansett Electric"). On July 25, 2006, the Division of Public Utilities and Carriers (the "Division") approved National Grid's acquisition of the Rhode Island regulated gas assets of the New England Gas Company, a division of Southern Union Company, in Docket No. D-06-13. As part of the acquisition, National Grid committed to assuming the obligations under the pre-existing gas rate plan of the New England Gas Company as approved by the Rhode Island Public Utilities Commission (the "Commission") in Docket No. 3401. Effective August 24, 2006 the Rhode Island gas operations of the New England Gas Company began operating as National Grid. For ease of reference, in this filing, National Grid's Rhode Island gas operations will be referred to as National Grid or the Company.

Q. PLEASE PROVIDE A BRIEF SUMMARY OF YOUR EDUCATIONAL BACKGROUND.

A. In 1981, I earned a Bachelor of Science degree in Business Administration, emphasis in Accounting, from Bryant College in Smithfield, Rhode Island.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.

A. From 1981 through April 2000, I was employed by various subsidiary companies of Eastern Utilities Associates ("EUA"), including EUA Service Corporation ("EUASC") which provided accounting, financial, engineering, planning, data processing and other services to all EUA System companies. I joined EUA's accounting department in 1981 and transferred to the revenue-requirements section of EUASC's Rate Department in 1985. I held progressively more responsible positions in revenue requirements prior to transferring to the Treasury Services department of EUASC in 1988. I was promoted to the position of Manager of Treasury Services in 1991. The EUA System was acquired by National Grid USA in early 2000, at which time I joined the Service Company.

Q. **HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

A. Yes. I have testified in proceedings before the Commission and Division, the Massachusetts Department of Public Utilities, the New Hampshire Public Utilities Commission, the New York Public Service Commission and the Federal Energy Regulatory Commission.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony in this proceeding is to support the Company's single-year revenue-requirement analysis, including the sharing of net synergy savings from both the National Grid/Southern Union and National Grid/KeySpan transactions. I am also supporting an alternative three-year rate plan ("Rate Plan"), which is designed to mitigate the initial customer impact associated with the implementation of rates to recover the Company's single-year revenue requirement by approximately 31% and to smooth the Company's multi-year revenue requirements over the three-year period.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. My testimony is organized into several sections. The first section reviews the details of the Company's revenue deficiency for the Rate Year ending September 30, 2009, including a 50/50 (customer/Company) sharing of net synergies from the National Grid/Southern Union and National Grid/KeySpan transactions.

Next, I will discuss the Company's proposed expense and funding reconciliation of pension and post-retirement benefits other than pensions ("PBOPs"), followed with a discussion of a proposed accelerated leak-prone infrastructure replacement program, along with annual rate adjustments to compensate the Company for the aggressive ramp-up of those capital programs. Lastly, I will discuss the Company's proposal to establish the "Rate Plan".

Q. ARE THERE ANY ATTACHMENTS ACCOMPANYING YOUR TESTIMONY?

A. Yes. Attached to my testimony are the following attachments:

Attachment NG-MDL-1	Schedules supporting the Company's single year revenue deficiency
Attachment NG-MDL-2	Cash Working Capital Study
Attachment NG-MDL-3	Pension and Post-Retirement Benefits Other than Pension Regulatory Reconciliation Illustrative Example
Attachment NG-MDL-4	Allocation of Net Synergies from the National Grid/KeySpan Transaction
Attachment NG-MDL-5	Accelerated Leak-Prone Infrastructure Replacement Program
Attachment NG-MDL-6	Three-Year Rate Plan

III. REVENUE DEFICIENCY

Q. WHAT IS THE BASIS FOR THE COMPANY'S REVENUE REQUIREMENT?

A. The Company's revenue requirement in this proceeding is based on the Company's historical financial results for the twelve months ended September 30, 2007, or the Test Year. The Company selected this period as the Test Year because it reflects a full twelve-month period immediately following the acquisition of the regulated Rhode Island Gas assets of New England Gas Company by National Grid. To establish the revenue requirement, the Company adjusted the historical Test Year results for known and measurable changes and other (pro-forma) changes occurring through the twelve-month period ended September 30, 2009, or the Rate Year. The Rate Year cost of service includes an add-back of 50% of demonstrated net synergy savings from the National Grid/Southern Union transaction as these savings have already been achieved and are included in the Test Year or are known and measurable and are included as a pro-forma adjustment in the Rate Year. The Rate Year cost of service also includes a credit for 50% of estimated net synergy savings from the National Grid/KeySpan transaction because these savings are projected on a going forward basis. For both transactions, the Company excluded executive severance payments from the calculation of net synergies.

Q. WHAT IS THE COMPANY'S COST OF SERVICE THAT YOU ARE PROPOSING IN THIS PROCEEDING?

A. As discussed below, the Company has calculated a cost of service for the Rate Year totaling $149,885,295 and a rate base of $285,241,458, based on historical Test Year ended September 30, 2007 data. The historical Test Year period data was adjusted for known and measurable changes and pro-forma adjustments through the end of the Rate Year. The proposed revenue requirement includes a weighted cost of capital of 9.27 percent.

Q. IS THE COMPANY REQUESTING PROPOSED RATES FOR THE RATE YEAR BE BASED ON THIS UNDERLYING COST OF SERVICE?

A. Yes. The proposed rate design and tariffs offered by Company Witnesses Heintz and Czekanski reflect the cost of service included on Attachment NG-MDL-1, which supports the Company's revenue deficiency.

Q. WHAT IS THE COMPANY'S PROPOSED REVENUE INCREASE IN THIS PROCEEDING?

A. The Company is seeking a base-rate revenue increase of $20,036,103.

Q. PLEASE EXPLAIN THE METHODOLOGY USED TO MAKE KNOWN AND MEASURABLE CHANGES AND PRO-FORMA ADJUSTMENTS TO THE TEST YEAR.

A. The revenue-requirement analysis is based on a historical Test Year ended September 30, 2007. Historical Test Year results were adjusted first to eliminate any merger-related costs charged to the Company related to both the National Grid/Southern Union and National Grid/KeySpan transactions. These costs are included in the discussion of net synergies sharing set forth in my testimony below.

The historical Test Year results were also adjusted for known and measurable changes occurring through September 30, 2007. These known and measurable changes include elimination of any one-time, out-of-period, or unusual activities identified in, or related to, the Test Year.

After adjusting for known and measurable changes, the Company made a number of pro-forma changes to operating results to reflect anticipated cost and revenue changes through the end of the Rate Year, or September 30, 2009. These pro-forma adjustments include, among other things, changes in labor and benefit costs, postal rate increases, adjustments for the pending sale of the Company's Providence, Rhode Island office, rate case expenses and inflation through the end of the Rate Year. The operating results were also adjusted to include operation and maintenance ("O&M") and capital costs associated with the proposed Gas Marketing Program discussed in the testimony of Company Witness Mongan, as well as costs associated with accelerated infrastructure replacement programs discussed in the testimony of Company Witness Fleck.

Specifically, the Company adjusted the Test Year rate base calculation to include actual capital expenditures incurred to date, as well as estimated levels of capital-budget expenditures planned, including those related to the Gas Marketing Program and the accelerated mains and services proposal.

Q. HAVE YOU PROVIDED AN ATTACHMENT TO SUPPORT YOUR REVENUE REQUIREMENT CALCULATIONS?

A. Yes, Attachment NG-MDL-1, included with this testimony, reflects the Company's Rate Year revenue-requirement calculation. Attachment NG-MDL-1, consisting of 33 pages, provides the details for all adjustments made to operating revenue and expenses and rate base to arrive at the Company's Rate Year revenue deficiency.

Q. PLEASE DESCRIBE THE ADJUSTMENTS TO OPERATING REVENUES REFLECTED IN ATTACHMENT NG-MDL-1.

A. The Company made a number of known and measurable adjustments to Test Year operating revenues, as reflected on Attachment NG-MDL-1, Page 1, Column (b) and detailed on Page 2 of the Attachment. First, the Company excluded actual

Gas Cost Recovery ("GCR") revenues recorded in the Test Year, as well as associated gas cost expenses. Next, the Company adjusted interruptible firm revenues to the current base-rate credit level of $1,600,000, as the Company is proposing no change in the base-rate credit for interruptible firm revenues in this proceeding. The Company also eliminated actual energy efficiency surcharge revenues recorded in the Test Year, which are reconciled to actual expenses incurred, which were also excluded. Next, the Company eliminated actual gross receipts tax collections and gross receipts tax expense recorded during the Test Year. The Company also made adjustments to other operating revenue related to out-of-period revenues recorded during the Test Year, non-recurring revenue recorded in the Test Year and, unbilled and weather normalization revenues recorded in the Test Year. Other operating revenues were also adjusted for the Company's service contract program costs and adjustments to certain other operating revenue Test Year levels, as well as to include Allowance for Funds Used During Construction ("AFUDC") and interest on customer arrears. Lastly, the Company adjusted all components of the Test Year base-rate revenues to reflect normal weather, as discussed in the testimony of Company Witness Czekanski.

Operating revenues also include a number of pro-forma adjustments to reflect total base-rate revenues expected in the Rate Year assuming current rates, as shown on Attachment NG-MDL-1, Page 1, Column (d) and detailed on Page 4 of the Attachment. These adjustments are also discussed in the testimony of Company Witness Czekanski and include adjustments to the base-rate recovery components for the Low Income Heating Assistance Plan, Low Income Weatherization Program, Advanced Gas Technologies Program and Environmental Remediation cost recovery. The Company adjusted these base-rate components to current targeted base-rate recovery for the Low Income Heating Assistance Plan ($1,585,000), Low Income Weatherization Program ($200,000), Advanced Gas Technologies Program ($300,000) and Environmental Remediation cost recovery ($1,300,000), as the Company is proposing no change to the targeted base-rate recovery for these programs. Lastly, the Company increased AFUDC included in other operating revenues based on the rate of increase in construction work in progress ("CWIP") from the Test Year to the Rate Year.

Q. HOW WERE TEST YEAR OPERATING EXPENSES ADJUSTED?

A. Similar to the adjustments to operating revenues, the Company adjusted Test Year operating expenses for a number of known and measurable items to arrive at the "Adjusted Per-Book 9/30/07" amounts shown in Column (c) of Attachment NG-MDL-1, Page 1. The Company then applied pro-forma adjustments, as shown in Column (d), to arrive at Rate Year expense levels, as shown in Column (e).

Q. WOULD YOU PLEASE SUMMARIZE THE KNOWN AND MEASURABLE ADJUSTMENTS THAT WERE MADE TO OPERATING EXPENSES?

A. Yes. Details of known and measurable Test Year expense adjustments are set forth in Attachment NG-MDL-1, Page 3, as follows. First, as stated earlier, the Company eliminated from the cost of service total gas expenses of $300,428,013 recorded in the Test Year, as well as GCR revenues. In addition, the Company excluded non-gas "O&M" expenses recovered through the Company's GCR provisions totaling $884,359 during the Test Year. The Company also eliminated gas-related uncollectible expenses at the Test Year uncollectible rate of 2.10%.

Next, because revenues and expenses for the supplemental Low Income Heating Assistance Plan, Low Income Weatherization Program, Advanced Gas Technologies Program and Environmental Remediation are reconciled, the Company adjusted expenses for these programs to match the Adjusted Per-Book 9/30/07 revenue amounts discussed earlier. In addition, the Company corrected an accounting error in the Test Year associated with Environmental Remediation cost amortization. Next, the Company excluded energy efficiency expenses and gross receipts tax expense recorded in the Test Year, as well as energy efficiency and gross receipts tax collections, as previously discussed. The Company also adjusted Test Year Y2K and legacy system amortization expense recorded in the Test Year to the annual rate allowance level of $240,000, per Docket No. 3401.

In addition, the Company made a number of adjustments to other O&M expenses. First, the Company excluded an expense credit of $600,000, as it was recorded by the Company in error during the Test Year and reversed in October 2007, outside of the Test Year. Conversely, the Company included an expense credit for overheads associated with Test Year service contract labor amounting to $117,779. In addition, as a result of the National Grid/Southern Union merger, the Company's IBM hardware lease was terminated, resulting in the elimination of $809,076 from Test Year expense.

The next two normalizing adjustments to Test Year expense relate to out-of-period transactions. The first involves an adjustment to the Company's accrued vacation liability. Adjustments to this liability are recorded through the Company's "Time Not Worked" ("TNW") deferred debit accounts which are settled to zero at the end of each fiscal year ended March 31. In September 2006, TNW was credited by $394,330 to adjust the vacation accrual as of that time. However, this credit was not fully cleared to expense/capital until the TNW accounts were settled in March 2007. As such, the Company eliminated from Test Year expenses the expense credit portion of the March 2007 clearing of this September 2006 adjustment amounting to $348,036.

The second out-of-period adjustment relates to the under-accrual of a medical expense lag adjustment. The Company is self-insured and its ultimate medical costs are based on actual experience. Because, actual invoices are received a number of months after actual services are rendered, the Company records an estimated liability and associated adjustment to expense related to this invoicing lag. Due to the acquisition of the regulated gas assets in Rhode Island, the Company had a limited amount of actual experience to accurately estimate this adjustment during the Test Year. As a result, the Company has reflected a Test Year adjustment to expense of $125,000, which was recorded after the Test Year, related to this billing lag adjustment.

Finally, the Company reclassified donations to other O&M expenses for rate-making purposes.

In addition to the above adjustments, the Company also excluded all cost to achieve ("CTA") merger synergies for both the National Grid/Southern Union and National Grid/KeySpan transactions, which were recorded during the Test Year. These costs are addressed in the net synergy calculations discussed later in this testimony. Lastly, the Company excluded the currently approved merger-synergy allowance related to the former Providence Gas/Southern Union transaction, which is reflected as an actual cost component on Attachment NG-MDL-1, Page 1, Column (a), Line 28.

Q. THANK YOU. WOULD YOU NOW TURN YOUR ATTENTION TO PRO-FORMA EXPENSE ADJUSTMENTS SUMMARIZED ON PAGE 5 OF ATTACHMENT NG-MDL-1?

A. Yes. As with the pro-forma operating revenue adjustments, the Company adjusted expenses related to the supplemental Low Income Heating Assistance Plan, Low Income Weatherization Program, Advanced Gas Technologies Program and Environmental Remediation cost recovery to current targeted base-rate recovery amounts of $1,585,000, $200,000, $300,000 and $1,300,000 respectively. As indicated earlier, the Company is proposing no change in the targeted base-rate recovery amount for these programs. The Company then made a number of pro-forma expense adjustments, as detailed on the referenced pages of Attachment NG-MDL-1, which are addressed individually below.

Q. WOULD YOU PLEASE DESCRIBE THE SALARY AND WAGE ADJUSTMENT?

A. Yes. The salary and wage adjustment is detailed on Attachment NG-MDL-1, Pages 6 and 7. Due to the National Grid/Southern Union merger transaction, the Company has experienced a significant change in its employee compliment. A number of Company employees accepted voluntary early retirement or severance offers and a number of Company employees were transferred to Service Company, performing functions shared by all National Grid subsidiaries, including the Company. As a result, simply adjusting Test Year salary and wage expense by an expected wage increase adjustment through the Rate Year would have been inappropriate.

As shown on Page 6 of Attachment NG-MDL-1, the calculation of Rate Year salary and wages for the Company's own labor costs begins with actual annualized salaries for Company employees as of September 30, 2007, segregated between union and non-union categories, as shown on Line 10. These amounts were then adjusted for voluntary early retirement and severance offer acceptees who had yet to leave the Company as of September 30, 2007, and who were on the September 30, 2007 employee rosters. The net annualized amount is referred to as Steady State Wages, as shown on Line 16 of Page 6. These amounts were then adjusted by known and estimated union and non-union wage increase percentages to arrive at the Rate Year level of Steady State Wages shown on line 26. The actual Test Year O&M expense percentage of total wages was then applied to arrive at Rate Year base salary and wage expense as shown on Line 28. Next, non-executive incentive compensation was reduced by the percentage decrease of base O&M salaries and wages through the Rate Year, as shown on Line 30. This amount, along with actual Test Year O&M overtime wages, were added to the Rate Year base salary and wage expense to arrive at total Rate Year O&M salary and wage expense of $26,494,862, as shown on Line 33. This amount was then compared to actual Test Year O&M salary and wage expense on

Line 7, resulting in an adjustment of ($2,400,048) to Company salary and wage expense, as shown on Line 35.

The Company also incurs salary and wage expenses allocated from Service Company, for work performed on its behalf by Service Company personnel, the adjustment for which is detailed on Page 7 of Attachment NG-MDL-1. The adjustment begins with Service Company union and non-union allocated base O&M salaries and wages, excluding non-executive incentive compensation and overtime, recorded by the Company during the Test Year, as shown on Page 7, Line 10. Because the bulk of the employee migration from the Company to the Service Company, with the exception of Customer Service personnel, was completed by October 1, 2006, or the beginning of the Test Year, the level of Test Year allocated salary and wages is generally representative of a full-year of integrated Company activity. Incremental Service Company-allocated salary and wages for the Customer Service function migration that occurred during the Test Year is expected to be relatively insignificant.

The total base O&M Test Year Service Company-allocated salaries and wages were then adjusted by known and estimated union and non-union wage increase percentages to arrive at the Rate Year level of O&M Service Company salaries and wages charged to the Company, as shown on Line 22. Next, Test Year O&M non-executive incentive compensation was adjusted by the percent change in

O&M salaries and wages through the Rate Year, as shown on Line 24. This amount, along with the actual Test Year O&M overtime wages, were added to the Rate Year base O&M salaries and wage expense to arrive at total Rate Year O&M Service Company salary and wage expense of $5,806,006, per line 27. This amount was then compared to actual Service Company Test Year O&M salary and wages charged to Company, Line 7, resulting in an adjustment of $267,788 to Company salary and wage expense, as shown on Line 29.

The net salary and wage expense adjustment therefore amounts to ($2,132,260), as shown on Line 39 of Page 6. This consists of the adjustment of ($2,400,048) for Company salary wages and the adjustment of $267,788 for allocated Service Company salary and wage expenses, as discussed above.

Q. WOULD YOU PLEASE SUMMARIZE THE ADJUSTMENT MADE FOR MEDICAL AND DENTAL EXPENSES?

A. Yes. The medical and dental expense adjustment is detailed on Attachment NG-MDL-1, Pages 8 and 9. As with the salary and wage adjustment, the significant change in Company employee totals needed to be addressed in a medical and dental cost adjustment. As shown on Attachment NG-MDL-1, Page 8, the adjustment begins with an actual average per employee annual cost of medical and dental, shown on Lines 3 through 6, as derived from the Company’s actual employee medical and dental enrollment elections made in November 2007 for the calendar year 2008. These average costs per employee were applied to the

Steady State employee totals consistent with the employee totals used to derive the salary and wage adjustment previously discussed. The resulting total medical and dental costs for Steady State Company personnel are $4,999,641, as shown on Page 8, Line 16. The annual medical and dental costs comprising this amount were then escalated by the forecasted medical and dental cost increase amounts as reflected in a nationally recognized health care cost study published by Towers Perrin. The resulting total medical and dental costs for Company personnel for the Rate Year of $5,281,078, as shown on Line 28 of Page 8, were then allocated to expense based on the Company's actual Test Year O&M expense percentage of total medical and dental costs. The resulting Rate Year medical and dental O&M expense amount of $4,614,606 per Line 30 was compared to actual Test Year O&M medical and dental expense, adjusted to eliminate the $600,000 medical expense credit recorded in error as previously discussed. This resulted in an expense adjustment for Company medical and dental costs of $812,390, as shown on Page 8, Line 32.

Actual Service Company medical and dental O&M expenses allocated to the Company during the Test Year were escalated by the same forecasted medical and dental cost increases, as shown on Page 9. The resulting Rate Year allocated Service Company medical and dental O&M expenses were then compared to actual Test Year Service Company-allocated O&M expenses, resulting in an expense adjustment of $95,066, as shown on Line 16 of Page 9.

The total adjustment for medical and dental expenses amounts to $907,456, as shown on Page 8, Line 36. This consists of the adjustment of $812,390 for Company medical and dental expense and the adjustment of $95,066 for allocated Service Company medical and dental expenses, as discussed above.

Q. PLEASE DESCRIBE THE ADJUSTMENT MADE FOR GROUP INSURANCE EXPENSES.

A. As shown on Attachment NG-MDL-1, Page 10, the adjustment made to group insurance expense was derived by applying the net percentage change in Rate Year versus Test Year total O&M salaries and wages to Test Year O&M group insurance expenses. The resulting adjustment to expense amounts to ($12,199) as shown on Attachment NG-MDL-1, Page 10, Line 3.

Q. WOULD YOU PLEASE DISCUSS THE PROPOSED EXPENSE ADJUSTMENTS FOR PENSIONS AND POST-RETIREMENT BENEFITS OTHER THAN PENSIONS ("PBOP")?

A. Yes. The Company received from Hewitt and Associates, a forecast of total pension and PBOP costs calculated pursuant to FAS87 and FAS106, respectively. These forecasted costs were allocated to O&M expense based on the actual O&M expense percentage of total pension and PBOP costs recorded by the Company in the Test Year for both Company and Service Company-allocated pension and PBOP costs. These Rate Year O&M expense amounts were then compared to actual Test Year O&M expense amounts, resulting in a expense adjustment of

($447,100) for pension expense and ($151,846) for PBOP expense, as shown on Attachment NG-MDL-1, Pages 11 and 12, respectively. The Company is proposing to initiate an expense and funding reconciliation mechanism for both pension and PBOP, which will be discussed later in this testimony.

Q. WOULD YOU PLEASE DESCRIBE THE ADJUSTMENT MADE TO EMPLOYEE THRIFT PLAN – COMPANY MATCH EXPENSES?

A. Yes. As with the adjustment made to group insurance expense, the adjustment made to employee thrift plan-Company match expense was derived by applying the net change in Rate Year versus Test Year total O&M salaries and wages to Test Year employee thrift plan-Company match O&M expenses. The resulting adjustment to expense amounts to ($90,491) as shown on Attachment NG-MDL-1, Line 3 of page 13.

Q. HOW WAS THE ADJUSTMENT TO TEST YEAR POSTAGE EXPENSE DERIVED?

A. The U.S. Postal Service has announced postage rate increases to be effective May 12, 2008. As shown on Attachment NG-MDL-1, Page 14, the Company has applied these new postage rates to Test Year units to arrive at an estimated Rate Year postage expense amount, or $1,171,087. This amount was compared to actual Test Year postage expense, resulting in an expense adjustment of $40,130, as shown on Line 3 of Page 14.

Q. WHAT WAS THE BASIS FOR THE RATE CASE EXPENSE ADJUSTMENT?

A. The Company has retained a number of outside consultants to assist in preparing and presenting the Company's case in this proceeding, including Keegan Werlin LLP providing legal services, Fosters Associates performing the depreciation study, Concentric Energy Advisors performing rate design and revenue decoupling, P. Moul and Associates providing cost of capital support, and Oliver Wyman, formally Mercer Management Consulting, providing support for the calculation of net synergy savings related to the NGRID/KeySpan transaction. As shown on Attachment NG-MDL-1, Page 15, Line 12, the estimated cost for this outside support related to this proceeding is estimated to be $797,250. The Company is proposing a three-year amortization of these costs, for an annual expense adjustment of $265,750, as shown on line 17 of Page 16.

Q. WHAT IS THE NEXT EXPENSE ADJUSTMENT?

A. As a result of the National Grid/Southern Union transaction, the Company is in the process of divesting its downtown Providence, Rhode Island office. Consequently, adjustments to operating expenses, municipal tax expense and rate base, including both plant in service and depreciation reserve, were required. These adjustments are summarized on Attachment NG-MDL-1, Page 16. As shown on Line 19 of this page, the Company has excluded total Test Year operating expenses related to the Providence, Rhode Island office totaling $224,013.

In addition, as shown on Line 21, the Company excluded the 2007 Providence, Rhode Island office municipal tax assessment of $139,859 from the calculation of the Company's municipal tax expense adjustment discussed later in this testimony. Lastly, the Company's Rate Year rate base calculation includes adjustments to plant in service for the elimination of the Company's gross investment in the property and to the accumulated depreciation reserve for both the accumulated depreciation at the estimated time of sale (September 30, 2008), along with the estimated net loss on sale as detailed on Page 16.

Q. PLEASE EXPLAIN THE ADJUSTMENT FOR AUTOMATED METER READING ("AMR").

A. The Company has included in its capital program a project to complete AMR in the Company's Northern Rhode Island and Bristol and Warren, Rhode Island service territories. As shown on Attachment NG-MDL-1, Page 17, this project is expected to generate $909,354 of annual savings through the elimination of twelve full-time equivalents ("FTEs), on a fully loaded basis. The Company is therefore providing a Rate Year credit adjustment of $454,677, as shown on Line 4 of Page 17, which is equal to 50% of the annual savings, consistent with the rate base impact of the AMR project investment.

Q. PLEASE CONTINUE.

A. The next adjustment relates to operating expenses recovered through the Company's GCR mechanism. As discussed earlier, the Company excluded from Test Year expenses $884,359 related to LNG activities allocated to the supply function and recovered through the Company's GCR mechanism. The Company has also updated the supply-related allocation of LNG expenses. As shown on Attachment NG-MDL-1, Page 18, the new supply-related allocation of LNG expenses is 83.2%, and the resulting credit to base delivery rates is $843,038 for the Rate Year, as shown in Column (c) on Line 12. This amount will be included in the Company's GCR mechanism, resulting in an expense adjustment for base delivery rates of $41,321, as shown on Page 18, Line 16.

Q. PLEASE CONTINUE WITH THE NEXT EXPENSE ADJUSTMENT BEING PROPOSED.

A. The next adjustment listed on Page 5 of Attachment NG-MDL-1 relates to the Company's proposed inflation adjustment. This adjustment is detailed on Page 19 of the Attachment. As shown on Page 19, the adjustment begins with adjusted Test Year operating expenses from Page 1, Column (c) of the Attachment and eliminates any expenses for which discreet adjustments have been performed, as well as donations that are reclassified as operating expenses for regulatory purposes. The resulting total of $25,174,881, as shown on Line 18, represents the net amount to which the Company applied the inflation adjustment. The inflation rate was calculated by applying a 50/50 weighting to the change in the average GDP and CPI indices for the Test Year versus the Rate Year. The resulting percentage change from Test Year to Rate Year is 4.78 percent and when applied to the inflation pool yields an expense adjustment of $1,203,359, as per Page 19, Line 22.

Q. PLEASE MOVE ON TO THE NEXT ADJUSTMENT.

A. The next two expense adjustments relate to proposals made in this proceeding for the establishment of a Gas Marketing Program and accelerated capital replacement program. The Gas Marketing Program is discussed in the testimony of Company Witness Mongan and is intended to attract cost-effective system utilization in addition to the environmental benefits of greater natural gas use. This program includes incremental expense and capital spending. The incremental capital spending is included in the Company's rate base calculation discussed later in this testimony. The incremental expense spending is estimated to be $1,377,000 annually and is included on Page 5 of Attachment NG-MDL-1, Line 35.

The second proposal involves the acceleration of bare steel and cast-iron main replacements and the elimination of high-pressure, bare-steel inside services and is referred to as the Accelerated Replacement Program ("ARP") on Page 5 of Attachment NG-MDL-1, Line 37. This program, which involves both capital and expense expenditures, is discussed in the testimony of Company Witness Fleck. As with the incremental capital expenditures for the Gas Marketing Program, incremental capital expenditures related to the ARP are also included in the Company's rate base calculation. The incremental expense spending for the ARP is estimated to be $1,034,000 annually as shown on Page 5 of Attachment NG-MDL-1, Line 37.

Q. IS THE COMPANY PROPOSING ANY OTHER OPERATION AND MAINTENANCE EXPENSE ADJUSTMENTS?

A. Yes. The last O&M expense adjustment relates to the Company's proposed 50/50 sharing of net synergies from both the National Grid/Southern Union and National Grid/KeySpan transactions. Company Witnesses Feibelman and Levin discuss the estimated synergies and costs to achieve synergies for the National Grid/KeySpan transaction in this proceeding. The allocation of the National Grid/KeySpan net synergies is detailed on Attachment NG-MDL-4. The calculation of the net synergy adjustment for the National Grid/Southern Union transaction is detailed on Page 20 of Attachment NG-MDL-1.

Q. WOULD YOU PLEASE DESCRIBE THE CALCULATION OF THE NATIONAL GRID/SOUTHERN UNION TRANSACTION NET SYNERGIES AS DETAILED ON PAGE 20 OF ATTACHMENT NG-MDL-1?

A. Yes. The calculation of the demonstrated net synergies resulting from the National Grid/Southern Union transaction is intended to compare costs that would have been experienced absent the transaction to costs being sought in this proceeding, and netting against that amount a ten-year levelized recovery, with return, of costs to achieve those synergies. The calculation of demonstrated synergies was broken down into three known and measurable categories: total expense labor, total non-labor administrative and general expenses, and expenses and associated return related to the Company's Providence, Rhode Island office. The pre-merger period used for this comparison was the twelve months ended June 30, 2006, which is very current with the August 24, 2006 effective date of the merger, and the last pre-merger twelve-month period reviewed by the Commission in the Company's Earnings Sharing Mechanism review.

As was indicated earlier, the Company experienced a significant change in its employee compliment as a result of accepted voluntary early retirement or severance offers and transfers of Company employees to Service Company who are now performing functions shared by all National Grid subsidiaries, including the Company. Consequently, the labor analysis compares total O&M labor costs for the pre-merger period ended June 30, 2006 to total Steady State O&M labor costs as of September 30, 2007 being requested in this proceeding. The total O&M labor costs for the pre-merger period were adjusted to exclude executive incentive payments and were escalated by the weighted labor increase rate calculated in this cost of service, or 3.37%, for the 15-month period between the pre-merger year ended June 30, 2006 and the Test Year ended September 30, 2007. The resulting adjusted pre-merger Company total O&M labor costs amounted to $36,226,178 as shown on Page 20, Line 9. This amount was then compared to the Steady State employee O&M labor costs as of September 30, 2007 aggregating $31,163,748, as shown on Page 20 on Lines 11 through 21. The resulting merger related decrease in O&M labor costs is $5,062,430, as per Line 3.

Q. PLEASE EXPLAIN THE ANALYSIS RELATED TO NON-LABOR ADMINISTRATIVE AND GENERAL EXPENSES.

A. In addition to the significant change in the Company's employee compliment, the Company experienced significant change in the origination of many administrative and general expenses. A host of expense activities formally originating at the Company level pre-merger are now originating at the Service Company, related to the shift in employees from the Company to Service Company. For instance, the total costs of office facilities such as the Providence, Rhode Island office were reflected in various O&M accounts along with depreciation expense and municipal tax expense while post-merger, costs for centralized operating facilities housing Service Company employees performing work on behalf of the Company are allocated to the Company as rent expense from the Service Company. Also, Southern Union pushed down to the Company capitalized IT systems which were included in the Company's rate base and depreciated on its books. Post-merger, IT system costs are allocated to the Company largely as administrative and general expense.

Therefore, rather than attempting to pick and choose individual expense items, the analysis related to non-labor administrative and general expenses compares total pre-merger administrative and general expenses, excluding uncollectible expense, to the post-merger Test Year period administrative and general expenses, excluding uncollectible expense and CTA expenses recorded by the Company in the Test Year, as shown on Lines 25 through 49 of Page 20.

Pre-merger administrative and general expenses, excluding uncollectible expense, were adjusted for three items. First, an adjustment was made for reclassification of facilities maintenance expenses recorded as operations expense pre-merger but recorded as administrative and general expense by National Grid post-merger. Second, these adjusted pre-merger administrative and general expenses were escalated by inflation from the mid-point of the pre-merger period to the mid-point of the Test Year, or by 3.36%. Finally, the costs of capitalized IT systems which were retained by Southern Union and generated depreciation expense and rate base return pre-merger, rather than administrative and general expense as such costs are incurred by the Company post merger, were also added. The resulting total pre-merger administrative and general expense was compared with the Test Year total administrative and general expenses, yielding a Test Year non-labor administrative and general expenses increase of $3,884,819, as shown on Line 49 of Page 20.

Q. HOW WAS THE PROVIDENCE, RHODE ISLAND OFFICE SALE REFLECTED IN THE ANALYSIS?

A. The total Test Year cost to customers of the Providence, Rhode Island office was accumulated, as shown on Page 20, Lines 51 through 60. The total Test Year costs, including return equal to the Company’s allowed pre-tax weighted average cost of capital then in effect for the Test Year, amounted to $1,261,743, as shown on Line 60.

Q. PLEASE SUMMARIZE YOUR FINDINGS WITH RESPECT TO DEMONSTRATED SYNERGY SAVINGS RELATED TO THE NATIONAL GRID/SOUTHERN UNION TRANSACTION.

A. The total demonstrated synergy savings related to the National Grid/Southern Union transaction amount to $2,439,354 as shown on Page 20, Line 61.

Q. WHAT IS THE COMPANY PROPOSING FOR THE COSTS TO ACHIEVE THESE SYNERGY SAVINGS?

A. The Company is proposing a ten-year recovery of costs to achieve the synergy savings to better align the recovery of such costs with the lasting nature of the synergies they produce. Cumulative costs to achieve recorded by the Company through January 2008 amounted to $885,246. The total costs to achieve will be deferred on the Company's books and amortized over a ten-year period, with return. The resulting annual amortization of $158,152 would be recoverable in the Company's cost of service over the ten-year period commencing October 1, 2008. These amounts can be seen on Page 20, Line 62.

Q. HOW HAVE THESE NET SYNERGIES BEEN REFLECTED IN THE COST OF SERVICE?

A. As shown on Attachment NG-MDL-1, Page 20, Line 64, the annual net synergy savings produced from the National Grid/Southern Union transaction amounts to $2,281,201. The Company's share of its proposed 50/50 sharing of these net synergies amounts to $1,140,601. This amount has been included as an expense add-back as shown on Page 5, Line 45 of the Attachment. The annual amortization of costs to achieve, $158,152, has also been included in the cost of service as shown on Page 5 of the Attachment on Line 49. The customer share of net synergies included in the cost of service, or $1,140,601, is equal to the embedded $2,439,354 of demonstrated savings less the Company's 50% sharing allowance of $1,140,601 less the CTA annual amortization of $158,152. As part of this proceeding, the Company is requesting the Commission to approve the creation of a regulatory asset under FAS 71 for the levelization of the CTA costs.

Q. HOW HAVE YOU REFLECTED THE NATIONAL GRID/KEYSPAN TRANSACTION NET SYNERGIES IN THE COST OF SERVICE?

A. Unlike synergies from the National Grid/Southern Union transaction, the bulk of which have already been realized in the underlying Test Year cost of service, the synergies expected from the National Grid/KeySpan transaction are not included in the Test Year cost of service. Consequently, rather than reflecting a cost of service add-back, as was done for the Company share of net synergies from National Grid/Southern Union transaction, a cost of service deduction for the customer share of net synergies from the National Grid/KeySpan transaction was included.

Q. WOULD YOU PLEASE PROVIDE AN OVERVIEW OF THE METHODOLOGY FOR ALLOCATING THE PROJECTED NET SYNERGY SAVINGS OF THE NATIONAL GRID/KEYSPAN TRANSACTION?

Yes. As detailed on Attachment NG-MDL-4, and in order to maintain consistency throughout National Grid regulatory jurisdictions, National Grid has allocated synergies between the existing National Grid subsidiaries and the

KeySpan existing subsidiaries consistent with its methodology and allocation percentages applied in other jurisdictions to ensure no more or less than full allocation of net synergy savings is achieved. This methodology uses Transmission and Distribution, or T&D, revenues for each company to arrive at the allocation percentage for each company. The amount of estimated synergies and cost to achieve is then multiplied by the percentage for each company to calculate each company's share of savings and costs to achieve the savings. KeySpan's generation and other unregulated subsidiaries are also included in the analysis as discussed below.

Q. WHAT IS THE PROJECTED NET SYNERGY SAVINGS RESULTING FROM THE NATIONAL GRID/KEYSPAN TRANSCATION?

A. Company Witnesses Feibelman and Levin have estimated total annual synergies of $200 million based on the synergy savings from the integration of all regulated and unregulated activities of the combined National Grid /KeySpan companies. They have also estimated one-time costs to achieve these synergies to be $400 million.

Q. IS IT ANTICIPATED THAT THIS TOTAL PROJECTED SYNERGY SAVINGS WILL BE REALIZED IN THE FIRST YEAR OF THE RATE PLAN?

A. No. There is a phase-in, or ramp-up, period during the first four years of these synergy savings.

Q. WHAT ARE THE PHASE-IN PERCENTAGES USED TO APPROXIMATE THE TIME IT TAKES TO FULLY RAMP UP SAVINGS TO 100%?

A. The first-year synergy savings achieved are expected to be 50% and by year four it is expected that 100% of the annual synergy savings will be achieved. Attachment NG-MDL-4, page 5, provides the basis for the phase-in of both synergies and the costs to achieve the synergies.

Q. WHAT ABOUT COSTS TO ACHIEVE THE SYNERGY SAVINGS?

A. As previously mentioned, costs of the transaction and costs to achieve the synergies are estimated at $400 million. The methodology employed to allocate the costs to achieve is the same as the allocation of synergy savings, using T&D revenues for each regulated delivery company and the allocations to unregulated operations discussed below, to allocate each company's share of the costs to achieve.

Q. ARE THE COSTS TO ACHIEVE EXPECTED TO BE INCURRED IN ONE YEAR?

A. No. Costs to achieve are anticipated to be incurred over the ten-year period after the close of the merger, with most costs incurred in the first three years.

Q. WOULD YOU PLEASE EXPLAIN EACH PAGE OF ATTACHMENT NG-MDL-4?

A. Yes. It is best to begin with a discussion of Page 3 of that Attachment, or the calculation of transaction synergy value allocation, followed by a discussion of Page 4, or the calculation of the allocation of costs to achieve. This should be followed by a discussion of Page 5, or the phase-in percentages, a discussion of Page 2, or the calculation of net synergy savings by year, and finally Page 6, or the levelized CTA recovery.

Q. PLEASE DESCRIBE IN DETAIL ATTACHMENT NG-MDL-4, PAGE 3, THE CALCULATION OF SYNERGY VALUE.

A. The companies listed represent the utility subsidiaries of National Grid, KeySpan and Long Island Power Authority ("LIPA"), as well as a line for unregulated businesses. Column (a) represents T&D revenues for 2004 taken from state regulatory annual reports for each company. 2004 is used as they were the reports available at the time the original analysis was performed, and have been maintained for consistency sake. The revenue amount shown for LIPA is an estimate of their 2004 T&D delivery revenues exclusive of fuel revenues. The unregulated amounts including non-LIPA generation are based on administrative and general expense and exclude any commodity related revenues. Column (b) calculates the individual company percentage of total revenues on line 19. Finally, Column (c) allocates the total annual synergy savings amount of $200 million based on the percentages in Column (b). The result is the allocation of annual synergy savings of $200 million among the companies.

Q. PLEASE DESCRIBE ATTACHMENT MDL-4, PAGE 4 OF 6, THE CALCULATION OF COSTS TO ACHIEVE?

A. The methodology used to allocate the projected costs to achieve the savings of $400 million is identical to that used to allocate the gross synergy savings as discussed above.

Q. PLEASE DESCRIBE ATTACHMENT NG-MDL-4, PAGE 5, THE PHASE-IN RATES.

A. Column (a) on Page 5 of this Attachment reflects the phase-in percentages of cost to achieve by year. These percentages are consistent with those used to phase in the cost to achieve from National Grid's prior merger with Niagara Mohawk and are relatively close to the actual CTA experience in that merger. Each line corresponds to the like year after the close of the merger. Column (d) reflects the anticipated phase-in of the estimated synergies over the years after the close of the merger, with 50% of the total annual synergy savings amount expected to be achieved by the end of Year 1, 67% by the end of Year 2, 83% by the end of Year 3, and 100% by the end of Year 4.

The estimate of total annual synergy savings of $200 million is stated in first-year-after-the-close-of-the-merger dollars. It is assumed that labor and non-labor costs upon which the savings are based will escalate over the 10 years after the close of the merger. This combined labor and non-labor weighted escalation rate is assumed to be 2.50% per annum, as shown in the footnotes on Page 5. Column (c) compounds this escalation rate and translates it to a cumulative multiplier for each year to be applied to the Year 1 base synergy savings amount. These multipliers are calculated by multiplying 1.025 times the previous year multiplier, with the first year multiplier equal to 1. The synergy multiplier, shown in column (b), represents escalated synergy phase-in percentages and is calculated by multiplying Column (d) by Column (c). This reflects the fact that, although synergies are not phased in completely until year 4, the base amount of synergies is escalating in each of those years. This also explains why Year 4 total synergies shown on Page 2 are greater than the $200 million of "full" annual synergies.

Q. IS A SIMILAR ESCALATION CALCULATION PERFORMED FOR THE COSTS TO ACHIEVE?

A. No. The Column (a) costs to achieve phase-in percentages do not include inflation. Any inflationary increase in these costs would be absorbed by the companies.

Q. WOULD YOU NOW DESCRIBE ATTACHMENT NG-MDL-4, PAGE 2, OR NET SYNERGY SAVINGS BY YEAR?

A. Yes. Page 2 of this Attachment reflects the actual allocation of the synergies and cost to achieve to each company, by year. Columns (a) through (j) reflect each year after the close of the merger.

Q. PLEASE DESCRIBE THE FIRST SECTION TITLED "SYNERGIES".

A. The amounts in the first section, or synergies, are calculated by first multiplying the total expected annual synergy savings of $200 million in the year-after-the-merger-date dollars, by the synergy multiplier from Column (b) of Page 4 for each year. These annual results are then allocated to the individual companies based on the synergy savings allocation, from Page 2, Column (b). The annual results represent phased-in synergy savings, escalated at a rate of 2.50% annually.

Q. PLEASE DESCRIBE THE SECOND SECTION, TITLED "COSTS TO ACHIEVE"?

A. The amounts shown in the second section, or costs to achieve, are calculated by first multiplying the total expected costs to achieve, or $400 million, by the costs to achieve phase-in percentages, as shown on Page 4, Column (a). These annual results are then allocated to the individual companies using the allocation factors shown on Page 3, Column (b). The results reflect the annual costs by year for each company, with the total of all companies for all 10 years equaling the total projected costs to achieve, or $400 million.

Q. PLEASE NOW DESCRIBE THE LAST SECTION ON PAGE 2, LABELED "NET SYNERGIES."

A. The amounts contained in the net synergies section equal the difference of the synergies amounts from section 1 and costs to achieve amounts from section 2 for each company, by year.

Q. PLEASE CONTINUE WITH PAGE 6 OF ATTACHMENT NG-MDL-4.

A. As shown on Page 6 of the Attachment, the Company is proposing a ten-year levelized recovery of costs to achieve, consistent with the approach used for costs to achieve synergies from the National Grid/Southern Union transaction. The annual amortization will be reconciled to the actual costs to achieve recorded by the Company once known. As shown on Page 6, $11,870,892 of total costs to achieve are estimated to be allocated to the Company. These costs, expected to be incurred over a period of years, as detailed on Page 2 of the Attachment, were present valued at a discount rate equal to the pre-tax weighted average cost of capital in this proceeding. That present value amount was then levelized, with return, at the same rate over a ten-year period. The resulting annual amortization $1,543,796 would be recoverable in the Company's cost of service over the ten-year period.

Q. PLEASE SUMMARIZE HOW THE NET SYNERGIES ASSOCIATED WITH THE NATIONAL GRID/KEYSPAN TRANSACTION HAVE BEEN REFLECTED IN THE COST OF SERVICE?

A. As indicated earlier, the synergies expected from the National Grid/KeySpan transaction are not included in the underlying Test Year cost of service. As a result, the Company has included a cost of service deduction equal to the total estimated National Grid/KeySpan transaction savings, or ($6,400,000) as shown on Attachment NG-MDL-1, Page 5, Line 42. The Company's 50% share of net synergies and the levelized amortization of CTA are also shown on Page 5 at Lines 44 and 48, respectively. The resulting 50% customer share of net synergies from the National Grid/KeySpan transaction is $2,450,000, equal to the total estimated steady state annual synergy savings of $6,400,000, the ten-year levelized amortization of the costs to achieve the synergies of $1,500,000 less the Company's 50% share of net synergies, or $2,450,000. The ten-year amortization of costs to achieve would be recoverable in the Company's cost of service over the ten-year period commencing October 1, 2008. This approach will also require approval from the Commission for the creation of a regulatory asset under FAS 71 for the deferral and future amortization of CTA.

Q. ARE THERE ANY OTHER OPERATION AND MAINTENANCE EXPENSE ADJUSTMENTS BEING PROPOSED?

A. Yes. The last expense adjustment relates to uncollectible expenses. The Company has calculated an uncollectible expense rate of 2.46%, which was determined by taking an average of the Company's net write-offs for the past five years, as shown on Attachment NG-MDL-1, Page 32, Lines 8 through 14. The net write-off amount for the Test Year includes an out-of-period adjustment to the Company's uncollectible reserve totaling $6,359,549. The resulting five-year average net write-off rate was applied to the pro-forma revenues, excluding other operating revenue and interruptible firm revenues, to arrive at uncollectible expense shown on Page 1, Line 19 in Column (e). The adjustment amount shown in Column (d) is simply the difference of columns (e) and (c).

Q. WHAT OTHER OPERATING EXPENSES WERE ADJUSTED IN THE COST OF SERVICE?

A. Adjustments were made to depreciation expense, municipal tax expense and payroll tax expense.

Q. WHAT WAS THE BASIS FOR THE ADJUSTMENT TO DEPRECIATION EXPENSE?

A. The Company secured the services of Fosters Associates, Inc. to perform a depreciation study for the Company. Study results are discussed in the testimony of Company Witness Kateregga and have yielded a composite depreciation rate of 3.36%. This composite rate however includes the Company's investment in the Providence, Rhode Island office as it is still currently in service. Due to the expected sale of the property, an adjustment to the rate is necessary. As shown on Attachment NG-MDL-1, Page 21, the composite rate has been adjusted to exclude the depreciable investment and associated depreciation from Company Witness Kateregga's analysis to arrive at a composite depreciation rate of 3.38%, as shown on Line 41. This composite rate was then applied to Rate Year depreciable plant, as calculated on that page, to arrive at Rate Year depreciation expense of $20,069,816, as shown on Line 44. This Rate Year amount results in an adjustment to Test Year depreciation expense of ($911,576), as shown on Line 3.

Q. PLEASE PROCEED TO MUNICIPAL TAX EXPENSE.

A. As shown on Attachment NG-MDL-1, Page 22, the Company has calculated a three-year average percentage increase in municipal tax expense of 1.38%. This rate of increase was applied to the Company's most recent 2007 annual municipal tax assessment, adjusted to exclude the tax assessment for the Providence, Rhode Island office property. Because the Company accounts for annual tax assessments on a calendar year basis, the calendar year 2008 and 2009 estimates were prorated for the Rate Year ended September 30, 2009. The Rate Year estimate was then compared to the actual Test Year municipal tax expense, resulting in an adjustment of $213,448, as shown on Line 19.

Q. HOW WERE PAYROLL TAXES ADJUSTED?

A. As was the case with the adjustment made to group insurance and employee thrift plan-Company match, the adjustment made to payroll tax expense was derived by applying the net change in Rate Year versus Test Year total O&M salaries and wages to Test Year payroll tax expense. The resulting adjustment to expense amounts to ($188,066) as shown on Attachment NG-MDL-1, Page 23, Line 3.

Q. WOULD YOU SUMMARIZE THE IMPACT OF PRO-FORMA EXPENSE ADJUSTMENTS?

A. Yes. As shown on Attachment NG-MDL-1, Page 1 in Column (d), all of the pro-forma operating expense adjustments, net of income taxes, produce a net reduction in the Company's cost of service totaling $421,634.

Q. CAN WE NOW TURN OUR ATTENTION TO RATE BASE?

A. Yes. The Company has used a five-quarter average to calculate its Rate Year rate base which includes net plant in service (plant in service, including CWIP, less contributions in aid of construction ("CIACs") and depreciation reserve), plus cash working capital, materials and supplies, prepayments and deferred debits, less deferred income taxes, customer deposits and an injuries and damages reserve. Also, as a result of a tax asset-basis step-up realized by the Company upon its acquisition of the regulated Rhode Island Gas assets of New England Gas Company, a hold harmless rate base credit, as detailed in the Company's 2007 Earnings Sharing Mechanism filing submitted to the Commission in August 2007 in Docket No. 3859, is also included as a reduction to rate base. Attachment NG-MDL-1, Page 25, details the five-quarter average rate base for the Test Year. The individual rate base component amounts for September 30, 2007 were then pro-formed through the Rate Year as detailed on Pages 26 through 30. Rate base excludes gas inventories for which carrying costs are recovered through the Company's GCR mechanism.

Q. CAN YOU SUMMARIZE THE ADJUSTMENTS MADE TO ARRIVE AT THE RATE YEAR RATE BASE?

A. Plant in service, accumulated depreciation and accumulated deferred tax adjustments are detailed on Pages 26, 27 and 29 of Attachment NG-MDL-1, respectively. In addition to the forecasted capital investments discussed in the testimony of Company Witness Fleck, both plant in service and accumulated depreciation amounts were adjusted for the impact of the anticipated sale of the Company's Providence, Rhode Island office, as previously discussed. Page 28, details the five-quarter average for CWIP, CIACs, materials and supplies, prepayments, deferred debits, customer deposits and the injuries and damages reserve. As shown on that page, with the exception of deferred debits, the Company assumed no change to the September 30, 2007 balances for these items through the Rate Year period. With respect to deferred debits, the September 30, 2007 balance was adjusted for the annual amortization allowance of $240,000, per Docket No. 3401, to arrive at the Rate Year average for this rate base item. The cash working capital allowance was developed through a lead-lag study, as detailed in Attachment NG-MDL-2.

Q. WHAT IS THE RATE BASE BEING PROPOSED IN THIS PROCEEDING?

A. As shown on Attachment NG-MDL-1, Page 24, the five-quarter average rate base for the Rate Year amounts to $285,241,458.

Q. WOULD YOU PLEASE DESCRIBE THE CALCULATION OF INCOME TAXES?

A. The income tax calculation is shown on Attachment NG-MDL-1, Page 31. It begins with a calculation of the Company's required net income, or overall required return, less interest return, as shown on Lines 1 through 3. Rate Year deferred tax expense, as calculated on Page 29, is added and the net difference in tax versus book depreciation and permanent book/tax differences for the Medicare Act Reimbursement and AFUDC equity are deducted to arrive at the required taxable income base as shown on Lines 7 through 17. This taxable income base is then grossed up to a revenue requirement amount, or taxable income, as shown on Line 19. The federal income tax rate of 35% is then applied to arrive at the current federal income tax liability. Rate Year deferred income taxes are then added to arrive at total income taxes for the Rate Year, or $8,028,613, as shown on Line 25..

Q. WHAT IS THE OVERALL COST OF CAPITAL BEING REQUESTED IN THIS COST OF SERVICE?

A. Page 32 of Attachment NG-MDL-1, includes the imputed capital structure and cost rates as discussed in the testimony of Company Witness Moul. As shown on that page, the overall cost of capital amounts to 9.27%, including a return on equity of 11.50%.

Q. PLEASE SUMMARIZE THE RESULTS OF YOUR COST OF SERVICE ANALYSIS.

A. As shown on Page 1 of Attachment NG-MDL-1, for the Rate Year ended September 30, 2009, the Company has a revenue deficiency of $20,036,103 based on a rate base of $285,241,458 and an overall rate of return of 9.27%.

IV. PENSION AND POST-RETIREMENT OTHER THAN PENSIONS RECONCILIATION

Q. YOU MENTIONED EARLIER A PROPOSAL TO RECONCILE PENSION AND PBOP COSTS. WOULD YOU PLEASE ELABORATE?

A. Yes. In this proceeding, the Company is proposing to establish a pension/PBOP reconciliation factor outside of base rates to provide for the recovery of costs associated with the Company's obligation to provide its employees with pension benefits and PBOP. The Company's proposal recognizes and addresses the Commission's concern regarding the importance of adequately funding the Company's employee benefit plans. The Company's proposed reconciliation mechanism would reconcile both the annual expense and annual funding to the amount allowed for recovery in rates to ensure that customers pay no more or less than the amounts needed to adequately fund the Company's obligation to employees. This mechanism is intended to fulfill the Commission's objective of adequately funding of the Rhode Island pension and PBOP obligations, while also addressing the volatile nature of expense levels that remain largely outside the control of the Company. The proposed reconciliation is illustrated on Attachment NG-MDL-3.

Q. WHAT ARE THE FACTORS MOTIVATING THE COMPANY'S PROPOSAL TO ESTABLISH A RECONCILIATION MECHANISM FOR PENSIONS AND PBOP?

As the Commission is aware, the issue of identifying a workable rate-making mechanism for the recovery of pension and PBOP expense, while also ensuring adequate plan funding, arises primarily as a result of the differences between the rules that govern pension and PBOP expense recognition the tax deductibility of annual cash contributions to fund the plans. The components of the calculation of pension and PBOP expense under FAS 87 and FAS 106 tend to exhibit a level of volatility often due to circumstances outside the control of the Company, such as financial market conditions and actuarial assumptions used to develop required annual expense accruals. Because of these circumstances, it makes sense to explore an alternative ratemaking approach in this proceeding to provide for the recovery in rates of the Company's pension and PBOP obligations and to support funding of the Company's pension and PBOP plans.

Q. WHY DO THESE FACTORS ARGUE FOR THE ESTABLISHMENT OF A RECONCILIATION MECHANISM FOR PENSION/PBOP EXPENSE?

A. The Company has an affirmative obligation to fund its pension and PBOP obligations and it is accepted that a representative level of pension/PBOP costs is properly includable in rates. Pension and PBOP plans represent a long-term financial commitment for the Company, yet asset valuations and annual expense accruals under current funding and accounting rules are highly sensitive to short-term fluctuations in the capital markets and economic environment. This volatility has created significant concern over the funded status of pension plans, especially in relation to the cash contributions needed to fund them, as well as the impact that contributions and expenses have on the Company's balance sheet and earnings. Thus, the Company's proposal to implement a reconciling mechanism for the recovery of pension and PBOP expenses accomplishes two major objectives that are not currently satisfied through the traditional base-rate treatment of these expenses. First, the Company's proposed rate-making mechanism would provide adequate funding to support the Company's pension and PBOP obligations. Second, the Company's proposed rate-making mechanism would ensure that customers pay no more and no less than the amounts actually needed to provide pension and PBOP benefits to employees because both expense and funding contributions would be reconciled on an annual basis**.**

Q. WOULD YOU EXPLAIN THE PROPOSED RECONCILIATION YOU HAVE ILLUSTRATED IN ATTACHMENT NG-MDL-3?

A. Certainly. Attachment NG-MDL-3 consists of two pages, one each for the reconciliation of pension and PBOP costs and funding. The reconciliation is intended to ensure that the regulatory cost recovery and actual costs are reconciled on an annual basis, along with Company funding of employee benefit plans. If the Company recovers more than its actual costs, a liability to customers will be recorded. If the opposite is true, a receivable from customers would be recorded. This annual expense recovery reconciliation would be included in the Company's DAC in the following year. On the funding side, if the Company funds less than its rate allowance, a rate base credit would be established for the cumulative difference, and a rate base addition would be established for the cumulative amount of over funding. The calculations shown on Pages 1 and 2 of Attachment NG-MDL-3 are identical, the only difference being the underlying costs for pensions versus PBOPs. I will direct this discussion to Page 1, the illustrative reconciliation of pension costs and funding.

In terms of pensions, the reconciliation begins with the pension O&M rate allowance, including Service Company-allocated expense, as will be determined in this proceeding, as shown in Column (a) on Attachment NG-MDL-3 on Lines 2 through 4. These amounts are consistent with the amounts included in the Rate Year cost of service in this proceeding. Lines 7 through 11 reflect the expense reconciliation and resulting liability to, or receivable from, customers, comparing actual pension expense to the pension expense rate allowances. The rate allowance for the expense portion would not change until a new cost of service reflecting a different pension expense level is approved by the Commission. If the Company's multi-year levelization plan is accepted, the pension and PBOP levels included in the multi-year revenue requirement would be incorporated in this reconciliation. Lines 14 through 21 reflect the cumulative funding reconciliation and associated rate base adjustment.

For year 1, total pension costs, funding and regulatory expense allowances are assumed to be the same and consistent with the costs included in the Rate Year in this proceeding. Consequently, no reconciliation values are produced in that year. Year 2 in Column (b) assumes the same level of costs and rate allowances on Lines 7 and 9, thereby again producing no reconciliation values. Year 2 assumes funding of Service Company-allocated expenses but not of the Company plans, as Service Company-allocated expenses are consistently paid on a monthly basis as a component of the total Service Company bill to the Company. This results in a current year funding deficiency of $4,777,478, as shown on Line 20, and would produce a rate base credit for that year.

In years 3 and 4 in Columns (c) and (d) on NG-MDL-3, total Company pension costs on line 7 are assumed to increase by $1,000,000 annually and Service Company allocations are unchanged. Also, in years 3 and 4, only the Service Company-allocated amounts are funded by the Company for the reason stated above. As shown on Lines 7 through 11, the actual expense amounts are reconciled to the rate allowance, resulting in an underrecovery in both of those years, which would be included in the Company's DAC in the following year as illustrated on Line 15. Also, as shown on Line 16, the total recovery amount is equal to the pension expense allowance included in base rates plus the current year DAC collections for prior year expense reconciliation. The resulting annual rate base credits are shown on Line 20, and cumulatively on Line 21.

Finally in Year 5 in Column (e), total Company pension costs are assumed to decrease by $500,000 and Service Company allocations are assumed unchanged. However, total funding is assumed at an amount equal to the cumulative under-funding over the initial four years, as shown on Line 18. As shown on Line 21, the cumulative rate base adjustment is reduced to zero in year five as full funding of regulatory recoveries is accomplished.

Q. THANK YOU. WOULD THE COMPANY PROVIDE PERIODIC REPORTING OF THIS PROPOSED RECONCILIATION?

A. Yes, the Company would provide an annual reconciliation report with its annual DAC filing. This report would also detail how the Company funded the associated employee benefit plans to achieve the maximum economic benefit for customers.

V. ACCELERATED LEAK-PRONE INFRASTRUCTURE REPLACEMENT PROGRAM

Q. ARE THERE ANY OTHER MATTERS YOU WOULD LIKE TO DISCUSS AT THIS TIME?

A. Yes there are. First, I would like to discuss the rate treatment of the Company's proposed acceleration of bare steel and cast-iron main replacement and the elimination of high-pressure, bare-steel inside services, referred to as the Accelerated Replacement Program ("ARP"), as discussed in the testimony of Company Witness Fleck.

Q. PLEASE EXPLAIN THE RATE TREATMENT RELATED TO THE PROPOSED INFRASTRUCTURE REPLACEMENT PROGRAM.

A. As explained more fully by Company Witness Fleck, the Company is proposing to accelerate the rate of leak-prone infrastructure replacement. In conjunction with this aggressive ramp-up of investment, the Company is requesting annual rate adjustments for the revenue requirement impact of such capital investments. The ARP capital expenditures made through the Rate Year in this proceeding have been included in the Company's cost of service as a component of forecasted capital additions. Therefore, no incremental rate adjustment is needed for these expenditures.

Because the Company operates on a fiscal year ended March 31, the Company proposes to reconcile its ARP on a fiscal year basis. The target level for the total ARP spending for the plan's first three fiscal years ended March 31, 2009, 2010 and 2011 are as follows: $21,500,000 for the fiscal year ended March 31, 2009, 100% of which is included in the Rate Year cost of service, $25,100,000 for the fiscal year ending March 31, 2010, half of which is included in the Rate Year cost of service and $25,100,000 for the fiscal year ended March 31, 2011.

The imputed capital structure and costs approved by the Commission in this proceeding will be used in calculating the revenue requirement for the annual ARP rate adjustments. As proposed, the Company would be entitled to an incremental rate adjustment for ARP investments to the extent they are not included in current base rates. For the fiscal year ended March 31, 2009, the Company will reconcile the actual total amount of ARP spending with the total amount of ARP spending allowed by the Commission for that year in the approved cost of service in this proceeding. If the Company spends less than the approved cost of service allowance for the fiscal year ended March 31, 2009, a revenue requirement credit will be refunded to customers. For the fiscal year ended March 31, 2010, if the Company spends more than the ARP spending allowed by the Commission for the fiscal year 2010 in the approved cost of service in this proceeding, up to the targeted fiscal year 2010 amount, the Company would be entitled to an incremental rate adjustment. If the Company spends less than the Commission approved ARP allowance for fiscal year 2010, a revenue requirement credit would be refunded to customers. Commencing with the fiscal year ended March 31, 2011, the Company would be entitled to an incremental rate adjustment for ARP spending up to the targeted amount, as those amounts would not be included in base rates.

Q. DID YOU PROVIDE AN ILLUSTRATION OF THIS PROGRAM?

A. Yes, Attachment NG-MDL-5 provides an illustration of the revenue requirement and associated subsequent year rate adjustment for this ARP proposal assuming the level of investment included in the cost of service submitted in this proceeding. As shown on Page 1, Lines 2 and 3, because 100% of the total ARP targeted amount for FY 2009 in Column (a) is included the cost of service, the total ARP targeted amount and the amount included in base rates are the same, or $21,500,000. For FY 2010, only half of the ARP targeted amount is included in the cost of service in this proceeding, or $12,550,000. For the fiscal years subsequent FY 2010, which are outside the Rate Year period, there are no amounts included in base rates for the ARP.

The annual revenue requirement associated with the ARP, as calculated on Attachment NG-MDL-5, Page 1 includes depreciation expense, property taxes and a return on the cumulative incremental investment, as shown on Line 37. An annual rate adjustment for the incremental revenue requirement on the cumulative incremental investment would be implemented in the following year as shown on Line 40. The Company would be allowed an incremental annual rate adjustment for ARP investment up to the targeted amount, as illustrated on this Attachment. If the Company were to spend more than the ARP targeted amount, it would reserve its right to petition the Commission for additional rate relief and carry the burden of justifying the prudency of such spending.

VI. THREE-YEAR RATE PLAN

Q. EARLY ON IN YOUR TESTIMONY, YOU MENTIONED A THREE-YEAR RATE PLAN. WOULD YOU PLEASE DESCRIBE?

A. Certainly. As an alternative to the single-year cost of service and revenue requirement being requested in this proceeding, the Company is proposing a three-year rate plan ("Rate Plan") which would mitigate the initial customer rate impact by 31% and smooth the Company's cost of service revenue requirements over a three-year period, as detailed on Attachment-NG-MDL-6. In addition, the Rate Plan would eliminate the need for incremental annual rate adjustments for the ARP spending, as the targeted ARP investments would be included in the underlying costs of service in the multi-year plan.

Year 1 of the Rate Plan, shown in Attachment-NG-MDL-6, Page 2 agrees with the cost of service and revenue requirement being requested in this proceeding. In order to mitigate the immediate revenue requirement, the Rate Plan provides for annual rate adjustments of equal amounts in each of the three years. Because the year 1 rate adjustment would initially yield an earnings shortfall that must be deferred for later recovery, the Rate Plan incorporates an annual Rate Plan levelization credit/debit in amounts which are established at the outset of the Rate Plan and designed to produce both a levelized multi year rate adjustment and return for the Company. If the Company does not operate within its projected cost levels, earnings will not be achieved. In addition, the Rate Plan would also maintain the Company's existing earnings sharing provisions which would share incremental benefits resulting from the Company operating at cost levels lower than projected, which is intended to align the interests of customers and the Company.

Q. WOULD YOU BRIEFLY EXPLAIN ATTACHMENT-NG-MDL-6?

A. Yes. Attachment NG-MDL-6 provides details of the Company's three-year Rate Plan cost of service. It consists of nine pages. Page 1 of the Attachment reflects the proposed Rate Plan levelization. Page 2 provides the summary cost of service for the Rate Year in this proceeding plus the two additional years. The first year cost of service agrees to the cost of service detailed in Attachment NG-MDL-1. Pages 3 through 9 provide the detail of annual cost of service components which are summarized on Page 2.

Q. PLEASE DESCRIBE HOW THE RATE PLAN LEVELIZATION PROPOSAL WOULD OPERATE.

A. The Rate Plan levelization accrual and subsequent amortization is designed to permit a deferral of otherwise required rate increases. It provides customers with rate stability by incorporating equal annual rate adjustments in each of the three years, while also providing the Company with a stable return over the three-year period, assuming the underlying costs of providing service, as summarized on Attachment–NG–MDL-6, Page 2. The Rate Plan levelization accrual and subsequent amortization simply smooths deficient earnings in the first year over the three year period of the Rate Plan establishing a regulatory asset in the initial year and associated amortization of that asset in years 2 and 3. Page 1 of Attachment-NG-MDL-6 provides the basis for the Rate Plan levelization regulatory asset accrual and amortization. This page begins with the Company's forecasted pre-tax operating income requirement, assuming no rate adjustments, incorporating the cost projections from the annual revenue requirements, summarized on Page 2, and includes the annual levelized rate adjustments and the scheduled annual Rate Plan levelization accruals and amortization, resulting in a levelized return on equity of 11.50% for each of the three years. As part of the Rate Plan proposal, the Company is requesting the Commission to approve the creation of a regulatory asset under FAS 71 for purposes of achieving levelized rate adjustments over the three-year period.

Q. WOULD YOU PLEASE DESCRIBE HOW THE SCHEDULED RATE PLAN LEVELIZATION REGULATORY ASSET ACCRUAL AND AMORTIZATION WERE DERIVED?

A. Certainly. As indicated earlier, the Rate Plan levelization regulatory asset is intended to smooth the Company's three-year revenue requirement by including "solved for" annual base rate increases and the recording of the Rate Plan levelization regulatory asset accrual and amortization. This equalized annual base rate increase and the scheduled Rate Plan levelization regulatory asset accrual and amortization were "solved for" to provide a levelized annual return on equity of 11.50% and full amortization of the Rate Plan levelization regulatory asset, including return, by the end of the three-year period. The return rate applied to the settlement levelization regulatory asset is equal to the Company's weighted average cost of capital, or 9.27%. Lines 5 through 7 of Page 1, reflect the equalized annual base rate increases, adjusted for forecasted changes in billing units. Line 8, reflects the Rate Plan levelization regulatory asset and Line 9 reflects the imputed interest deduction equal to forecasted rate base times weighted debt cost. Lines 11 and 12 show the resulting income tax and Line 13 reflects the resulting gas net income incorporating both the equalized annual rate adjustments and the Rate Plan levelization regulatory asset accrual and subsequent amortization. As shown on Line 19, the resulting return on equity in year 1 is 11.50%.

Q. WOULD THE SCHEDULED RATE PLAN LEVELIZATION REGULATORY ASSET ACCRUAL AND AMORTIZATION BE SUBJECT TO ADJUSTMENT BASED ON ACTUAL EARNINGS REALIZED DURING THE RATE PLAN PERIOD?

A. No. The settlement levelization regulatory asset accrual and amortization must be established and fixed at the outset of the Rate Plan and included in the Earnings Sharing Mechanism to ensure that variances in forecasted operating costs producing actual operating income in excess of those projected in the plan are properly shared with customers. It also ensures that actual operating income results below those projected in the plan are absorbed by shareholders. Consequently, this proposal requires Commission approval of the regulatory asset accrual/amortization stream as shown on Attachment-NG-MDL-6, Page 1, Line 6.

Q. EARLIER YOU MENTIONED A CAPITAL TRACKER MECHANISM (“CAPITAL TRACKER”) TO BE INCORPORATED WITH THE COMPANY’S RATE PLAN. WOULD YOU PLEASE EXPLAIN?

A. Yes. The Company is proposing a Capital Tracker in conjunction with this three-year Rate Plan. As mentioned earlier, this full Capital Tracker would eliminate the need for incremental ARP annual rate adjustments and would reconcile actual total capital expenditures to the forecasted capital expenditures included in the Company’s multi-year revenue targets on an annual basis. If the Company incurs less capital investment than forecasted in any year of the multi-year Rate Plan period, a customer credit would be calculated for the cumulative difference and passed back to customers through the Company's DAC. The calculation of the credit would be identical to the revenue requirement calculation proposed for the ARP discussed earlier, and as illustrated on Attachment NG-MDL-5, Page 2. This reconciliation would ensure that during the three-year Rate Plan period customers are supporting only those forecasted capital expenditures that materialize. If, however, the Company incurs capital expenditures greater than forecasted amounts, the Company would be required to petition the Commission for incremental rate adjustments and bear the burden of proving the incremental expenditures were required and/or outside of the Company's control.

Finally, if the Rate Plan is approved and the resulting rates for the final year of the Rate Plan continue beyond the three-year Rate Plan period, this full capital tracker would be suspended and replaced with the ARP for ensuing years.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Attachments of
Michael D. Laflame

Attachments

Attachment NG-MDL-1: Cost of Service

Attachment NG-MDL-2: Cash Working Capital Study

Attachment NG-MDL-3: Pension and PBOPs Regulatory Reconciliation Illustrative Example

Attachment NG-MDL-4: Allocation of Net Synergies from the National Grid/KeySpan Transaction

Attachment NG-MDL-5: Accelerated Leak-Prone Infrastructure Replacement Program

Attachment NG-MDL-6: Three-Year Rate Plan

NG-MDL-1

National Grid - RI Gas
Pro-Forma Income Statement
Revenue Requirement For The Twelve Months Ended September 30, 2009

Line No.		September 30, 2007 (a)	Known & Measurable Adjustments 1/ (b)	Adjusted Per-Book 09/30/2007 (c)	Pro Forma Adjustments (d)	Adjusted Pro Forma (e)	Rate Increase Effect (f)	Adjusted Pro Forma with Rate Increase (g)
1	Operating Revenues:							
2	Gas Cost Recovery (including unbilled gas cost revenue)	$311,898,308	($311,898,308)	$0	$0	$0		$0
3	Delivery	118,599,900	1,653,590	120,253,490	2,444,200	122,697,690	20,036,103	142,733,793
4	Interruptible Firm (non-gas portion only)	1,863,590	(263,590)	1,600,000	-	1,600,000		1,600,000
5	LIAP in Base Rates	1,548,343	30,184	1,578,528	6,472	1,585,000		1,585,000
6	Energy Efficiency - Weatherization Program in Base Rates	195,287	3,897	199,183	817	200,000		200,000
7	Advanced Gas Technologies in Base Rates	292,286	5,712	297,998	2,002	300,000		300,000
8	Environmental Cost Recovery in Base Rates	634,965	663,209	1,298,174	1,826	1,300,000		1,300,000
9	Energy Efficiency Surcharge	168,151	(168,151)	-	-	-		-
10	Gross Receipts Tax Revenues	12,763,597	(12,763,597)	-	-	-		-
11	Other	572,081	1,486,688	2,058,769	107,733	2,166,502		2,166,502
12								
13	Total Operating Revenue	$448,536,508	($321,250,366)	$127,286,142	$2,563,050	$129,849,192	$20,036,103	$149,885,295
14								
15	Operating Expenses:							
16	Gas Purchased for Resale	$300,428,013	($300,428,013)	$0	$0	$0		$0
17	GCR-Related Operation and Maintenance	884,359	(884,359)	$0	$0	$0		$0
18	Other Operation & Maintenance Expenses	77,516,651	382,609	77,899,260	1,356,431	79,255,691		79,255,691
19	Uncollectable Expense	9,004,641	(6,151,265)	2,853,376	248,259	3,101,634	492,888	3,594,522
20	LIAP Expense	1,548,343	30,184	1,578,528	6,472	1,585,000		1,585,000
21	Energy Efficiency - Weatherization Program	195,287	3,897	199,183	817	200,000		200,000
22	Advanced Gas Technologies Expense	292,286	5,712	297,998	2,002	300,000		300,000
23	Energy Efficiency Expenses	168,151	(168,151)	-	-	-		-
24	Merger Related Costs to Achieve Synergies	2,742,502	(2,742,502)	-	$1,658,152	1,658,152		1,658,152
25	Environmental Cost Amortization	1,025,565	272,609	1,298,174	1,826	1,300,000		1,300,000
26	Y2K and CIS Legacy System Amortization	382,022	(142,022)	240,000	-	240,000		240,000
27	Estimated NGRID/KeySpan Transaction Synergies				(6,400,000)	(6,400,000)		(6,400,000)
28	Company Share of Net Synergies	2,049,000	(2,049,000)	-	3,590,601	3,590,601		3,590,601
29	Depreciation	20,981,392	-	20,981,392	(911,576)	20,069,816		20,069,816
30	Gross Receipts Tax	14,117,666	(14,117,666)	-		-		-
31	Municipal Tax	6,920,312	-	6,920,312	213,448	7,133,760		7,133,760
32	Payroll Tax	3,037,010	-	3,037,010	(188,066)	2,848,944		2,848,944
33	Other Taxes	38,313	-	38,313	-	38,313		38,313
34	Federal & Deferred Income Tax	1,217,428	(628,280)	589,148 2/	599,339	1,188,487 2/	6,840,125	8,028,612
35								
36	Total Operating Expenses	$442,548,941	($326,616,247)	$115,932,694	$177,705	$116,110,398	$7,333,013	$123,443,412
37								
38	Net Operating Income	$5,987,567	$5,365,881	$11,353,448	$2,385,345	$13,738,794	$12,703,090	$26,441,883
39								
40								
41	Rate Base			252,407,902		$285,241,458		$285,241,458
42	Rate of Return			4.50%		4.82%		9.27%

1/ Revenue Adjustments from Page 2 and Operating Expense Adjustments from Page 3.

2/ Calculated based on pre-tax operating income less imputed interest deduction equal to imputed long-term and short-term capitalization ratios and costs as applied to Test Year rate base. Also includes flow- through of the Medicare Reimbursement Act deduction and AFUDC equity.

National Grid - RI Gas
Adjusted Test Year Income Statement
Known and Measurable Adjustments to Test Year Operating Revenue

Line No.		Description	Test Year Amount	Adjustment	Adjusted Amount
1	**a.**	**Adjustment to Eliminate Gas Cost Recovery**			
2					
3		Gas Cost Recovery (GCR) Collections per GCR Schedule (includes FT2 and NGV Gas Cost Recovery)			$286,580,959
4		Non-firm Gas Cost Recovery per GCR Gas Cost Schedule			7,568,789
5		Deferred Gas Cost Revenues Accrued			10,794,286
6		Gas Related Uncollectables (including FT2 and NGV)			6,151,265
7		Unbilled Gas Revenue			803,009
8		Total Test Year Gas Cost Recovery			$311,898,308
9					
10					
11	**b.**	**Adjustment to Base Rate Interruptible Firm Revenue Credit**			
12					
13		Total Billed per Classified Sales Report			$12,741,887
14		Less: Non-Firm Gas Cost Recovery			(7,568,789)
15		True-up adjustment for customer share of Excess Interruptible Margins recorded in September 2007			(3,309,508)
16		Net Interruptible margins recorded in Test Year			1,863,590
17		Target Base Rate Credit			1,600,000
18		Total Adjustment to Base Rate Interruptible Margin Credit			($263,590)
19					
20					
21	**c.**	**Adjustment to Eliminate Energy Efficiency Surcharge Revenue Recorded in Test Year**			
22					
23		Energy Efficiency Surcharge billed in Test Year			$1,841,640
24		Energy Efficiency Surcharge Revenue Normalization to Expense recorded in Test Year			(1,673,489)
25		Total Energy Efficiency Revenue recorded in Test Year			$168,151
26					
27					
28	**d.**	**Adjustment to Eliminate Gross Receipts Tax Collection recorded in the Test Year**			
29					
30		Gross Receipts Tax Revenue Billed			$12,773,051
31		Gross Receipts Tax Revenue Adjustment recorded in September 2007			(9,454)
32		Net Gross Receipts Tax Revenue recorded in Test Year			$12,763,597
33					
34					
35	**e.**	**Adjustment to Other Revenue**	**Test Year**		**Adjusted**
36			**Amount**	**Adjustment**	**Amount**
37		Out-of-period adustment to System Pressure Revenue recorded in Test Year	($302,133)	$302,133	$0
38		Out-of-period adjustment to DAC Revenue recorded in Test Year	(1,206,891)	1,206,891	0
39		Non-recurring LNG contract revenue	131,495	(131,495)	0
40		Rent from Gas Properties recorded in Test Year	263,253	39,270	302,523
41		Service Contract Program costs recorded in Test Year	(407,867)	407,867	0
42		Unbilled Base Revenue	302,106	(302,106)	0
43		Weather Normalization accrued in Test Year	882,000	(882,000)	0
44		Other Revenue (Displacement) recorded in Test Year	910,118	20,407	930,525
45		Test Year AFUDC - Equity		35,134	35,134
46		Test Year AFUDC - Debt		86,269	86,269
47		Test Year Interest on Customer Arrears		704,318	704,318
48			$572,081	$1,486,688	$2,058,769

National Grid - RI Gas
Adjusted Test Year Income Statement
Known and Measurable Adjustments to Test Year Operating Expenses

Line No.			
1	**a.**	**Adjustments to Eliminate Gas Costs and O&M costs recovered through the GCR**	
3		Total Gas Expense recorded in the Test Year	$300,428,013
5		Operation and Maintenance Expenses recovered through the GCR in Test Year	$884,359
7	**b.**	**Adjustment to Eliminate Gas-Related Uncollectible Expense recorded in Test Year**	
9		Total Test Year GCR Collections for which uncollectible adjustment is applied	$292,917,398
10		Test Year Uncollectible Rate	2.10%
11		Test Year Gas-Related Uncollectible Expense	$6,151,265
13	**c.**	**Adjustment To Base-Rate Component Costs**	
15		LIAP in Base Rates	$30,184
16		Energy Efficiency - Weatherization Program in Base Rates	$3,897
17		Advanced Gas Technologies in Base Rates	$5,712
19	**d.**	**Adjustment to Test Year Environmental Cost Amortization**	
21		Actual Test Year Net Environmental Cost Recovery	$634,965
22		Less: Environmental Cost Amortization recorded in Test Year	1,025,565
23		Adjustment to Test Year Environmental Cost Amortization	($390,600)
24		Adjusted Per-Book 9/30/07 Revenue Adjustment	663,209
25		Total Adjustment to Test Year Environmental Cost Amortization	$272,609
27	**e.**	**Adjustment to Eliminate Energy Efficiency Surcharge Revenue Recorded in Test Year**	
29		Energy Efficiency Expenses recorded in Test Year	$168,151
31	**f.**	**Adjustment to Eliminate Gross Receipts Tax Expense Recorded in Test Year**	
33		Gross Receipts Tax Expense recorded in Test Year	$14,117,666
35	**g.**	**Adjustment to Y2K Costs and CIS Legacy System Amortization Expense to Regulatory Allowance**	
37		Y2K costs and CIS Legacy System Amortization Expense Regulatory Allowance	$240,000
38		Y2K costs and CIS Legacy System Amortization Expense Recorded in Test Year	382,022
39		Adjustment to Test Year Y2K Costs and CIS Legacy System Amortization Expense	($142,022)
41	**h.**	**Adjustments to Test Year Operation and Maintenance Expenses**	
43		Elimination of Medical Expense Credit to Account 926 recorded in error (Correction booked in October 2007)	$600,000
44		Reclass of Overheads associated with Service Contract Labor to Below-the-Line	(117,779)
45		Elimination of Test Year IBM Hardware lease curtailed in January 2008	(809,076)
46		Elimination of out-of-Test Year Vacation Accrual Expense Credit	348,036
47		Out-of-Test Year Medical Expense Lag Adjustment	125,000
48		Adjustment to Reflect Donations in Operating Expenses	236,428
49		Total Adjustments to Test Year Operations and Maintenance Expenses	$382,609
51	**i.**	**Adjustment to Eliminate Merger Related Costs to Achieve ("CTA") Synergy Savings**	
53		Actual CTA recorded in Test Year	$2,742,502
55	**j.**	**Adjustment to Eliminate Company Share of Southern Union Synergies**	
57		Adjustment to Eliminate Current Net Synergy allowance	($2,049,000)

National Grid - RI Gas
Pro-Forma Income Statement
Adjustments to Operating Revenue

Line No.					Amount	Reference Page
1	a.	Base Delivery Revenue			$2,444,200	1
2						
3	b.	Target LIAP Recovery in Base Rates		$1,585,000		
4		Adjusted Per Book Amount for Test Year		1,578,528		1
5		Pro-forma Adjustment to LIAP Revenue in Base Rates			6,472	
6						
7	c.	Energy Efficiency - Weatherization Program in Base Rates		$200,000		
8		Adjusted Per Book Amount for Test Year		199,183		1
9		Pro-forma Adjustment to Energy Efficiency - Weatherization Program Revenue in Base Rates			817	
10						
11	d.	Advanced Gas Technologies in Base Rates		$300,000		
12		Adjusted Per Book Amount for Test Year		297,998		1
13		Pro-forma Adjustment to Advanced Gas Technologies Revenue in Base Rates			2,002	
14						
15	e.	Environmental Cost Recovery in Base Rates		$1,300,000		
16		Adjusted Per Book Amount for Test Year		1,298,174		1
17		Pro-forma Adjustment to Environmental Cost Recovery Revenue in Base Rates			1,826	
18						
19	f.	Test Year Average CWIP in Rate Base	$4,758,681			25
20		Rate Year Average CWIP in Rate Base	8,981,531			28
21		Percentage Increase in Average CWIP in Rate Base		88.74%		
22		Test Year AFUDC - Equity included in Other Revenue	35,134	31,178		2
23		Test Year AFUDC - Debt included in Other Revenue	86,269	76,555	107,733	2
24						
25						
26		Total Operating Revenue Adjustments			$2,563,050	

National Grid - RI Gas
Pro-Forma Income Statement
Adjustments to Operating Expenses

Line No.		Amount			Reference Page
1	**a. Target LIAP Recovery in Base Rates**		$6,472		4
2					
3	**b. Energy Efficiency - Weatherization Program in Base Rates**		$817		4
4					
5	**c. Advanced Gas Technologies in Base Rates**		$2,002		4
6					
7	**d. Environmental Cost Recovery in Base Rates**		$1,826		4
8					
9	**e. Operations and Maintenance Expense Adjustments**				
10					
11	Salary and Wage Expense Adjustment	($2,132,260)			6
12					
13	Medical and Dental Expense Adjustment	907,456			8
14					
15	Group Insurance Expense Adjustment	(12,199)			10
16					
17	Pension Expense Adjustment	(447,100)			11
18					
19	FAS 106 Expense Adjustment	(151,846)			12
20					
21	Employee Thrift Plan - Company Match Expense Adjustment	(90,491)			13
22					
23	Postage Expense Adjustment	40,130			14
24					
25	Rate Case Expense Adjustment	265,750			15
26					
27	Providence, Rhode Island Office Sale Adjustment	(224,013)			16
28					
29	AMR Savings Adjustment	(454,677)			17
30					
31	Inflation Adjustment	1,203,359			19
32					
33	GCR-Related Operation and Maintenance Expense Adjustment	41,321			18
34					
35	Gas Marketing Program Expense Adjustment	1,377,000		1/	
36					
37	Accelerated Replacement Program Expense Adjustment	1,034,000		2/	
38					
39	Total Other O&M Expense Adjustments		$1,356,431		
40					
41	**f. Adjustment for Net Synergy Cost of Service Allowance**				
42	National Grid/KeySpan Transaction Total estimated Synergies		(6,400,000)	3/	
43					
44	National Grid/KeySpan Transaction Net Synergies Adjustment - Company Share	$2,450,000		3/	
45	National Grid/Southern Union Transaction Net Synergies Adjustment - Company Share	1,140,601			20
46	Company Share of Net Synergies - Cost of Service Allowance		$3,590,601		
47					
48	National Grid/KeySpan Transaction CTA Amortization	1,500,000		3/	
49	National Grid/Southern Union Transaction CTA Amortization	158,152			20
50	Total CTA Amortization		$1,658,152		

1/ From the testimony of Company Witness Mongan.
2/ From the testimony of Company Witness Fleck.
3/ From Attachment NG-MDL-4.

National Grid - RI Gas
Pro-Forma Income Statement
Adjustment for Salary and Wage Expenses

Line No.		(a)	(b)	Union (c)	Non-Union (d)	Total Rate Year (e)	Total Test Year (f)
1	Test Year Total Base Wages			$20,947,907	$8,559,464		$29,507,371
2	Test Year Capitalized Wages			3,746,030	1,368,930		5,114,960
3	Test Year O&M Wages			17,201,877	7,190,534		24,392,411
4							
5	Test Year O&M Non-Executive Incentive Compensation			219,252	418,819		638,071
6	Test Year O&M Overtime Wages			3,774,761	89,667		3,864,428
7	Total Test Year National Grid - RI Gas O&M Wages			$21,195,890	$7,699,020		$28,894,910
8							
9							
10	Base Wages 10/1/07 - 9/30/08			$19,244,588	$7,953,291	$27,197,879	
11							
12	Call Center Relocation - Voluntary Severances			(881,862)	(55,000)	(936,862)	
13							
14	Call Center Relocation - Voluntary Early Retirement Offers (VEROs)			(719,784)		(719,784)	
15							
16	Rate Year Steady State Wages Before Increases			17,642,942	7,898,291		
17							
18	Union Wage Increase Effective 6/1/08 through 5/31/09 (12 Months)	3.00%	100.00%	529,288		529,288	
19	Non-Union Wage Increase Effective 7/1/08 through 6/30/09 (12 Months)	3.90%	100.00%		308,033	308,033	
20							
21	Subtotal			18,172,230	8,206,324		
22							
23	Union Wage Increase Effective 6/1/09 through 9/30/09 (4 Months)	3.00%	33.33%	181,722		181,722	
24	Non-Union Wage Increase Effective 7/1/09 through 9/30/09 (3 Months)	3.90%	25.00%		80,012	80,012	
25							
26	Rate Year Total Wages			18,353,953	8,286,336		
27							
28	Rate Year O&M Wages	82.12%	84.01%	15,071,789	6,961,088	22,032,877	
29							
30	Rate Year O&M Non-Executive Incentive Compensation	1\		192,102	405,455	597,557	
31	Rate Year O&M Overtime Wages			3,774,761	89,667	3,864,428	
32							
33	Rate Year Total O&M Wages			$19,038,653	$7,456,210	$26,494,862	
34							
35	National Grid - RI Gas Wage Adjustment						($2,400,048)
36							
37	National Grid - Service Company Wage Adjustment						267,788
38							
39	Total Rate Year Wage Adjustment						($2,132,260)

1\ Adjustment to Test Year Non-Executive Incentive Compensation:

	Union	Non-Union
Rate Year O&M Wages per Line 28	15,071,789	6,961,088
Test Year O&M Wages per Line 3	17,201,877	7,190,534
Percent Increase / (Decrease)	-12.38%	-3.19%

Line Notes:

1-7 Actual twelve months ended September 30, 2007 salary and wage expense per Company financials.
10 Annualized wages based on September 30, 2007 employee compliment and salaries
12 Remaining voluntary severances as of September 30, 3007.
14 Remaining VERO acceptee annual salaries. All remaining VERO acceptees expected to depart by April 1, 2009.
16 Sum of Lines 10 through 14.
18&19 Line 16 x Column (a) x Column (b) Line 18 or Line 19, respectively.
21 Sum of Lines 16 through 19.
23&24 Line 21 x Column (a) x Column (b) Line 23 or Line 24, respectively.
26 Sum of Lines 21 through 24.
28 Line 26 x Column (a) Line 28 or Line 26 x Column (b) Line 28, respectively.
30 Test Year non-executive compensation x percent decrease in Rate Year versus Test Year O&M wages.
31 Actual Test Year overtime wages.
33 Sum of Lines 28 through 31.
35 Column (e) Line 33 - Column (f) Line 7.
37 Attachment NG-MDL-1, Page 7, Column (f), Line 19.
39 Line 35 + Line 37.

National Grid - RI Gas
Pro-Forma Income Statement
Adjustment for National Grid - Service Company Salaries and Wage Expense Charged to National Grid - RI Gas

Line No.			(a)	(b)	Union (c)	Non-Union (d)	Total Rate Year (e)	Total Test Year (f)
1	Test Year Total Base Wages				$711,813	$5,253,566		$5,965,379
2	Test Year Capitalized Wages				355,031	470,326		825,357
3	Test Year O&M Wages				356,782	4,783,240		5,140,022
4								
5	Test Year O&M Non-Executive Incentive Compensation				11,039	365,629		376,668
6	Test Year O&M Overtime Wages				15,362	6,168		21,530
7	Total Test Year National Grid - Service Company O&M Wages				$383,182	$5,155,038		$5,538,220
8								
9								
10	Base Wages 10/1/07 - 9/30/08				$356,782	$4,783,240	$5,140,022	
11								
12	Rate Year Steady State Wages Before Increases				356,782	4,783,240		
13								
14	Union Wage Increase Effective 6/1/08 through 5/31/09 (12 Months)		3.00%	100.00%	10,703		10,703	
15	Non-Union Wage Increase Effective 7/1/08 through 6/30/09 (12 Months)		3.90%	100.00%		186,546	186,546	
16								
17	Subtotal				367,485	4,969,786		
18								
19	Union Wage Increase Effective 6/1/09 through 9/30/09 (4 Mos)		3.00%	33.33%	3,675		3,675	
20	Non-Union Wage Increase Effective 7/1/09 through 9/30/09 (3 Mos)		3.90%	25.00%		48,455	48,455	
21								
22	Rate Year O&M Wages				371,160	5,018,242	5,389,402	
23								
24	Rate Year O&M Non-Executive Incentive Compensation	1\			11,484	383,593	395,076	
25	Rate Year O&M Overtime				15,362	6,168	21,530	
26								
27	Rate Year O&M Wages				$398,006	$5,408,003	$5,806,008	
28								
29	National Grid - Service Company Adjustment for Wages charged to National Grid - RI Gas							$267,788

1\ Adjustment to Test Year Non-Executive Incentive Compensation:

	Union (c)	Non-Union (d)
Rate Year O&M Wages per line 22	371,160	5,018,242
Test Year O&M Wages per line 3	356,782	4,783,240
Percent Increase/(Decrease)	4.03%	4.91%

Line Notes:

1-7 Actual twelve months ended September 30, 2007 salary and wage expense per Company financials.
10 Line 3.
12 Line 10.
14&15 Line 12 x Column (a) x Column (b) Line 14 or Line 15, respectively.
17 Sum of Lines 12 through 15.
19&20 Line 17 x Column (a) Line 19 or Line 20, respectively.
24 Test Year non-executive compensation x percent decrease in Rate Year versus Test Year O&M wages.
25 Actual Test Year overtime wages.
27 Sum of Lines 22 through 25.
29 Column (e) Line 27 - Column (f) Line 7.

National Grid - RI Gas
Pro-Forma Income Statement
Adjustment for Medical and Dental Expenses

Line No.		(a)	(b)	Total Rate Year (c)	Total Test Year (d)
1	National Grid - RI Gas Test Year Medical and Dental Costs Charged to O&M				$3,802,216
2					
3	National Grid - RI Gas Healthcare and Dental Costs 1/1/08 - 12/31/08				
4	Medical			$11,207	
5	Dental			1,259	
6	Total Medical and Dental Costs Per Employee 1/1/08 - 12/31/08			$12,466	
7					
8	Number of Steady State Rate Year Employees				
9	National Grid - RI Gas Employees at 9/30/07			439	
10	Less VEROs and Voluntary Severances			(37)	
11	Steady State National Grid - RI Gas Rate Year Employees			402	
12					
13	National Grid - RI Gas Medical and Dental Costs 1/1/08 - 12/31/08				
14	Medical			$4,505,214	
15	Dental (at percentage of employees who elected dental coverage for 1/1/08 - 12/31/08 period)		97.69%	494,427	
16	Total National Grid - RI Gas Medical and Dental Costs 1/1/08 - 12/31/08			4,999,641	
17					
18	National Grid - RI Gas Rate Year Medical Costs				
19	Period 10/1/08 - 12/31/08		25.00%	1,126,304	
20	Period 1/1/09 - 9/30/09 escalated by expected average cost increase	8.00%	75.00%	3,649,223	
21	Total National Grid - RI Gas Rate Year Medical Costs			4,775,527	
22					
23	National Grid - RI Gas Rate Year Dental Costs				
24	Period 10/1/08 - 12/31/08		25.00%	123,607	
25	Period 1/1/09 - 9/30/09 escalated by expected average cost increase	3.00%	75.00%	381,945	
26	Total National Grid - RI Gas Rate Year Dental Costs			505,551	
27					
28	Total National Grid - RI Gas Rate Year Medical and Dental Costs			5,281,078	
29					
30	Allocation of National Grid - RI Gas Rate Year Medical and Dental Costs to O&M		87.38% 1\	$4,614,606	
31					
32	National Grid - RI Gas Rate Year Medical and Dental Adjustment				812,390
33					
34	National Grid - Service Company Rate Year Medical and Dental Adjustment				95,066
35					
36	Total Rate Year Medical and Dental Adjustment				$907,456
37					
38					
39					

1\	Test Year (12 Months Ended 9/30/07) National Grid - RI Gas O&M Medical and Dental Costs	3,677,216
	Test Year (12 Months Ended 9/30/07) National Grid - RI Gas Total Medical and Dental Costs	4,208,092
	Percentage Charged to National Grid - RI Gas O&M	87.38%

Line Notes:

1 Actual twelve months ended September 30, 2007 medical and dental expense per Company financials adjusted for known and measurable medical billing lag adjustment.
3-6 Actual average per employee annual medical and dental costs as derived from the Company's actual employee enrollment elections made in November 2007 for calendar year 2008.
8-11 Actual employee counts as of September 30, 2007, adjusted for employees who elected to participate in a voluntary severance or early retirement program.
14 Line 4 x Line 11.
15 Line 5 x Line 11 x Line 15, Column (b).
16 Line 14 + Line 15.
19 Line 14 x Line 19, Column (b).
20 Line 14 x Line 20, Column (a) x Line 20, Column (b).
21 Line 19 + Line 20.
24 Line 15 x Line 24, Column (b).
25 Line 15 x Line 25, Column (a) x Line 25, Column (b).
26 Line 24 + Line 25.
28 Line 21 + Line 26.
30 Line 28 x Line 30, Column (b).
32 Line 30, Column (c) - Line 1, Column (d).
34 Attachment NG-MDL-1, Page 9, Line 16.

National Grid - RI Gas
Pro-Forma Income Statement
Adjustment National Grid - Service Company Medical and Dental Expense Charged to National Grid - RI Gas

Line No.		(a)	(b)	Total Rate Year (c)	Total Test Year (d)
1	National Grid - Service Company Test Year Medical and Dental Costs Charged to O&M				
2	Medical				$550,619
3	Dental				56,536
4	Total National Grid - Service Company Test Year Medical and Dental Costs Charged to O&M				607,155
5					
6	National Grid - Service Company Medical and Dental Costs 1/1/08 - 12/31/08				
7	Medical	8.00%		594,669	
8	Dental	3.00%		58,232	
9	Total National Grid - Service Company Medical and Dental Costs 1/1/08 - 12/31/08			652,901	
10					
11	National Grid - Service Company Rate Year Medical and Dental Costs 10/1/08 - 9/30/09				
12	Medical	8.00%		642,242	
13	Dental	3.00%		59,979	
14	Total National Grid - Service Company Rate Year Medical and Dental Costs 10/1/08 - 9/30/09			702,221	
15					
16	National Grid - Service Company Rate Year Medical and Dental Adjustment				$95,066

Line Notes:

1- 4 Actual twelve months ended September 30, 2007 medical and dental expense per Company financials.
7 Line 2 x Line 7, Column (a).
8 Line 2 x Line 8, Column (a).
9 Line 7 + Line 8.
12 Line 7 x Line 12, Column (a).
13 Line 8 x Line 13, Column (a).
14 Line 12 + Line 13.
16 Line 14, Column (c) - Line 4, Column (d).

National Grid - RI Gas
Pro-Forma Income Statement
Adjustment for Group Insurance Expense

Line No.			
1	Test Year Group Insurance Expense Charged to O&M	$197,002	
2	Rate Year O&M Salaries and Wages - Percentage Change	-6.19%	1/
3	Rate Year Adjustment for Group Insurance Expense	($12,199)	

1/ Percentage Change in Salaries and Wages:

	National Grid RI Gas	National Grid Service Company	Total	Percentage Increase/(Decrease)
Test Year O&M Wages	$28,894,910	$5,538,220	$34,433,130	
Rate Year O&M Wages	26,494,862	5,806,008	32,300,871	
Difference	($2,400,048)	$267,788	($2,132,260)	-6.19%

Line Notes:

1 Actual twelve months ended September 30, 2007 group insurance expense per Company financials.

3 Line 1 x Line 2.

National Grid - RI Gas
Pro-Forma Income Statement
Adjustment for Pension Expense (FAS 87)

Line No.			
1	Rate Year Pension Expense (based on most Recent Actuarial Forecast)	$5,052,002	1/
2	Test Year Pension Expense per Books	5,499,102	1/
3	Rate Year Adjustment for Pension Expense	($447,100)	

1/ This amount includes all National Grid - RI Gas pension expense and a portion of National Grid - Service Company pension expense as fol

	FAS87 Costs			
	National Grid RI Gas	National Grid Service Company		Total
Test Year (12 Months Ended 9/30/07) Total Company Pension Costs	$5,761,265	$19,816,828		
Percentage Charged to National Grid - RI Gas		3.55%	2/	
Percentage Charged to National Grid - RI Gas O&M	83.58%	97.30%	3/	
Total Company Test Year Pension Costs to National Grid - RI Gas O&M	$4,815,232	$683,870		$5,499,102
Rate Year Pension Total Cost (Based on Most Recent Actuarial Forecast)	$5,716,093	$7,955,034		
Percentage Charged to National Grid - RI Gas		3.55%	2/	
Percentage Charged to National Grid - RI Gas O&M	83.58%	97.30%	3/	
Total Company Rate Year FAS 87 Costs to National Grid - RI Gas O&M	$4,777,478	$274,525		$5,052,002

2/	Total Test Year Pension Charged to National Grid - RI Gas	702,818
	Total Test Year Service Company Pension Charged to Affiliates	19,816,800
	Percentage Charged to National Grid - RI Gas	3.55%
3/	Total Test Year Service Company Pension Charged to National Grid - RI Gas O&M	683,869
	Total Test Year Service Company Pension Charged to National Grid - RI Gas	702,818
	Percentage Charged to Company National Grid - RI Gas O&M	97.30%

National Grid - RI Gas
Pro-Forma Income Statement
Adjustment for Post-Retirement Benefit Expenses Other than Pension Expense (FAS106)

Line No.			
1	Rate Year Post-Retirement Benefits Expense (based on most Recent Actuarial Forecast)	$4,567,872	1/
2	Test Year Post-Retirement Benefits Expense per Books	4,719,718	1/
3	Rate Year Adjustment for Post-Retirement Benefits Expense	($151,846)	

1/ This amount includes all National Grid - RI Gas Post-Retirement Benefits expense and a portion of National Grid - Service Company Post-Retirement Benefits expense as follows:

	FAS106 Costs			
	National Grid RI Gas	National Grid Service Company		Total
Test Year (12 Months Ended 9/30/07) Total Company FAS106 costs	$4,658,772	$21,620,237		
Percentage Charged to National Grid - RI Gas		3.52%	2/	
Percentage Charged to National Grid - RI Gas O&M	85.39%	97.34%	3/	
Total Company Test Year FAS106 cost charged to National Grid - RI Gas O&M	$3,978,167	$741,551		$4,719,718
Rate Year Estimated FAS106 Total Cost (Based on Most Recent Actuarial Forecast)	$4,785,501	$14,038,072		
Percentage Charged to National Grid - RI Gas		3.52%	2/	
Percentage Charged to National Grid - RI Gas O&M	85.39%	97.34%	3/	
Total Company Rate Year FAS106 Cost to National Grid - RI Gas O&M	$4,086,382	$481,491		$4,567,872

2/	Total Test Year FAS106 Charged to National Grid - RI Gas	761,811
	Total Test Year Service Company FAS106 Charged to Affiliates	21,620,237
	Percentage Charged to National Grid - RI Gas	3.52%
3/	Total Test Year Service Company FAS106 Charged to National Grid - RI Gas O&M	741,551
	Total Test Year Service Company FAS106 Charged to National Grid - RI Gas	761,811
	Percentage Charged to National Grid - RI Gas O&M	97.34%

National Grid
Pro-Forma Income Statement
Adjustment for Employee Thrift Plan - Company Match

Line No.			
1	Test Year Employee Thrift Plan - Company Match Expense Charged to O&M	$1,461,301	1/
2	Rate Year O&M Salaries and Wages - Percentage Change	-6.19%	2/
3	Rate Year Adjustment for Thrift Plan - Company Match Expense	($90,491)	

1/ Actual Test Year Employee Thrift Plan - Company Match Expense per Books.

2/ Percentage Change in Salaries and Wages:

	National Grid RI Gas	National Grid Service Company	Total	Percentage Increase/(Decrease)
Test Year O&M Wages	$28,894,910	$5,538,220	$34,433,130	
Rate Year O&M Wages	26,494,862	5,806,008	32,300,871	
Difference	($2,400,048)	$267,788	($2,132,260)	-6.19%

Line Notes:
1 Actual twelve months ended September 30, 2007 employee thrift plan - Company match expense per Company financials.
3 Line 1 x Line 2.

National Grid - RI Gas
Pro-Forma Income Statement
Adjustment for Rate Year Postage Expenses

Line No.			
1	Test Year Postage Expense	$1,130,957	
2	Rate Year Postage Expense after May 12, 2008 Increase	1,171,087	1/
3	Rate Year Adjustment for Postage Expense	$40,130	

1\ Calculation of Rate Year Postage Expense:

	Rates After May 12, 2008 Increase 2/	Test Year Units	Rate Year Postage Expense
5-digit - 1 oz	0.324	2,094,469	$678,608
3-digit - 1 oz	0.346	145,013	50,174
Mixed AADC - 1 oz	0.369	91,983	33,942
Presort - 1 oz	0.394	3,920	1,544
Single - 1 oz	0.420	257,673	108,223
5-digit - 2 oz	0.449	443,634	199,192
3-digit - 2 oz	0.471	37,093	17,471
Mixed AADC - 2 oz	0.494	22,218	10,976
Presort - 2 oz	0.519	25,539	13,255
Single - 2 oz	0.590	97,800	57,702
		3,219,342	$1,171,087

2\ Per United States Postal Service Notice 123, Price List Updated February 11, 2008.

Line Notes:
1 Actual twelve months ended September 30, 2007 postage expense per Company financials.
3 Line 2 - Line 1.

National Grid - RI Gas
Pro-Forma Income Statement
Adjustment for Rate Case Expenses

Line No.	Consultant	Services	Amount	
1	Keegan Werlin LLP	Legal services	$475,000	
2				
3	Foster Associates, Inc.	Depreciation study	95,000	
4				
5	Concentric Energy Advisors	Rate design	103,250	
6		Decoupling	25,500	
7				
8	P. Moul & Associates	Cost of capital	62,500	
9				
10	Oliver Wyman (formerly Mercer Management Consulting)	Synergy savings	36,000	
11				
12	Total Rate Case Expenses		$797,250	
13				
14	Number of Years to be Amortized		3	
15				
16	Annual Amortization of Rate Case Expenses			$265,750

Line Notes:
12 Sum of Lines 1 through 12.
16 Line 12 / Line 14.

National Grid - RI Gas
Pro-Forma Adjustments
Adjustment for Sale of Providence, Rhode Island Office Facilities

Line No.		(a)	(b)	(c)
1	Plant in Service:			
2	Providence, RI Office Land @ 9/30/07		$246,879	
3	Providence, RI Office Depreciable Plant In Service @ 9/30/07		10,414,951	
4	Total Providence Office Plant In Service @ 9/30/07			$10,661,830
5				
6	Accumulated Depreciation Reserve @ 9/30/07			5,119,474
7	Less: Depreciation Expense through estimated Sale Date of 9/30/08	2.33%		242,668
8	Accumulated Depreciation at Time of Sale 1/1/09			5,362,142
9				
10	Net Book Value at Time of Sale 1/1/09			5,299,688
11				
12	Estimated Net Sales Proceeds			
13	Market Valuation for National Grid - RI Gas Owned Property		$4,921,250	
14	Estimated Sales Costs	7.00%	(344,488)	
15	Estimated Net Sales Proceeds			4,576,763
16				
17	Net Loss on Sale			(722,925)
18				
19	Providence, RI Office Test Year Operating O&M Costs			224,013
20				
21	Providence, RI Office 2007 Municipal Tax Assessment			$139,859

Line Notes:

1 & 2 Per Company financials as of September 30, 2007.
4 Line 2 + Line 3.
6 Per Company financials as of September 30, 2007.
7 Line 2, Column (b) x Line 7, Column (a).
8 Line 6 + Line 7.
10 Line 4 - Line 8.
13 Per independent Market Valuation.
14 Line 13 x Line 12, Column (a).
15 Line 13 + Line 14.
17 Line 15 - Line 10.
19 Per Company financials for the twelve months ended September 30, 2007.
21 Actual 2007 municipal tax assessment.

National Grid - RI Gas
Pro-Forma Income Statement
Adjustment for Estimated AMR Rate Year Operating Expense Savings

Line No.		Full Year (a)	Rate Year 1/ (b)
1	Fully Loaded Labor Savings 2/	$866,514	$433,257
2	Non-labor Savings 3/	42,840	21,420
3			
4	Total Estimated O&M Savings	$909,354	$454,677

1/ Assumes half year of savings in Rate Year, consistent with rate base impact of AMR project investment.
2/ Includes 12 FTEs, 9 Meter Readers and 1 Supervisor Accounts Processor and Service Technicians.
3/ Primarily meter reading fleet expense savings.

Line Notes:
1(b) Line 1, Column (a) x 50%.
2(b) Line 2, Column (a) x 50%.
4 Line 1 + Line 2.

National Grid - RI Gas
Pro-Forma Income Statement
Adjustments to Cost of Service Study for LNG
LNG Operation and Maintenance Cost Allocation

Line No.		Rate Year (a)	Base-Rate 1\ 16.8% (b)	GCR Amount 1\ 83.2% (c)
1	O&M Expenses - Labor:			
2	Maintenance Structures	$471,158	$79,154	$392,003
3	Maintenance Building & Equipment	75,787	12,732	63,055
4	Subtotal Labor	$546,944	$91,887	$455,058
5				
6	O&M Expenses - Non-Labor:			
7	Maintenance Structures	$20,131	$3,382	$16,749
8	Tanks - Labor	89,489	15,034	74,455
9	Maintenance Building & Equipment	356,703	59,926	296,777
10	Subtotal Non-Labor	$466,323	$78,342	$387,981
11				
12	Total O&M Expenses	$1,013,267	$163,103	$843,038
13				
14	GCR-Related Expense removed from Test Year Expense			884,359
15				
16	GCR-Related O&M Rate Year Adjustment			$41,321

1\ Base rate/GCR percentages per updated study perpared by the Company

Line Notes:
2&3 Rate Year amounts allocated to base rate and GCR.
4 Line 2 + Line 3.
7-9 Rate Year amounts allocated to base rate and GCR.
10 Sum of Lines 7 through 9.
12 Line 4 + Line 10.
14 Test Year normalizing adjustment from Page 1.
16 Line 14 - Line 12.

National Grid - RI Gas
Pro-Forma Income Statement
Inflation Adjustment for Other Operation and Maintenance Expenses

Line No.			Reference Page
1	Adjusted Test Year Other Operation & Maintenance Expense From Page 1, Column (3)	$77,899,260	1
2			
3	Less:		
4	Salaries & Wage Expense charged to O&M in Test Year	34,433,130	6, 7
5	Medical and Dental Expense charged to O&M in Test Year	4,409,371	8, 9
6	Group Insurance Expense charged to O&M in Test Year	197,002	10
7	Pension Expense charged to O&M in Test Year	5,499,102	11
8	FAS 106 Expense charged to O&M in Test Year	4,719,718	12
9	Employee Thrift Plan - Company Match Expense charged to O&M in Test Year	1,461,301	13
10	Postage Expense Charged to O&M in Test Year	1,130,957	14
11	Providence, Rhode Island Office Costs charged to O&M in Test Year	224,013	16
12	Donations charged in Test Year	236,428	3
13	AMR Expense Adjustment	454,677	17
14	Adjustment to GCR-Related O&M	(41,321)	18
15			
16			
17			
18	Test Year Other O&M Subject to Inflation	$25,174,881	
19			
20	Inflation from Mid-Test Year to Mid-Rate Year	4.78%	
21			
22	Inflation Adjustment	$1,203,359	

1/ Page 1

2/ Inflation Rate : Average of quarterly changes in estimated GDP Chained Price Index and CPI as published by Economy.cc

	12 Months Ended Sep-2007	12 Months Ended Sep-2009	Percentage Change		
Average GDP Index	118.9	124.0	4.25%	50.00%	2.13%
Average CPI Index	205.3	216.2	5.29%	50.00%	2.65%
Combined					4.78%

National Grid - RI Gas
Pro-Forma Income Statement
Adjustment for Sharing of NEGas/National Grid Transaction net Synergies

Line No.		Union	Non-Union			
1	**Merger-Related O&M Payroll Savings:**					
2	Total Pre-merger O&M Payroll			$35,016,934		
3	Less: Executive Incentive Payments			($255,098) 1/		
4	Net Pre-merger O&M Payroll			$34,761,836		
5	Assumed Wage Increase			3.37%		
6	Annual Payroll Increase			1,171,474		
7	12 Months Ended 6/30/06 - 12 Months Ended 9/30/07			1.25		
8	Total Payroll Increase for 15-month period			1,464,342		
9	Adjusted pre-merger payroll for the 12 Months Ended 9/30/07				$36,226,178	
10		Union	Non-Union			
11	Adjusted Test Year National Grid - RI Gas Steady State Wages at 9/30/07	$19,244,588	$7,953,291			
12	Incremental Payroll Adjustment for Delayed Separations	(1,601,646)	(55,000)			
13	Net Steady State Employee Wages	17,642,942	7,898,291			
14	Expense percentage	82.12%	84.01%			
15	Net Steady State Employee Salaries and Wages charged to O&M	14,487,926	6,635,104			
16	Test Year O&M Overtime Wages	219,252	418,819			
17	Test Year Non-Executive Incentive Compensation	3,774,761	89,667			
18		$18,481,939	$7,143,590	$25,625,528		
19						
20	Test Year Total Allocated Serv.Co. Payroll including OT & Non-Executive Incentive Comp.	383,182	5,155,038	5,538,220		
21					$31,163,748	
22						
23	Merger-Related Decrease in O&M payroll costs					($5,062,430)
24						
25	**Merger-Related Change in Customer Account and A&G Expenses:**					
26	Pre-Merger, Non-Labor Customer Accounts Expenses (accounts 901 - 916)			$17,754,275		
27	Less: Pre-Merger Uncollectable Expense			(11,501,703)		
28	Net Pre-Merger, Non-Labor Customer Accounts Expenses			$6,252,572		
29						
30	Pre-Merger, Non-Labor A&G Expenses (accts 920 - 935)			$23,617,515		
31	Add Facilities Maintenance costs Charged to Account 886 by Southern					
32	Union, charged to Account 921 by National Grid			1,205,366		
33	Adjusted Pre-Merger, Non-Labor A&G Expenses (accounts 920 - 935)			$24,822,881		
34						
35	Total Pre-Merger, Non-Labor Customer Account and A&G Expenses			$31,075,453		
36	Inflation from 12/31/05 - 3/31/07 (mid-year to mid-year)			3.36% 2/		
37	Inflationary Increase			1,044,135		
38	Depreciation of Capitalized IT Systems Retained by Southern Union			419,732		
39	Return On Net Investment in IT Systems ($2,203,592 * 11.82%)			260,503		
40	**Adjusted Pre-Merger, Non-Labor Customer Account and A&G Expenses**				$32,799,823	
41						
42	Test Year, Non-Labor Customer Accounts Expenses (accounts 901 - 916)			$13,676,993		
43	Less: Test Year Uncollectable Expense			(9,004,641)		
44	Test Year, Non-Labor A&G Expenses (accounts 920 - 935)			35,451,642		
45	Correcting Adjustment to account 926 recorded in October 2007			600,000		
46	Elimination of Test Year IBM hardware lease expense			(809,076)		
47	Elimination of Test Year CTA			(3,230,276)		
48	**Adjusted Test Year, Non-Labor Customer Account and A&G Expenses**				$36,684,642	
49	**Change in Customer Account and A&G Expenses**					$3,884,819
50						
51	**Sale of Providence, Rhode Island Facilities:**					
52	Net Book Value of Facilities at 9/30/07 - Land			$246,879		
53	Net Book Value of Facilities at 9/30/07 - Buildings			5,295,477		
54	Total Net Book Value			5,542,356		
55	Pre-Tax WACC per 2006 ESM Filing			11.82%		
56	Return Savings				$655,203	
57	Test Year Book Depreciation Expense	10,414,951	2.33%		242,668	
58	2007 Municipal Tax Assessment				139,859	
59	Test Year Facilities Operating costs				224,013	
60	Merger Related Facilities Savings					($1,261,743)
61	Total Demonstrated Savings					(2,439,354)
62	Ten-Year Levelized CTA with Return @ Pre-tax WACC			885,246		158,152
63						
64	Net Annual Synergy Savings					($2,281,201)
65						
66	Company Cost of Service Allowance - 50%					($1,140,601)

		Q4 '05	Q1 '07	Change		
1/	Per 2007 ESM Filing.					
2/	GDP Index	114.40	118.75	3.80%	50.00%	1.90%
	CPI Index	198.30	204.07	2.91%	50.00%	1.46%

National Grid - RI Gas
Pro-forma Income Statement
Adjustment for Depreciation Expense

Line No.		Amount
1	Total Company Rate Year Depreciation Expense	$20,069,816
2	Total Company Test Year Depreciation Expense	20,981,392
3	**Depreciation Expense Adjustment**	($911,576)
4		
5		**Per Book**
6	**Test Year Depreciation Expense 12 Months Ended 9/30/08:**	**Amount**
7	Total Utility Plant 9/30/07	$540,591,905
8	Less: Non-Depreciable Plant	1,799,182
9	Depreciable Utility Plant 9/30/07	538,792,723
10		
11	Plus: Added Plant 12 Months Ended 9/30/08	36,679,255
12	Less: Added Non-Depreciable Plant 12 Months Ended 9/30/08	0
13	Retired Depreciable Plant 12 Months Ended 9/30/08	4,820,481
14	Depreciable Utility Plant 9/30/08	$570,651,497
15		
16	Average Depreciable Plant for Year ended 9/30/08	$554,722,110
17		
18	Composite Book Rate % 2/	3.99%
19		
20	Book Depreciation Reserve 9/30/07	$268,256,712
21	Plus: Book Depreciation Expense	22,133,412
22	Less: Net Cost of Removal / (Salvage)	1,805,065
23	Less: Retired Plant	4,820,481
24	Book Depreciation Reserve 9/30/08	$283,764,578
25		
26	**Rate Year Depreciation Expense 12 Months Ended 9/30/09:**	
27	Total Utility Plant 9/30/08	$572,450,679
28	Less Non-Depreciable Plant	1,799,182
29	Depreciable Utility Plant 9/30/08	570,651,497
30	Less: Providence, Rhode Island Office	(10,414,951)
31	Adjusted 9/30/08 Depreciable Plant	$560,236,546
32		
33	Plus: Added Plant 12 Months Ended 9/30/09	$60,780,700
34	Less: Added Non-Depreciable Plant 12 Months Ended 9/30/09	0
35	Depreciable Retired Plant	4,820,481
36		
37	Depreciable Utility Plant 9/30/09	$616,196,765
38		
39	Average Depreciable Plant for Rate Year Ended 9/30/09	$594,323,722
40		
41	Composite Book Rate % 1/	3.38%
42		
43	Book Depreciation Reserve 9/30/08	$283,764,578
44	Plus: Book Depreciation Expense	20,069,816
45	Net Cost of Removal/(Salvage)	1,805,065
46	Less: Retired Plant	4,820,481
47	Providence, Rhode Island Office Retirement	5,362,142
48	Loss on Providence, Rhode Island Office Sale	722,925
49	Book Depreciation Reserve 9/30/09	$291,123,780

1/

	Plant	Rate	Provision
Per Depreciation Study	$517,711,622	3.36%	$17,402,815
Providence, Rhode Island Office	10,414,951	2.61%	271,830
	$507,296,671	3.38%	$17,130,985

National Grid - RI Gas
Pro-Forma Income Statement
Adjustment for Municipal Tax Expense

Line No.					
1	Municipal Taxes for the Calendar Year 2007		$7,104,791		
2					
3	Less: Calendar Year 2007 Municipal Taxes for Providence Office		(139,859)		
4					
5	Adjusted Calendar Year 2007 Municipal Taxes		6,964,932		
6					
7	Three Year Average Percentage Increase in Muncipal Taxes	1.38% 1/	95,907		
8				3 Months	
9	Estimated Municipal Taxes for Calendar Year 2008		7,060,839	25.00%	$1,765,210
10					
11	Three Year Average Percentage Increase	1.38% 1/	97,228		
12				9 Months	
13	Estimated Municipal Taxes for Calendar Year 2009		$7,158,067	75.00%	5,368,550
14					
15	Rate Year Municipal Taxes				$7,133,760
16					
17	Test Year Municipal Taxes (From Page 1)				$6,920,312
18					
19	Municipal Tax Expense Adjustment				$213,448

1/ Three-Year Average Municpial Tax Expense Growth Rate:

Year	Municipal Taxes	Percentage Inc(Dec)
2007	$7,104,791	0.16%
2006	$7,093,375	1.94%
2005	$6,958,120	2.03%
2004	$6,819,933	
Three-Year Average Percentage Increase		1.38%

Line Notes:
1 Per Company financials as of September 30, 2007.
3 From Page 16, Line 21.
From Page 1, Line 31.

National Grid - RI Gas
Pro-Forma Income Statement
Adjustment for Payroll Tax Expense

Line No.			
1	Test Year Payroll Tax Expense	$3,037,010	1/
2	Percentage Change in Rate Year O&M Salaries and Wages	-6.19%	2/
3	Payroll Tax Expense Adjustment	($188,066)	

1/ Actual Test Year Payroll Tax Expense per Books.

2/ Salary and Wage Increase:

	National Grid RI Gas	National Grid Service Company	Total	Percentage Increase/(Decrease)
Test Year O&M Wages	$28,894,910	$5,538,220	$34,433,130	
Rate Year O&M Wages	26,494,862	5,806,008	32,300,871	
Difference	($2,400,048)	$267,788	($2,132,260)	-6.19%

National Grid - RI Gas
Rate Base

Line No.		Test Year End 9/30/07 5 Quarter Average	Adjustments	Rate Year End 9/30/09 5 Quarter Average
1	Gas Plant In Service	$533,296,185	$56,472,774	$589,768,959
2	CWIP	4,758,681	4,222,850	8,981,531
3	Less: Contribution in Aid of Construction	631,168	(531,695)	99,473
4	Less: Accumulated Depreciation	260,096,166	24,305,479	284,401,645
5				
6	Net Plant	$277,327,532	$36,921,840	$314,249,372
7				
8	Materials and Supplies	$2,151,455	$75,095	$2,226,550
9	Prepayments	190,479	(144,077)	46,402
10	Deferred Debits - Y2K	1,920,000	(480,000)	1,440,000
11	Cash Working Capital	10,292,546	852,039	11,144,585
12				
13	Subtotal	$14,554,480	$303,057	$14,857,537
14				
15	Accumulated Deferred FIT	($96,320)	$9,048,674	$8,952,354
16	Merger Hold Harmless Adjustment	35,145,486	(4,808,143)	30,337,343
17	Customer Deposits	3,616,943	118,810	3,735,753
18	Injuries and Damages Reserve	808,000	32,000	840,000
19				
20	Subtotal	$39,474,110	$4,391,341	$43,865,451
21				
22	Rate Base	$252,407,902	$32,833,557	$285,241,458

Line Notes

1	From Page 26.
2&3	From Page 28.
4	From Page 27.
6	Line 1 + Line 2 - Line 3 - Line 4.
8-10	From Page 28.
11	From Page 33.
13	Sum of Lines 8 through 11.
15	From Page 29.
16	From Page 30.
17&18	From Page 28.
20	Sum of Lines 15 through 18.
22	Line 6 + Line 13 + line 20.

National Grid - RI Gas
Test Year Rate Base
Five Quarter Average

Line No.		September 2006	December 2006	March 2007	June 2007	September 2007	5 Quarter Average
1	Gas Plant In Service	$526,978,330	$529,938,893	$532,896,692	$536,075,103	$540,591,905	$533,296,185
2	CWIP	1,175,701	3,500,425	4,116,890	6,018,858	8,981,531	4,758,681
3	Less: Contribution in Aid of Construction	1,570,618	950,237	428,480	107,034	99,473	631,168
4	Less: Accumulated Depreciation	251,865,747	256,305,687	259,824,451	264,228,233	268,256,712	260,096,166
5							
6	Net Plant	$274,717,666	$276,183,395	$276,760,651	$277,758,694	$281,217,252	$277,327,532
7							
8	Materials and Supplies	$2,057,937	$2,001,577	$2,214,746	$2,256,465	$2,226,550	$2,151,455
9	Prepayments	396,640	202,117	202,117	105,119	46,402	190,479
10	Deferred Debits - Y2K	2,040,000	1,980,000	1,920,000	1,860,000	1,800,000	1,920,000
11	Cash Working Capital	10,292,546	10,292,546	10,292,546	10,292,546	10,292,546	10,292,546
12							
13	Subtotal	$14,787,122	$14,476,240	$14,629,409	$14,514,130	$14,365,498	$14,554,480
14							
15	Accumulated Deferred FIT	($144,400)	($167,100)	($70,800)	($102,800)	$3,500	($96,320)
16	Accumulated Deferred ITC	0	0	0	0	0	0
17	Merger Hold Harmless Adjustment	35,920,026	35,764,025	35,222,576	34,681,127	34,139,677	35,145,486
18	Customer Deposits	3,330,941	3,604,680	3,705,519	3,707,823	3,735,753	3,616,943
19	Injuries and Damages Reserve	800,000	800,000	800,000	800,000	840,000	808,000
20							
21	Subtotal	$39,906,567	$40,001,606	$39,657,295	$39,086,150	$38,718,930	$39,474,110
22							
23	Rate Base	$249,598,222	$250,658,029	$251,732,765	$253,186,673	$256,863,819	$252,407,902

National Grid - RI Gas
Rate Base Adjustments
Net Plant in Service

Line No.			Gas Plant In Service	
1	Balance @ September 30, 2007 Adjusted for Property Sale		$540,591,905	1/
2				
3	Plus: Plant Additions 12 Months Ended 9/30/08		36,679,255	2/
4	Less: Plant Retirements 12 Months Ended 9/30/08		4,820,481	3/
5	Providence, Rhode Island Office Sale		10,661,830	4/
6	Net Increase / (Decrease)		21,196,944	
7				
8	Balance as of:	9/30/08	$561,788,849	
9				
10		10/31/08	566,452,201	5/
11		11/30/08	571,115,552	5/
12		12/31/08	575,778,904	5/
13		1/31/09	580,442,255	5/
14		2/28/09	585,105,607	5/
15		3/31/09	589,768,959	5/
16		4/30/09	594,432,310	5/
17		5/31/09	599,095,662	5/
18		6/30/09	603,759,013	5/
19		7/31/09	608,422,365	5/
20		8/31/09	613,085,716	5/
21		9/30/09	617,749,068	5/
22				
23	Rate Year Plant in Service - Five Quarter Average		$589,768,959	

1/ From Page 21, Line 7.
2/ Forecasted capital investments.
3/ Five-year average of plant retirements.
4/ From Page 16, Line 4.
5/ Adjustment Detail:

Plant Detail 12 Months Ended 9/30/09		
Plant Additions 12 Months Ended 9/30/09	$60,780,700	2/
Plant Retirements 12 Months Ended 9/30/09	4,820,481	3/
Net Increase / (Decrease)	$55,960,219	
Monthly Increase / (Decrease)	$4,663,352	

National Grid - RI Gas
Rate Base Adjustments
Accumulated Depreciation

Line No.			Accumulated Depreciation	
1	Balance @ September 30, 2007 Adjusted for Property Sale		$268,256,712	1/
2				
3	Depreciation 10/1/07 - 9/30/08		22,133,412	2/
4	Net Cost of Removal / (Salvage)		1,805,065	3/
5	Less: Retirements		4,820,481	3/
6	Providence, Rhode Island Office Sale - Depreciation Reserve		5,362,142	4/
7	Loss on Providence, Rhode Island Office Sale		722,925	5/
8	Net Increase / (Decrease)		9,422,799	
9				
10	Balance as of:	9/30/08	$277,679,510	
11				
12		10/31/08	278,799,866	6/
13		11/30/08	279,920,222	6/
14		12/31/08	281,040,578	6/
15		1/31/09	282,160,934	6/
16		2/28/09	283,281,289	6/
17		3/31/09	284,401,645	6/
18		4/30/09	285,522,001	6/
19		5/31/09	286,642,357	6/
20		6/30/09	287,762,713	6/
21		7/31/09	288,883,068	6/
22		8/31/09	290,003,424	6/
23		9/30/09	291,123,780	6/
24				
25	Rate Year Accumulated Depreciation - Five Quarter Average		$284,401,645	

1/ From Page 21, Line 20.
2/ From Page 21, Line 21.
3/ Five-year average.
4/ From Page 16, Line 8.
5/ From Page 16, Line 17.
6/ Rate Year Ended 9/30/09 Depreciation Reserve Detail:

Depreciation Expense	$20,069,816	7/
Net Cost of Removal / (Salvage)	1,805,065	3/
Less: Retirements	4,820,481	3/
Net Increase / (Decrease)	$13,444,270	
Monthly Increase / (Decrease)	$1,120,356	

7/ From Page 21, Line 44.

National Grid - RI Gas
Rate Base Adjustments
Other Rate Base Items

Line No.			CWIP	CIAC	Materials and Supplies	Prepayments	Deferred Debits	Customer Deposits	Injuries & Damages
1	Balance @ September 30, 2007		$8,981,531 1/	$99,473 1/	$2,226,550 1/	$46,402 1/	$1,800,000 1/	$3,735,753 1/	$840,000 1/
2									
3	Increase / (Decrease) 12 Months Ended 9/30/08		0 2/	0 2/	0 2/	0 2/	(240,000) 3/	0 2/	0 2/
4									
5	Balance @	9/30/08	8,981,531	99,473	2,226,550	46,402	1,560,000	3,735,753	840,000
6									
7									
8		10/31/08	8,981,531	99,473	2,226,550	46,402	1,540,000	3,735,753	840,000
9		11/30/08	8,981,531	99,473	2,226,550	46,402	1,520,000	3,735,753	840,000
10		12/31/08	8,981,531	99,473	2,226,550	46,402	1,500,000	3,735,753	840,000
11		1/31/09	8,981,531	99,473	2,226,550	46,402	1,480,000	3,735,753	840,000
12		2/28/09	8,981,531	99,473	2,226,550	46,402	1,460,000	3,735,753	840,000
13		3/31/09	8,981,531	99,473	2,226,550	46,402	1,440,000	3,735,753	840,000
14		4/30/09	8,981,531	99,473	2,226,550	46,402	1,420,000	3,735,753	840,000
15		5/31/09	8,981,531	99,473	2,226,550	46,402	1,400,000	3,735,753	840,000
16		6/30/09	8,981,531	99,473	2,226,550	46,402	1,380,000	3,735,753	840,000
17		7/31/09	8,981,531	99,473	2,226,550	46,402	1,360,000	3,735,753	840,000
18		8/31/09	8,981,531	99,473	2,226,550	46,402	1,340,000	3,735,753	840,000
19		9/30/09	8,981,531	99,473	2,226,550	46,402	1,320,000	3,735,753	840,000
20									
21	Rate Year Amounts - Five Quarter Average		$8,981,531	$99,473	$2,226,550	$46,402	$1,440,000	$3,735,753	$840,000
	Changes:								
	Annual		0 2/	0 2/	0 2/	0 2/	(240,000) 3/	0 2/	0 2/
	Monthly		0	0	0	0	(20,000)	0	0

1/ From Page 25, September 30, 2007 amounts.
2/ Assumes September 30, 2007 balance.
3/ Annual amortization of Y2K costs per Settlement Agreement R.I.P.U.C No. 3401.

National Grid - RI Gas
Rate Base Adjustments
Accumulated Deferred Income Taxes

Line No.				
1	Balance as of September 30, 2007		$3,500	
2				
3	Increase / (Decrease) 12 Months Ended 9/30/08		6,722,367	1/
4				
5	Balance as of:	9/30/08	$6,725,867	
6				
7				
8		10/31/08	7,096,948	2/
9		11/30/08	7,468,029	2/
10		12/31/08	7,839,111	2/
11		1/31/09	8,210,192	2/
12		2/28/09	8,581,273	2/
13		3/31/09	8,952,354	2/
14		4/30/09	9,323,436	2/
15		5/31/09	9,694,517	2/
16		6/30/09	10,065,598	2/
17		7/31/09	10,436,680	2/
18		8/31/09	10,807,761	2/
19		9/30/09	11,178,842	2/
20				
21	Rate Year Accumulated Deferred Income Tax - Five Quarter Average		$8,952,354	

1/ Change:

12 Months Ended 9/30/08:	Book	Tax	Difference
Depreciable Plant	$554,722,110	$320,805,422	
Composite Tax Rate	3.99%	12.89%	
Depreciation	$22,133,412	$41,340,174	$19,206,762
Income Tax Rate			35.00%
Annual Change to Accumulated Deferred Taxes			$6,722,367

2/

12 Months Ended 9/30/09:	Book	Tax	Difference
Depreciable Plant	$594,323,722	$366,144,543	
Providence, RI Office Adjustment		(5,562,934)	
Net Depreciable Plant	594,323,722	360,581,609	
Composite Tax Rate (excluding Providence, RI Office)	3.38%	9.09%	
Depreciation	$20,069,816	$32,792,603	$12,722,788
Income Tax Rate			35.00%
Annual Change to Accumulated Deferred Taxes			$4,452,976
Monthly Change to Accumulated Deferred Taxes			$371,081

National Grid - RI Gas
Rate Base Adjustments
Merger Hold Harmless Rate Base Credit

Line No.				
1	Balance as of September 30, 2007		$34,139,677	1/
2				
3	Increase / (Decrease) 12 Months Ended 9/30/08		(2,624,545)	
4				
5	Balance as of:	9/30/08	$31,515,132	1/
6				
7				
8		10/31/08	31,283,677	
9		11/30/08	31,052,222	
10		12/31/08	30,820,767	1/
11		1/31/09	30,647,907	
12		2/28/09	30,475,046	
13		3/31/09	30,302,186	1/
14		4/30/09	30,129,326	
15		5/31/09	29,956,466	
16		6/30/09	29,783,606	1/
17		7/31/09	29,610,746	
18		8/31/09	29,437,886	
19		9/30/09	29,265,026	1/
20				
21	Rate Year Merger Hold Harmless - Five Quarter Average		$30,337,343	

1/ Hold Harmless Rate Base Credit Per DJE-2 (Revised) from Docket No. 3859.

@ 12/31/06 per DJE-2 Revised	35,764,025
Imputed 3/31/07	35,222,576
Imputed 6/30/07	34,681,127
Imputed 9/30/07	34,139,677
@ 12/31/07 per DJE-2 Revised	33,598,228
Imputed 3/31/08	32,903,863
Imputed 6/30/08	32,209,497
Imputed 9/30/08	31,515,132
@ 12/31/08 per DJE-2 Revised	30,820,767
Imputed 3/31/09	30,302,186
Imputed 6/30/09	29,783,606
Imputed 9/30/09	29,265,026
@ 12/31/09 per DJE-2 Revised	28,746,445

National Grid - RI Gas
Pro Forma Income Statement
Rate Year Income Tax Calculation

Line No.						
1	Overall Return 1/	$285,241,458	x	9.27%		$26,441,883
2	Interest 1/	$285,241,458	x	3.78%		(10,782,127)
3	Book Income					$15,659,756
4						
5	**Plus: Book Expenses Not Deductible for Tax Purposes**					
6						
7	Deferred Tax Expense					4,452,976
8						
9	**Less: Tax Deductions Not Recorded On the Books**					
10						
11	Rate Year Tax Depreciation				32,792,603	
12	Rate Year Book Depreciation				(20,069,816)	
13	Medicare Reimbursement Tax Deduction				683,164	
14	AFUDC - Equity Income for Book not for Tax				66,312	
15	Book / Tax differences					13,472,263
16						
17	Taxable Income Base					6,640,468
18						
19	Taxable Income (Taxable Income Base / (1 - 35%))					10,216,105
20						
21	Rate Year Current Federal Income Tax (Taxable Income x 35%)					3,575,637
22						
23	Rate Year Deferred Income Tax Expense (line 7 above)					4,452,976
24						
25	Rate Year Current and Deferred Federal Income Tax					$8,028,613

1/ Rate Base from Page 24, Return Rates from Page 32.
All new originating book / tax timing differences are fully normalized on the books for Federal tax purposes. Therefore, these deferred taxes and their related timing differences are not shown.

National Grid - RI Gas
Pro Forma Income Statement
Imputed Capitalization and Cost Rates

Line No.		Capital Structure (a)	Cost Rate (a)	Weighted Return	Taxes	Pre-tax Return
1	Long Term Debt	40.63%	7.99%	3.25%		3.25%
2						
3	Short Term Debt	11.66%	4.59%	0.53%		0.53%
4						
5	Total Common Equity	47.71%	11.50%	5.49%	2.96%	8.45%
6						
7	Total Capitalization	100.00%		9.27%	2.96%	12.23%

Narragansett Gas Company
Net Charge-offs as a Percentage of Revenues
For the Twelve Months Ended September 30,

	Year	Net Charge-offs		Revenues	Percentage
8	2003	$6,723,821		$340,413,903	1.98%
9	2004	12,038,660		369,521,878	3.26%
10	2005	4,707,352		400,363,658	1.18%
11	2006	10,874,648		444,770,165	2.45%
12	2007	14,526,132	1/	430,544,056	3.37%
13					
14	Five Year Total	$48,870,613		$1,985,613,660	2.46%

1/ Includes prior year customer accounts write-off adjustment recorded by the Company for Fiscal Year 2008, but after September 30, 2007, or the end of the Test Year.

National Grid - RI Gas
Cash Working Capital Requirement

Line No.			CWC %	Test Year Total Dollars	Test Year CWC Dollars	Rate Year Total Dollars		Rate Year CWC Dollars
1	Gas Purchases		6.49%	Recovered Via Company GCR				
2								
3								
4	Operation & Maintenance Expense		10.21%	$75,363,494	$7,694,613	$79,255,691	1/	$8,092,006
5								
6	Federal Income Tax		7.48%	1,217,248	91,050	8,309,553	1/	621,555
7								
8	**Taxes Other than Income Taxes**							
9								
10	Municipal Taxes		-8.82%	6,920,312	(610,372)	7,133,760	1/	(629,198)
11								
12	Sales and Use Tax		4.00%	6,118,259	244,730	6,118,259	2/	244,730
13								
14	Gross Earnings Tax		18.76%	14,117,666	2,648,474	13,941,480	3/	2,615,422
15								
16	**Payroll Taxes - Company Portion**							
17								
18	Federal Unemployment		-12.29%	31,116	(3,824)	28,530	4/	(3,506)
19								
20	State Unemployment		-8.27%	143,768	(11,890)	131,820	4/	(10,902)
21								
22	FICA Expense Weekly		13.30%	2,572,193	342,102	2,358,444	4/	313,673
23	Monthly		13.14%	289,933	38,097	265,840	4/	34,931
24								
25	**Payroll Taxes and Other Withholding**							
26								
27	FICA and Federal Withholding	Weekly	-0.35%	5,904,330	(20,665)	5,413,680	4/	(18,948)
28		Monthly	-0.50%	1,887,610	(9,438)	1,730,750	4/	(8,654)
29								
30	State Income Tax Withholding	Weekly	-0.36%	1,089,556	(3,922)	999,014	4/	(3,596)
31		Monthly	-0.50%	354,839	(1,774)	325,352	4/	(1,627)
32								
33	Temporary Disability Insurance	Weekly	-19.68%	249,241	(49,051)	249,241	2/	(49,051)
34		Monthly	-18.43%	83,906	(15,464)	83,906	2/	(15,464)
35								
36	Incentive Thrift		-1.10%	3,647,353	(40,121)	3,344,258	4/	(36,787)
37								
38	**Total Working Capital Requirement**				$10,292,546			$11,144,585

1/ Per page 1.
2/ Test Year amount.
3/ Equals total pro-forma revenue from page 1 plus Test Year gas revenue of $311,898,308.
4/ Test Year to Rate Year change equal to percentage change in Company salaries and wages as follows:

	Test Year O&M Labor	Rate Year O&M Labor	Percentage Change
National Grid - RI Gas	28,894,910	26,494,862	-8.31%

National Grid - RI Gas
Cash Working Capital Requirements
For the Twelve Months Ended September 30, 2007
Summary

Line No.			CWC %	Test Year (October 2006 to September 2007) Total Dollars	CWC Dollars	Reference page:
1	Gas Purchases		6.68%	Recovered Via Company GCR		2
2	Operation & Maintenance Expense		10.21%	75,363,494	7,694,613	4
3	Federal Income Tax		7.48%	1,217,248	91,050	5
4	**Taxes Other than Income Taxes**					
5	Municipal Taxes		-8.82%	6,920,312	(610,372)	6
6	Sales and Use Tax		4.00%	6,118,259	244,730	7
7	Gross Earnings Tax		18.76%	14,117,666	2,648,474	8
8	**Payroll Taxes - Company Portion**					
9	Federal Unemployment		-12.29%	31,116	(3,824)	9
10	State Unemployment		-8.27%	143,768	(11,890)	10
11	FICA Expense	Weekly	13.30%	2,572,193	342,102	11
12		Monthly	13.14%	289,933	38,097	12
13	**Payroll Taxes and Other Withholding**					
14	FICA and Federal Withholding	Weekly	-0.35%	5,904,330	(20,665)	13
15		Monthly	-0.50%	1,887,610	(9,438)	14
16	State Income Tax Withholding	Weekly	-0.36%	1,089,556	(3,922)	15
17		Monthly	-0.50%	354,839	(1,774)	16
18	Temporary Disability Insurance	Weekly	-19.68%	249,241	(49,051)	17
19		Monthly	-18.43%	83,906	(15,464)	18
20	Incentive Thrift		-1.10%	3,647,353	(40,121)	19
21						
22				$119,990,823	$10,292,546	

National Grid - RI Gas
Cash Working Capital Requirements
Summary of Gas Purchases
For the Twelve Months Ended September 30, 2007

Line No.	Days of Cost (a)	Annual Percent (b)	Revenue Lag % (c)	Page Ref.	CWC % (d)
1	(25.40)	-6.96%	13.64%	3	6.68%

National Grid - RI Gas
Cash Working Capital Requirements
Gas Revenue Lag
For the Twelve Months Ended September 30, 2007

Line No.	Service Period (a)		Utility Service Receivables (Net of Uncollectible Reserves) (b)	
1	October 2006		$30,209,107	
2	November 2006		38,944,915	
3	December 2006		50,696,180	
4	January 2007		57,429,118	
5	February 2007		81,947,232	
6	March 2007		88,507,027	
7	April 2007		82,847,472	
8	May 2007		66,687,658	
9	June 2007		55,612,902	
10	July 2007		49,067,390	
11	August 2007		44,041,372	
12	September 2007		40,026,433	
13	Total	(Sum of lines 1 through 12)	$686,016,806	
14	Monthly Average	(Line 13 / 12 mo.)	$57,168,067	
15	Average Daily Revenue	(See Page 3a)	$1,226,770	
16	Collection Lag	(Line 14 / line 15)	46.60	days
17	Billing Lag		3.20	days
18	Total Revenue Lag	(Sum of lines 16 through 17)	49.80	days
19	Revenue Lag %	(Line 18 / 365 days)	13.64%	

National Grid - RI Gas
Cash Working Capital Requirements
Average Daily Revenue
For the Twelve Months Ended September 30, 2007

Line No.	Description (a)		Gas Revenue (b)
1	Gas Revenues		$433,771,489
2	Transportation		$13,999,515
3			
4	Total Gas Revenue	(Sum of lines 1 through 3)	$447,771,005
5			
6	Average Daily Revenue	(Line 4 / 365)	$1,226,770

`

National Grid - RI Gas
Cash Working Capital Requirements
Total Operation and Maintenance (O&M) Expense Summary
For the Twelve Months Ended September 30, 2007

Line No.	Cost Category (a)	Amount (b)	Lead Days (c)	Page Ref.	Weighted Lead Days (d)
1	Payroll-Weekly	$20,923,668	6.58		$137,677,735
2	Payroll-Monthly	7,599,790	9.84		74,781,934
3					
4					
5	Service Company Billing	19,455,804	21.40	4a	416,354,206
6					
7	Other O&M	27,384,232	27.00	4b	739,374,264
8					
9	Total	$75,363,494	16.33		$1,230,510,403

National Grid - RI Gas
Cash Working Capital Requirements
Service Company Billings Detail

Line No.	Svc Month (a)	Billing Date (b)	Payment Date 1/ (c)	Amount Paid 1/ (d)	% of Total (e)	% of Total for Year (f)	Elapsed Days (c - b) (g)	Weighted Elapsed Days (f * g) (h)
1	Oct	10/01/2006	10/23/2006	$1,900,000	42.66%	4.67%	22	1.03
2			11/17/2006	$850,264	19.09%	2.09%	47	0.98
3				$2,750,264	61.75%			
4								
5	Nov	11/01/2006	11/17/2006	$2,296,000	70.68%	5.65%	16	0.90
6			12/15/2006	$2,157,700	66.43%	5.31%	44	2.34
7				$4,453,700	137.11%			
8								
9	Dec	12/01/2006	12/15/2006	$3,015,000	104.23%	7.42%	14	1.04
10			01/19/2007	$233,215	8.06%	0.57%	49	0.28
11				$3,248,215	112.29%			
12								
13	Jan	01/01/2007	01/22/2007	$3,000,000	109.36%	7.38%	21	1.55
14			02/20/2007	($107,332)	-3.91%	-0.26%	50	(0.13)
15				$2,892,668	105.45%			
16								
17	Feb	02/01/2007	02/20/2007	$3,037,000	63.97%	7.47%	19	1.42
18			03/16/2007	($293,743)	-6.19%	-0.72%	43	(0.31)
19				$2,743,257	57.78%			
20								
21	Mar	03/01/2007	03/16/2007	$3,440,000	116.31%	8.46%	15	1.27
22			04/23/2007	$1,307,513	44.21%	3.22%	53	1.71
23				$4,747,513	160.52%			
24								
25	Apr	04/01/2007	04/23/2007	$3,240,000	95.39%	7.97%	22	1.75
26			05/16/2007	($282,462)	-8.32%	-0.69%	45	(0.31)
27				$2,957,538	87.07%			
28								
29	May	05/01/2007	05/16/2007	$3,204,000	94.22%	7.88%	15	1.18
30			06/19/2007	$192,695	5.67%	0.47%	49	0.23
31				$3,396,695	99.89%			
32								
33	Jun	06/01/2007	06/19/2007	$3,226,000	104.85%	7.94%	18	1.43
34			07/18/2007	$174,440	5.67%	0.43%	47	0.20
35				$3,400,440	110.52%			
36								
37	Jul	07/01/2007	07/18/2007	$3,243,000	83.62%	7.98%	17	1.36
38			08/20/2007	($166,146)	-4.28%	-0.41%	50	(0.21)
39				$3,076,854	79.34%			
40								
41	Aug	08/01/2007	08/21/2007	$3,228,000	104.05%	7.94%	20	1.59
42			09/19/2007	$650,324	20.96%	1.60%	49	0.78
43				$3,878,324	125.01%			
44								
45	Sep	09/01/2007	09/20/2007	$3,282,000	105.79%	8.07%	19	1.53
46			10/19/2007	($179,705)	-5.79%	-0.44%	48	(0.21)
47				$3,102,295	100.00%			
48								
49			Annual Totals	$40,647,762		100.0%		21.40
50								
51								
52					Customer			
53			Days of	Annual	Payment			
54			Cost	Percent	Lag %		CWC %	
55								
56			(21.40)	-5.85%	13.64%		7.79%	

1/ Payments are made on an estimated basis in the month during which services are provided.

National Grid - RI Gas
Cash Working Capital Requirements
Vendor Payment Lag
For the Twelve Months Ended September 30, 2007

Line No.	Service Period (a)	Invoice Totals (b)	% of Total (c)	Payment Lag in Days 1/ (d)	Weighted Payment Lag in Days (e)	Dollar Weighted Days 2/ (f)
1	10/31/2006	$1,619,867	10.24%	30.06	3.08	$48,690,504
2	11/30/2006	1,015,323	6.42%	31.36	2.01	31,838,152
3	12/31/2006	1,350,392	8.54%	41.62	3.55	56,205,696
4	01/31/2007	1,237,125	7.82%	35.02	2.74	43,319,539
5	02/28/2007	773,086	4.89%	34.54	1.69	26,700,183
6	03/31/2007	2,523,998	15.95%	21.85	3.48	55,141,030
7	04/30/2007	938,999	5.94%	27.57	1.64	25,890,302
8	05/31/2007	1,247,178	7.88%	18.07	1.42	22,535,735
9	06/30/2007	1,177,548	7.44%	26.22	1.95	30,871,960
10	07/31/2007	1,943,252	12.28%	17.27	2.12	33,558,845
11	08/31/2007	1,039,306	6.57%	22.98	1.51	23,887,961
12	09/30/2007	954,719	6.03%	29.90	1.80	28,548,748
13						
14		$15,820,792	100.00%		27.00	$427,188,656
15						
16						
17						
18						
20						
21						
22						
23						
24			Customer			
25	Days of	Annual	Payment			
26	Cost	Percent	Lag %	CWC %		
27						
28	(27.00)	-7.40%	13.64%	6.24%		

1/ Dollar weighted days divided by invoice totals.
2/ Monthly total of dollar weighted days (invoice amount x days lapsed from invoice date to payment date).

National Grid - RI Gas
Cash Working Capital Requirements
Federal Income Tax
For the Twelve Months Ended September 30, 2007

Line No.	Payment Date 1/ (a)	Days from Service Period End (b)	Percent Payment 1/ (c)	Weighted Average Days From Year End (d)
1	07/15/2007	260	25.00%	65.00
2	09/15/2007	198	25.00%	49.50
3	12/15/2007	107	25.00%	26.75
4	03/15/2008	16	25.00%	4.00
5			100.00%	145.25
6				
7				
8				
9				
10				

Line No.	Service Period	Days from Year End		Average Days from Year End
14				
15	04/30/2007	336		
16	05/31/2007	305		
17	06/30/2007	275		
18	07/31/2007	244		
19	08/31/2007	213		
20	09/30/2007	183		
21	10/31/2007	152		
22	11/30/2007	122		
23	12/31/2007	91		
24	01/31/2008	60		
25	02/28/2008	32		
26	03/31/2008	0		
27				
28	Average End of			
29	Service Period Date	2,013	/12 =	167.75
30				

Line No.		
31		
32	Weighted Average Payment	145.25
33	Average Days from End of Service	(167.75)
34	Period for Payment of FIT	(22.50)
35		
36		

Line No.	Day of Cost	Annual Percent	Customer Payment Lag %	CWC %
40				
41	(22.50)	-6.16%	13.64%	7.48%

1/ The Internal Revenue Service (Code Sec. 6655) requires estimated federal income tax payments, per this schedule, based on the fiscal year end.

National Grid - RI Gas
Cash Working Capital Requirements
Municipal Taxes
Assessments for Statement Year 2007

Line No.	Payment Date	Days From Svc Per End	Amount Paid	Percent Payment	Weighted Average Days From Year End
	(a)	(b)	(c)	(d)	(e)
1	01/31/2007	334	$0	0.00%	0
2	02/28/2007	306	0	0.00%	0
3	03/31/2007	275	0	0.00%	0
4	04/30/2007	245	0	0.00%	0
5	05/31/2007	214	467,744	6.67%	14
6	06/30/2007	184	10,291	0.15%	0
7	07/31/2007	153	1,098,461	15.66%	24
8	08/31/2007	122	1,175,061	16.75%	20
9	09/30/2007	92	504,355	7.19%	7
10	10/31/2007	61	922,173	13.15%	8
11	11/30/2007	31	2,835,430	40.43%	13
12	12/31/2007	0	0	0.00%	0
13					
14			$7,013,515	100.00%	86
15					
16					
17					
18					

Line No.	Service Period	Days From Year End		Average Days From Year End
22				
23	01/31/2007	334		
24	02/28/2007	306		
25	03/31/2007	275		
26	04/30/2007	245		
27	05/31/2007	214		
28	06/30/2007	184		
29	07/31/2007	153		
30	08/31/2007	122		
31	09/30/2007	92		
32	10/31/2007	61		
33	11/30/2007	31		
34	12/31/2007	0		
35				
36	Average End of			
37	Service Period Date	2,017	/12 =	168.08
38				
39				
40				

Line No.		
41	Weighted Payment Date From Year End	86.11
42	Average End of Service Period Date	(168.08)
43	Average days from End of Service Period Date	
44	for payment of Municipal Taxes	(81.97)
45		
46		
47		

Line No.	Days of Cost	Annual Percent	Customer Payment Lag %	CWC %
51				
52	(81.97)	-22.46%	13.64%	-8.82%

National Grid - RI Gas
Cash Working Capital Requirements
Sales and Use Tax
For the Twelve Months Ended September 30, 2007

Line No.	Liability Date 1/ (a)	Liability Paid 2/ (b)	% of Total (c)	Liability Date 1/ (d)	Payment Date 2/ (e)	Payment Lag Days (f)	Weighted Payment Lag Days (g)
1	10/15/2006	$322,254	5.31%	10/15/2006	11/20/2006	36	1.91
2	11/15/2006	280,206	4.62%	11/15/2006	12/20/2006	35	1.62
3	12/15/2006	734,350	12.10%	12/15/2006	01/19/2007	35	4.23
4	01/15/2007	723,456	11.92%	01/15/2007	02/20/2007	36	4.29
5	02/15/2007	1,040,411	17.14%	02/15/2007	03/20/2007	33	5.66
6	03/15/2007	900,587	14.84%	03/15/2007	04/20/2007	36	5.34
7	04/15/2007	661,005	10.89%	04/15/2007	05/21/2007	36	3.92
8	05/15/2007	421,143	6.94%	05/15/2007	06/20/2007	36	2.50
9	06/15/2007	252,083	4.15%	06/15/2007	07/20/2007	35	1.45
10	07/15/2007	253,020	4.17%	07/15/2007	08/20/2007	36	1.50
11	08/15/2007	221,737	3.65%	08/15/2007	09/20/2007	36	1.31
12	09/15/2007	260,191	4.29%	09/15/2007	10/19/2007	34	1.46
13							
14		$6,070,444	100.00%				35.19
15							
16							
17			Customer				
18	Days of	Annual	Payment				
19	Cost.	Percent	Lag %	CWC %			
20							
21	(35.19)	-9.64%	13.64%	4.00%			

1/ Sales and use tax liability is comprised primarily of sales tax collected from customers on taxable sales each month. These taxable sales are reported on a calendar month basis with the liability for each calendar month payable by the 20th of the following calendar month. Since these taxable sales are spread uniformly throughout the month, the average liability date for sales tax liability is assumed to be the 15th of each calendar month. In addition to sales tax, a minor amount of use tax is paid on taxable purchases from vendors. These amounts are individually small and are also incurred uniformly throughout the month. Accordingly, the average date vendor invoices are received (i.e. 15th of the month as assumed elsewhere in this study) is used as the average liability date for use tax in each calendar month. Since the average liability and payment dates for sales and use tax are the same, both are combined in the above analysis.

2/ Rhode Island law (Sec. 44-19) requires monthly reporting and payment of sales and use tax. The return for sales and use tax liability for the month, and payment of the entire liability for that month are due no later than the 20th of the following month. Rhode Island law (Sec. 44-1) states that liability and payment dates that fall upon a Saturday, Sunday, or legal holiday are extended by law to the next business day. Also under this Sec., payments are considered timely with evidence of mailing on or before the due date.

National Grid - RI Gas
Cash Working Capital Requirements
Gross Earnings Tax
for the Fiscal Period

Line No.	Gross Earnings Tax Payment Date 1/	Days From Service Period	Percent Payment 1/	Payment Amount	Weighted Average Days from Year End
1	03/15/2007	291	31.89%	$5,000,000	92.81
2	06/15/2007	199	47.84%	$7,500,000	95.20
3	09/15/2007	107	0.00%	$0	0.00
4	03/15/2008	(75)	1.68%	$263,597	(1.26)
5			81.42%	$15,676,942 2/	186.75

Line No.				
6				
7				
8				
9				
10				Average
11	Service	Days from		Days from
12	Period	Year end		Year end
13				
14	01/31/2007	334		
15	02/28/2007	306		
16	03/31/2007	275		
17	04/30/2007	245		
18	05/31/2007	214		
19	06/30/2007	184		
20	07/31/2007	153		
21	08/31/2007	122		
22	09/30/2007	92		
23	10/31/2007	61		
24	11/30/2007	31		
25	12/31/2007	0		
26				
27	Average End of			
28	Service Period Date	2,017	/12 =	168.08
29				
30				
31				
32				
33	Weighted Average Payment Days from Year End			186.75
34	Average Days from End of Service			(168.08)
35	Period for Payment of Gross Earnings Tax			18.67
36				
37				

Line No.	Days of Cost	Annualized Percent	Customer Payment Lag %	CWC %
41				
42	18.67	5.12%	13.64%	18.76%

1/ Rhode Island law (Sec. 44-26) requires the payment of estimated Corporate Gross Earnings Tax (GET) during the tax year. This code section also stipulates the above payment dates and minimum payment percentages. Code Sec. 44-1 extends the required payment dates that fall upon a Saturday, Sunday or legal holiday, to the next business day. Finally, payments are considered timely under Sec. 44-1 with evidence of mailing on or before the required date. The Company pays 40% of 85% of its prior year GET on March 15 and 60% of 85% of its prior year GET on June 15. Any remaining tax due for the calendar year is paid with its GET return on February 28 of the subsequent year.

2/ Because Gross receipts taxes are collected and remitted on a calendar year basis, this amount reflects gross receipts tax accrual for the twelve months ended December 31, 2007.

National Grid - RI Gas
Cash Working Capital Requirements
Federal Unemployment Tax
For the Twelve Months Ended September 30, 2007

Line No.	Liability Date 1/ (a)	Total Liability Amount (b)	O & M % of Total (c)	Payment Date 2/ (d)	Payment Lag in Days (e)	Weighted Payment Lag in Days (f)
1	10/15/2006	$217	0.71%	01/31/2007	108	0.77
2	11/15/2006	79	0.26%	01/31/2007	77	0.20
3	12/15/2006	72	0.24%	01/31/2007	47	0.11
4	01/15/2007	21,088	69.18%	04/30/2007	105	72.63
5	02/15/2007	7,204	23.63%	04/30/2007	74	17.49
6	03/15/2007	1,155	3.79%	04/30/2007	46	1.74
7	04/15/2007	209	0.69%	07/31/2007	107	0.73
8	05/15/2007	244	0.80%	07/31/2007	77	0.62
9	06/15/2007	128	0.42%	07/31/2007	46	0.19
10	07/15/2007	0	0.00%	10/30/2007	107	0.00
11	08/15/2007	22	0.07%	10/30/2007	76	0.05
12	09/15/2007	67	0.22%	10/30/2007	45	0.10
13						
14		$30,485	100.00%			94.63
15						
16				Customer		
17		Days of	Annual	Payment		
18		Cost	Percent	Lag %	CWC %	
19						
20		(94.63)	-25.93%	13.64%	-12.29%	

1/ For the purposes of this calculation, the weighted average liability date is deemed to be the 15th of each month. This is based on the fact that on average, salaries and wages (and the corresponding unemployment tax liabilities) accrue evenly throughout the month as employee hours are worked.

2/ IRS Code Sec. 3301 stipulates quarterly payment of unemployment tax liability. 100% of the liability for each quarter must be paid by the last day of the first month following that quarter.

National Grid - RI Gas
Cash Working Capital Requirements
State Unemployment Tax
For the Twelve Months Ended September 30, 2007

Line No.	Liability Date 1/ (a)	Total Liability Amount (b)	O & M % of Total (c)	Payment Date 2/ (d)	Payment Lag in Days (e)	Weighted Payment Lag in Days (f)
1	10/15/2006	$675	0.47%	01/30/2007	107	0.50
2	11/15/2006	637	0.44%	01/30/2007	76	0.33
3	12/15/2006	453	0.32%	01/30/2007	46	0.15
4	01/15/2007	48,132	33.48%	04/30/2007	105	35.15
5	02/15/2007	45,570	31.70%	04/30/2007	74	23.46
6	03/15/2007	32,928	22.90%	04/30/2007	46	10.53
7	04/15/2007	9,311	6.48%	07/31/2007	107	6.93
8	05/15/2007	3,228	2.25%	07/31/2007	77	1.73
9	06/15/2007	1,891	1.32%	07/31/2007	46	0.61
10	07/15/2007	489	0.34%	10/29/2007	106	0.36
11	08/15/2007	302	0.21%	10/29/2007	75	0.16
12	09/15/2007	152	0.11%	10/29/2007	44	0.05
13		$143,768	100.00%			79.96
14						
15						
16						
17						
18				Customer		
19		Days of	Annual	Payment		
20		Cost	Percent	Lag %	CWC %	
21						
22		(79.96)	-21.91%	13.64%	-8.27%	

1/ For the purposes of this calculation, the weighted average liability date is deemed to be the 15th of each month. This is based on the fact that on average, salaries and wages (and the corresponding unemployment tax liabilities) accrue evenly throughout the month as employee hours are worked.

2/ Rhode Island law (Sec. 28-42 through 28-44) stipulates quarterly payment of unemployment tax liability. 100% of the liability for each quarter must be paid by the last day of the first month following that quarter.

National Grid - RI Gas
Cash Working Capital Requirements
FICA Expense Weekly Payroll
For the Twelve Months Ended September 30, 2007

Line No.	Amount Paid (a)		% of Total (b)	Payroll Date (c)	Payment Date 1/ (d)	Payment Lag in Days (e)	Weighted Payment Lag in Days (f)
1	$0	2/	0.00%	10/05/2006	10/06/2006	1	0.00
2	38,960		1.85%	10/12/2006	10/13/2006	1	0.02
3	40,490		1.92%	10/19/2006	10/20/2006	1	0.02
4	40,547		1.92%	10/26/2006	10/27/2006	1	0.02
5	39,954		1.90%	11/02/2006	11/03/2006	1	0.02
6	38,651		1.83%	11/09/2006	11/10/2006	1	0.02
7	40,897		1.94%	11/16/2006	11/17/2006	1	0.02
8	37,693		1.79%	11/24/2006	11/27/2006	3	0.05
9	38,729		1.84%	11/30/2006	12/01/2006	1	0.02
10	38,768		1.84%	12/07/2006	12/08/2006	1	0.02
11	42,234		2.00%	12/14/2006	12/15/2006	1	0.02
12	35,338		1.68%	12/21/2006	12/22/2006	1	0.02
13	35,361		1.68%	12/29/2006	01/02/2007	4	0.07
14	37,699		1.79%	01/08/2007	01/08/2007	0	0.00
15	49,370		2.34%	01/11/2007	01/12/2007	1	0.02
16	49,980		2.37%	01/18/2007	01/19/2007	1	0.02
17	37,765		1.79%	01/25/2007	01/26/2007	1	0.02
18	45,744		2.17%	02/01/2007	02/02/2007	1	0.02
19	40,446		1.92%	02/08/2007	02/09/2007	1	0.02
20	40,854		1.94%	02/15/2007	02/16/2007	1	0.02
21	53,250		2.53%	02/23/2007	02/26/2007	3	0.08
22	40,033		1.90%	03/01/2007	03/02/2007	1	0.02
23	42,001		1.99%	03/08/2007	03/09/2007	1	0.02
24	83,580		3.96%	03/15/2007	03/16/2007	1	0.04
25	37,720		1.79%	03/22/2007	03/23/2007	1	0.02
26	37,312		1.77%	03/29/2007	03/30/2007	1	0.02
27	37,785		1.79%	04/05/2007	04/06/2007	1	0.02
28	37,086		1.76%	04/12/2007	04/13/2007	1	0.02
29	37,055		1.76%	04/19/2007	04/20/2007	1	0.02
30	37,161		1.76%	04/26/2007	04/27/2007	1	0.02
31	38,250		1.81%	05/03/2007	05/04/2007	1	0.02
32	39,264		1.86%	05/10/2007	05/11/2007	1	0.02
33	40,187		1.91%	05/17/2007	05/18/2007	1	0.02
34	37,380		1.77%	05/24/2007	05/25/2007	1	0.02
35	37,595		1.78%	06/01/2007	06/04/2007	3	0.05
36	38,968		1.85%	06/07/2007	06/08/2007	1	0.02
37	39,925		1.89%	06/14/2007	06/15/2007	1	0.02
38	38,033		1.80%	06/21/2007	06/22/2007	1	0.02
39	41,659		1.98%	06/28/2007	06/29/2007	1	0.02
40	38,500		1.83%	07/06/2007	07/09/2007	3	0.05
41	42,272		2.01%	07/13/2007	07/13/2007	0	0.00
42	37,616		1.78%	07/19/2007	07/20/2007	1	0.02
43	37,469		1.78%	07/26/2007	07/27/2007	1	0.02
44	38,050		1.80%	08/02/2007	08/03/2007	1	0.02
45	37,263		1.77%	08/09/2007	08/10/2007	1	0.02
46	37,087		1.76%	08/16/2007	08/17/2007	1	0.02
47	39,340		1.87%	08/23/2007	08/24/2007	1	0.02
48	37,084		1.76%	08/30/2007	08/31/2007	1	0.02
49	37,481		1.78%	09/07/2007	09/10/2007	3	0.05
50	38,309		1.82%	09/13/2007	09/14/2007	1	0.02
51	40,165		1.91%	09/20/2007	09/21/2007	1	0.02
52	41,464		1.97%	09/27/2007	09/28/2007	1	0.02
53	36,999		1.75%	10/04/2007	10/05/2007	1	0.02
54	5,519	3/	0.26%	10/11/2007	10/12/2007	1	0.00
55							
56	$2,108,342		100.00%				1.25
57							

Line No.	Days of Cost	Annual Percent	Customer Payment Lag %	CWC %
58				
59				
60				
61				
62	(1.25)	-0.34%	13.64%	13.30%

1/ Payment of FICA expense is governed by the same rules as the other components of Federal payroll tax deposits. See notes on monthly FICA and FIT withholding.
2/ Payroll for work week ended 09/30/2006, thus 0 work days included.
3/ Payroll for work week ended 10/06/2007, thus 1 work day included.

National Grid - RI Gas
Cash Working Capital Requirements
FICA Expense Weekly Payroll
For the Twelve Months Ended September 30, 2007

Line No.	Payment Amount (a)	% of Total (b)	Payroll Date 1/ (c)	Payment Date 2/ (d)	Lag Days (e)	Weighted Lag Days (f)
1	$49,309	7.41%	10/20/2006	10/23/2006	3	0.22
2	47,137	7.09%	11/21/2006	11/22/2006	1	0.07
3	43,769	6.58%	12/21/2006	12/22/2006	1	0.07
4	54,587	8.20%	01/19/2007	01/22/2007	3	0.25
5	54,846	8.24%	02/21/2007	02/22/2007	1	0.08
6	53,490	8.04%	03/21/2007	03/22/2007	1	0.08
7	53,702	8.07%	04/20/2007	04/23/2007	3	0.24
8	53,256	8.00%	05/21/2007	05/22/2007	1	0.08
9	50,288	7.56%	06/21/2007	06/22/2007	1	0.08
10	53,288	8.01%	07/20/2007	07/23/2007	3	0.24
11	51,902	7.80%	08/21/2007	08/22/2007	1	0.08
12	49,808	7.49%	09/21/2007	09/24/2007	3	0.22
13	516	0.08%	12/26/2006	12/27/2006	1	0.00
14	2,992	0.45%	04/16/2007	04/17/2007	1	0.00
15	4,248	0.64%	06/01/2007	06/04/2007	3	0.02
16	26,781	4.03%	06/07/2007	06/08/2007	1	0.04
17	30	0.00%	06/12/2007	06/13/2007	1	0.00
18	15,354	2.31%	06/15/2007	06/18/2007	3	0.07
19						
20	$665,303	100.00%				1.84
21						
22						
23						

Line No.	Days of Cost	Annual Percent	Customer Payment Lag %	CWC %
27				
28	(1.84)	-0.50%	13.64%	13.14%

1/ Payroll dates are the actual dates on which payroll was paid.

2/ Payment of FICA expense is governed by the same rules as the other components of Federal payroll tax deposits (see notes on monthly FICA and Federal Income Tax withholding.

3/ Two different types of monthly payroll are paid: regular monthly (i.e. salaries) and manual/misc. (e.g. termination pay). Since these different payrolls are paid on different dates, separate weighted payment lags for each have been calculated.

National Grid - RI Gas
Cash Working Capital Requirements
Employee FIT and FICA Withholding - Weekly Payroll
For the Twelve Months Ended September 30, 2007

Line No.	Withholding Amount 3/ (a)		% of Total (b)	Payroll Date 1/ (c)	Payment Date 2/ (d)	Payment Lag in Days (e)	Weighted Payment Lag in Days (f)
1	$0	4/	0.00%	10/05/2006	10/06/2006	1	0.00
2	107,125		1.81%	10/12/2006	10/13/2006	1	0.02
3	113,298		1.92%	10/19/2006	10/20/2006	1	0.02
4	112,254		1.90%	10/26/2006	10/27/2006	1	0.02
5	109,870		1.86%	11/02/2006	11/03/2006	1	0.02
6	105,406		1.79%	11/09/2006	11/10/2006	1	0.02
7	114,986		1.95%	11/16/2006	11/17/2006	1	0.02
8	104,301		1.77%	11/24/2006	11/27/2006	3	0.05
9	106,317		1.80%	11/30/2006	12/01/2006	1	0.02
10	110,468		1.87%	12/07/2006	12/08/2006	1	0.02
11	129,074		2.19%	12/14/2006	12/15/2006	1	0.02
12	101,197		1.71%	12/21/2006	12/22/2006	1	0.02
13	101,358		1.72%	12/29/2006	01/02/2007	4	0.07
14	100,364		1.70%	01/08/2007	01/08/2007	0	0.00
15	149,367		2.53%	01/11/2007	01/12/2007	1	0.03
16	152,690		2.59%	01/18/2007	01/19/2007	1	0.03
17	99,692		1.69%	01/25/2007	01/26/2007	1	0.02
18	132,756		2.25%	02/01/2007	02/02/2007	1	0.02
19	110,631		1.87%	02/08/2007	02/09/2007	1	0.02
20	112,709		1.91%	02/15/2007	02/16/2007	1	0.02
21	166,922		2.83%	02/23/2007	02/26/2007	3	0.08
22	109,408		1.85%	03/01/2007	03/02/2007	1	0.02
23	117,163		1.98%	03/08/2007	03/09/2007	1	0.02
24	307,946		5.22%	03/15/2007	03/16/2007	1	0.05
25	100,189		1.70%	03/22/2007	03/23/2007	1	0.02
26	98,491		1.67%	03/29/2007	03/30/2007	1	0.02
27	100,367		1.70%	04/05/2007	04/06/2007	1	0.02
28	96,988		1.64%	04/12/2007	04/13/2007	1	0.02
29	97,047		1.64%	04/19/2007	04/20/2007	1	0.02
30	97,755		1.66%	04/26/2007	04/27/2007	1	0.02
31	101,428		1.72%	05/03/2007	05/04/2007	1	0.02
32	105,389		1.78%	05/10/2007	05/11/2007	1	0.02
33	109,443		1.85%	05/17/2007	05/18/2007	1	0.02
34	98,666		1.67%	05/24/2007	05/25/2007	1	0.02
35	99,073		1.68%	06/01/2007	06/04/2007	3	0.05
36	104,101		1.76%	06/07/2007	06/08/2007	1	0.02
37	108,563		1.84%	06/14/2007	06/15/2007	1	0.02
38	100,885		1.71%	06/21/2007	06/22/2007	1	0.02
39	117,510		1.99%	06/28/2007	06/29/2007	1	0.02
40	103,111		1.75%	07/06/2007	07/09/2007	3	0.05
41	123,617		2.09%	07/13/2007	07/13/2007	0	0.00
42	99,786		1.69%	07/19/2007	07/20/2007	1	0.02
43	99,337		1.68%	07/26/2007	07/27/2007	1	0.02
44	102,348		1.73%	08/02/2007	08/03/2007	1	0.02
45	99,052		1.68%	08/09/2007	08/10/2007	1	0.02
46	98,848		1.67%	08/16/2007	08/17/2007	1	0.02
47	107,112		1.81%	08/23/2007	08/24/2007	1	0.02
48	99,887		1.69%	08/30/2007	08/31/2007	1	0.02
49	101,342		1.72%	09/07/2007	09/10/2007	3	0.05
50	104,739		1.77%	09/13/2007	09/14/2007	1	0.02
51	111,766		1.89%	09/20/2007	09/21/2007	1	0.02
52	117,817		2.00%	09/27/2007	09/28/2007	1	0.02
53	109,078		1.85%	10/04/2007	10/05/2007	1	0.02
54	15,291	5/	0.26%	10/11/2007	10/12/2007	1	0.00
55							
56	$5,904,330		100.00%				1.28
					Annual CWC %		-0.35%

1/ Payroll dates are the actual dates on which payroll was paid.
2/ See monthly federal withholding for federal deposit rules.
3/ Withholding dollars exclude minor monthly amounts for manual checks to weekly employees, small in amount and not generally associated with specific payroll dates.
4/ Payroll for work week ended 09/30/2006, thus 0 work days included.
5/ Payroll for work week ended 10/06/2007, thus 1 work day included.

National Grid - RI Gas
Cash Working Capital Requirements
Employee FIT and FICA Withholding - Monthly Payroll
For the Twelve Months Ended September 30, 2007

Line No.	Withholding Amount	% of Total	Payroll Date 1/	Payment Date 2/	Lag Days	Weighted Lag Days
	(a)	(b)	(c)	(d)	(e)	(f)
1	$142,270	7.54%	10/20/2006	10/23/2006	3	0.23
2	141,715	7.51%	11/21/2006	11/22/2006	1	0.08
3	135,015	7.15%	12/21/2006	12/22/2006	1	0.07
4	142,027	7.52%	01/19/2007	01/22/2007	3	0.23
5	142,782	7.56%	02/21/2007	02/22/2007	1	0.08
6	140,278	7.43%	03/21/2007	03/22/2007	1	0.07
7	141,805	7.51%	04/20/2007	04/23/2007	3	0.23
8	140,345	7.44%	05/21/2007	05/22/2007	1	0.07
9	133,722	7.08%	06/21/2007	06/22/2007	1	0.07
10	143,553	7.61%	07/20/2007	07/23/2007	3	0.23
11	138,695	7.35%	08/21/2007	08/22/2007	1	0.07
12	136,658	7.24%	09/21/2007	09/24/2007	3	0.22
13	2,979	0.16%	12/26/2006	12/27/2006	1	0.00
14	11,847	0.63%	04/16/2007	04/17/2007	1	0.01
15	19,171	1.02%	06/01/2007	06/04/2007	3	0.03
16	115,056	6.10%	06/07/2007	06/08/2007	1	0.06
17	128	0.01%	06/12/2007	06/13/2007	1	0.00
18	59,563	3.16%	06/15/2007	06/18/2007	3	0.09
19	0	0.00%			0	0.00
20	0	0.00%			0	0.00
21	0	0.00%			0	0.00
22	0	0.00%			0	0.00
23						
24	$1,887,610	100.00%				1.84
25						
26				Annual CWC %		-0.50%

1/ Payroll dates are the actual dates on which payroll was paid.
2/ The IRS Code stipulates payment of all withheld FICA and Federal Income Tax within one banking day under the $100,000 One-Day Rule. 100% of the withholding must be deposited in a Federal Depository Bank within one day of the date payments are made. Payment due dates which fall upon a Saturday, Sunday, or holiday (i.e. non-banking day) are extended until the next banking day.
3/ Two different types of monthly payroll are paid: regular monthly (i.e. salaries) and manual/misc. (e.g. termination pay). Since these different payrolls are paid on different dates, separate weighted payment lags for each have been calculated above.

National Grid - RI Gas
Cash Working Capital Requirements
State Income Tax Withholding - Weekly Payroll
For the Twelve Months Ended September 30, 2007

Line No.	Withholding Amount (a)	% of Total (b)	Payroll Date 1/ (c)	Payment Date 2/ (d)	Lag Days (e)	Weighted Lag Days (f)
1	$0 3/	0.00%	10/05/2006	10/06/2006	1	0.00
2	19,779	1.82%	10/12/2006	10/13/2006	1	0.02
3	21,031	1.93%	10/19/2006	10/20/2006	1	0.02
4	20,906	1.92%	10/26/2006	10/27/2006	1	0.02
5	20,344	1.87%	11/02/2006	11/03/2006	1	0.02
6	19,462	1.79%	11/09/2006	11/10/2006	1	0.02
7	21,604	1.98%	11/16/2006	11/17/2006	1	0.02
8	19,360	1.78%	11/24/2006	11/27/2006	3	0.05
9	16,571	1.52%	11/30/2006	12/01/2006	1	0.02
10	20,903	1.92%	12/07/2006	12/08/2006	1	0.02
11	25,094	2.30%	12/14/2006	12/15/2006	1	0.02
12	19,182	1.76%	12/21/2006	12/22/2006	1	0.02
13	19,209	1.76%	12/29/2006	01/02/2007	4	0.07
14	18,137	1.66%	01/08/2007	01/08/2007	0	0.00
15	28,708	2.63%	01/11/2007	01/12/2007	1	0.03
16	29,330	2.69%	01/18/2007	01/19/2007	1	0.03
17	17,970	1.65%	01/25/2007	01/26/2007	1	0.02
18	25,075	2.30%	02/01/2007	02/02/2007	1	0.02
19	20,318	1.86%	02/08/2007	02/09/2007	1	0.02
20	20,783	1.91%	02/15/2007	02/16/2007	1	0.02
21	32,530	2.99%	02/23/2007	02/26/2007	3	0.09
22	20,061	1.84%	03/01/2007	03/02/2007	1	0.02
23	21,726	1.99%	03/08/2007	03/09/2007	1	0.02
24	63,379	5.82%	03/15/2007	03/16/2007	1	0.06
25	18,115	1.66%	03/22/2007	03/23/2007	1	0.02
26	17,679	1.62%	03/29/2007	03/30/2007	1	0.02
27	18,111	1.66%	04/05/2007	04/06/2007	1	0.02
28	17,386	1.60%	04/12/2007	04/13/2007	1	0.02
29	17,383	1.60%	04/19/2007	04/20/2007	1	0.02
30	17,603	1.62%	04/26/2007	04/27/2007	1	0.02
31	18,374	1.69%	05/03/2007	05/04/2007	1	0.02
32	19,215	1.76%	05/10/2007	05/11/2007	1	0.02
33	20,056	1.84%	05/17/2007	05/18/2007	1	0.02
34	17,760	1.63%	05/24/2007	05/25/2007	1	0.02
35	17,816	1.64%	06/01/2007	06/04/2007	3	0.05
36	18,875	1.73%	06/07/2007	06/08/2007	1	0.02
37	19,894	1.83%	06/14/2007	06/15/2007	1	0.02
38	18,199	1.67%	06/21/2007	06/22/2007	1	0.02
39	21,798	2.00%	06/28/2007	06/29/2007	1	0.02
40	18,703	1.72%	07/06/2007	07/09/2007	3	0.05
41	19,410	1.78%	07/13/2007	07/13/2007	0	0.00
42	18,006	1.65%	07/19/2007	07/20/2007	1	0.02
43	17,967	1.65%	07/26/2007	07/27/2007	1	0.02
44	18,636	1.71%	08/02/2007	08/03/2007	1	0.02
45	17,903	1.64%	08/09/2007	08/10/2007	1	0.02
46	17,881	1.64%	08/16/2007	08/17/2007	1	0.02
47	19,596	1.80%	08/23/2007	08/24/2007	1	0.02
48	18,156	1.67%	08/30/2007	08/31/2007	1	0.02
49	18,480	1.70%	09/07/2007	09/10/2007	3	0.05
50	19,223	1.76%	09/13/2007	09/14/2007	1	0.02
51	20,749	1.90%	09/20/2007	09/21/2007	1	0.02
52	22,084	2.03%	09/27/2007	09/28/2007	1	0.02
53	20,206	1.85%	10/04/2007	10/05/2007	1	0.02
54	2,835 4/	0.26%	10/11/2007	10/12/2007	1	0.00
55						
56	$1,089,556	100.00%				1.30
57						
58				Annual CWC %		-0.36%

1/ Payroll dates are the actual dates on which payroll was paid.
2/ Rhode Island law (Sec. 44-30) stipulates payment of all withheld State Income Tax within three banking days after the end of each quarter-monthly liability period. 100% of the withholding on all payroll paid during each quarter-monthly period must be paid no later than the third banking day after the end of that period. Under Sec. 44-1, payment due dates which fall upon Saturday, Sunday, or a legal holiday, are extended until the next banking day. In addition, payment is considered timely with evidence of mailing by the due date.
3/ Payroll for work week ended 09/30/2006, thus 0 work days included.
4/ Payroll for work week ended 10/06/2007, thus 1 work day included.

National Grid - RI Gas
Cash Working Capital Requirements
State Income Tax Withholding - Monthly Payroll
For the Twelve Months Ended September 30, 2007

Line No.	Withholding Amount (a)	% of Total (b)	Payroll Date 1/ (c)	Payment Date 2/ (d)	Lag Days (e)	Weighted Lag Days (f)
1	$27,463	7.74%	10/20/2006	10/23/2006	3	0.23
2	27,790	7.83%	11/21/2006	11/22/2006	1	0.08
3	26,843	7.56%	12/21/2006	12/22/2006	1	0.08
4	25,581	7.21%	01/19/2007	01/22/2007	3	0.22
5	25,787	7.27%	02/21/2007	02/22/2007	1	0.07
6	25,045	7.06%	03/21/2007	03/22/2007	1	0.07
7	25,366	7.15%	04/20/2007	04/23/2007	3	0.21
8	25,412	7.16%	05/21/2007	05/22/2007	1	0.07
9	24,305	6.85%	06/21/2007	06/22/2007	1	0.07
10	26,228	7.39%	07/20/2007	07/23/2007	3	0.22
11	25,272	7.12%	08/21/2007	08/22/2007	1	0.07
12	25,272	7.12%	09/21/2007	09/24/2007	3	0.21
13	690	0.19%	12/26/2006	12/27/2006	1	0.00
14	2,480	0.70%	04/16/2007	04/17/2007	1	0.01
15	4,178	1.18%	06/01/2007	06/04/2007	3	0.04
16	24,717	6.97%	06/07/2007	06/08/2007	1	0.07
17	27	0.01%	06/12/2007	06/13/2007	1	0.00
18	12,381	3.49%	06/15/2007	06/18/2007	3	0.10
19	0	0.00%			0	0.00
20	0	0.00%			0	0.00
21	0	0.00%			0	0.00
22						
23	$354,839	100.0%				1.82
24						
25						
26				Annual CWC %		-0.50%

1/ Payroll dates are the actual dates on which payroll was paid.

2/ Rhode Island law (Sec. 44-30) stipulates payment of all withheld State Income Tax within three banking days after the end of each quarter-monthly liability period. 100% of the withholding on all payroll paid during each quarter-monthly period must be paid no later than the third banking day after the end of that period. Under Sec. 44-1, payment due dates which fall upon Saturday, Sunday, or a legal holiday, are extended until the next banking day. In addition, payment is considered timely with evidence of mailing by the due date.

Notes:

Two different types of monthly payroll are paid: regular monthly (i.e. salaries) and manual/misc. (e.g. termination pay).
Since these different payrolls are paid on different dates, separate weighted payment lags for each have been calculated on the attached schedules. This schedule simply summarizes these two separate calculations.

National Grid - RI Gas
Cash Working Capital Requirements
Temporary Disability Insurance Withholding
Weekly Payroll
For the Twelve Months Ended September 30, 2007

Line No.	Withholding Amount (a)	% of Total (b)	Liability Date 1/ (c)	Payment Date 2/ (d)	Payment Lag in Days (e)	Weighted Payment Lag in Days (f)
1	$16,020	6.43%	10/15/2006	01/29/2007	106	6.82
2	11,890	4.77%	11/15/2006	01/29/2007	75	3.58
3	15,021	6.03%	12/15/2006	01/29/2007	45	2.71
4	23,284	9.34%	01/15/2007	04/27/2007	102	9.53
5	23,992	9.63%	02/15/2007	04/27/2007	71	6.84
6	28,985	11.63%	03/15/2007	04/27/2007	43	5.00
7	22,633	9.08%	04/15/2007	07/27/2007	103	9.35
8	22,976	9.22%	05/15/2007	07/27/2007	73	6.73
9	28,396	11.39%	06/15/2007	07/27/2007	42	4.78
10	20,365	8.17%	07/15/2007	10/26/2007	103	8.42
11	17,730	7.11%	08/15/2007	10/26/2007	72	5.12
12	17,949	7.20%	09/15/2007	10/26/2007	41	2.95
13						
14	$249,241	100.00%				71.83
15						
16						
17						
18					CWC %	-19.68%

1/ For the purposes of this calculation, the weighted average liability (withholding) date is deemed to be the 15th of each month. This is based on the fact that on average, weekly salaries and wages (and the corresponding Temp. Disability Ins. liabilities) accrue evenly throughout the month as employee hours are worked.

2/ Rhode Island's Temporary Disability Insurance Act (Title 28 of R.I. law) stipulates quarterly payment of Temporary Disability Insurance withheld. 100% of the liability for each quarter must be paid by the last day of the first month after that quarter ends. Under Sec. 44-1, payment dates which fall upon a Saturday, Sunday or legal holiday are extended to the next business day. Payments are considered timely with evidence of mailing by the required date.

National Grid - RI Gas
Cash Working Capital Requirements
Temporary Disability Insurance Withholding
Monthly Payroll
For the Twelve Months Ended September 30, 2007

Line No.	Withholding Amount (a)	% of Total (b)	Payroll Date (c)	Payment Date (d)	Payment Lag in Days (e)	Weighted Payment Lag in Days (f)
1	$2,156	2.57%	10/20/2006	01/29/2007	101	2.60
2	1,093	1.30%	11/21/2006	01/29/2007	69	0.90
3	667	0.79%	12/21/2006	01/29/2007	39	0.31
4	8,314	9.91%	01/19/2007	04/27/2007	98	9.71
5	8,324	9.92%	02/21/2007	04/27/2007	65	6.45
6	8,097	9.65%	03/21/2007	04/27/2007	37	3.57
7	8,102	9.66%	04/20/2007	07/27/2007	98	9.47
8	7,814	9.31%	05/21/2007	07/27/2007	67	6.24
9	7,083	8.44%	06/21/2007	07/27/2007	36	3.04
10	6,655	7.93%	07/20/2007	10/26/2007	98	7.77
11	5,300	6.32%	08/21/2007	10/26/2007	66	4.17
12	4,198	5.00%	09/21/2007	10/26/2007	35	1.75
13	1,875	2.23%	01/11/2007	04/27/2007	106	2.36
14	1,457	1.74%	01/18/2007	04/27/2007	99	1.72
15	1,390	1.66%	02/23/2007	04/27/2007	63	1.05
16	4,850	5.78%	03/15/2007	04/27/2007	43	2.49
17	4,276	5.10%	06/07/2007	07/27/2007	50	2.55
18	2,255	2.69%	06/15/2007	07/27/2007	42	1.13
19						
20	$83,906	100.00%				67.28
21						
22						
23						
24				Annual CWC %		-18.43%

1/ Payroll dates are the actual dates on which payroll was paid.

2/ Rhode Island's Temporary Disability Insurance Act (Title 28 of R.I. law) stipulates quarterly payment of Temporary Disability Insurance withheld. 100% of the liability for each quarter must be paid by the last day of the first month after that quarter ends. Under Sec. 44-1, payment dates which fall upon a Saturday, Sunday or legal holiday are extended to the next business day. Payments are considered timely with evidence of mailing by the required date.

3/ Two different types of monthly payroll are paid: regular monthly (i.e. salaries) and manual/misc. (e.g. termination pay). Since these different payrolls are paid on different dates, separate weighted payment lags for each have been calculated on the attached schedules. This schedule simply summarizes these three separate calculations.

National Grid - RI Gas
Cash Working Capital Requirements
Incentive Thrift Withholding
Weekly & Monthly Payroll
For the Twelve Months Ended September 30, 2007

Line No.	Withholding Amount (a)	% of Total (b)	Liability Date 1/ (c)	Payment Date 2/ (d)	Payment Lag in Days (e)	Weighted Payment Lag in Days (f)
1	$44,092	1.21%	10/12/2006	10/16/2006	4	0.05
2	103,423	2.84%	10/19/2006	10/23/2006	4	0.11
3	50,711	1.39%	10/26/2006	10/30/2006	4	0.06
4	52,552	1.44%	11/02/2006	11/06/2006	4	0.06
5	52,055	1.43%	11/09/2006	11/13/2006	4	0.06
6	54,768	1.50%	11/16/2006	11/20/2006	4	0.06
7	116,166	3.18%	11/24/2006	11/27/2006	3	0.10
8	48,327	1.32%	11/30/2006	12/04/2006	4	0.05
9	52,954	1.45%	12/07/2006	12/11/2006	4	0.06
10	50,291	1.38%	12/14/2006	12/18/2006	4	0.06
11	116,836	3.20%	12/21/2006	12/26/2006	5	0.16
12	48,943	1.34%	12/29/2006	01/02/2007	4	0.05
13	48,206	1.32%	01/08/2007	01/08/2007	0	0.00
14	51,427	1.41%	01/11/2007	01/16/2007	5	0.07
15	120,174	3.29%	01/18/2007	01/22/2007	4	0.13
16	51,657	1.42%	01/25/2007	01/29/2007	4	0.06
17	53,851	1.48%	02/01/2007	02/05/2007	4	0.06
18	54,468	1.49%	02/08/2007	02/12/2007	4	0.06
19	53,572	1.47%	02/15/2007	02/20/2007	5	0.07
20	127,357	3.49%	02/23/2007	02/26/2007	3	0.10
21	54,028	1.48%	03/01/2007	03/05/2007	4	0.06
22	57,753	1.58%	03/08/2007	03/12/2007	4	0.06
23	50,793	1.39%	03/15/2007	03/19/2007	4	0.06
24	125,115	3.43%	03/22/2007	03/26/2007	4	0.14
25	52,166	1.43%	03/29/2007	04/02/2007	4	0.06
26	52,594	1.44%	04/05/2007	04/09/2007	4	0.06
27	51,823	1.42%	04/12/2007	04/16/2007	4	0.06
28	128,225	3.52%	04/19/2007	04/23/2007	4	0.14
29	52,131	1.43%	04/26/2007	04/30/2007	4	0.06
30	53,875	1.48%	05/03/2007	05/07/2007	4	0.06
31	54,383	1.49%	05/10/2007	05/14/2007	4	0.06
32	54,823	1.50%	05/17/2007	05/21/2007	4	0.06
33	121,455	3.33%	05/24/2007	05/29/2007	5	0.17
34	53,375	1.46%	06/01/2007	06/04/2007	3	0.04
35	55,465	1.52%	06/07/2007	06/11/2007	4	0.06
36	56,589	1.55%	06/14/2007	06/18/2007	4	0.06
37	150,966	4.14%	06/21/2007	06/25/2007	4	0.17
38	53,533	1.47%	06/28/2007	07/02/2007	4	0.06
39	55,661	1.53%	07/06/2007	07/09/2007	3	0.05
40	57,012	1.56%	07/13/2007	07/16/2007	3	0.05
41	135,955	3.73%	07/19/2007	07/23/2007	4	0.15
42	54,093	1.48%	07/26/2007	07/30/2007	4	0.06
43	55,333	1.52%	08/02/2007	08/06/2007	4	0.06
44	54,197	1.49%	08/09/2007	08/13/2007	4	0.06
45	53,588	1.47%	08/16/2007	08/20/2007	4	0.06
46	134,821	3.70%	08/23/2007	08/27/2007	4	0.15
47	53,905	1.48%	08/30/2007	09/04/2007	5	0.07
48	55,106	1.51%	09/07/2007	09/14/2007	7	0.11
49	54,388	1.49%	09/13/2007	09/17/2007	4	0.06
50	136,220	3.73%	09/20/2007	09/24/2007	4	0.15
51	58,977	1.62%	09/27/2007	10/01/2007	4	0.06
52	57,177	1.57%	10/04/2007	10/09/2007	5	0.08
53						
54	$3,647,353	100.00%			CWC %	-1.10%

1/ Date payroll is actually paid.
2/ Incentive thrift withholdings for weekly payroll are deposited weekly, generally during the week following the payroll.

NG-MDL-3

National Grid - RI Gas
Pension Costs
Regulatory Reconciliation
Illustrative Example

Line No.		Year 1 (a)	Year 2 (b)	Year 3 (c)	Year 4 (d)	Year 5 (e)	5 Year Total (f)
1	Rate Allowance:						
2	National Grid - RI Gas Pension Costs Allowance	$4,777,478					
3	National Grid - Service Company Allocated Pension Costs Allowance	274,525					
4	Total Pension Costs	$5,052,002					
5							
6	Expense Reconciliation:						
7	Current Year actual Pension Expense Including Service Company-Allocated Expense	$5,052,002	$5,052,002	$6,052,002	$7,052,002	$6,552,002	$29,760,011
8							
9	Rate Allowance	$5,052,002	$5,052,002	$5,052,002	$5,052,002	$5,052,002	
10							
11	Current Year Regulatory Expense Reconciliation - Included in Following Year DAC	$0	$0	$1,000,000	$2,000,000	$1,500,000	
12							
13	Funding Reconciliation:						
14	Rate Allowance	$5,052,002	$5,052,002	$5,052,002	$5,052,002	$5,052,002	
15	DAC Recovery for Prior Year Reconciliation	0	0	0	1,000,000	2,000,000	
16	Total Rate Allowance	$5,052,002	$5,052,002	$5,052,002	$6,052,002	$7,052,002	
17							
18	Funded Amount	$5,052,002	$274,525	$274,525	$274,525	$22,384,435	$28,260,011
19							
20	Current Year Internal Funding Reserve	$0	$4,777,478	$4,777,478	$5,777,478	($15,332,433)	
21	Cumulative Internal Funding Reserve - Rate Base Credit	$0	$4,777,478	$9,554,955	$15,332,433	$0	
22							
23	Annual Rate Base Return Benefit @ pre-tax WACC of 12.23%	$0	$584,285	$1,168,571	$1,875,156	$0	
24	Cumulative Rate Base Return Benefit @ pre-tax WACC of 12.23%	$0	$584,285	$1,752,856	$3,628,013	$3,628,013	

Line Notes:
2 O&M Rate Allowance per this proceeding.
3 O&M Rate Allowance per this proceeding.
4 Line 2 + Line 3.
7 Illustrative actual pension expense including Service Company-allocated expense.
9 From Line 4.
11 Line 9 - Line 7.
14 From Line 4.
15 Prior year Line 11.
16 Line 14 + Line 15.
23 Illustrative amounts to be replaced with actual funding amounts.
25 Line 21 - Line 23.
26 Prior year Line 26 + current year Line 25.
28 Line 26 x pre-tax WACC.
29 Prior year Line 29 + current year Line 28.

National Grid - RI Gas
Post-Retirement Benefits Other Than Pension (PBOP)
Regulatory Reconciliation
Illustrative Example

Line No.		Year 1 (a)	Year 2 (b)	Year 3 (c)	Year 4 (d)	Year 5 (e)	5 Year Total (f)
1	Rate Allowance						
2							
3	National Grid - RI Gas PBOP Costs Allowance	$4,086,382					
4	National Grid - Service Company Allocated PBOP Costs Allowance	481,491					
5	Total PBOP Costs	$4,567,872					
6							
7							
8	Expense Reconciliation						
9							
10	Current Year actual PBOP Expense Including Service Company-Allocated Expense	$4,567,872	$4,567,872	$5,567,872	$6,567,872	$6,067,872	$27,339,362
11							
12	Rate Allowance	$4,567,872	$4,567,872	$4,567,872	$4,567,872	$4,567,872	
13							
14	Current Year Regulatory Expense Reconciliation - Included in Following Year DAC	$0	$0	$1,000,000	$2,000,000	$1,500,000	
15							
16							
17	Funding Reconcliation						
18							
19	Rate Allowance	$4,567,872	$4,567,872	$4,567,872	$4,567,872	$4,567,872	
20	DAC recovery for prior ywear reconciliation	0	0	0	1,000,000	2,000,000	
21	Total rate Allowance	$4,567,872	$4,567,872	$4,567,872	$5,567,872	$6,567,872	
22							
23	Funded Amount	$4,567,872	$481,491	$481,491	$481,491	$19,827,017	$25,839,362
24							
25	Current Year Internal Funding Reserve	$0	$4,086,382	$4,086,382	$5,086,382	($13,259,145)	
26	Cumul. Internal Funding Reserve - Rate Base Credit	$0	$4,086,382	$8,172,763	$13,259,145	$0	
27							
28	Annual Rate Base Return Benefit @ pre-tax WACC of 12.23%	$0	$499,764	$999,529	$1,621,593	$0	
29	Cumulative Rate Base Return Benefit @ pre-tax WACC of 12.23%	$0	$499,764	$1,499,293	$3,120,887	$3,120,887	

Line Notes:
3 O&M Rate Allowance per this proceeding.
4 O&M Rate Allowance per this proceeding.
5 Line 2 + Line 3.
10 Illustrative actual pension expense including Service Company-allocated expense.
12 From Line 5.
14 Line 10 minus Line 12.
19 From Line 5.
20 Prior year Line 14.
21 Line 19 + Line 20.
23 Illustrative amounts to be replaced with actual funding amounts.
25 Line 21 - Line 23.
26 Prior year Line 26 + current year Line 25.
28 Line 26 x pre-tax WACC.
29 Prior year Line 29 + current year Line 28.

NG-MDL-4

National Grid - RI Gas
Calculation of National Grid/KeySpan Transaction Net Synergy Value
For the Rate Year Ended September 30, 2009

Line No.		
1	Steady State Annual Synergies (rounded)	$6,400,000
2		
3	10 year Levelized Costs to Achieve amortization (rounded)	1,500,000
4		
5	Steady State Annual Net Synergies	4,900,000
6		
7	50% Customer Share - Cost of Service Credit	$2,450,000

Line Notes:
1 Page 2, Column (d), Line 17 (rounded).
3 Page 6, Line 3.
5 Line 1 - Line 3.
7 Line 5 x 50%.

National Grid - RI Gas
Calculation of National Grid/KeySpan Transaction Net Synergy Value
For the Rate Year Ended September 30, 2009

Line No.		Year 1 (a)	Year 2 (b)	Year 3 (c)	Year 4 (d)	Year 5 (e)	Year 6 (f)	Year 7 (g)	Year 8 (h)	Year 9 (i)	Year 10 (j)	Total (k)
1	Synergies:											
2	Massachusetts Electric	$9,927,989	$13,568,320	$17,384,399	$21,382,717	$21,917,285	$22,465,217	$23,026,847	$23,602,518	$24,192,581	$24,797,396	$202,265,268
3	Nantucket Electric	121,327	165,814	212,449	261,311	267,844	274,540	281,403	288,438	295,649	303,041	2,471,815
4	New England Power	3,565,499	4,872,872	6,243,364	7,679,304	7,871,286	8,068,069	8,269,770	8,476,515	8,688,427	8,905,638	72,640,744
5	Essex Gas	545,760	745,876	955,653	1,175,448	1,204,834	1,234,955	1,265,829	1,297,474	1,329,911	1,363,159	11,118,897
6	Colonial Gas	1,825,441	2,494,782	3,196,438	3,931,601	4,029,891	4,130,638	4,233,904	4,339,752	4,448,246	4,559,452	37,190,145
7	Boston Gas	6,543,107	8,942,291	11,457,303	14,092,421	14,444,731	14,805,850	15,175,996	15,555,396	15,944,281	16,342,888	133,304,261
8	Granite State Electric	422,443	577,342	739,719	909,850	932,596	955,911	979,809	1,004,304	1,029,412	1,055,147	8,606,532
9	EnergyNorth Gas	804,509	1,099,501	1,408,735	1,732,736	1,776,054	1,820,456	1,865,967	1,912,616	1,960,432	2,009,443	16,390,448
10	Niagara Mohawk Electric	20,220,681	27,635,069	35,407,411	43,550,923	44,639,696	45,755,689	46,899,581	48,072,071	49,273,872	50,505,719	411,960,712
11	Niagara Mohawk Gas	5,214,527	7,126,555	9,130,893	11,230,950	11,511,723	11,799,516	12,094,504	12,396,867	12,706,789	13,024,458	106,236,782
12	BUG	13,600,941	18,588,046	23,815,920	29,293,453	30,025,789	30,776,434	31,545,845	32,334,491	33,142,853	33,971,424	277,095,195
13	LILCO - GAS	8,075,489	11,036,556	14,140,579	17,392,836	17,827,657	18,273,348	18,730,182	19,198,437	19,678,398	20,170,358	164,523,840
14	LIPA	19,015,726	25,988,289	33,297,475	40,955,714	41,979,607	43,029,097	44,104,825	45,207,445	46,337,631	47,496,072	387,411,882
15	Unregulated	3,146,848	4,300,713	5,510,286	6,777,622	6,947,062	7,120,739	7,298,757	7,481,226	7,668,257	7,859,963	64,111,473
16	Narragansett Electric	4,001,695	5,469,010	7,007,165	8,618,775	8,834,245	9,055,101	9,281,478	9,513,515	9,751,353	9,995,137	81,527,474
17	National Grid - RI Gas	2,968,020	4,056,314	5,197,149	6,392,465	6,552,277	6,716,084	6,883,986	7,056,086	7,232,488	7,413,300	60,468,169
18	Total	$100,000,000	$136,667,350	$175,104,937	$215,378,125	$220,762,578	$226,281,643	$231,938,684	$237,737,151	$243,680,580	$249,772,594	$2,037,323,641
19												
20	Costs to Achieve:											
21	Massachusetts Electric	($15,285,132)	($6,075,929)	($5,956,793)	($2,692,471)	($2,887,059)	($2,370,804)	($1,838,664)	($841,893)	($865,721)	($893,519)	($39,707,985)
22	Nantucket Electric	(186,794)	(74,252)	(72,796)	(32,904)	(35,282)	(28,973)	(22,470)	(10,288)	(10,580)	(10,919)	(485,258)
23	New England Power	(5,489,442)	(2,182,085)	(2,139,299)	(966,963)	(1,036,847)	(851,441)	(660,330)	(302,354)	(310,911)	(320,895)	(14,260,568)
24	Essex Gas	(840,252)	(334,005)	(327,456)	(148,010)	(158,707)	(130,327)	(101,075)	(46,280)	(47,590)	(49,118)	(2,182,822)
25	Colonial Gas	(2,810,449)	(1,117,170)	(1,095,265)	(495,060)	(530,838)	(435,915)	(338,072)	(154,797)	(159,178)	(164,290)	(7,301,035)
26	Boston Gas	(10,073,767)	(4,004,381)	(3,925,864)	(1,774,491)	(1,902,735)	(1,562,494)	(1,211,783)	(554,855)	(570,559)	(588,880)	(26,169,810)
27	Granite State Electric	(650,393)	(258,535)	(253,466)	(114,567)	(122,846)	(100,879)	(78,236)	(35,823)	(36,837)	(38,020)	(1,689,603)
28	EnergyNorth Gas	(1,238,622)	(492,359)	(482,705)	(218,183)	(233,951)	(192,117)	(148,995)	(68,222)	(70,153)	(72,406)	(3,217,713)
29	Niagara Mohawk Electric	(31,131,760)	(12,375,057)	(12,132,409)	(5,483,849)	(5,880,174)	(4,828,699)	(3,744,870)	(1,714,714)	(1,763,243)	(1,819,861)	(80,874,635)
30	Niagara Mohawk Gas	(8,028,285)	(3,191,290)	(3,128,716)	(1,414,180)	(1,516,384)	(1,245,229)	(965,730)	(442,192)	(454,707)	(469,307)	(20,856,020)
31	BUG	(20,940,009)	(8,323,776)	(8,160,565)	(3,688,575)	(3,955,154)	(3,247,905)	(2,518,894)	(1,153,360)	(1,186,002)	(1,224,085)	(54,398,325)
32	LILCO - GAS	(12,433,022)	(4,942,199)	(4,845,293)	(2,190,073)	(2,348,352)	(1,928,427)	(1,495,581)	(684,801)	(704,183)	(726,794)	(32,298,725)
33	LIPA	(29,276,612)	(11,637,624)	(11,409,436)	(5,157,065)	(5,529,773)	(4,540,955)	(3,521,712)	(1,612,534)	(1,658,171)	(1,711,415)	(76,055,298)
34	Unregulated	(4,844,887)	(1,925,871)	(1,888,109)	(853,425)	(915,103)	(751,467)	(582,796)	(266,853)	(274,405)	(283,216)	(12,586,132)
35	Narragansett Electric	(6,161,009)	(2,449,037)	(2,401,017)	(1,085,260)	(1,163,693)	(955,605)	(741,114)	(339,344)	(348,948)	(360,153)	(16,005,179)
36	National Grid - RI Gas	(4,569,563)	(1,816,428)	(1,780,812)	(804,927)	(863,100)	(708,763)	(549,677)	(251,688)	(258,811)	(267,122)	(11,870,892)
37	Total	($153,960,000)	($61,200,000)	($60,000,000)	($27,120,000)	($29,080,000)	($23,880,000)	($18,520,000)	($8,480,000)	($8,720,000)	($9,000,000)	($399,960,000)
38												
39	Net Synergies:											
40	Massachusetts Electric	($5,357,143)	$7,492,390	$11,427,606	$18,690,246	$19,030,225	$20,094,413	$21,188,184	$22,760,625	$23,326,861	$23,903,877	$162,557,283
41	Nantucket Electric	(65,468)	91,562	139,653	228,407	232,562	245,567	258,934	278,150	285,070	292,121	1,986,557
42	New England Power	(1,923,943)	2,690,787	4,104,065	6,712,341	6,834,440	7,216,628	7,609,440	8,174,160	8,377,516	8,584,743	58,380,177
43	Essex Gas	(294,492)	411,871	628,197	1,027,438	1,046,127	1,104,627	1,164,754	1,251,194	1,282,321	1,314,040	8,936,076
44	Colonial Gas	(985,008)	1,377,612	2,101,173	3,436,541	3,499,053	3,694,723	3,895,833	4,184,954	4,289,067	4,395,162	29,889,111
45	Boston Gas	(3,530,660)	4,937,909	7,531,439	12,317,930	12,541,996	13,243,356	13,964,212	15,000,540	15,373,722	15,754,008	107,134,451
46	Granite State Electric	(227,950)	318,807	486,253	795,283	809,750	855,032	901,572	968,481	992,575	1,017,127	6,916,929
47	EnergyNorth Gas	(434,113)	607,141	926,029	1,514,553	1,542,103	1,628,339	1,716,972	1,844,394	1,890,279	1,937,037	13,172,735
48	Niagara Mohawk Electric	(10,911,079)	15,260,012	23,275,002	38,067,075	38,759,522	40,926,990	43,154,711	46,357,357	47,510,629	48,685,858	331,086,077
49	Niagara Mohawk Gas	(2,813,759)	3,935,265	6,002,178	9,816,770	9,995,339	10,554,287	11,128,774	11,954,675	12,252,082	12,555,151	85,380,762
50	BUG	(7,339,068)	10,264,270	15,655,355	25,604,877	26,070,635	27,528,529	29,026,950	31,181,131	31,956,851	32,747,339	222,696,870
51	LILCO - GAS	(4,357,534)	6,094,357	9,295,286	15,202,764	15,479,305	16,344,922	17,234,602	18,513,635	18,974,215	19,443,564	132,225,116
52	LIPA	(10,260,886)	14,350,665	21,888,039	35,798,649	36,449,834	38,488,142	40,583,112	43,594,912	44,679,460	45,784,657	311,356,584
53	Unregulated	(1,698,039)	2,374,843	3,622,177	5,924,197	6,031,959	6,369,272	6,715,961	7,214,374	7,393,852	7,576,747	51,525,341
54	Narragansett Electric	(2,159,315)	3,019,973	4,606,148	7,533,516	7,670,552	8,099,496	8,540,364	9,174,171	9,402,405	9,634,984	65,522,296
55	National Grid - RI Gas	(1,601,543)	2,239,886	3,416,337	5,587,538	5,689,177	6,007,321	6,334,309	6,804,398	6,973,677	7,146,178	48,597,277
56	Total	($53,960,000)	$75,467,350	$115,104,937	$188,258,125	$191,682,578	$202,401,643	$213,418,684	$229,257,151	$234,960,580	$240,772,594	$1,637,363,641

Line Notes:
1 Page 3, Column (c) x Page 5, Column (b).
20 Page 4, Column (c) x Page 5, Column (a).
39 Net synergies equal synergies less cost to achieve.

National Grid - RI Gas
Calculation of National Grid/KeySpan Transaction Synergy Value - Synergy
For the Rate Year Ended September 30, 2009

Line No.		Revenues (a)	Percent (b)	Synergies (c)
1	Massachusetts Electric	$534,184,464	9.93%	$19,855,978
2	Nantucket Electric	6,528,087	0.12%	242,653
3	New England Power	191,844,885	3.57%	7,130,997
4	Essex Gas	29,365,112	0.55%	1,091,520
5	Colonial Gas	98,219,521	1.83%	3,650,882
6	Boston Gas	352,057,800	6.54%	13,086,214
7	Granite State Electric	22,729,932	0.42%	844,886
8	EnergyNorth Gas	43,287,327	0.80%	1,609,018
9	Niagara Mohawk Electric	1,087,992,090	20.22%	40,441,362
10	Niagara Mohawk Gas	280,572,335	5.21%	10,429,053
11	BUG	731,811,000	13.60%	27,201,883
12	LILCO - GAS	434,509,000	8.08%	16,150,977
13	LIPA	1,023,158,400	19.02%	38,031,452
14	Unregulated	169,319,000	3.15%	6,293,696
15	Narragansett Electric	215,314,821	4.00%	8,003,390
16	National Grid - RI Gas	159,697,000	2.97%	5,936,040
17	Total	$5,380,590,774	100.00%	$200,000,000
18				
19	Synergy			$200,000,000

(a) High level estimated transmission and distribution revenue (rather than adjust the $200 million, unregulated is included).
(b) Column (a) / Column (a), Line 17.
(c) Line 19 x Column (b).

National Grid - RI Gas
Calculation of National Grid/KeySpan Transaction Synergy Value - Costs to Achieve
For the Rate Year Ended September 30, 2009

Line No.		Revenues (a)	Percent (b)	Costs to Achieve (c)
1	Massachusetts Electric	$534,184,464	9.93%	$39,711,956
2	Nantucket Electric	6,528,087	0.12%	485,306
3	New England Power	191,844,885	3.57%	14,261,994
4	Essex Gas	29,365,112	0.55%	2,183,040
5	Colonial Gas	98,219,521	1.83%	7,301,765
6	Boston Gas	352,057,800	6.54%	26,172,427
7	Granite State Electric	22,729,932	0.42%	1,689,772
8	EnergyNorth Gas	43,287,327	0.80%	3,218,035
9	Niagara Mohawk Electric	1,087,992,090	20.22%	80,882,724
10	Niagara Mohawk Gas	280,572,335	5.21%	20,858,106
11	BUG	731,811,000	13.60%	54,403,766
12	LILCO - GAS	434,509,000	8.08%	32,301,955
13	LIPA	1,023,158,400	19.02%	76,062,904
14	Unregulated	169,319,000	3.15%	12,587,391
15	Narragansett Electric	215,314,821	4.00%	16,006,779
16	National Grid - RI Gas	159,697,000	2.97%	11,872,079
17	Total	$5,380,590,774	100.00%	$400,000,000
18				
19	Cost to Achieve (Page 2, Line 19 x 2)			$400,000,000

(a) Page 3, Column (a).
(b) Column (a) / Column (a), Line 17.
(c) Line 19 x Column (b).

National Grid - RI Gas
Calculation of National Grid/KeySpan Transaction Synergy Value - Phase in Rates
For the Rate Year Ended September 30, 2009

Line No.	Costs to Achieve	(a)	Synergy Multiplier	(b)	Inflation	(c)	Phase-In	(d)
1	Year 1	38.49%	Year 1	50.00%	Year 1	1.0000	Year 1	50%
2	Year 2	15.30%	Year 2	68.33%	Year 2	1.0250	Year 2	67%
3	Year 3	15.00%	Year 3	87.55%	Year 3	1.0506	Year 3	83%
4	Year 4	6.78%	Year 4	107.69%	Year 4	1.0769	Year 4	100%
5	Year 5	7.27%	Year 5	110.38%	Year 5	1.1038	Year 5	100%
6	Year 6	5.97%	Year 6	113.14%	Year 6	1.1314	Year 6	100%
7	Year 7	4.63%	Year 7	115.97%	Year 7	1.1597	Year 7	100%
8	Year 8	2.12%	Year 8	118.87%	Year 8	1.1887	Year 8	100%
9	Year 9	2.18%	Year 9	121.84%	Year 9	1.2184	Year 9	100%
10	Year 10	2.25%	Year 10	124.89%	Year 10	1.2489	Year 10	100%

(a) Estimated phase-in percentages per National Grid/Niagara Mowawk transaction.
(b) Column (c) x Column (d).
(c) Assumes annual inflation growth of 2.5%.
(d) Estimated phase-in percentages per National Grid/Niagara Mowawk transaction.

National Grid - RI Gas
Calculation of 10 Year Levelized Cost to Achieve Value by Year
For the Rate Year Ended September 30, 2009

Line No.			Year 1 (a)	Year 2 (b)	Year 3 (c)	Year 4 (d)	Year 5 (e)	Year 6 (f)	Year 7 (g)	Year 8 (h)	Year 9 (i)	Year 10 (j)	Total (k)
1	Cost to Achieve		$4,569,563	$1,816,428	$1,780,812	$804,927	$863,100	$708,763	$549,677	$251,688	$258,811	$267,122	$11,870,892
2	Net Present Value (NPV)	$8,641,275											
3	Levelized Cost to Achieve		$1,543,796	$1,543,796	$1,543,796	$1,543,796	$1,543,796	$1,543,796	$1,543,796	$1,543,796	$1,543,796	$1,543,796	

Line Notes:
1 Page 2, line 36.
2 NPV of annual costs to achieve discounted at the pre-tax weighted average cost of capital of 12.23%
3 10 year levelized payment using an interest rate equal to the pre-tax weighted average cost of capitial of 12.23%

NG-MDL-5

National Grid - RI Gas
Accelerated Infrastructure Replacement Program
Computation of Revenue Requirement

Line No.			Fiscal Year 2009 (a)	Fiscal Year 2010 (b)	Fiscal Year 2011 (c)	Fiscal Year 2012 (d)	Fiscal Year 2013 (e)	Fiscal Year 2014 (f)
1	Deferred Tax Calculation:							
2	PRP Progam Targeted Spend		$21,500,000	$25,100,000	$25,100,000	$25,100,000	$25,100,000	
3	Included in Cost of Service		21,500,000	12,550,000	0	0	0	
4	Incremental Amount		0	12,550,000	25,100,000	25,100,000	25,100,000	
5	Cumulative ARP Incremental Spend		$0	$12,550,000	$37,650,000	$62,750,000	$87,850,000	
6								
7	Book Depreciation Rate	1/	3.38%	3.38%	3.38%	3.38%	3.38%	
8	20 YR MACRS Tax Depreciation Rates		5.00%	9.50%	8.55%	7.70%	6.93%	
9	Vintage Year Tax Depreciation:							
10	Year 1 Spend		0	0	0	0	0	
11	Year 2 Spend			627,500	1,192,250	1,073,025	966,350	
12	Year 3 Spend				1,255,000	2,384,500	2,146,050	
13	Year 4 Spend					1,255,000	2,384,500	
14	Year 5 Spend						1,255,000	
15	Annual Tax Depreciation		0	627,500	2,447,250	4,712,525	6,751,900	
16	Cumulative Tax Depreciation		0	627,500	3,074,750	7,787,275	14,539,175	
17								
18	Book Depreciation		0	424,190	1,272,570	2,120,950	2,969,330	
19	Cumulative Book Depreciation		0	424,190	1,696,760	3,817,710	6,787,040	
20								
21	Cumulative Book / Tax Timer		0	203,310	1,377,990	3,969,565	7,752,135	
22	Effective Tax Rate		35.00%	35.00%	35.00%	35.00%	35.00%	
23	Deferred Tax Reserve		$0	$71,159	$482,297	$1,389,348	$2,713,247	
24								
25	Rate Base Calculation:							
26	Cumulative ARP Incremental Spend		$0	$12,550,000	$37,650,000	$62,750,000	$87,850,000	
27	Accum Depreciation		0	(424,190)	(1,696,760)	(3,817,710)	(6,787,040)	
28	Deferred Tax Reserve		0	(71,159)	(482,297)	(1,389,348)	(2,713,247)	
29	Year End Rate Base		$0	$12,054,652	$35,470,944	$57,542,942	$78,349,713	
30								
31	Revenue Requirement Calculation:							
32	Year End Rate Base		$0	$12,054,652	$35,470,944	$57,542,942	$78,349,713	
33	Pre-Tax ROR	2/	12.23%	12.23%	12.23%	12.23%	12.23%	
34	Return and Taxes		0	1,474,284	4,338,096	7,037,502	9,582,170	
35	Book Depreciation		0	424,190	1,272,570	2,120,950	2,969,330	
36	Property Taxes	3/ 2.52%	0	316,260	948,780	1,581,300	2,213,820	
37	Annual Revenue Requirement		$0	$2,214,734	$6,559,446	$10,739,752	$14,765,320	
38								
39	Annual Rate Adjustment:			Year 2	Year 3	Year 4	Year 5	Year 6
40	Incremental Annual Rate Adjustment			$0	$2,214,734	$4,344,713	$4,180,305	$4,025,568

1/ Rate Year composite depreciation for National Grid - RI Gas. Attachment NG-MDL-1, Page 21 Line 41
2/ Test Year ratio of municipal tax expense to average net plant in service.
3/ Per Rate Year cost of service, per NG-MDL-1, page 32.

National Grid - RI Gas
Alternative Three Year Rate Plan Full Capital Tracker
Rate Credit Computation

Note: Assumes Company spends $5,000,000 less than forecasted in Rate Year 1 and $10,000,000 less than forecasted in Rate Years 2 and 3.

Line No.				12 Months Ended 9/30/09 (a)	12 Months Ended 9/30/10 (b)	12 Months Ended 9/30/11 (c)	12 Months Ended 9/30/12 (d)
1	Deferred Tax Calculation:						
2	Actual Total Capital Spend			$31,679,255	$50,780,700	$45,904,041	
3	Capital Spend Included in Rate Plan			36,679,255	60,780,700	55,904,041	
4	Decremental Amount			(5,000,000)	(10,000,000)	(10,000,000)	
5	Cumulative Incremental Amount			($5,000,000)	($15,000,000)	($25,000,000)	
6							
7	Book Depreciation Rate	1/		3.38%	3.38%	3.38%	
8	20 YR MACRS Tax Depreciation Rates			5.00%	9.50%	8.55%	
9	Vintage Year Tax Depreciation:						
10	Year 1 Spend			(250,000)	(475,000)	(427,500)	
11	Year 2 Spend				(500,000)	(950,000)	
12	Year 3 Spend					(500,000)	
13	Year 4 Spend						
14	Year 5 Spend						
15	Annual Tax Depreciation			(250,000)	(975,000)	(1,877,500)	
16	Cumulative Tax Depreciation			(250,000)	(1,225,000)	(3,102,500)	
17							
18	Book Depreciation			(169,000)	(507,000)	(845,000)	
19	Cumulative Book Depreciation			(169,000)	(676,000)	(1,521,000)	
20							
21	Cumulative Book / Tax Timer			(81,000)	(549,000)	(1,581,500)	
22	Effective Tax Rate			35.00%	35.00%	35.00%	
23	Deferred Tax Reserve			($28,350)	($192,150)	($553,525)	
24							
25	Rate Base Calculation:						
26	Cumulative Incremental Amount			($5,000,000)	($15,000,000)	($25,000,000)	
27	Accum Depreciation			169,000	676,000	1,521,000	
28	Deferred Tax Reserve			28,350	192,150	553,525	
29	Year End Rate Base			($4,802,650)	($14,131,850)	($22,925,475)	
30							
31	Revenue Requirement Calculation:						
32	Year End Rate Base			($4,802,650)	($14,131,850)	($22,925,475)	
33	Pre-Tax ROR	2/		12.23%	12.23%	12.23%	
34	Return and Taxes			(587,364)	(1,728,325)	(2,803,786)	
35	Book Depreciation			(169,000)	(507,000)	(845,000)	
36	Property Taxes	/3	2.52%	(126,000)	(378,000)	(630,000)	
37	Annual Revenue Requirement			($882,364)	($2,613,325)	($4,278,786)	
38							
39	Annual Rate Adjustment:				Year 2	Year 3	Year 4
40	Incremental Annual Rate Adjustment				($882,364)	($1,730,961)	($1,665,460)

1/ Rate Year composite depreciation for National Grid - RI Gas. Attachment NG-MDL-1, Page 21 Line 41
2/ Test Year ratio of municipal tax expense to average net plant in service.
3/ Per Rate Year cost of service, per NG-MDL-1, page 32.

NG-MDL-6

National Grid - RI Gas
Return On Equity Calculation
Rate Year Ending September 30, 2009-2011

Line No.		Rate Year Ending September 30, 2009	2010	2011
1	Gas Operating Income before Federal Income Taxes	$14,434,393	$32,095,215	$35,999,247
2	Less : Cumulative Prior Years' Revenue Requirement	-	(20,197,402)	(27,448,244)
3	Pre-Tax Operating Income Excluding Rate Adjustments	14,434,393	11,897,813	8,551,003
4				
5	Add: Levelized Rate Adjustment Year 1	13,783,539	13,894,502	14,005,137
6	Levelized Rate Adjustment Year 2		13,783,539	13,893,290
7	Levelized Rate Adjustment Year 3			13,783,539
8	Settlement Levelization Debit / (Credit)	(6,236,126)	465,560	7,332,259
9	Interest Expense	10,782,127	12,222,482	13,394,864
10	Net Income	23,671,930	26,887,811	29,505,846
11	State Income Tax	-	-	-
12	Federal Income Taxes	8,022,859	9,148,417	10,064,729
13	Gas Net Income	$15,649,071	$17,739,394	$19,441,116
14				
15	Rate Base	$285,241,458	$323,346,095	$354,361,471
16	Equity Percent	47.7%	47.7%	47.7%
17	Common Equity	$136,078,494	$154,256,853	$169,053,179
18				
19	Return on Equity	11.50%	11.50%	11.50%

Line Notes:
1 Page 2 Line 10 - Line 18.
2 Page 2, Line 8.
3 Line 1 - Line 2.
5-7 Levelized Rate Increase with sales growth.
8 "Solved for" Regulatory Asset accrual and amortization.
9 Page 2, Line 30 times weighted cost of debt from Page 6.
10 Line 3 + Lines 5 though 7 - Lines 8 and 9.
12 (Line 10 - Page 6 Lines 6 & 7) times 35%.
13 Line 10 - Line 12.
15 Page 2, Line 30.
17 Page 8 Common Equity capitalization ratio.
18 Line 15 x Line 16.

National Grid - RI Gas
Revenue Requirement
Rate Year Ending September 30, 2009-2011

Line No.		Rate Year Ending September 30, 2009	2010	2011
	Operating Revenues:			
1	Delivery	$122,697,690	$123,685,459	$124,670,304
2	Interruptible Firm (non-gas portion only)	1,600,000	1,600,000	1,600,000
3	LIAP in Base Rates	1,585,000	1,585,000	1,585,000
4	Energy Efficiency - Weatherization Program in Base Rates	200,000	200,000	200,000
5	Advanced Gas Technologies in Base Rates	300,000	300,000	300,000
6	Environmental Cost Recovery in Base Rates	1,300,000	1,300,000	1,300,000
7	Other	2,166,502	2,166,502	2,166,502
8	Revenue Requirement		20,197,402	27,448,244
9				
10	Total Operating Revenue	129,849,192	151,034,363	159,270,050
11				
12	Operating Expenses:			
13	Operation and Maintenance Expenses	82,125,814	83,772,414	86,097,834
14	Depreciation	20,069,816	21,753,323	23,560,729
15	Amortization	3,198,152	3,198,152	3,198,152
16	Taxes Other Than Income Taxes	10,021,017	10,215,259	10,414,088
17				
18	Total Operating Expenses (Excl Income Tax)	115,414,799	118,939,148	123,270,803
19				
20	Required Interest Return	10,782,127	12,222,482	13,394,864
21				
22	Required Equity Return	15,659,756	17,751,701	19,454,445
23				
24	Federal Income Taxes	8,028,612	9,155,044	10,071,906
25				
26	Total Cost of Service	**$149,885,295**	**$158,068,375**	**$166,192,018**
27				
28	Revenue Deficiency	**$20,036,103**	**$7,034,012**	**$6,921,968**
29				
30	Rate Base	**$285,241,458**	**$323,346,095**	**$354,361,471**

Line Notes:

1	Forecasted revenues under current rates.
2-7	Rate year amounts fixed for three-year period.
8	Prior year Line 28 + percentage increase in Line 1.
10	Sum of Lines 1 through 8.
13	From Page 3.
14	From Page 4.
15	From Page 5.
16	From Page 6.
18	Sum of Lines 13 through 16.
20	Line 30 times weighted average cost of debt from Page 8, or 3.78%.
22	Line 30 times weighted average cost of equity from Page 8, or 5.49%.
24	From Page 6.
28	Line 26 - Line 10.
30	From Page 9.

National Grid - RI Gas
Summary of Operating Expenses by Component
Rate Year Ending September 30, 2009-2011

Line No.		Notes	Rate Year Ending September 30, 2009	2010	2011
1	Salaries and Wages	1/	$32,300,871	$33,389,410	$34,514,633
2	Medical and Dental	2/	5,316,827	5,742,173	6,201,547
3	Employee Thrift Plan - Company Match	1/	1,370,810	1,417,007	1,464,760
4	Group Insurance	1/	184,803	191,031	197,468
5	Pensions	3/	5,052,002	4,915,240	4,918,068
6	Post-Retirement Benefits Other than Pensions	3/	4,567,872	4,582,635	4,585,058
7	Postage	4/	1,171,087	1,195,211	1,216,845
8	Gas Marketing Program	5/	1,377,000	1,377,000	1,377,000
9	Accelerated Replacement Programs	5/	1,034,000	1,034,000	1,034,000
10	LIAP	5/	1,585,000	1,585,000	1,585,000
11	Energy Efficiency - Weatherization Program	5/	200,000	200,000	200,000
12	AGT Expenses	5/	300,000	300,000	300,000
13	Rate Case Cost Amortization	5/	265,750	265,750	265,750
14	AMR Labor Savings	4/	(433,257)	(895,716)	(925,901)
15	AMR Non-labor Savings	4/	(21,420)	(43,723)	(44,514)
16	All Other	4/	26,832,917	27,385,676	27,881,356
17	Donations	5/	236,428	236,428	236,428
18	NGRID/Keyspan Total Synergies	5/	(6,400,000)	(6,400,000)	(6,400,000)
19	Company Share of Synergies - NEGas	5/	1,140,601	1,140,601	1,140,601
20	Company Share of Synergies - KeySpan	5/	2,450,000	2,450,000	2,450,000
21	Uncollectibles	6/	3,594,522	3,704,691	3,899,734
22	Total Operating Expenses		$82,125,814	$83,772,414	$86,097,834

1/ Years 2 and 3 escalated at weighted average labor increase rate of 3.37%.
2/ Years 2 and 3 escalated at a rate of 8.00%.
3/ Forecasted amounts for years 2 and 3.
4/ Years 2 and 3 escalated at forecasted inflation rates of 2.06% and 1.81%, respectively.
5/ Year 1 amounts fixed for years 2 and 3.
6/ Calculation of Uncollectible Expense:

	2009	2010	2011
Expenses Excluding Uncollectables	$78,531,292	$80,067,723	$82,198,099
Depreciation	20,069,816	21,753,323	23,560,729
Amortization	3,198,152	3,198,152	3,198,152
Taxes Other than Income	10,021,017	10,215,259	10,414,088
After-tax Return	26,441,883	29,974,183	32,849,308
Income taxes	8,028,612	9,155,044	10,071,906
Interuptible Firm Revenue Credit in Base Rates	(1,600,000)	(1,600,000)	(1,600,000)
Other Revenue (Not Subject to Uncollectible Expense)	(2,166,502)	(2,166,502)	(2,166,502)
Revenues Subject to Uncollectible Expense	$142,524,271	$150,597,182	$158,525,782
Uncollectible Rate	2.46%	2.46%	2.46%
Uncollectibles Expense	3,506,097	3,704,691	3,899,734
Retention Gross-up (/ (1 - 2.46%)	$3,594,522	$3,704,691	$3,899,734

National Grid - RI Gas
Summary of Depreciation Expense
Rate Year Ending September 30, 2009-2011

Line No.		Rate Year Ending September 30, 2009	2010	2011
1	Rate Case Depreciation	$20,069,816	$20,069,816	$20,069,816
2	Depreciation Related to Increase in Rate Base		1,683,507	3,490,913
3	Total Depreciation	$20,069,816	$21,753,323	$23,560,729

Line Notes:
1 From Attachment NG-MDL-1, Page 1, Line 29.
2 From Page 9.
3 Line 1 + Line 2.

National Grid - RI Gas
Summary of Amortizations
Rate Year Ending September 30, 2009-2011

Line No.		Rate Year Ending September 30, 2009	2010	2011
1	NGRID/NEGas CTA Amort	$158,152	$158,152	$158,152
2	NGRID/KeySpan CTA Amort	1,500,000	1,500,000	1,500,000
3	Y2K and Legacy System Amortization	240,000	240,000	240,000
4	Environmental	1,300,000	1,300,000	1,300,000
5	Total Amortization	$3,198,152	$3,198,152	$3,198,152

Line Notes:
1-4 Year 1 from Attachment NG-MDL-1, Page 1. Fixed for years 2 and 3.
5 Sum of Lines 1 through 4.

National Grid - RI Gas
Summary of Taxes Other Than Income Taxes
Rate Year Ending September 30, 2009-2011

Line No.		Rate Year Ending September 30, 2009	2010	2011
1	Real Estate	$7,133,760	$7,231,992	$7,331,577
2	Payroll Taxes	2,848,944	2,944,954	3,044,199
3	Other Taxes	38,313	38,313	38,313
4	Total Taxes Other than Income Taxes	$10,021,017	$10,215,259	$10,414,088

Line Notes:
1 Year 1 from Attachment NG-MDL-1, Page 1. Years 2 and 3 escalated by 1.38%.
2 Year 1 from Attachment NG-MDL-1, Page 1. Years 2 and 3 escalated by Labor increase rate of 3.37%.
3 Year 1 from Attachment NG-MDL-1, Page 1. Fixed for years 2 and 3.
4 Sum of Lines 1 through 3.

National Grid - RI Gas
Summary Income Tax Calculation
Rate Year Ending September 30, 2009-2011

Line No.		Rate Year Ending September 30, 2009	2010	2011
1	Rate Base	$285,241,458	$323,346,095	$354,361,471
2	Equity Component of Return	5.49%	5.49%	5.49%
3	Required Return on Equity Return (ROE)	15,659,756	17,751,701	19,454,445
4				
5	Less: Flow-through Items			
6	Medicare Act Reimbursement	683,164	683,164	683,164
7	AFUDC - Equity	66,312	66,312	66,312
8				
9	Net Taxable Income base	14,910,280	17,002,225	18,704,969
10				
11	Taxable Income (ROE / (1 - 35%))	22,938,893	26,157,269	28,776,875
12				
13	Federal Income Tax (Taxable Income x 35%)	$8,028,612	$9,155,044	$10,071,906

National Grid - RI Gas
Weighted Average Cost of Capital
Rate Year Ending September 30, 2009-2011

Line No.		Capitalization Structure	Cost Rate	Weighted Return	Taxes	Pre-tax Return
1	Long Term Debt	40.63%	7.99%	3.25%		3.25%
2						
3	Short Term Debt	11.66%	4.59%	0.53%		0.53%
4						
5	Total Common Equity	47.71%	11.50%	5.49%	2.96%	8.45%
6						
7	Total Capitalization	100.00%		9.27%	2.96%	12.23%

National Grid - RI Gas
Summary of Rate Base
Rate Year Ending September 30, 2009-2011

Line No.			Rate Year Ending September 30, 2009	2010	2011
1	Initial Year Rate Base		$285,241,458	$285,241,458	$285,241,458
2					
3	Plant Additions	1\		60,780,700	55,904,041
4					
5	Depreciation	1\		21,753,323	23,560,729
6					
7	Deferred Tax Increase	1\		2,339,078	2,370,594
8					
9	Decrease in Merger Hold Harmless Adjustment	1\		(1,416,338)	(1,042,657)
10					
11	Net Plant-Related Rate Base Increase			38,104,637	31,015,376
12					
13	Cumulative Rate Base Increase			38,104,637	69,120,013
14					
15	Rate Base			$323,346,095	$354,361,471

		2009	2010	2011
1\	Depreciable Tax Plant:			
	Rate Base Additions		$60,780,700	$55,904,041
	Retirements		4,820,000	4,820,000
	Net Additions		55,960,700	51,084,041
	Year-end Depreciable Tax Plant	366,144,543	422,105,243	473,189,284
	Tax Rate		6.74%	6.41%
	Tax Depreciation		28,436,403	30,333,853
	Year-end Book Depreciable Plant	616,196,765	672,157,465	723,241,506
	Average Book Depreciable Plant		644,177,115	697,699,486
	Book Rate (excluding Providence, RI office)		3.38%	3.38%
	Book Depreciation		$21,753,323	$23,560,729
	Rate Year Book Depreciation		20,069,816	20,069,816
	Increase in Book Depreciation		1,683,507	3,490,913
	Book / Tax Depreciation-Related Timer		6,683,080	6,773,125
	Federal Tax Rate		35.00%	35.00%
	Increase Federal Deferred Taxes		$2,339,078	$2,370,594
	Decrease in Merger Hold Harmless Adjustment		($1,416,338)	($1,042,657)

Testimony of
Susan L. Fleck