

National Grid

The Narragansett Electric Company

INVESTIGATION AS TO THE PROPRIETY
OF PROPOSED TARIFF CHANGES

Testimony and Schedules of:

Robert L. O'Brien

Book 5 of 9

June 1, 2009

Submitted to:
Rhode Island Public Utilities Commission
Docket No. R.I.P.U.C. _____

Submitted by:

nationalgrid

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

Docket No. R.I.P.U.C. _____

Witness: O'Brien

PRE-FILED DIRECT TESTIMONY

OF

ROBERT L. O'BRIEN

Table of Contents

I.	Introduction and Qualifications	1
II.	Purpose of Testimony	3
III.	Revenue Requirement	4
IV.	Cash Working Capital	57
V.	Expense Reconciliation Adjustment Mechanisms	60
VI.	Revenue Decoupling Mechanism	65
VII.	Conclusion	69

I. Introduction & Qualifications

Q. Please state your name and business address.

A. My name is Robert O'Brien and my business address is 1753 Via Mazatlan, Rio Rico, Arizona 85648.

Q. By whom are you employed and in what capacity?

A. I am the sole member of O'Brien Innovative Regulatory Solutions, LLC. For purposes of my work on this assignment, I am retained by and work through Black & Veatch Corporation ("B&V") as a Senior Advisor.

Q. Please describe your business experience and educational background.

A. I formed O'Brien Innovative Regulatory Solutions in January 2008 on my retirement from B&V. Prior to January 2008, I was employed by B&V in its separate operating sector, Enterprise Management Solutions, as a Principal Consultant since January 2005 when B&V acquired R.J. Rudden Associates ("Rudden") where I was employed as a Vice President since January 2000. In my positions with B&V and Rudden, I have provided services to clients in the areas of Strategic Planning, State Regulatory Operations, Financial Planning, Administrative Cost Allocations, Rate Case Preparation, Rate Case Management and Rate Case Model Design. Prior to joining Rudden, I was employed by Citizens Communications Company (formerly Citizens Utilities Company) ("Citizens") from 1975 to 1999, holding the positions of Vice President, Strategic Planning and Regulatory Affairs for Citizens' Public Utilities Sector (1997 to 1999) and Vice President, Corporate Regulatory Affairs (1978 to 1997) and Manager of Special

1 Studies (1975 to 1978). From 1967 to 1975, I was employed as a controller by
2 companies in the Printing, Educational, Financial and Communications industries. Prior
3 to 1967, I was employed by Ernst & Young and attained the status of Senior Auditor after
4 four years, including two years work experience during the 5-year work-study program at
5 the University of Cincinnati. I graduated from the University of Cincinnati in 1965 with
6 a Bachelor of Business Administration with a major in Accounting. I am a Certified
7 Public Accountant.

8
9 **Q. Have you previously testified before the Rhode Island Public Utilities Commission**
10 **("Commission") or any other regulatory commissions?**

11 A. I have not previously testified before the Commission, but I have testified or presented
12 testimony in over 200 proceedings before the state regulatory commissions in Arizona,
13 California, Colorado, Hawaii, Idaho, Illinois, Indiana, Montana, Nevada, Ohio,
14 Pennsylvania, Tennessee, Vermont and West Virginia for utility operations of electric,
15 natural gas, communications, water and sewer utility companies. I have presented
16 testimony in company-specific proceedings for general rate increases, commission
17 ordered rate reviews, purchased energy pass through proceedings, initial certification
18 proceedings, acquisitions and sales of utility companies, disaster relief requirements and
19 recovery of acquisition premiums. I have testified on the subjects of all rate base
20 elements including deferred income taxes and cash working capital and on revenues, rate
21 design and rate of return. In addition, I have testified regarding all operating expenses,
22 including income taxes. Finally, I have testified in generic proceedings related to income

1 taxes, purchased energy pass through clauses and changes in regulation of the
2 communications and electric industries.

3
4 **II. Purpose of Testimony**

5 **Q. What is the purpose of your testimony?**

6 A. The purpose of my testimony in this proceeding is to support the revenue requirement for
7 The Narragansett Electric Company d/b/a National Grid ("Company") for the rate year
8 ending December 31, 2010 ("Rate Year"). This includes the sharing of net synergy
9 savings associated with the National Grid/KeySpan transaction, cash working capital
10 ("CWC"), expense recovery tracking mechanisms for pension expense, other post-
11 employment benefits ("OPEBs"), Incremental inspection and Maintenance ("I&M")
12 Program costs, commodity-related uncollectible accounts and administrative expenses,
13 and revenue decoupling.

14
15 **Q. How is your testimony organized?**

16 A. My testimony is organized into several sections. The first section will present the details
17 of the Company's revenue deficiency for the Rate Year including the sharing of net
18 synergy savings and the CWC. Next, I will discuss the Company's proposed
19 Pension/OPEB Adjustment Mechanism, I&M Program recovery and the proposed
20 Standard Offer Service Cost Adjustment Mechanism. Finally, I will discuss the
21 Company's proposed Revenue Decoupling Mechanism ("RDM").

Q. Are there any schedules accompanying your testimony?

A. Yes, there are. Attached to my testimony are the following schedules:

Schedule NG-RLO-1	Summary of Revenue Deficiency
Schedule NG-RLO-2	Schedules Supporting the Revenue Deficiency
Schedule NG-RLO-3	Allocation of Net Synergies from the National Grid/KeySpan Transaction
Schedule NG-RLO-4	Cash Working Capital Study
Schedule NG-RLO-5	Calculation of Proposed Pension/OPEB Reconciliation Illustrative Example
Schedule NG-RLO-6	Standard Offer Service Cost Adjustment Factors
Schedule NG-RLO-7	Illustration of Proposed Revenue Decoupling Mechanism
Schedule NG-RLO-8	Company proposal in Docket 3617 to add two additional sites to the site eligibility list in the environmental fund mechanism

III. Revenue Requirement

Q. What is the basis for the Company's revenue requirement?

A. The Company's revenue requirement is based on the historic financial results for the twelve months ended December 31, 2008 ("Test Year"). The Company adjusted the Test Year results for known and measurable changes occurring through the Rate Year. The Rate Year cost of service also includes pro forma adjustments for operating expenses,

1 taxes other than income taxes, and income taxes as will be described later in my
2 testimony.

3
4 **Q. What is the revenue increase proposed by the Company in this proceeding?**

5 A. A summary of the revenue increase requirement is shown on Schedule NECO-RLO-1.
6 Column (b), line 7, shows the total revenue increase of \$75,285,321. This is composed of
7 two components. First, the revenue increase associated with base distribution rates is
8 \$65,533,534 as shown on line 3 of that same column. The second component on line 5 in
9 the amount of \$9,751,787 reflects uncollectible amounts related to Standard Offer
10 Service (commodity-related) revenues, along with associated CWC and administrative
11 costs, for which recovery through a commodity reconciliation mechanism is being
12 proposed. This revenue increase, as summarized in column (c), is required to allow the
13 Company the opportunity to earn a rate of return of 8.98 percent on its invested rate base
14 of \$623,948,473 which is shown on line 17.

15
16 **Q. Have you prepared a schedule supporting the total distribution revenue**
17 **requirement of \$281,076,526 shown on line 3 in column (c)?**

18 A. Yes, I have. Schedule NG-RLO-2 contains 39 pages which provide the support for the
19 total revenue requirement of \$281,076,526, column (h), line 2. The revenue from the
20 commodity reconciliation mechanism of \$9,751,787 and the other revenue of \$7,699,395
21 are shown in column (h) on lines 3 and 4 respectively. The total proposed revenue on
22 line 5 of \$298,527,708 is equal to the total on Schedule NG-RLO-1, column (c), line 11.
23 Since the revenues related to the commodity reconciliation mechanism are separate from

1 the base rates and will be collected with the commodity expenses, the \$9,751,787 on line
2 3 is removed from the revenue increase request on line 7 and the distribution revenue
3 requirement of \$288,775,921 is shown in column (h) on line 8. The increase in
4 distribution revenue of \$65,533,534 in column (g) on line 8 is required to attain the
5 revenue requirement of \$288,775,921 for the Rate Year. The total revenue requirement of
6 \$288,775,921 is based on a cost of service for the Rate Year of \$232,745,348, a net
7 income of \$56,030,573 which results from a rate base of \$623,948,473 and a rate of
8 return on rate base of 8.98 percent as shown in column (h) on lines 35, 37, 39 and 42,
9 respectively.

10
11 **Q. Is the Company requesting proposed rates based on this underlying cost of service?**

12 A. Yes, it is. The proposed rate design and tariffs offered by Company witness Mr. Gorman
13 reflect the cost of service total revenue requirement of \$288,775,921 for the Rate Year
14 included on Schedule NG-RLO-2, column (h), line 8, which supports the Company's
15 distribution revenue requirement.

16
17 **Q. Please describe the methodology used to make known and measurable changes and**
18 **pro forma adjustments to the test year.**

19 A. The revenue requirement analysis is based on results for the historical year ended
20 December 31, 2008 which were adjusted to remove any merger-related costs to achieve
21 ("CTA") charged to the Company related to both the National Grid/Southern Union and
22 National Grid/KeySpan transactions. The adjusted Test Year also reflects known and
23 measurable changes as well as adjustments to recognize the Integrated Facilities

1 Agreement ("IFA") between the Company and its affiliate, New England Power
2 Company ("NEP"), for Company billings to NEP for use of Company owned
3 transmission facilities. Both of these adjustments are shown on Schedule NG-RLO-2,
4 page 1, in columns (b) and (c), respectively, and will be discussed individually later in
5 this testimony. The Company next made pro-forma adjustments to operating results to
6 reflect anticipated cost and revenue changes through the end of the Rate Year, which are
7 summarized in column (e) of page 1. In addition to the exclusion of commodity-related
8 uncollectible costs from the distribution cost of service as previously described, pro-
9 forma adjustments were made to operation and maintenance expenses as summarized on
10 Schedule NG-RLO-2, Page 4, depreciation expense and income and other taxes. Each
11 adjustment will be individually addressed later in my testimony.

12
13 **Q. Please describe the adjustments the Company has made to the operating revenue.**

14 A. First, as shown in column (a) on page 1, the Company has removed all revenue related to
15 non-distribution operations and is using its Test Year recorded Distribution (line 2) and
16 Other Revenue (line 4) as the basis for the determination of the revenue deficiency in this
17 proceeding. The pro-forma adjustment in column (e) on line 2 provides for the
18 normalization of revenues at present rates for the Rate Year as supported by the
19 testimony of Company witness Mr. Gorman. Likewise, the pro-forma adjustment on
20 line 4 reflects various service offerings such as reconnection fees at present rates.
21 Finally, the revenue adjustment on line 3 in column (g) amounting to \$9,751,787 reflects
22 the revenue associated with the commodity reconciliation mechanism related to the
23 Company's proposal to recover commodity-related uncollectible costs along with

1 associated CWC and administrative costs through a reconciling mechanism outside of
2 base rates. Lines 17 of page 1, reflects the offsetting expense for these commodity
3 related costs. In order to isolate a true distribution revenue requirement, both the revenue
4 and expense related to this commodity-related cost have been removed as shown on lines
5 7 and 26, respectively. The Adjusted Pro Forma revenue of \$223,242,387 shown on line
6 8 in column (f) therefore reflects the normalized and adjusted distribution revenue for the
7 Rate Year at present rates.

8
9 **Q. Please describe the known and measurable expense adjustments summarized on**
10 **page 1, column (b) of Schedule NG-RLO -2.**

11 A. The Known and Measurable Adjustments add, remove or change elements recorded on
12 the Company's accounting records during the Test Year, to establish a normalized Test
13 Year distribution level of operating expenses. Each of these adjustments is shown on
14 pages 2 and 3 of Schedule NG-RLO-2.

15
16 **Q. Please describe the known and measurable adjustments to test year operating**
17 **expense shown on page 2.**

18 A. The first adjustment on line 2 removes costs for Standard Offer Service from the revenue
19 requirement because these expenses are recovered outside of base distribution rates
20 through a separate mechanism and; therefore, have no impact on the revenue requirement
21 in this case. Revenues received for the recovery of these costs have also been removed
22 from the distribution revenue summarized on page 1, line 8. The remaining \$37,947
23 shown in column (d) on page 2 and columns (d), (f) and (h) on page 1 reflects purchased

1 electricity for sale to borderline customers which are not included in the commodity
2 reconciliation and are therefore included in the operating expense to be recovered in this
3 proceeding. The revenue for those sales is also included in the Adjusted Pro-Forma
4 revenue on page 1.

5
6 **Q. What are the adjustments to transmission O&M expense shown on lines 5 to 8?**

7 A. Line 5 represents an adjustment to remove transmission-related expenses incurred by the
8 Company which are recoverable outside of base distribution rates. Associated
9 transmission revenue was also excluded from the distribution revenue summarized on
10 page 1, line 8. Line 6, represents the elimination of the Company's transmission bill
11 credit from NEP for use of Company-owned transmission facilities pursuant to the IFA.
12 Line 7 represents the elimination of the transmission-related Company O&M expenses
13 being supported by NEP under the IFA. Other transmission-related items supported by
14 NEP pursuant to the IFA, such as transmission-related rate base components,
15 depreciation expense and municipal and other taxes have also been removed from the
16 distribution revenue requirement determination in this proceeding.

17
18 **Q. Please describe adjustment "C".**

19 A. This adjustment removes expenses related to the Company's energy efficiency activities
20 which are recovered outside of the Company's base distribution rates and therefore
21 should not be considered in this distribution rate proceeding. Associated revenue was
22 also excluded from the distribution revenue summarized on page 1, line 8.

1 **Q. What is the nature of the merger-related costs to achieve and why are they removed**
2 **in adjustment “D”?**

3 A. These costs reflect the actual CTA merger synergies for the National Grid/Southern
4 Union and National Grid/KeySpan transaction recorded during the Test Year which are
5 excluded from the Company’s expenses in the Test Year. These costs are addressed in
6 the net synergy calculations discussed later in this testimony.

7
8 **Q. Please describe the various items in adjustment “E”.**

9 A. Adjustment “E” contains several other operating expense elements which were either
10 added to or subtracted from Test Year expenses to reflect normalized distribution expense
11 levels. These adjustments include the removal of the net impact of a November 2007
12 storm which was charged to the Company’s storm contingency fund in the Test Year
13 (line 18), the elimination of other O&M expenses supported by NEP pursuant to the IFA
14 (line 19) and the elimination of one-time general advertising costs which are related to re-
15 branding (line 21). In addition, line 20 shows an adjustment to regulatory commission
16 expense to increase the Test Year recorded amount, which was based on an accrual
17 estimate, to reflect the actual charge for Test Year regulatory commission expense. Line
18 22 shows the reclassification of 2008 ice storm related costs which were incorrectly
19 recorded on the Company’s books in 2008 and subsequently reclassified in January 2009.
20 Finally, line 23 reflects the reclassification of commodity related administrative expenses
21 which are included as a component of the commodity reconciliation mechanism as shown
22 on line 39.

1 **Q. Please describe adjustment “F”.**

2 A. Adjustment “F” contains several elements including changes in uncollectible expenses
3 for regulatory purposes and also to isolate specific Test Year expenses to which inflation
4 should not be applied through the Rate Year.

5
6 First, the uncollectible expense recorded in the Test Year of \$12,748,167 in column (a)
7 on line 27 is reduced by \$527,517 as shown on line 28 to reflect a two-year average of
8 charge-offs for ratemaking purposes, as reflected on page 25, line 24. Next the charge-
9 offs related to the Standard Offer Service and Last Resort Service in the amount of
10 \$7,861,885 are excluded from distribution revenue as shown on line 29. These
11 commodity-related uncollectibles costs are also reflected as a component of the Standard
12 Offer Service commodity expenses as shown on line 38. The net amount of \$4,358,765
13 in column (d), line 29 reflects the net charge-offs for distribution service for the Test
14 Year.

15
16 The next adjustment shown on line 30 reflects the classification of charitable donations as
17 an operating expense for ratemaking purposes. Finally, the amounts on lines 31 and 32
18 are isolated from the other O&M amounts simply because these Test Year items will not
19 be increased for inflation to develop a Rate Year level of operating expenses as described
20 later in my testimony.

1 **Q. Please describe the Standard Offer Service commodity amounts on lines 38 to 41.**

2 A. These amounts reflect the components of costs to be recovered by the proposed Standard
3 Offer Service Cost Adjustment mechanism. The \$7,861,885 on line 38 is the net charge-
4 off amount for the Standard Offer Service which was removed from the net charge-offs in
5 the uncollectible expense adjustment on line 29. This amount is also shown on Schedule
6 NG-RLO-2, page 25, line 18 and in Schedule NG-RLO-6. The \$201,785 on line 39
7 represents the administrative expenses related to the commodity revenue and expense that
8 was removed on line 23 and is also supported in Schedule NG-RLO-6. Finally, the
9 \$1,688,117 reflects the CWC requirement associated with the commodity expense and
10 the gross receipts taxes ("GRT") related to the commodity revenue. This amount is
11 discussed in the CWC portion of my testimony. This total amount, \$9,751,787 on line
12 41, is shown as both a revenue and expense component in the development of the Rate
13 Year amounts and is then removed from both revenue and expense for the purposes of
14 calculating the distribution portion of the presentation.

15
16 **Q. Please describe the gross receipts tax adjustment shown on line 44.**

17 A. This adjustment removes GRT expense to coincide with the exclusion of GRT revenues
18 from distribution revenues on page 1, line 8, as GRT is simply a pass-through to
19 customers and there are no revenues included in the Test Year distribution revenue
20 amounts included in the revenue on lines 2 to 7 of page 1 of Schedule NG-RLO-2.

1 **Q. Finally, please explain what the removal of the investment tax credit (“ITC”)**
2 **amortization on line on line 48 represents.**

3 A. This removes the non-IFA portion of the annual amortization of the ITC that is recorded
4 on the Company’s books and amortized to expense each year. As will be described in
5 connection with the income tax expense calculation on page 29, for regulatory purposes,
6 the amortization of the ITC in the amount of \$487,749 in column (b) is used as an income
7 tax credit to reduce income tax expense and not simply to reduce the operating expense.
8 The remaining ITC amortization shown in column (d) in the amount of \$103,807 is
9 applicable to IFA and is adjusted on page 3, column (c), line 18 of Schedule NG-RLO-2.
10

11 **Q. Please describe the adjustments on page 3 regarding the IFA other expenses.**

12 A. These adjustments remove the expenses which are being supported by NEP pursuant to
13 the IFA from the five expense categories shown on the page. The amounts in column (a)
14 reflect the Test Year recorded total amounts for each expense, while the adjustments in
15 column (c) removes components for the IFA portion of the expense which results in the
16 portion of each expense correctly charged to distribution expense for the Test Year. The
17 payroll tax adjustment in column (b) reflects the reclassification of the payroll tax portion
18 of the reclassification of 2008 ice storm related costs previously discussed.
19

20 **Q. Please summarize how these adjustments to the Company’s recorded amounts, as**
21 **shown on Schedule NG-RLO-2, page 1, provide the starting point for the**
22 **Company’s pro forma adjustments.**

1 A. As shown on page 1, lines 11 to 33 in columns (b) and (c), each of these Known &
2 Measurable and IFA adjustments remove or adjust certain expenses to provide the
3 Adjusted Per Books 12/31/08 expenses shown in column (d) which are the Test Year
4 distribution expenses. The expenses in column (d) are the base for the pro forma
5 adjustments to reflect Rate Year operating expenses as will be discussed in connection
6 with each expense amount.
7

8 **Q. What are the adjustments shown in column (e) of Schedule NG-RLO-2, page 1?**

9 A. These pro forma adjustments are calculated changes in the revenue and expenses that are
10 necessary to reflect revenue and expense levels for the Rate Year. The \$215,542,992
11 shown on line 2 in column (f) is the Adjusted Pro Forma distribution revenue under
12 present rates incorporating forecasted number of customers, customer usage and other
13 components for the Rate Year. This Adjusted Pro Forma distribution revenue is
14 \$4,103,999 less than the Test Year distribution revenue amount of \$219,646,991. The
15 adjustment to other revenue of \$346,207 reflects the results of changes in rates for
16 various service offerings such as reconnection fees which result in a net increase in
17 revenues. Mr. Gorman's testimony contains the calculation of the revenue adjustment
18 and the Company's sales forecast is presented by Company witness Alfred P. Morrissey.
19 These adjustments result in total Adjusted Pro Forma revenue at present rates of
20 \$223,242,387 as shown on line 8 in column (f).
21

22 **Q. Please describe the \$18,470,006 adjustment in column (e) on line 15.**

1 A. This amount is comprised of several adjustments which are summarized on Schedule
2 NG-RLO-2, page 4, Pro Forma Operating Expense Adjustments. The \$18,470,006 is
3 comprised of 18 separate adjustments as shown on lines 3 to 37 of page 4. The first
4 adjustment for Salary and Wages (“S&W”) increases Test Year expense by \$3,092,128 as
5 shown on page 5, line 43, column (f) to provide the Rate Year expense for S&W.

6
7 **A. Salary and Wage Adjustment**

8 **Q. How was the S&W adjustment calculated?**

9 A. As shown on page 5, lines 33 to 42, the \$3,092,128 is the total change in S&W for the
10 Company, the National Grid Service Company (“NGSC”) and the KeySpan Service
11 Company (“KSC”) from the recorded Test Year amounts to the pro forma Rate Year
12 amounts. The Company calculations are shown on page 5, lines 1 through 33, while the
13 NGSC adjustment on line 35 is calculated on page 6 and the KSC adjustment on line 36
14 is calculated on page 7. The preliminary S&W adjustment for the Rate Year is
15 \$3,292,842 as shown on line 38. The final adjustment to S&W, a reduction of \$200,714
16 on line 40, reduces the total Rate Year S&W adjustment for the portion of the change in
17 S&W that would be applicable to the IFA. Removing this \$200,714 provides the final
18 adjustment to the distribution S&W of \$3,092,128 shown on line 42.

19
20 **Q. What is the base for the Rate Year adjustment for the Company?**

21 A. The base for the NECO Rate Year calculation, shown on line 11 of page 5, is the number
22 of employees at January 1, 2009 at the wage rates for each employee at that date. This
23 provides total annualized Test Year S&W base amounts for union and non-union

1 employees at January 1, 2009. After removing Demand Side Management (“DSM”) or
2 energy efficiency-related charges on line 12, which are also removed from the recorded
3 Test Year amounts on line 2, the annualized wages on line 13 are increased for the union
4 and non-union wage increases for 2009 as shown in column (a) on lines 15 and 16 for the
5 period they will be in effect in column (b). The resulting pro forma 2009 annualized
6 wages on line 18 are then increased by wage increase rates for 2010 as shown on lines 20
7 and 21 at the wage increase rate in column (a) for the period those increases will be in
8 effect through the end of the Rate Year as shown in column (b). The resulting total base
9 S&W for the Rate Year is shown on line 22. Line 24 reflects the portion of those total
10 S&W amounts charged to O&M expense using the O&M factor calculated on line 5 for
11 both union and non-union employees. Finally, the Test Year non-executive variable pay
12 and overtime charged to O&M increment from the Test Year (lines 7 and 8 respectively)
13 to the Rate Year level is calculated on lines 26 to 29 using the same procedures described
14 for base S&W. The resulting Rate Year total O&M for union, non-union and in total is
15 calculated on line 31 in columns (c), (d) and (e) respectively. The total Rate Year S&W
16 charged to O&M of \$24,003,168 in column (f) requires an adjustment of \$2,164,651 over
17 the Test Year amount as shown in column (f), line 33 to provide for the Rate Year S&W
18 charged to O&M expense for the Company.

19
20 **Q. Do these calculations result in a reasonable S&W pro forma expense for the**
21 **Company for the Rate Year?**

22 **A.** Yes, they do. These procedures reflect the annualized Test Year complement of
23 employees and wage rates, which are increased by wage rate changes through the Rate

1 Year and also use the S&W distribution experienced by the Company during the Test
2 Year. The pro forma adjustment for the Rate Year therefore reflects changes in wage
3 rates for the existing employee complement. Any adjustments for changes in personnel
4 or other elements are reflected in separate adjustments and will be discussed later in my
5 testimony in connection with those adjustments.
6

7 **Q. Please explain the pro forma S&W adjustment for NGSC on line 35 of Schedule**
8 **NG-RLO-2, page 5.**

9 A. This adjustment of \$1,049,310, which is detailed on page 6, follows the same basic
10 procedures described for the Company's S&W adjustment. Lines 1 to 9 show the NGSC
11 S&W charged to the Company for the Test Year by component. Line 11 reflects the
12 same S&W annualization procedure for NGSC that was used for the Company. The
13 difference is that only a portion of those total S&W for NGSC are charged to the
14 Company. Using the percentages on line 16 for union and non-union S&W, which are
15 based on the 2008 charges from NGSC to the Company, the annualized NGSC S&W
16 charged to the Company is shown on line 17 in columns (c) and (d) for union and non-
17 union respectively and the total of \$27,068,622 is shown on line 17 in column (e). The
18 remainder of the calculation procedures are the same as those described for the Company
19 and result in a pro forma adjustment increasing the Test Year S&W charged to O&M by
20 \$1,049,310, as shown on line 38 and brought forward to page 5 on line 35.
21

22 **Q. How was the pro forma S&W adjustment for KSC calculated?**

1 A. The pro forma S&W for the KSC charges were calculated using the same procedures
2 described for the NGSC in connection with the calculations on page 6, the only
3 difference being that there are no DSM S&W to exclude. The amount of the pro forma
4 adjustment for the S&W charged to the Company from KSC is an increase of \$78,881 as
5 shown on line 39 and brought forward to page 5, line 36.

6
7 **Q. How was the adjustment for the IFA determined?**

8 A. The adjustment to the Rate Year S&W adjustment for the IFA amounts on page 5, line 40
9 was determined in two steps. First the total portion of the adjustment related to
10 transmission was removed. Second, the portion related to the general expense was
11 reduced by 4.64 percent. The total of these two components is \$200,714 which
12 represents the portion of the pro forma S&W adjustment applicable to the IFA.

13
14 **Q. How was the 4.64 percent calculated?**

15 A. The 4.64 percent is the average wage allocator for IFA charges for 2008. This was used
16 because it is the most recent allocator and serves as a proxy for the Rate Year.

17
18 **Q. What is the total S&W adjustment to the Company's Test Year expense?**

19 A. As shown on Schedule NG-RLO-2, page 5, line 38, the total gross adjustment required to
20 reflect the Rate Year S&W expense is \$3,292,842. This is then reduced by \$200,714 on
21 line 40 to reflect the portion of this adjustment applicable to the IFA resulting in a net
22 adjustment for Rate Year S&W on line 42 of \$3,092,128, which is also shown on
23 Schedule NG-RLO-2, page 4, line 3.

1 **Q. Does this process for adjusting the Test Year S&W expense provide a reasonable**
2 **Rate Year S&W amount?**

3 A. Yes, it does. The base for the calculations are the S&W charged to expense for the Test
4 Year, annualized to a level for employees and wage rates at the end of the Test Year for
5 each of the three operating entities. This amount is then increased by wage increases for
6 2009 and 2010 for the number of months those increases will be effective, which results
7 in a pro forma amount of S&W for the Rate Year. These amounts are then reduced to
8 reflect the percentages charged to the Company, where applicable and the percentages
9 charged to O&M expense which provides a Rate Year S&W amount that reflects the
10 S&W expense to the Company for the Test Year brought forward to the Rate Year for
11 changes in rates for those employees.

12
13 **B. Medical and Dental Expense**

14 **Q. Please describe the next adjustment on Schedule NG-RLO-2, page 4, line 5.**

15 A. This adjustment of \$713,244 is for the increase for Medical and Dental expenses to
16 reflect a Rate Year expense as calculated on Schedule NG-RLO-2, page 8.

17
18 **Q. Please describe the calculations on page 8.**

19 A. Line 1 of Schedule NG-RLO-2, page 8 reflects the medical and dental expense for the
20 Company for the Test Year by corporate entity for the Company, NGSC and KSC in
21 columns (c), (d) and (e), respectively. The total Test Year charge to expense of
22 \$4,200,405 is shown in column (f) on line 1. Lines 4 and 5 show the medical and dental
23 costs per employee for each company and line 9 shows the number of employees electing

1 medical coverage. The total medical expense costs for 2009, shown on line 12, uses the
2 medical cost per employee by company on line 4 times the number of employees electing
3 medical coverage on line 9. Similarly, the total dental expense for 2009, shown on line
4 13, uses the dental cost per employee by company on line 5 times the number of
5 employees on line 9, which is adjusted downward to reflect only those employees
6 electing dental coverage as determined by the ratio of the number of employees electing
7 medical coverage as compared to those electing medical coverage in footnote 1. This
8 provides the 2009 expense for medical and dental coverage for each of the companies as
9 shown on line 14.

10
11 This amount is then increased for a rate change as shown in column (a) on lines 18 and
12 19 for medical and dental coverage and supported by Mr. Dowd for the period during
13 2010 that these new rates will be effective. The resulting amounts on line 20 reflect the
14 total medical and dental costs for the Rate Year. These costs are then reduced to reflect
15 the percent charged to the Company (line 23) and the percent charged to O&M expense
16 (line 24) to determine the total Rate Year expense for the Company of \$4,948,354 shown
17 on line 26 in column (f). The preliminary adjustment to increase medical and dental
18 expense of \$747,949 shown on line 28 in column (f) is then reduced by the portion
19 applicable to the IFA activities, or \$34,705, as shown on line 30. The net adjustment to
20 the Company's O&M expense for the Rate year of \$713,244 is shown on line 32 and also
21 on line 5 of Schedule NG-RLO-2, page 4.

1 **Q. Is the \$4,948,354 for medical and dental expense a reasonable amount for the Rate**
2 **Year 2010?**

3 A. Yes, it is. This amount reflects expenses for the employees working for the Company at
4 the end of the Test Year with costs increased to reflect Rate Year levels. There are no
5 increases in employee numbers or changes in allocation or O&M factors from those in
6 the Test Year, only changes in the rates which provide Rate Year costs for those services.

7
8 **C. Group Insurance Expense**

9 **Q. Please describe the adjustment for group insurance of \$48,661 shown on line 7 of**
10 **Schedule NG-RLO-2, page 4.**

11 A. This adjustment, which is calculated on page 9, uses the change in O&M wages from the
12 Test Year to the Rate Year for the Company and NGCS to determine the increase
13 required relative to group insurance expense. The Test Year group insurance expense of
14 \$632,356 is shown on line 1 and is increased by the percent increase in Rate Year O&M
15 wages for the Company and NGSC as calculated on lines 13 to 17 and reflected on line
16 17 column (d). The \$51,029 adjustment on line 3 is reduced by the applicable allocation
17 for the IFA of \$2,368 on line 5 and the resulting net adjustment of \$48,661 on line 7 is
18 added to the Test Year amount on line 1 for the Rate Year pro forma expense of
19 \$681,017. The adjustment of \$48,661 is shown on line 7 of page 4 of Schedule NG-
20 RLO-2.

21
22 **Q. Why is the pro forma Rate Year group insurance amount of \$681,017 allocated to**
23 **the Company and NGSC as shown on line 21?**

1 A. These allocated amounts will be used in subsequent pro forma adjustments to determine
2 employee benefits expenses for the Rate Year.
3

4 **Q. Why are there no group insurance expenses for KSC on this schedule?**

5 A. The group insurance expenses for KSC employees charged to the Company have been
6 included in the medical and dental expense calculated on page 8.
7

8 **D. Pension Expense**

9 **Q. Please describe the adjustment for pension expense shown on page 4, line 9 of**
10 **Schedule NG-RLO-2.**

11 A. This adjustment, calculated on page 10, shows pension expense for the Test Year on line
12 1 in column (e) of \$910,946, the pro forma pension expense for the Rate Year on line 6 of
13 \$5,598,712, and the preliminary adjustment required of \$4,687,767 on line 7 in column
14 (f). This amount is reduced by the portion applicable to the IFA of \$217,512 on line 9.
15 The net adjustment for the Company expense of \$4,470,254 is shown on line 11. The pro
16 forma calculation begins with a forecast from Hewitt and Associates of total pension
17 costs calculated pursuant to FAS87, shown on line 3 in columns (a) to (c) for the
18 Company, NGSC, and KSC, respectively. Line 4 shows the percent of the total pension
19 cost for each company charged to the Company based on the calculations shown on lines
20 17 to 26 while line 5 shows the percent of each company charge that is included in the
21 Company's O&M expense based on the S&W for each company as calculated on lines 28
22 to 32. The pro forma pension expense for the Company for the Rate Year is the result of
23 multiplying the total actuarial forecast amount on line 3 by the percent charged to the

Company on line 4 and then by the percent charged to O&M expense on line 5. The pro
forma Rate Year adjustment of \$4,470,254 is shown on line 11 and also on Schedule NG-
RLO-2, page 4, line 9.

**Q. Is the Company proposing a recovery mechanism for changes in pension expenses
after the rate year?**

A. Yes. The Company is proposing to establish a Pension/OPEB Adjustment Mechanism
("POAM") that would recognize changes in expense from the amounts included in the
Rate Year expenses and would operate outside of base distribution rates. This will be
described later in my testimony.

**Q. Does the establishment of the POAM change the amount for pension expense to be
included in the base distribution rates for the Rate Year?**

A. No, it does not. The POAM will reflect only future changes in the pension and OPEB
expenses, using the Rate Year expense as the base for the future rate changes and
reconciliations.

E. OPEB Expense

**Q. Please describe the adjustment on Schedule NG-RLO-2, page 4, line 11 for OPEB
expense in the amount of \$1,070,902.**

A. This adjustment calculated on page 11, reflects the increase in OPEB expense for the
Rate Year. This is based on the total cost from a forecast from Hewitt and Associates of
total OPEB costs calculated pursuant to FAS106 as shown on line 4, the percent charged

1 to the Company on line 7 and the percent charged to O&M expense on line 8. These
2 factors provide a total Rate Year expense amount of \$8,200,595 as shown on line 10,
3 column (e) which is \$1,070,902 greater than the Test Year recorded amount shown on
4 line 1 in column (e) of \$7,129,693. This adjustment of \$1,070,902 is also reflected on
5 Schedule NG-RLO-2, page 4, line 11.
6

7 **Q. Why is there no reduction for an amount applicable to the IFA for the OPEB**
8 **expense?**

9 A. There is no adjustment because, in accordance with the current provisions of the IFA,
10 allocated OPEB costs are limited to an allocation of amounts up to \$5.4 million of total
11 Company OPEB costs. Because total OPEB cost for both the Test Year and Rate Year
12 exceeded \$5.4 million, no additional allocated OPEB costs are allowed under the current
13 provisions of the IFA. Consequently, no IFA adjustment is made to the Rate Year
14 adjustment for total OPEB expense.
15

16 **Q. Will the OPEB portion of the POAM mentioned for pension expense also be**
17 **discussed later in your testimony?**

18 A. Yes, it will.
19

20 **F. Thrift Plan – Company Match**

21 **Q. How is the adjustment of \$144,870 on line 13 for the Company match portion of the**
22 **employee thrift plan calculated?**

1 A. This amount is calculated on page 12 using the same basic procedures as used for the
2 calculation of the Rate Year group insurance adjustment. Line 1 shows the Company
3 match expense for the Test Year of \$1,397,322. This amount is increased by the S&W
4 percentage increase, as calculated on Lines 15 through 19, resulting in adjustment of
5 \$151,919 as shown on line 3. .This adjustment of \$151,919 on line 3 is then reduced by
6 the portion applicable to the IFA of \$7,049 on line 5 and the net adjustment of \$144,870
7 is shown on line 7. It is also on Schedule NG-RLO-2, page 4, line 13. The total Rate
8 Year Employee Thrift Plan – Company Match amount of \$1,542,192 is than allocated to
9 each company as shown on lines 21 and 23 of page 12 for use in future calculations as
10 will be described later in my testimony.

11
12 **G. Information Services Leasing Expense**

13 **Q. What is the adjustment on line 15 on Schedule NG-RLO-2, page 4?**

14 A. This adjustment reflects the reduction in expense for the Rate Year for amortization of
15 Information Services (“IS”) projects charged to the Company, as shown on page 13 of
16 Schedule NG-RLO-2. This adjustment reflects the net impact of the reduction of existing
17 annual amortization related to projects that are ending between the Test Year and the end
18 of the Rate Year in the amount of \$696,592 and the addition of annual amortization for
19 new projects in the amount of \$264,437 as shown on lines 6 and 8, respectively. The net
20 change, \$432,155, is the reduction to Test Year Expense shown on line 7 of page 13.
21 This is reduction in Rate Year expense is reduced by the portion applicable to the IFA of
22 \$20,052 on line 9 which results in a net reduction in IS amortization expense for the Rate
23 Year of \$412,103, as shown on line 11 and also on line 15 of page 4.

H. Facilities Capital Improvement Rent Expense

Q. Please describe the \$554,455 adjustment for the rents expense related to facilities capital improvements shown on line 17 of Schedule NG-RLO-2, page 4.

A. This adjustment, as shown on Schedule NG-RLO-2, page 14, lines 1 to 11, reflects rent expense charges to the Company for its share of the capital improvements to be incurred by NGSC for the Reservoir Woods and Northboro facilities in Massachusetts, as supported by the testimony of Mr. Pettigrew. These allocated costs, totaling \$581,434, are not included in rent expense for the Test Year but will be recorded as rent expense by the Company during the Rate Year, as the facility improvements will be placed into service prior to the end of the Rate Year and will be used in providing service to the Company and its customers. This amount is reduced by the applicable portion for the IFA of \$26,979 on line 9 resulting in an adjustment for the Company in the Rate Year of \$554,455 on line 11 and also shown on line 17 of Schedule NG-RLO-2, page 4.

I. Contracted Union Minimum Staffing

Q. What is the next adjustment on Schedule NG-RLO-2, page 4?

A. The adjustment on line 19 of Schedule NG-RLO-2, page 4 reflects the additional Rate Year expense for contractual requirements for minimum staffing under the existing union agreements. The Company's union contracts require minimum hiring levels in 2009 and 2010. In accordance with those provisions, the Company has calculated an increase in S&W charged to expense for the Rate Year of \$900,321 as shown on line 1. These S&W expense charges are increased for payroll taxes and employee benefits as shown on line 4 through 12. These amounts represent Rate Year amounts charged to expense as

1 calculated for each component and compared to the total S&W charged to O&M expense
2 to develop a percent ratio of payroll taxes and employee benefits to S&W to be used to
3 reflect the payroll taxes and employee benefits related to the minimum contractual
4 requirement shown on line 1. The percentages for each of the components on lines 4 to
5 11 are shown in column (a). The total 59.12 percent on line 12 was segregated into
6 O&M and payroll tax components of 51.37 percent 7.75 percent, respectively, to properly
7 reflect each expense adjustment. Applying these individual percentages to the Rate Year
8 contracted union hiring expense of \$900,321 results in an employee benefit expense
9 adjustment of \$462,481 as shown on Line 18 and a payroll tax expense adjustment of
10 \$69,782 as shown on line 22. The total adjustment to Rate Year expense of \$1,362,802
11 for the S&W and employee benefits is shown on line 20 and also on line 19 on Schedule
12 NG-RLO-2, page 4. The remaining adjustment for the increase in payroll taxes of
13 \$69,782 is included with the adjustment to payroll taxes calculated on Schedule NG-
14 RLO-2, page 27 on line 23. This increases the total Rate Year expense for the contracted
15 union hiring requirement to \$1,432,583 as shown on line 24 in column (d).

16
17 **J. Consumer Advocates**

18 **Q. Please describe the adjustment for consumer advocates shown on Schedule NG-**
19 **RLO-2, page 4, line 21.**

20 **A.** This adjustment, which is calculated on page 16, provides for the addition to the
21 Company's staff of two employees as presented in the testimony of Company witness
22 Rudy Wynter. The Company has used a base salary level of \$60,000 for each employee
23 and has provided for the standard benefits package by using the ratio of current payroll

1 taxes and employee benefits for employees during the Rate Year. This is accomplished
2 by using the same ratio factor for payroll taxes and employee benefits used for the
3 contracted union minimum staffing adjustment as shown on lines 4 through 16. This
4 results in an increase for the employee benefits of \$61,643 shown on line 18 and for
5 payroll taxes of \$9,300 shown on line 22. The adjustment for the S&W and employee
6 benefits of \$181,643 is shown on line 20 and also on line 21 of Schedule NG-RLO-2,
7 page 4. The remaining adjustment for the increase in payroll taxes of \$9,300 is included
8 with the adjustment to payroll taxes calculated on Schedule NG-RLO-2, page 27, line 24.
9 The total Rate Year expense for the customer assistance advocate personnel is \$190,943
10 as shown on line 25 in column (d).

11
12 **K. Postage Expense**

13 **Q. What is the postage expense adjustment shown on Schedule NG-RLO-2, page 4, line**
14 **23?**

15 A. The postage expense adjustment provides for an increase in the Test Year postage
16 expense to cover the postage rate increase announced by the United States Postal Service
17 ("USPS") for 2009 and also for an increase in 2010 for postage expense based on
18 inflation from 2009 to 2010. The percent increase for 2009 of 3.8 percent is based on the
19 2009 average change in CPI-U, as prepared by the Postal Regulatory Commission. As
20 shown on lines 1 to 5, the 3.8 percent increase results in an increase from the Test Year
21 expense of \$1,847,291 to \$1,917,488, or an increase of \$70,197. The use of the change
22 in the GPD Deflator index from 2009 to 2010 provides an increase of an additional 0.25
23 percent which will be effective for approximately 64 percent of the Rate Year. The

1 combination of these factors requires an additional increase for postage expense of
2 \$3,073 (\$1,920,561 on line 11 minus \$1,917,488 on line 5) for a total increase for postage
3 expense of \$73,270 as shown on line 13 and also on Schedule NG-RLO-2, page 4, line
4 23.

5
6 **L. Rate Case Expense**

7 **Q. How was the adjustment for rate case expense determined?**

8 A. The rate case expense amortization adjustment on Schedule NG-RLO-2, page 4, line 25
9 was calculated on page 18 and reflects a two-year amortization of the costs incurred by
10 the Company for the preparation and processing of this general rate application. The
11 costs on lines 9 to 15 of page 18 reflect the current estimates for costs for legal and
12 consulting services as well as estimated costs for the Rhode Island Division of Public
13 Utilities and Carriers and the Commission during this proceeding. Cost estimates were
14 provided by each professional group totaling \$1,730,000 as shown on line 15 and also on
15 line 1. The Company has chosen a two-year recovery period, which is reasonable in light
16 of the current economic environment. Based on required infrastructure investments and
17 the inevitable inflationary and economic cost pressures on operating expenses, the
18 Company believes that more frequent rate cases are likely unavoidable. Adoption of the
19 Company's decoupling proposal, as discussed in the testimony of Ms. Tierney, may
20 allow for somewhat less frequent rate case applications. This two-year recovery period
21 results in an annual amortization amount of \$865,000 is shown on line 5 and also on line
22 25 of page 4 of Schedule NG-RLO-2.

1 **M. Inflation**

2 **Q. Please describe the inflation adjustment shown on schedule NG-RLO-2, page 4, line**
3 **27.**

4 A. This adjustment is designed to adjust Test Year expenses that have not been specifically
5 adjusted elsewhere to expected Rate Year levels. The calculation on page 19 starts with
6 the \$118,643,112 which is the recorded Test Year O&M expense shown on Schedule
7 NG-RLO-2, page 1, line 13, column (d) after the Known and Measurable Adjustments
8 and adjustments for the IFA have been reflected as shown in columns (b) and (c)
9 respectively. The \$118,643,112 is then reduced by Test Year amounts that are being
10 adjusted to the Rate Year on other pages within NG-RLO-2. For example, line 5 shows a
11 reduction for medical and dental expenses in the amount of \$4,200,405 which represents
12 the Test Year medical and dental costs charged to the Company's O&M as reflected on
13 page 8, line 1, column (f). Since there is a separate pro forma Rate Year adjustment for
14 medical and dental expense, it must be removed from the total expense that will be
15 subject to an inflation adjustment. The same is true for each of the other expenses listed
16 on lines 4 through 13. Once these expenses are reduced from the Test Year O&M
17 expense and an adjustment of \$1,171,742 is made on line 17 to remove the portion of the
18 remaining expense allocable to the IFA, the resulting \$51,494,455 on line 19 needs to be
19 adjusted to reflect inflation from the Test Year to the Rate Year level for those expenses.

20
21 **Q. How is the adjustment for the change to the Rate Year calculated?**

22 A. The inflation adjustment was made in two steps. First, as shown on lines 21 to 25, an
23 inflation factor based on the change in the GPD Deflator from mid year to mid year was

1 computed on lines 36 through 38. The Test Year expenses were increased by 0.705
2 percent, as calculated on line 37, column (b), representing mid year 2008 to mid year
3 2009 inflation, resulting in an adjustment of \$363,036 shown on line 23 which resulted in
4 a 2009 pro forma expense amount of \$51,857,491 shown on line 25. The inflation factor
5 of 0.251 percent on line 38, column (b) for mid year 2009 to mid year 2010, was then
6 applied to the pro forma 2009 expenses and the adjustment of \$130,162 (line 29) was
7 added to the pro forma 2009 expenses resulting in a Rate Year expense amount of
8 \$51,987,653 as shown on line 31. The total adjustment for inflation of \$493,198 is
9 shown on line 33 and also on Schedule NG-RLO-2, page 4, line 27.
10

11 **Q. Why is it necessary to have this inflation adjustment?**

12 A. This inflation adjustment is required so all Test Year expenses are reflected in the Rate
13 Year at cost levels pro forma for the Rate Year. Each of the other expenses that were
14 removed from the adjusted Test Year O&M expense are separately adjusted or calculated
15 to reflect the cost levels anticipated for the Rate Year. This inflation adjustment applies
16 the same principle to the expenses not part of a specific calculation, such as S&W or
17 medical and dental expense.
18

19 **N. Seasonal Employees**

20 **Q. Please describe the adjustment for seasonal employees on Schedule NG-RLO-2,**
21 **page 4, line 29.**

1 A. This adjustment, calculated on page 20, provides the Rate Year expense for seasonal
2 employees that the Company has historically used and will continue to use during the
3 summer and fall seasons to bolster its field collection services.
4

5 **Q. Why were these seasonal employees not included in the S&W adjustment described**
6 **in connection with Schedule NG-RLO-2, page 5?**

7 A. These employees were not on the Company payroll at January 1, 2009, which is the date
8 used by the Company in its annualization of Test Year S&W as calculated on page 5.
9 These seasonal employees are normally hired in mid-May of the year and serve for
10 approximately five and one-half months through mid-November. As such there is no
11 provision in the pro forma S&W amount for these seasonal employees.
12

13 **Q. How did you calculate the pro forma adjustment for the seasonal employees?**

14 A. First the Company determined it would hire 20 seasonal employees for the Rate Year as
15 shown on lines 1 to 3 of Schedule NG-RLO-2, page 20. Next the average S&W per
16 seasonal employee for 2008 of \$35,178, line 5, was calculated and was increased by the
17 union increase factor for 2009 of 3.0%, line 6, and also for the union increase factor for
18 2010 of 3.0%, line 9. These adjustments increased the 2008 per employee annualized
19 S&W expense to \$37,320 as shown on line 10. This annual per employee S&W expense
20 was then multiplied by the number of seasonal employees on line 3 for an annual S&W
21 amount of \$746,400 (line 12). Since the seasonal employees work only five and one-half
22 months the annual amount is reduced to reflect only the portion of the year they are
23 expected to work, resulting in a seasonal amount of \$342,100 on line 16. This seasonal

1 employee S&W expense is then increased for the applicable workers' compensation
2 insurance costs as shown on lines 18 through 22 and for applicable payroll taxes on lines
3 26 through 30. The total adjustment to expense of \$382,314 on line 32 is reflected in two
4 pro forma adjustments. The adjustment for S&W and workers' compensation of
5 \$355,797 (line 24) is included with the pro forma adjustments summarized on Schedule
6 NG-RLO-2, page 4 (line 29) while the adjustment for the payroll taxes is included with
7 the payroll tax adjustment as summarized on Schedule NG-RLO-2, page 27, line 25.

8
9 **O. Uncollectibles Mitigation Plan**

10 **Q. Please describe the adjustment for collection activities relating to the uncollectible**
11 **mitigation plan on Schedule NG-RLO-2, page 4, line 31.**

12 A. As discussed in the testimony of Company witness Mr. Wynter, the Company has
13 implemented its plans to increase its collections efforts, which it believes is necessary to
14 avoid higher rates of account write-offs in the present economic environment. The
15 Company calculated the increase in the level of outbound and inbound call volume
16 resulting from increased collections activity and determined that an adjustment of
17 \$376,255 was necessary in order to reflect full implementation of the uncollectibles
18 mitigation plan. This adjustment amount is shown on page 21, line 9 and on line 31 of
19 page 4.

20
21 **P. Economic Development Program**

22 **Q. Please describe the adjustment for economic development expense on Schedule NG-**
23 **RLO-2, page 4, line 33.**

1 A. The proposed Economic Development Program is a program to provide grants to
2 individual commercial/industrial customers with infrastructure issues that are barriers to
3 the growth or retention of their business in the Company's service area and public or
4 quasi-public, not-for-profit economic development organizations involved in key
5 development or revitalization projects in the Company's service area, as discussed in the
6 testimony of Ms. Fields. The pro forma adjustment, shown on Schedule NG-RLO-2,
7 page 22, line 5 and on page 4, line 33, amounts to \$1,000,000.

8
9 **Q. Vegetation Management Expense**

10 **Q. What is the adjustment on Schedule NG-RLO-2, page 4, line 35?**

11 A. This adjustment, which is calculated on NG-RLO-2, page 23, provides for an increase in
12 the Test Year vegetation management expense associated with the ramp-up in the
13 Company's strategic plan relative to vegetation management, as discussed in the
14 testimony of Mr. Pettigrew. The adjustment of \$1,985,323 shown on line 9 of page 23
15 reflects the incremental annual program costs above those amounts included in the Test
16 Year. Total vegetation management expense of \$7,037,460 for the Test Year is shown on
17 line 12. This is then separated into the portion for S&W and the non-S&W portion,
18 reflecting the incremental nature of the non-S&W portion in the amount of \$6,284,171, as
19 shown on line 16. This amount is then brought to line 1 and when compared to the Rate
20 Year non-S&W spending level of \$8,809,494 on line 7, generate a Rate Year pro-forma
21 adjustment of \$1,985,323, as shown on Schedule NG-RLO-2, page 23, line 9 and on page
22 4, line 35.

1 **R. Inspection and Maintenance Program**

2 **Q. Please describe the adjustment for the increase in the Company's inspection and**
3 **maintenance program expenses for the rate year shown on line 37 of schedule NG-**
4 **RLO-2, page 4.**

5 A. As discussed in the testimony of Mr. Pettigrew, the Company is planning to implement a
6 new I&M Strategy, which is designed to provide the Company with comprehensive
7 system-wide information on the condition of overhead and underground system
8 components. As a result of the increased level of inspections planned for the Rate Year
9 over those conducted in the Test Year, additional Rate Year costs will be incurred. These
10 costs, which are reflected on NG-RLO-2, page 24, include increased inspection and
11 repair-related O&M and benefits and payroll tax costs associated with the higher level of
12 inspections, as well as an increase in operating expenses related to the capital
13 expenditures required as a result of the increase in the inspection effort. The Test Year
14 cost for the Company of \$2,581,867 is shown on line 1. The Rate Year O&M levels are
15 shown on lines 4 to 6 in column (a), the total of which is \$4,146,635, as shown on line 7,
16 column (b). Finally, the benefits and payroll tax cost associated with the increased
17 inspections amounting to \$529,537 is reflected on line 9 in column (a), resulting in a total
18 Rate Year I&M program cost of \$4,676,172, as shown on line 9 in column (b). The
19 I&M pro forma adjustment of \$2,094,305 is shown on line 11 and also on Schedule NG-
20 RLO-2, page 4, line 37.

21
22 **Q. Is the Company proposing a prospective reconciliation mechanism for its I&M**
23 **program expenses?**

1 A. Yes. As with the Pension/OPEB expenses, the Company is proposing a prospective
2 reconciliation mechanism for changes in expense over or under the Rate Year level of
3 I&M O&M costs of \$4,146,635 costs. This will be discussed later in my testimony.
4

5 **Q. Is the total for the pro forma adjustments on Schedule NG-RLO-2, page 4, line 39,**
6 **included on Schedule NG-RLO-2, page 1?**

7 A. Yes, it is. The total of the pro forma adjustments to O&M expense of \$18,470,006 on
8 page 4, line 39 is included on page 1, line 15, column (e).
9

10 **Q. Please describe the adjustment for uncollectible expense shown on Schedule NG-**
11 **RLO-2, page 4, line 42.**

12 A. The adjustment for uncollectibles is based on use of a two year average of net charge-offs
13 to operating revenue as shown on page 25, lines 1 to 5. The average of the net charge-
14 offs for the years 2007 and 2008 of 1.0975 percent shown on line 5 in column (d) is used
15 for the determination of the uncollectible expense at present rates and also for the
16 calculation of uncollectibles for the revenue increase as shown on Schedule NG-RLO-2,
17 page 1, column (g), line 16. As shown on page 25, lines 8 to 12, use of the total delivery
18 revenue for the Test Year of \$397,154,007 and the average charge-off percent of 1.0975
19 produces a Test Year expense of \$4,358,765, as shown on line 16. The use of the same
20 1.0975 percent produces a Test Year charge-off expense related to the commodity
21 revenue of \$7,861,885, as shown on line 18. The total of these two charge-off amounts is
22 \$12,220,650, reflected on line 20, is \$527,517 (line 24) less than the recorded
23 uncollectible amount for the Test Year of \$12,748,167 (line 22). This \$527,517 is

1 included as a Known and Measurable reduction, as shown on Schedule NG-RLO-2, page
2 2, column (b), line 28.

3
4 The final calculation, on lines 27 to 35 on page 35, reflects the net charge-off adjustment
5 necessary for the changes in revenues at present rates for the Rate Year, in the amount of
6 \$57,549. The change in the distribution revenue in column (c) on line 27 reflects the pro
7 forma adjustment on Schedule NG-RLO-2, page 1, line 2, column (e). The pro forma
8 reductions in the non-distribution revenues on lines 28 to 30 reflect the Rate Year
9 changes in those other delivery revenues. The total reduction in Rate Year revenue of
10 \$5,243,619 on line 31 results in a reduction in pro forma charge-offs for the Rate Year at
11 present rates of \$57,549, which is shown on line 35 and also on Schedule NG-RLO-2,
12 page 1, column (e) on line 16.

13
14 **Q. Is the Company proposing to continue the Environmental Response Fund?**

15 A. Yes. As shown on line 20 in Schedule NG-RLO-2, page 1, the Company has maintained
16 an allowance of \$3,078,000, which is the annual contribution to the storm fund that was
17 approved in R.I.P.U.C. Docket No. 3617. In addition, a tariff provision has been created
18 which takes the environmental response fund provisions from the settlement in Docket
19 No. 3617 and embeds them in a tariff. This can be found in Schedule NG-HSG-11.

20
21 **Q. Is the Company proposing any additions to the list of sites?**

22 A. Yes. On August 8, 2007, the Company proposed in R.I.P.U.C. Docket No. 3617 to add
23 two additional sites to the site eligibility list. However, no action to either approve or

1 deny the request was taken by the Commission. A copy of the filing is included as
2 Schedule NG-RLO-8 to my testimony. The two additional sites added to the list are
3 described in the filing letter. They are the J.M. Landfill Site and the Quonset Point Site.
4

5 **Q. Is the Company proposing to continue the operation of the storm contingency fund?**

6 A. Yes. The Company is proposing to continue the fund with no changes to the annual
7 contribution. The annual contribution of \$1,041,000 is included in "Other Operation &
8 Maintenance Expenses".
9

10 **Q. What are the adjustments for net synergy cost of service allowance shown on**
11 **Schedule NG-RLO-2, page 4, lines 46 to 50?**

12 A. Those adjustments represent the impact on the Rate Year of the net synergy savings of
13 the National Grid/KeySpan transaction. The \$6,200,000 on line 46 represents the net
14 steady state annual synergy savings expected to be achieved, in excess of synergy savings
15 experienced in the Test Year. The \$2,100,000 on line 48 represents the annual amount of
16 the ten-year levelized CTA associated with the Transaction and finally the \$3,250,000 on
17 line 50 represents the Company share of the net synergy savings. Schedule NG-RLO-3
18 details the calculation of these items and will be described below.
19

20 **Q. Please describe Schedule NG_RLO-3.**

21 A. Schedule NG-RLO-3 contains 8 pages which provide the detail calculations supporting
22 the adjustments on lines 46 to 50 of Schedule NG-RLO-2, page 4. Page 1 shows a

summary of the calculation of each of those adjustment amounts. Pages 2 to 8 provide the details for the adjustments.

Q. Would you please provide an overview of the methodology for allocating the projected net synergy savings of the transaction?

Yes. As detailed in Schedule NG-RLO-3, 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 and used in this jurisdiction in Docket No. 3943 for the Gas Division to ensure no more or less than full allocation of net synergy savings is achieved. This methodology uses Transmission and Distribution ("T&D") revenues for each company to arrive at the allocation percentage for each company. The amount of estimated synergies and CTA 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 transaction?

A. In R.I.P.U.C. Docket No. 3943, Company Witnesses Feibelman and Levin estimated total annual synergies of \$200 million, as shown on page 2, column (c) of Schedule NG-RLO-3, based on the synergy savings from the integration of all regulated and unregulated activities of the combined National Grid/KeySpan companies, which was accepted as the

1 basis for the net synergy savings in Docket No. 3943. They also estimated one-time CTA
2 to be \$400 million, as shown on Schedule NG-RLO-3, page 3, column (c). Those
3 amounts remain valid and will be used for the calculations of the net synergy savings in
4 this proceeding.

5
6 **Q. Is it anticipated that this total projected synergy savings will be realized in the first**
7 **year of the rate plan?**

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

10
11 **Q. What are the phase-in percentages used to approximate the time it takes to fully**
12 **ramp up savings to 100%?**

13 A. The first-year synergy savings achieved are expected to be 50% and by year four it is
14 expected that 100% of the annual synergy savings will be achieved as shown on Schedule
15 NG-RLO-3, page 4 column (b). The CTA phase-in is shown in column (a).

16
17 **Q. What about CTA related to the synergy savings?**

18 A. As previously mentioned, CTA is estimated at \$400 million, as shown on page 3 in
19 column (c). The methodology employed to allocate the CTA is the same as the allocation
20 of synergy savings, using T&D revenues for each regulated delivery company and the
21 allocations to unregulated operations discussed below, to allocate each company's share
22 of the costs to achieve.

1 **Q. Are the CTA expected to be incurred in one year?**

2 A. No. The CTA are anticipated to be incurred over the ten-year period after the close of the
3 merger, with most costs incurred in the first three years as shown on Schedule NG-RLO-
4 3, page 5, lines 20 through 37.

5
6 **Q. Please provide a more detailed description and explanation of each page of Schedule**
7 **NG-RLO-3?**

8 A. As mentioned, this schedule contains eight pages showing a summary of the net
9 synergies, as well as supporting detail for those summary amounts. Page 1 reflects the
10 summary showing each element of the net synergy savings which will be described in
11 connection with the page supporting each amount. Line 1 shows the steady state annual
12 synergies for the fourth year which is used as the base year to measure the synergy
13 savings as shown on page 5, line 16, column (d). This \$8.6 million is reduced by the
14 synergies included in the Test Year of \$2.4 million as shown on page 7, line 23 for a net
15 synergy saving adjustment of \$6.2 million in the rate year. Line 7 of page 1 contains the
16 annual amount for the ten-year levelized CTA, as shown on page 6, line 3 in column (d),
17 which is subtracted from the steady state annual synergies on line 1 to show the net
18 steady state annual synergies of \$6.5 million on line 9. Line 11 reflects one-half of the
19 net steady state annual synergies shared by customers and the Company, which is shown
20 by year on page 8.

21
22 **Q. Please describe Schedule NG-RLO-3, page 2 of 8, the calculation of synergy value.**

1 A. The companies listed on page 2 represent the utility subsidiaries of National Grid,
2 KeySpan and Long Island Power Authority ("LIPA"), as well as a line for unregulated
3 businesses. Column (a) reflects the T&D revenues for 2004 taken from state regulatory
4 annual reports for each company. The year 2004 is used as there were reports available
5 at the time the original analysis was performed. This data is used to retain a consistent
6 calculation for the net synergies from company-to-company and year-to-year. The
7 revenue amount shown for LIPA is an estimate of its 2004 T&D delivery revenue
8 exclusive of fuel revenues. The unregulated amounts including non-LIPA generation are
9 based on administrative and general expense and exclude any commodity-related
10 revenues. Column (b) calculates the individual company percentage of total revenues on
11 line 17. Finally, column (c) allocates the total annual synergy savings amount of \$200
12 million based on the percentages in column (b). The result is the allocation of annual
13 synergy savings of \$200 million among the companies. The amount for the Company is
14 \$8,003,390 as shown on line 15 in column (c). This \$8,003,390 is used as the base for
15 the calculation of each year's synergy amount for the calculation of synergy on page 5,
16 line 16. For example, the \$4,001,695 on line 16, column (a) is the result of the
17 \$8,003,390 times the 50 percent synergy multiplier for year 1 on page 4, line 1 in column
18 (b).

19
20 **Q. Please describe Schedule NG-RLO-3, page 3 of 8, the calculation of CTA?**

21 A. The methodology used to allocate the projected CTA the savings of \$400 million is
22 identical to that used to allocate the gross synergy savings as discussed above. The
23 amount for the Company is \$16,006,779, as shown on line 15, column (c). This

1 \$16,006,779 is used as base for the calculation of each year's CTA amount for the
2 calculation of the CTA on page 5, line 35. For example, the \$6,161,009 on line 35,
3 column (a) is the result of the \$16,006,779 times the 38.49 percent CTA multiplier for
4 year 1 on page 4, line 1 in column (a)

5
6 **Q. Please describe Schedule NG-RLO-3, page 4, the phase-in rates.**

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

15
16 The estimate of total annual synergy savings of \$200 million is stated in first-year-after-
17 the-close-of-the-merger dollars. It is assumed that labor and non-labor costs upon which
18 the savings are based will escalate over the 10 years after the close of the merger. This
19 combined labor and non-labor weighted escalation rate is assumed to be 2.50% per
20 annum, as shown in the footnotes on page 5. Column (c) compounds this escalation rate
21 and translates it to a cumulative multiplier for each year to be applied to the Year 1 base
22 synergy savings amount. These multipliers are calculated by multiplying 1.025 times the
23 previous year multiplier, with the first year multiplier equal to 1. The synergy multiplier,

1 shown in column (b), represents escalated synergy phase-in percentages and is calculated
2 by multiplying column (d) by column (c). This reflects the fact that, although synergies
3 are not phased in completely until Year 4, the base amount of synergies is escalating in
4 each of those years. This also explains why Year 4 total synergies shown on page 2 are
5 greater than the \$200 million of “full” annual synergies.

6
7 **Q. Is a similar escalation calculation performed for the CTA?**

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

10
11 **Q. Would you now describe Schedule NG-RLO-3, page 5 of 8, or net synergy savings**
12 **by year?**

13 A. Yes. Page 5 of this schedule reflects the actual allocation of the synergies and CTA to
14 each company, by year for years 1 to 10 and in total. Columns (a) through (j) reflect each
15 year after the close of the merger and column (k) the total.

16
17 **Q. Please describe the first section titled “synergies”.**

18 A. The amounts in the first section, or synergies on lines 1 to 18, are calculated by first
19 multiplying the total expected annual synergy savings of \$200 million in the year-after-
20 the-merger-date dollars, by the synergy multiplier from column (b) of Page 4 for each
21 year. These annual results are then allocated to the individual companies based on the
22 synergy savings allocation, from page 2, column (b). The annual results represent
23 phased-in synergy savings, escalated at a rate of 2.50% annually.

1 **Q. Please describe the second section, titled “Costs to Achieve”?**

2 A. The amounts shown in the second section for CTA on lines 20 to 37 are calculated by
3 first multiplying the total expected costs to achieve, or \$400 million, by the costs to
4 achieve phase-in percentages, as shown on page 4, column (a). These annual results are
5 then allocated to the individual companies using the allocation factors shown on page 3,
6 column (b). The results reflect the annual costs by year for each company, with the total
7 of all companies for all 10 years equaling the total projected costs to achieve, or \$400
8 million.

9 **Q. Please now describe the last section on page 2, labeled “Net Synergies.”**

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

13
14 **Q. Please continue with page 6 of Schedule NG-RLO-3.**

15 A. As shown on page 6 of the schedule, the Company is proposing a ten-year levelized
16 recovery of CTA. The annual amortization will be reconciled to the actual CTA recorded
17 by the Company once known. As shown on page 6, \$11,684,457 is the net present value
18 (“NPV”) of total CTA estimated to be allocated to the Company. These costs, expected
19 to be incurred over a period of years were present valued at a discount rate equal to the
20 pre-tax weighted average cost of capital in the proceeding. That NPV amount was then
21 levelized, with return, at the same rate over a ten-year period. The resulting annual
22 amortization \$2,100,000 (\$2,076,436 on line 3, rounded) would be recoverable in the
23 Company’s cost of service over the ten-year period.

1 **Q. Please describe page 7 of 8.**

2 A. Page 7 shows the calculation of the annual merger savings for the calendar year 2008 and
3 the percent allocated to the Company. The total of \$67.9 million represents actual total
4 synergies experienced in the test year, with the Company's share being \$2.4 million of
5 the total.

6
7 **Q. Please summarize how the net synergies associated with the National Grid/KeySpan**
8 **transaction have been reflected in the cost of service?**

9 A. As indicated earlier and summarized on Schedule NG-RLO-3, page 8, a portion of the
10 synergies expected from the National Grid/KeySpan transaction are included in the Test
11 Year cost of service in the amount of \$2.4 million as shown on line 1 in column (a).
12 Therefore the resulting incremental steady state annual synergy amount is \$6.2 million
13 (\$8.6 million in total steady state savings minus \$2.4 million already achieved).
14 Consistent with the ratemaking treatment of net synergies approved by the Commission
15 in Docket 3943, the Company is proposing a 50 percent customer / 50 percent Company
16 sharing of net synergy savings, as well as an advance of steady state net synergies to
17 customers in this proceeding. The year four steady state amounts in column (b) are used
18 for the 2010 Rate Year in column (c) providing a cost of service deduction equal to the
19 total estimated National Grid/KeySpan transaction savings, or \$8.6 million on line 1,
20 offset by the ten-year levelized annual CTA of \$2.1 million, for a net annual savings to
21 customers of \$6.5 million as shown on line 5. The sharing of this amount to both
22 customers and the Company equates to \$3.25 million, as shown on line 7 in column (c),
23 with the Company's portion reflected as an expense adjustment in the cost of service.

1 Therefore, the three adjustments included on Schedule NG-RLO-2, page 4, lines 46, 48
2 and 50 are to decrease Rate Year expenses for the steady state net synergies in the
3 amount of \$6.2 million; increase Rate Year expenses for the levelized recovery of the
4 CTA of \$2.1 million, and to reflect the 50/50 sharing of the steady state net synergies of
5 \$3.25 million, respectively. These adjustments are also shown on Schedule NG-RLO-2,
6 page 1, column (e) on lines 31, 21 and 32, respectively.
7

8 **Q. Is there anything about the Company's approach relative to net synergy savings**
9 **which would require Commission approval?**

10 A. Yes. Because the ten-year amortization of costs to achieve would be recoverable in the
11 Company's cost of service over the ten-year period commencing January 1, 2010,
12 Commission approval would be required for the creation of a regulatory asset under FAS
13 71 for the deferral and future amortization of CTA.
14

15 **Q. Please describe the pro forma adjustment for municipal taxes shown on Schedule**
16 **NG-RLO-2, page 1, line 22, column (e), in the amount of \$2,125,909.**

17 A. This adjustment, calculated on page 26 of the schedule, increases the distribution-related
18 municipal tax expense from the Test Year of \$17,959,422 on line 1 to \$20,085,331 on
19 line 15. The increase reflects the use of a three-year annual average for the increase in
20 distribution-related municipal taxes from 2005 to 2008. The distribution expense for
21 municipal taxes of \$17,873,924 on line 4 is increased by the average factor of 3.82
22 percent for 2009 and then again for 2010. The Rate Year total municipal tax on line 10
23 of \$19,265,574 is stepped down to 99.67 percent to reflect municipal taxes associated

1 with operating property only, as calculated in footnote 2. The resulting adjustment of
2 \$2,215,909 is shown on line 13 and also on page 1, column (e), line 23.
3

4 **Q. Please describe the calculation of the payroll tax pro forma adjustment of \$360,817**
5 **on Schedule NG-RLO-2, column (e), line 24.**

6 A. This adjustment, calculated on page 27, contains several components which are
7 summarized on lines 22 to 25. The first component, \$255,220 on line 22 is calculated on
8 lines 1 through 3. This reflects the changes in payroll taxes resulting from the changes in
9 S&W described in connection with the S&W adjustments on pages 5 through 7 for the
10 Company, NGSC and KSC respectively. The 7.64 percent increase in S&W from the
11 Test Year to the Rate Year is used to increase the Test Year payroll tax expense as shown
12 on lines 1 and 2. This increase of \$255,220 on line 3 is allocated back to each entity on
13 lines 17 and 19 for use in other calculations. The second payroll tax adjustment of
14 \$69,782 on line 23 is related to the S&W increase for the union contracted hiring
15 requirement calculated on page 15. The third adjustment of \$9,300 on line 24 is related
16 to the consumer advocate positions calculated on page 16, while the final component of
17 the adjustment of \$26,515 on line 25 is for the seasonal employees calculated on page 20.
18 The total adjustment on line 26 of \$360,817 is also included on page 1, line 24 in column
19 (e).
20

21 **Q. Please describe the calculation of the depreciation expense for the Rate Year and the**
22 **adjustment of \$2,281,902 shown on Schedule NG-RLO-2, page 1, line 22, column (e).**

1 A. This adjustment is calculated on page 28 using average depreciable plant for the Rate
2 Year and the depreciation rates recommend by Mr. Kateregga for distribution and general
3 plant. The average depreciable plant for the Rate Year, \$1,219,578,698 on line 36 is
4 multiplied by the composite depreciation rate of 3.40 percent on line 38 which results in
5 the pro forma Rate Year depreciation expense of \$41,465,676 on line 41. This is also
6 shown on line 1 and when compared to the adjusted per books depreciation expense for
7 the Test Year of \$39,183,774 on line 2, the resulting adjustment of \$2,281,902 was
8 required and is reflected on page 1, line 22, column (e).

10 **Q. How did you determine the average depreciable plant for the Rate Year?**

11 A. The calculation of average depreciation and general depreciable plant is detailed on page
12 28 which shows the various calculations and also the source of various amounts. In
13 summary, total distribution utility plant at December 31, 2008 (line 7) was used as the
14 starting point. First, the non-depreciable plant was removed as shown on line 8 and then
15 the plant to be added and retired in 2009 was included which provided a depreciable plant
16 balance pro forma at December 31, 2009 (line 13). This was averaged with the year-end
17 2008 depreciable plant (line 9) and used for the calculation of 2009 depreciation expense
18 which is included in the accumulated depreciation at the end of 2009. These calculations
19 are shown on lines 7 to 23. The calculations for 2010 are shown on lines 26 to 44. Line
20 28 shows the depreciable plant at December 31, 2009 which is increased by the net
21 additions and retirements for 2010 and the year end 2010 depreciable plant balance of
22 \$1,252,467,721 is shown on line 34. The average depreciable plant for the Rate Year of
23 \$1,219,578,698 on line 36 is multiplied by the composite distribution and general rate

1 from the depreciation study presented by Mr. Kateregga on line 38 and the resulting pro
2 forma depreciation expense for the Rate Year of \$41,465,676 is on line 41.

3
4 **Q. Please describe the income tax expense calculation shown on Schedule NG-RLO-2,**
5 **page 1, line 33, columns (f), (g) and (h).**

6 A. The income tax expense calculations, pro forma at present revenue levels, for the revenue
7 increase and pro forma at proposed revenue levels are made on page 29. Line 1 reflects
8 the revenue from page 1, line 8 in columns (f), (g) and (h). Line 2 reflects the operating
9 expenses from lines 11 to 32 on page 1 in columns (f), (g) and (h). Line 3 shows the
10 removal of the expense related to the Medicare Act Reimbursement Act which is not
11 allowed as an expense deduction in the calculation of income taxes. The total on line 5
12 for each column reflects the operating income before income taxes. Column (a) on lines
13 7 and 8 reflect the rate base of \$623,948,473 and the weighted cost of debt of 3.17
14 percent portion of the rate of return on 8.98 percent that are used in the calculation of the
15 revenue requirement on page 1. The rate base times the weighted cost of debt results in a
16 synchronized interest expense amount (line 9) which is used to reduce operating income
17 before income taxes. This synchronizes the interest expense used in the income tax
18 calculation with the interest expense component of the rate of return used to set the
19 revenue requirement needed to provide a return on rate base. Lines 14 to 16 show the
20 adjustment to operating income after income taxes for the difference between pro forma
21 Rate Year tax and book depreciation. This provides the Rate Year current taxable
22 income and current year tax expense as shown on lines 19 to 23. However, because the
23 regulatory treatment for book/tax timing differences in Rhode Island is to normalize those

1 differences, a deferred income tax expense is shown on line 25 which removes the
2 book/tax timing differences from the calculation of pro forma income tax expense. In
3 addition to the adjustment for the deferred income taxes there are two additional
4 adjustments to the income tax expense for the Rate Year.

5
6 **Q. Please describe those additional adjustments.**

7 A. The first adjustment, line 26, increases the Rate Year income tax expense by \$650,000 to
8 provide for the recovery of an unfunded deferred income tax catch-up as provided for in
9 Third Amended Stipulation and Settlement in R.I.P.U.C. No. 2930, pages 26 and 27. The
10 recovery of the deficiency in the Company's deferred taxes is included as it meets the
11 criteria as per that settlement: this is the first COS rate case filed to change rates after the
12 rate freeze period defined in that settlement, the annual amortization is less than \$1
13 million, and the period for the amortization is no less than five years. The second
14 adjustment is to reduce income tax expense by \$487,749 for the amortization of the
15 investment tax credit. This amount is reflected on the Company's Test Year accounting
16 records as an expense as described in connection with the Known & Measurable charge
17 adjustment i. on Schedule NG-RLO-2, page 2, line 48, column (b). The Company
18 correctly reflects this as an expense for financial reporting but it is removed and reflected
19 as a tax reduction in the income tax calculation for regulatory purposes.

20
21 **Q. What is the amount of income tax expense for the Rate Year?**

22 A. The income tax expense pro forma at proposed revenue levels is \$18,999,287 as shown
23 on page 29, line 29 in column (d) and also on page 1, column (h) on line 33. The income

1 tax expense at pro forma at present revenue levels and on the revenue increase are shown
2 in columns (f) and (g) respectively on each line.
3

4 **Q. How was the Rate Year Rate Base shown on Schedule NG-RLO-2, page 1, line 39,**
5 **columns (f) and (h) determined?**

6 A. The support for the Rate Year rate base is contained on pages 30 to 38 of Schedule NG-
7 RLO-2. Page 30 contains a summary of the rate base components showing the balances
8 for the Test Year ended five-quarter average in column (a) and the balances for the Rate
9 Year in column (c). Each of the elements is supported by calculations on pages 31 to 38
10 and will be discussed in connection with those pages.
11

12 **Q. Please describe the calculations of the plant in service on Schedule NG-RLO-2, page**
13 **30, line 1.**

14 A. These calculations reflect a five-quarter average of distribution plant in service balances
15 for the Test Year in column (a) and the Rate Year in column (c). The adjustment in
16 column (b) reflects the difference between the Rate Year and Test Year for distribution
17 plant. The Test Year five-quarter average is calculated on page 31, line 1 and reflects the
18 difference between the five-quarter average for total plant on page 33, line 1 and the IFA
19 plant on page 32. The amounts on page 33 reflect the total Company amounts at the end
20 of each quarter beginning with the quarter ended December 31, 2007 in column (a) and
21 December 31, 2008 in column (e) with the five-quarter average shown in column (f).
22 Similar amounts for plant under the IFA are shown on page 32. The amounts on page 32
23 (IFA) are deducted from the amounts on page 33 (total Company) and the results are

1 reflected on page 31 for the distribution-only plant. The average balance on page 31, line
2 1, column (f) is then recorded on page 30, line, column (a).

3
4 **Q. Are the same procedures followed for the remaining rate base elements on page 30?**

5 A. Yes, they are. The five-quarter average for each rate base element for the Test Year is
6 calculated on pages 31 to 33 and brought forward to page 30.

7
8 **Q. How is the distribution plant in service for the Rate Year determined?**

9 A. The rate year five-quarter average for distribution plant in service is calculated on page
10 34 beginning with the plant in service balance at December 31, 2008 as shown on line 1
11 of page 34 and also on page 31, line 1, column (e). The 2008 plant in service balance is
12 increased by the plant additions for 2009 on line 3 and decreased by the plant retirements
13 on line 4. The change in net plant for 2009 of \$51,932,071 on line 5 is then added to the
14 December 31, 2008 balance which provides the balance at December 31, 2009, as shown
15 on line 7 of \$1,199,857,902. The 2010 net plant additions on lines 23 to 26 of
16 \$65,778,046 equal an average monthly plant addition amount of \$5,481,504, as shown on
17 line 27. This monthly addition amount is added to the plant at December 31, 2009 on
18 line 7 which results in the monthly plant in service at the end of January 2010. The same
19 procedure is used for each month in 2010 to obtain the month-end balances for each
20 month for 2010, which are shown on lines 9 to 20. The Rate Year plant in service five-
21 quarter average on line 22 is the result of adding the balances on lines 7, 11, 14, 17 and
22 20 and dividing by 5. The five-quarter average for rate year plant in service is
23 \$1,232,746,925, as shown on line 22 and also on page 30, line 1, column (c).

Q. Is the calculation for the Rate Year accumulated depreciation determined following the same procedures?

A. Yes, it is. The Test Year depreciation-related balance of \$477,960,157 is shown on page 31, line 5 column (e) and also on page 35, line 1. Similar to the procedure described with plant in service, depreciation expense is added to the accumulated depreciation and the cost of removal and retirements are deducted as shown on lines 3 to 6 of page 35. The net change is then added to the December 31, 2008 balance which results in the December 31, 2009 balance shown on line 8. The same procedures described with plant in service were followed for the monthly balances for 2010 and the resulting five-quarter average of \$516,525,305 is reflected on line 23 and also on page 30, line 5.

Q. Please describe the calculations for other rate base elements contained on page 36.

A. These calculations, as reflected in the headings for each column (a) to (f), support a component of the rate base. These include

<u>Account</u>	<u>Line on Page 30</u>	<u>Column on Page 36</u>
CIAC	4	(a)
Materials & Supplies	9	(b)
Prepayments	10	(c)
Loss on Reacquired Debt	11	(d)
Customer Deposits	17	(e)
Injuries & Damages Reserve	18	(f)

Each of these elements show the distribution-related balance at December 31, 2008 on line 1, the change for 2009 on line 3 and the balance at December 31, 2009 on line 6.

1 Following the same basic procedure used for plant in service to determine the five-
2 quarter average for 2010, the monthly change amount is calculated on lines 22 to 31 and
3 that amount is added monthly to the balance at December 31, 2009 to produce the five-
4 quarter average on line 20 which are also shown on the respective lines on page 30.

5
6 **Q. Please describe the calculation of the accumulated deferred income taxes ("ADIT")**
7 **on line 16 of page 30.**

8 A. These amounts are calculated on page 37 following the same basic procedures to
9 determine the five-quarter average previously described. The distribution-related balance
10 at December 31, 2008 is shown on line 1 with the change in the ADIT for 2009 reflected
11 on line 3 and the balance at December 31, 2009 on line 5. The monthly amount for the
12 Rate Year is calculated on lines 30 to 34 and is added to the December 31, 2009 balance
13 to show the monthly balances for 2010 as shown on lines 7 to 18 and the five-quarter
14 average is reflected on line 20. The five-quarter average of \$113,088,026 is brought
15 forward to page 30 on line 16, column (c).

16
17 **Q. How is the CWC on line 12 of page 30 determined?**

18 A. The CWC was determined using a lead lag study summarized on Schedule NG-RLO-2,
19 page 38 which shows a CWC for the Rate Year of \$17,789,123 on line 43, column (e).
20 The detail support for the summary is contained in Schedule NG-RLO-4.

21
22 **Q. Please describe the lead-lag study summary presented on page 38.**

1 A. Column (a) shows the net percent (lead), or lag, for each of the components. For
2 example, the purchased power expense shows a net revenue lag of 1.39 percent which
3 means that the Company pays for the purchased power used to provide service to its
4 customer before the customers who receive that service pay their bills to the Company.
5 The net lag is calculated by determining the number of days between the end of the
6 service period and the payment dates and subtracting the payment lag from the revenue
7 collection lag. The lag for the revenue collection is 36.34 days which is 9.93 percent on
8 the basis of one year (36.34 days / 365.25 days) as shown on Schedule NG-RLO-3, page
9 4, lines 22 and 27 respectively. The lag for the payment of purchased power costs is
10 31.27 days or 8.54 percent (31.27 days / 365.25 days) as shown on page 2. The
11 difference between the revenue collection lag of 9.93 percent and the purchased power
12 payment lag of 8.54 percent is a revenue lag of 1.39 percent. The percent is then
13 multiplied by the Rate Year expenses shown in column (d) of page 39 which results in a
14 CWC of \$10,825.672 for the total purchased power expense for the Rate Year. This same
15 process is conducted for each of the expense items and the net total is included as a CWC
16 component of rate base.

17
18 **Q. Will you provide further testimony on the CWC calculations?**

19 A. Yes, that will be provided in the testimony on the CWC Schedule NG-RLO-4.
20

21 **Q. Please describe page 39 of Schedule NG-RLO-2.**

22 A. Schedule NG-RLO-2, page 39 shows a detailed summary of the rate of return ("ROR")
23 calculation for the Company. This is supported by the testimony and supporting

1 schedules of Company witness Mr. Paul Moul. The overall ROR on line 9 in column (c)
2 of 8.98 percent is used on page 1, line 42 in the calculation of the Rate Year revenue
3 requirement and the weighted cost of debt on lines 1 and 3 in column (c) is used in the
4 calculation of the synchronized interest expense in the income tax calculation on page 29,
5 line 9.
6

7 **IV. Cash Working Capital**

8 **Q. Did you prepare a CWC study?**

9 A. Yes. The CWC study is included as Schedule NG-RLO-4.
10

11 **Q. What is the purpose of a CWC study?**

12 A. A CWC study is used to determine the amount of working capital required to operate the
13 utility business between the time the customer pays the utility for service provided to
14 them and the time the utility pays employees, vendors and others for the same service
15 provided to the customer.
16

17 **Q. How did the Company determine the CWC requirement for the Rate Year?**

18 A. The Company used the revenue (lead) or lag percent shown on Schedule NG-RLO-4,
19 page 39, column (a) for each expense times the Rate Year expense amount shown in
20 column (d) which resulted in the CWC provided by (customers) or by the Company. The
21 revenue (lead) or lag percents in column (a) are calculated in Schedule NG-RLO-4 using
22 data from 2008. Page 1 of Schedule NG-RLO-4 shows the revenue receipt lag in column
23 (a) and the expense payment (lead) or lag in column (b). Column (c) shows the net

1 revenue (lead) or lag percent for each expense or cost element. In some instances such as
2 purchased power there is a net revenue lag, while in other instances such as federal
3 unemployment there is a net revenue (lead).
4

5 **Q. How is the revenue lag percent of 9.93 calculated?**

6 A. The calculation is shown on page 2. Lines 1 to 18 show the calculation of the average lag
7 in days from the date the bill is sent to the customer until the date the customer pays the
8 bill. This is calculated using the account receivables the end of the month and the sales
9 for that month. The average number of days for the payment lag is 34.89 days as shown
10 on line 18. The days between the date the meter is read and the date the bill is sent to the
11 customer is added to the payment lag days to reflect the total days between the end of the
12 service period (when the meter is read) and the date the Company receives the payment
13 from the customer. This provides a total revenue payment lag days from the end of the
14 service period to the receipt of the payment from customers of 36.34 days as shown on
15 line 23. This revenue lag is then converted to an annual percent for comparison to
16 payment lags calculated on other schedules. The conversion is made by dividing the
17 revenue payment lag days of 36.34 by the number of days in a year, 365. The resulting
18 revenue payment lag is 9.93 percent as shown on line 26.
19

20 **Q. How are the expense payment lags calculated?**

21 A. The calculations of the expense payment lags are shown for each expense listed on page
22 1 lines 3 to 13 on the related pages. As shown on page 3 for purchased power, the
23 payment lag days from the end of the service period to the date the payment date is 31.27

1 days as shown on line 4. This converts into an annual percent of 8.54 as shown on line 5.
2 When this expense payment lag is compared to the revenue payment lag of 9.93 percent,
3 there is a net revenue lag of 1.39 percent. This means that the Company pays for its
4 purchased power before it receives the payment from its customers. The calculations on
5 pages 4 to 13 for the other expense follow basically the same procedures and the results
6 are shown on page 1.
7

8 **Q. Why is the revenue lag percent not shown on page 1, lines 14 to 21?**

9 A. This is because the amounts for withholding taxes, which are reflected on lines 14 to 21,
10 reflect incremental cash flow elements which should not have a revenue lag offset. The
11 Company has used gross payroll expense to determine the net lag as shown on lines 1 and
12 2 of page 4. As such, these withholding amounts are already included with that lag
13 calculation. The additional calculation on pages 14 to 21 measure the additional time the
14 Company has those withholding amounts before it pays them to the appropriate Federal,
15 state or other party. These payment lags are in addition to the payment lags for the gross
16 payroll shown on page 4, lines 1 and 2 in column (g).
17

18 **Q. What is the CWC resulting from these calculations and the Rate Year expenses?**

19 A. As shown on Schedule NG-RLO-2, page 38, column (e), line 43 and page 30, column
20 (c), line 12, the CWC for the Rate Year is \$17,789,123. This uses the net revenue (lead)
21 or lag percents from the CWC study which are shown on page 38 in column (a) and the
22 Rate Year pro forma expenses shown in column (d).

V. Expense Reconciliation Adjustment Mechanisms: Pension and Other Post-Employment Benefits Reconciliation Mechanism and Inspection and Maintenance Program

Q. Please identify the expense reconciliation adjustment mechanisms the Company is proposing.

A. The Company is proposing to establish a Pension/OPEB Adjustment Mechanism ("POAM"), a commodity uncollectibles and administrative cost reconciliation mechanism, and a reconciliation mechanism for its I&M program.

Q. Will any of these mechanisms change the Rate Year level of expense included by the Company in its revenue increase request in this application?

A. No. The Company's revenue request reflects the amounts associated with these mechanisms that it wishes to reflect in rates to its customers beginning in the Rate Year.

A. Pension and Other Post-Employment Benefits Reconciliation Mechanism

Q. Please describe the POAM.

A. The purpose of the POAM is to match more closely the costs the Company incurs for providing pension and OPEB benefits with the amounts it reflects in its distribution rates for these expenses. Because the Company has limited ability to control pension and OPEB costs, the Company's proposal for the POAM addresses a concern for adequately funding employee benefit plans and reducing the volatility of both the rates paid by customers and the Company's revenue to recover those expenses. The proposed POAM, consistent with the pension and OPEB reconciling mechanism recently approved by the

Commission in Docket 3943, ensures that its customers pay no more and no less than the costs the Company incurs for these items while ensuring customers with the economic benefit of the Company funding the plans at levels recovered through rates.

Q. Please provide an overview of the proposed POAM.

A. The Company will use the Rate Year expense amount as the Base Year POAM amount. Before each January 1, the Company will propose a Pension/OPEB Adjustment Factor ("POAF") to collect or refund the amount of under- or over-collections in the previous year ended September 30. The first POAF will be on January 1, 2011 which will use the data for the nine months ended September 30, 2010. In subsequent years the twelve months ended September 30th will be reconciled annually.

Q. How will the initial POAF be calculated?

A. The Company will establish a Base Year POAF amount for Pension/OPEB costs of approximately \$14,243,640. The Base Year POAF amount equals Rate Year expense for pension and OPEB included in base rates for this proceeding as shown on Schedule NG-RLO-5, page 1, line 10 of \$5,581,633 for pension and page 2, line 10 of \$8,662,007 for OPEB. This will be the revenue allowance in base rates that the Company will use to perform the annual reconciliation of revenue billed and expenses incurred.

Q. How will the POAF be calculated each year?

A. A new POAF will be calculated prior to each December 31, with the new rate to be effective the following January 1. The POAF will be calculated to recover or refund,

during the subsequent calendar year, the over- or under-recovery of actual pension and OPEB expense rate recoveries versus actual pension and OPEB expenses for the period ending September 30th of the previous year. In addition, a funding reconciliation comparing actual Company plan funding will be prepared and differences will be accumulated with the cumulative amount either added to or subtracted from the Company's rate base for ratemaking purposes. The POAF effective each January 1 will be the POAF Annual Amount for that year divided by forecast kWh sales for that year.

Q. Why is the POAM a benefit to the Company and its customers?

A. The POAM will allow the Company to reflect changes, which are volatile, in this significant expense more currently in customer's rates and ensure that the customer is only paying the actual costs incurred by the Company.

The table below demonstrates that the Company's pension and OPEB expense is volatile and the magnitude of the volatility is significant.

Year Ended March 31	Pension Expense	PBOP Expense
2007	\$4.3 million	\$9.0 million
2008	\$3.9 million	\$6.3 million
2009	\$(1.8) million	\$7.8 million
2010	\$3.9 million	\$10.1 million
2011	\$4.6 million	\$10.2 million

1 Because the Company has currently has no reconciling mechanism for pension and
2 OPEB expense, any under- or over-collection has resulted in a charge or credit to income
3 in the year the change in expense occurred.
4

5 **Q. What reporting is the Company proposing for the POAM?**

6 A. The Company would provide an annual reconciliation report with its annual rate filing.
7 This report would also document how the Company funded the associated employee
8 benefit plans.
9

10 **Q. Has the Company illustrated its proposed POAM?**

11 A. Yes. Schedule NG-RLO-5 presents an illustrative model showing the regulation
12 reconciliation for several years after the rates become effective from this proceeding,
13 Page 1 of Schedule NG-RLO-5 shows the illustrative calculation for pension expense and
14 page 2 shows the illustrative calculation for OPEB.
15

16 **B. Inspection and Maintenance Program Expense Mechanism**

17 **Q. Please describe the reconciliation proposal for the inspection and maintenance**
18 **expense?**

19 A. The proposal for I&M expense is to reconcile actual annual I&M expenses to amounts
20 embedded in the Company's rates as shown on Schedule NG-RLO-2, page 24, line 7,
21 column (a) and as described in the testimony of Mr. Pettigrew. The adjustment compares
22 actual I&M O&M spending for the preceding year with the actual amounts embedded in
23 rates for that preceding year. The O&M amounts embedded in rates include the Rate

1 Year I&M Program expenses as shown on Schedule NG-RLO-2, page 24, line 7, column
2 (a) of \$4,146,635. The Company will reflect any increases or decreases in this expense
3 level as an adjustment to each year. I&M-related capital investments will not be included
4 in this reconciliation because they will be included in the decoupling mechanism
5 proposed by the Company as presented by Company witness Ms. Tierney.
6

7 **C. Standard Offer Service Cost Adjustment Mechanism**

8 **Q. Please describe the Company's proposal for recovery of its Standard Offer Service**
9 **Administrative Costs.**

10 A. As presented in Mr. Wynter's testimony, the Company is proposing to establish recovery
11 and a full reconciliation of the commodity-related uncollectible costs, and associated
12 CWC and administrative costs, through its Standard Offer Service rates. The Company
13 has computed the amounts of uncollectible accounts expense and estimated
14 administrative and CWC costs attributable to providing Standard Offer Service and
15 removed that amount from the distribution revenue requirement. The costs are identified
16 on Schedule NG-RLO-6, page 2. The Company proposes to establishing Standard Offer
17 Service Cost Adjustment ("SOSCA") Factors that would be designed to recover these
18 costs, on a fully reconciling basis, from Standard Offer Service customers.
19

20 **Q. Has the Company computed the initial Standard Offer Service rates?**

21 A. Yes. Schedule NG-RLO-6, containing 15 pages, presents the Company's initial SOSCA
22 Factors. The Company's proposed calculation allocates the various costs to rate classes
23 based on cost-causation. In determining this allocation relating to net charge offs, the

1 Company used charge off and recovery information by rate class and by supply type in
2 order to develop allocators to assign the amount of net charge offs typically determined
3 using the Company's financial statements, to rate classes. It then used allocators based
4 on monthly average rates by rate class to segregate the net charge off amounts between
5 delivery net charge offs and commodity net charge offs. This results in an allocation
6 which the Company believes is most aligned with how the Company incurs these costs by
7 rate class. Page 1 of Schedule NG-RLO-6 shows a summary of the calculation of the
8 SOSCA Factors on lines 1 to 3 in Section 1 separated by small and large customer
9 groups. In addition, page 1 also contains a summary of kWh data by customer group in
10 Section 2. The remaining pages of Schedule NG-RLO-6 contain the supporting
11 calculations.

12
13 **VI. Revenue Decoupling Mechanism**

14 **Q. In her testimony in this docket, Company witness Ms. Tierney describes the**
15 **Company's decoupling proposal along with annual decoupling rate adjustments.**
16 **Have you prepared an example of how that annual rate adjustment would be**
17 **calculated?**

18 **A.** Yes, an example of the calculation of the adjustments described in the testimony of Ms.
19 Tierney is included in Schedule NG-RLO-7.

20
21 **Q. Please summarize Schedule NG-RLO-7.**

22 **A.** Schedule NG-RLO-7 is a four page illustrative calculation of annual decoupling rate
23 adjustments. There are three sections. The first section is the computation of the Annual

1 Target Revenue ("ATR") (Lines 1 through 5). The ATR is computed retroactively after
2 each year is completed, and represents the amount the Company would have billed had
3 all the necessary information been known, including a) the revenue requirement approved
4 by the Department in this proceeding; b) the Net Inflation Adjustment, computed on page
5 2, representing inflation less a productivity adjustment applied to certain costs in the Rate
6 Year revenue requirement in this proceeding; c) the Prior Year RDR Plan Revenue
7 Reconciliation, representing the difference between the ATR and the amount billed for
8 the prior year; and d) the Cumulative Net Historic Capital Adjustment, computed on Page
9 3, representing the incremental revenue requirement due to the Company's incremental
10 capital spending less retirements through the then-current year.

11
12 The second section is the computation of the amount to be billed in the current year,
13 comprising a) the revenue requirement approved by the Department in this proceeding; b)
14 the Prior Year RDR Plan Revenue Reconciliation; c) the Net Inflation Adjustment; d) the
15 Cumulative Net Historic Capital Adjustment, representing the incremental revenue
16 requirement due to the Company's incremental capital spending less retirements through
17 the prior year; and e) the Current Year Capital Adjustment, representing the incremental
18 revenue requirement due to the Company's estimated incremental capital spending for
19 the then-current year. The last four items comprise the total amount to be recovered
20 through the Revenue Decoupling Mechanism for the current year.

1 The third section compares the actual billed revenue for the year to the ATR for the year;
2 the difference (Line 16) is included in the ATR for the next year (Line 3) and the amount
3 to be billed in the next year (Line 7).
4

5 **Q Please describe the net inflation adjustment on Page 2.**

6 A. The amount on Page 2, Line 5 is the non-income tax operating expenses in the
7 Company's proposed revenue requirement in this proceeding. Items not subject to
8 inflation, or for which the Company is proposing reconciliation and adjustment
9 mechanisms, are deducted on Lines 7-14, to arrive at the net operating expenses subject
10 to inflation on Line 16. These amounts will be replaced with amounts approved by the
11 Department. The inflation rates on Line 1 are placeholders and will be replaced with
12 actual data when known. Line 2 reflects the Company's proposed efficiency offset and
13 will be updated if a different efficiency offset is approved by the Department in this
14 proceeding. The net amount is the net inflation allowance, shown on Line 3. The
15 product of the prior year's net operating expenses subject to inflation (Line 16) and the
16 net inflation allowance (Line 3) equals the annual net inflation adjustment (Line 18). The
17 annual cumulative inflation adjustment computed on Line 22 is carried forward to Page 1
18 Line 8.
19

20 **Q. Please describe the Cumulative Net Historic Capital Adjustment on Page 3.**

21 A. The Cumulative Net Historic Capital Adjustment shown on Page 3 calculates the
22 incremental revenue requirement of incremental capital investments; that is, investments
23 incremental to the amounts embedded in the Company's rates. Incremental capital

1 investments for this purpose are defined as total annual capital expenditures less the
2 annual change in construction work in progress and less annual depreciation expense
3 embedded in the Company's rates. These amounts are shown on Lines 1 through 6.
4 Because depreciation expense is affected by plant retirements, plant retirements are
5 included and were estimated at 15% of the annual Capital Spending amount for years
6 2011 and 2012. Cumulative Net Depreciable Additions (Line 13, equals cumulative
7 capital spending less cumulative retirements. Incremental book depreciation expense
8 (Line 33) is computed based on Cumulative Net Depreciable Additions at the 3.39%
9 composite depreciation rate proposed by the Company in this proceeding (Line 22).

10
11 The cumulative incremental change in rate base (Line 45) reflects capital spending (Line
12 1), less amounts included in Base Rates (Line 5) net change in CWIP (Lines 2 and 3),
13 book depreciation expense in base rates (Line 17), for years 2011 and 2012, incremental
14 book depreciation expense (Line 34), deferred taxes arising from post-2010 capital
15 spending (Line 38) and the turnaround of deferred taxes arising from capital spending
16 through 2008 (Line 43). Deferred taxes arising from post-2010 capital spending (Lines
17 22-38) equals the difference between book depreciation and tax depreciation on post-
18 2010 capital spending, times the effective tax rate. The turnaround of deferred taxes
19 arising from capital spending through 2010 (Line 38) is based on an analysis prepared by
20 the Company.

21
22 The average cumulative change in rate base (Line 48) equals the average year-end
23 cumulative change (Line 45); this amount is multiplied by the pre-tax return approved by

1 the Department in this proceeding (Line 49) to compute the return portion of the
2 incremental revenue requirement (Line 50). This amount is added to incremental
3 depreciation expense to compute the annual Cumulative Net Historic Capital Adjustment
4 (Line 52), which is carried forward to Page 1, Line 4.

5
6 **Q. Please describe the Current Year Capital Adjustment on Page 4.**

7 A. The Current Year Capital Adjustment represents the incremental revenue requirement
8 due to the Company's estimated capital spending less retirements in the year for which
9 the rates are being computed. The method is the same as for computing the Cumulative
10 Net Historic Capital Adjustment shown on Page 3. The annual result from Line 37 is
11 carried forward to Page 1, Line 10.

12
13 **Q. When will the amounts in Schedule NG-RLO-7 be updated?**

14 A. To the extent that any amounts or rates in Schedule NG-RLO-7 will be determined by the
15 Department in this proceeding, they will be updated at the conclusion of this proceeding
16 when the Department issues its Order. Amounts and rates that become known with the
17 passage of time will be updated each year with the November filing described in the
18 testimony of by Ms. Tierney.

19
20 **VII. Conclusion**

21 **Q. Does this conclude your direct testimony?**

22 A. Yes.

Schedules of
Robert L. O'Brien

Schedules of Robert L. O'Brien

Schedule NG-RLO-1	Summary of Revenue Deficiency
Schedule NG-RLO-2	Schedules Supporting the Revenue Deficiency
Schedule NG-RLO-3	Allocation of Net Synergies from the National Grid / KeySpan Transaction
Schedule NG-RLO-4	Cash Working Capital Study
Schedule NG-RLO-5	Calculation of Proposed Pension / OPEB Reconciliation Illustrative Example
Schedule NG-RLO-6	Standard Offer Service Cost Adjustment Factors
Schedule NG-RLO-7	Illustration of Proposed Revenue Decoupling Mechanism
Schedule NG-RLO-8	Company Proposal in Docket 3617 to add two Additional Sites to the Site Eligibility List in the Environmental Fund Mechanism

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a National Grid

Docket No. R.I.P.U.C. _____

Witness: O'Brien

Schedule NG-RLO-1

Summary of Revenue Deficiency

**The Narragansett Electric Company d/b/a National Grid
Summary of Revenue Requirement
Rate Year Ended December 31, 2010**

Line No.	Description	Adjusted Pro-Forma Rate Year 2010 (a)	Revenue Increase Effect (b)	Adjusted Pro-Forma Rate Year 2010 With Revenue Increase (c)
1	<u>Operating Revenues:</u>			
2				
3	Distribution Revenue	\$ 215,542,992	\$ 65,533,534	\$ 281,076,526
4				
5	Commodity Costs Tracker		9,751,787	9,751,787
6				
7	Distribution Charges Revenue Requirement	215,542,992	75,285,321	290,828,313
8				
9	Other Revenue	7,699,395		7,699,395
10				
11	Total Distribution Revenue Requirement	<u>\$ 223,242,387</u>	<u>\$ 75,285,321</u>	<u>\$ 298,527,708</u>
12				
13				
14	Net Operating Income	<u>\$ 13,901,276</u>	<u>\$ 42,129,297</u>	<u>\$ 56,030,573</u>
15				
16				
17	Rate Base	<u>\$ 623,948,473</u>		<u>\$ 623,948,473</u>
18				
19				
20	Earned Rate of Return	<u>2.23%</u>		<u>8.98%</u>

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a National Grid

Docket No. R.I.P.U.C. _____

Witness: O'Brien

Schedule NG-RLO-2

Schedules Supporting the Revenue Deficiency

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Revenue Requirement For The Twelve Months Ended December 31, 2010

Line No.	Description	Factor or Reference	Total Company Per Books 12/31/2008 (a)	Known & Measurable Adjustments 1/ (b)	Integrated Facilities Agreement 1/ (c)	Adjusted Per Books 12/31/2008 (d)	Pro Forma Adjustments (e)	Adjusted Pro Forma (f)	Rate Increase Effect (g)	Adjusted Pro Forma with Rate Increase (h)
1	Operating Revenues:									
2	Distribution Revenue		\$ 219,646,991	\$ (718,787,347)	\$ -	\$ 219,646,991	\$ (4,103,999)	\$ 215,542,992	\$ 65,533,534	\$ 281,076,526
3	Commodity Cost Tracker		-	(89,399,588)	-	-	-	-	9,751,787	9,751,787
4	Other Revenue		7,353,188	(14,286,213)	34,574,785	7,353,188	346,207	7,699,395	7,699,395	7,699,395
5	Total Operating Revenue	Sum L 2 to L 4	227,000,179	632,356	(2,933,322)	227,000,179	(3,757,792)	223,242,387	75,285,321	298,527,708
6				(8,389,402)	-					
7	Less: Commodity Cost Tracker		-	9,751,787	-	-	-	-	(9,751,787)	(9,751,787)
8	Net Distribution Revenue	Sum L 5 to L 7	\$ 227,000,179	\$ -	\$ -	\$ 227,000,179	\$ (3,757,792)	\$ 223,242,387	\$ 65,533,534	\$ 288,775,921
9										
10	Operating Expenses:									
11	Purchased Power		\$ 778,825,294	\$ (718,787,347)	\$ -	\$ 37,947	\$ -	\$ 37,947	\$ -	\$ 37,947
12	Transmission O&M - Wheeling Costs - NEP		89,399,588	(89,399,588)	-	-	-	-	-	-
13	Transmission O&M - Integrated Facilities Agreement		(34,574,785)	-	34,574,785	-	-	-	-	-
14	Energy Efficiency O&M		14,286,213	(14,286,213)	-	-	-	-	-	-
15	Other Operation & Maintenance Expenses		120,944,078	632,356	(2,933,322)	118,643,112	18,470,006	137,113,118	719,231	137,113,118
16	Uncollectible Expense		12,748,167	(8,389,402)	-	4,358,765	(57,549)	4,301,216	-	5,020,447
17	Commodity Cost Tracker		-	9,751,787	-	9,751,787	-	9,751,787	-	9,751,787
18	Donations		-	548,593	-	548,593	-	548,593	-	548,593
19	Pension and OPEB cost Recovery (R.I.P.U.C. Dkt No. 3617)		2,511,132	-	-	2,511,132	-	2,511,132	-	2,511,132
20	Environmental Response Fund		3,078,000	-	-	3,078,000	-	3,078,000	-	3,078,000
21	Merger Related Cost to Achieve		4,031,080	(4,031,080)	-	-	2,100,000	2,100,000	-	2,100,000
22	Depreciation		44,263,078	-	(5,079,304)	39,183,774	2,281,902	41,465,676	-	41,465,676
23	Municipal Tax		21,964,503	-	(4,005,081)	17,959,422	2,125,909	20,085,331	-	20,085,331
24	Payroll Tax		3,515,111	(9,100)	(167,087)	3,338,924	360,817	3,699,741	-	3,699,741
25	Other Taxes		274,629	-	-	274,629	-	274,629	-	274,629
26	Remove Commodity Cost Tracker		-	-	-	-	(9,751,787)	(9,751,787)	-	(9,751,787)
27	Gross Receipts Tax (GRT)		43,330,773	(43,330,773)	-	-	-	-	-	-
28	Amortization of Investment Tax Credit		(591,556)	487,749	103,807	-	-	-	-	-
29	Amortization of Loss on reacquired Debt		831,808	-	(145,589)	686,219	-	686,219	-	686,219
30	Interest on Customer Deposits		75,229	-	-	75,229	-	75,229	-	75,229
31	Estimated NGRID/KeySpan Transaction Synergies		-	-	-	-	(6,200,000)	(6,200,000)	-	(6,200,000)
32	Company Share of Net Synergies		-	-	-	-	3,250,000	3,250,000	-	3,250,000
33	Federal & Deferred Income Tax		-	-	-	-	(6,415,964)	(3,685,719) 2/	22,685,006	18,999,287
34										
35	Total Operating Expenses	Sum L 11 to L 33	\$ 203,177,778	\$ 6,163,333	\$ -	\$ 203,177,778	\$ 6,163,333	\$ 209,341,111	\$ 23,404,237	\$ 232,745,348
36										
37	Net Operating Income	L 8 - L 35	\$ 23,822,401	\$ -	\$ -	\$ 23,822,401	\$ (9,921,125)	\$ 13,901,276	\$ 42,129,297	\$ 56,030,573
38										
39	Rate Year Rate Base	Page 30, L 22	\$ 561,038,786	\$ -	\$ -	\$ 561,038,786	\$ 62,909,688	\$ 623,948,473	\$ -	\$ 623,948,473
40										
41	Earned Return for Rate Year	L 37 / L 39	4.25%							
42	Rate Year Required Rate of Return	Page 39, L 9, C (c)	2.23%							
43	Rate of Return Deficiency	L 42 - L 41	8.98%							
44										
45	Net Operating Income Deficiency	L 39 * L 43	\$ 42,129,297	\$ -	\$ -	\$ 42,129,297	\$ -	\$ 42,129,297	\$ -	\$ 42,129,297
46										
47	Gross Revenue Conversion Factor		1.55553352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
48										
49	Revenue Increase Required	L 45 * L 47	\$ 65,533,534	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50										

1/ Known and Measurable Operating Expense Adjustments and Integrated Facilities Expense Adjustments (IFA) from Page 2 and 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, an addition for an unfunded DIT catch-up and a tax credit for amortization of ITC.

The Narragansett Electric Company, d/b/a National Grid
Adjusted Test Year Income Statement
Known and Measurable Adjustments to Test Year Operating Expenses

Line No.	Description	Total Company Per Books 12/31/2008 (a)	Known & Measurable Adjustments (b)	Integrated Facilities Agreement (c)	Adjusted Per Books 12/31/2008 (d)
1	a. <u>Purchase Power Expense</u>				
2	Elimination of Purchase Power Expense recovered through Standard Offer Service	\$ 778,825,294	\$ (778,787,347)	\$ -	\$ 37,947
3					
4	b. <u>Transmission O&M Expense</u>				
5	Elimination of the amount billed from NEP and recovered through Transmission Rate	\$ 89,399,588	\$ (89,399,588)	\$ -	\$ -
6	Elimination of the reimbursement from NEP related to the IFA	(38,882,752)	-	38,882,752	-
7	Elimination of Transmission O&M Expenses billed to NEP related to the IFA	4,307,967	-	(4,307,967)	-
8	Total Adjusted Transmission Expenses	\$ 54,824,803	\$ (89,399,588)	\$ 34,574,785	\$ -
9					
10	c. <u>Energy Efficiency O&M Expense</u>				
11	Elimination of Energy Efficiency Expenses recorded in the Test Year	\$ 14,286,213	\$ (14,286,213)	\$ -	\$ -
12					
13	d. <u>Merger-Related Costs to Achieve (CTA)</u>				
14	Elimination of Merger-Related Costs to Achieve	\$ 4,031,080	\$ (4,031,080)	\$ -	\$ -
15					
16	e. <u>Other Operation and Maintenance (O&M) Expense</u>				
17	Other O&M	\$ 114,967,745	\$ -	\$ -	\$ 114,967,745
18	Elimination of November 3, 2007 storm costs and deferrals recorded in the Test Year	(328,937)	328,937	-	-
19	Elimination of Other O&M Expenses billed to NEP related to the IFA	2,933,322	-	(2,933,322)	-
20	Adjustment to Regulatory Commission Expense to reflect the actual 2008 Assessment	2,700,000	975,367	-	3,675,367
21	Elimination of one-time General Advertising Costs not eliminated through CTA or IFA	244,095	(244,095)	-	-
22	Reclass of Ice Storm-Related Costs recorded in January 2009	226,068	(226,068)	-	-
23	Reclass of Commodity Procurement Administrative Costs	201,785	(201,785)	-	-
24	Other O&M Expense Subject to Inflation Factor	\$ 120,944,078	\$ 632,356	\$ (2,933,322)	\$ 118,643,112
25					
26	f. <u>Other O&M not Subject to Inflation</u>				
27	Uncollectible Expense	\$ 12,748,167	\$ -	\$ -	\$ -
28	Uncollectible Expense - Adjustment	-	(527,517)	-	-
29	Uncollectible Expense - Commodity	-	(7,861,885)	-	4,358,765
30	Donations (Move Above the Line)	-	548,593	-	548,593
31	Recovery of Pension and OPEB costs over 10 years per R.I.P.U.C. Docket No. 3617	2,511,132	-	-	2,511,132
32	Environmental Response Fund Expenses associated with revenue collection from customers	3,078,000	-	-	3,078,000
33	Other O&M not subject to Inflation	\$ 18,337,299	\$ (7,840,809)	\$ -	\$ 10,496,490
34					
35	Total O&M	<u>\$ 212,423,474</u>	<u>\$ (114,925,334)</u>	<u>\$ 31,641,463</u>	<u>\$ 129,139,603</u>
36					
37	g. <u>Standard Offer Service Cost Adjustment</u>				
38	Reclass of Net Write-offs for Commodity Revenue	\$ -	\$ 7,861,885	\$ -	\$ 7,861,885
39	Reclass of Commodity Procurement Administrative Costs	-	201,785	-	201,785
40	Revenue Requirement for Commodity Cash Working Capital	-	1,688,117	-	1,688,117
41	Total Standard Offer Service Cost Adjustment	<u>\$ -</u>	<u>\$ 9,751,787</u>	<u>\$ -</u>	<u>\$ 9,751,787</u>
42					
43	h. <u>Gross Receipt Tax</u>				
44	Adjustment to Eliminate Gross Receipt Tax Expense Recorded in Test Year	\$ 43,330,773	\$ (43,330,773)	\$ -	\$ -
45					
46					
47	i. <u>Amortization of Investment Tax Credit - Non-IFA portion</u>				
48	Adjustment to Remove Operating Expense portion of the ITC	\$ (591,556)	\$ 487,749	\$ -	\$ (103,807)

**The Narragansett Electric Company, d/b/a National Grid
Adjusted Test Year Income Statement
Known and Measurable Adjustments - Integrated Facilities Agreement - Other Expenses**

Line No.	Description	Total Company Per Books 12/31/08 (a)	Known & Measurable Adjustments (b)	Integrated Facilities Agreement Adjustment (c)	Adjusted Per Books 12/31/08 (d)
1	a. <u>Depreciation</u>				
2					
3	Remove Depreciation Expense	\$ 44,263,078	\$ -	\$ (5,079,304)	\$ 39,183,774
4					
5					
6	b. <u>Municipal Tax</u>				
7					
8	Remove Municipal Tax Expense	\$ 21,964,503	\$ -	\$ (4,005,081)	\$ 17,959,422
9					
10					
11	c. <u>Payroll Tax</u>				
12					
13	Remove Payroll Taxes	\$ 3,515,111	\$ (9,100)	\$ (167,087)	\$ 3,338,924
14					
15					
16	d. <u>Amortization of Investment Tax Credit</u>				
17					
18	Remove Amortization of Investment Tax Credit	\$ (591,556)	\$ -	\$ 103,807	\$ (487,749)
19					
20					
21	e. <u>Amortization of Loss on Reacquired Debt</u>				
22					
23	Remove Amortization of Loss on Reacquired Debt	\$ 831,808	\$ -	\$ (145,589)	\$ 686,219

Column Notes:

- (b) Workpaper NG-RLO-8
- (c) IFA Workpaper NG-RLO-2, Page 1
- (d) Sum of Columns (a) through (c)

**The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Pro Forma Operating Expense Adjustments**

Line No.	Description	Amount	Reference Page
1	a. <u>Operations and Maintenance Expense Adjustments</u>		
2			
3	Salary and Wage Expense Adjustment	\$ 3,092,128	5
4			
5	Medical and Dental Expense Adjustment	713,244	8
6			
7	Group Insurance Expense Adjustment	48,661	9
8			
9	Pension Expense Adjustment	4,470,254	10
10			
11	FAS 106 Expense Adjustment	1,070,902	11
12			
13	Employee Thrift Plan - Company Match Expense Adjustment	144,870	12
14			
15	Information Services (IS) Leasing Expense Adjustment	(412,103)	13
16			
17	Facilities Capital Improvements Rent Expense Adjustment	554,455	14
18			
19	Contracted Union Minimum Staffing Adjustment	1,362,802	15
20			
21	Customer Assistance Advocates Adjustment	181,643	16
22			
23	Postage Expense Adjustment	73,270	17
24			
25	Rate Case Expense Adjustment	865,000	18
26			
27	Inflation Adjustment	493,198	19
28			
29	Seasonal Employees Adjustment	355,799	20
30			
31	Uncollectibles Mitigation Plan Adjustment	376,255	21
32			
33	Economic Development Plan Adjustment	1,000,000	22
34			
35	Vegetation Management Adjustment	1,985,323	23
36			
37	Inspection and Maintenance Program Adjustment	2,094,305	24
38			
39	Total Other O&M Expense Adjustments	<u>\$ 18,470,006</u>	
40			
41			
42	b. <u>Uncollectible Expenses</u>	<u>\$ (57,549)</u>	25
43			
44	c. <u>Adjustment for Net Synergy Cost of Service Allowance</u>		
45			
46	National Grid/KeySpan Transaction Total Estimated Synergies	<u>\$ (6,200,000)</u>	RLO-3
47			
48	National Grid/KeySpan Transaction CTA Amortization	<u>\$ 2,100,000</u>	RLO-3
49			
50	National Grid/KeySpan Transaction Total Estimated Synergies	<u>\$ 3,250,000</u>	RLO-3

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for Rate Year Salary and Wage Expenses

Line No.	Description	Rate (a)	Rate (b)	Union (c)	Non-Union (d)	Rate Year Calculation (e)	Test Year Rate Year and Adjustment (f)
1	Test Year Total Base Wages			\$ 22,166,694	\$ 8,206,454		\$ 30,373,148
2	Test Year DSM Base Wages			942	382,889		383,831
3	Test Year Capitalized Wages			8,738,507	4,190,681		12,929,188
4	Test Year O&M Wages			13,427,245	3,632,884		17,060,129
5	O&M Portion			60.57%	44.27%		56.17%
6							
7	Test Year O&M Non-Executive Variable Pay	45.96%	54.04%	310,359	364,921		675,280
8	Test Year O&M Overtime Wages (excluding DSM)			3,507,394	595,714		4,103,108
9	Total Test Year - Narragansett Electric O&M Wages			<u>\$ 17,244,999</u>	<u>\$ 4,593,519</u>		<u>\$ 21,838,518</u>
10							
11	Annualized Base Wages - Employees and Rates at 1/01/09			\$ 24,209,261	\$ 8,308,057	\$ 32,517,318	
12	DSM Base Wages	0.004%	4.666%	(1,029)	(387,629)	(388,658)	
13	Steady State Wages at 1/01/09			24,208,232	7,920,428	32,128,660	
14							
15	Union Wage Increase Effective 5/12/09 through 5/11/10 (12 months)	3.00%	100.00%	726,247		726,247	
16	Non-Union Wage Increase Effective 7/1/09 through 6/30/10 (12 months)	1.50%	100.00%		118,806	118,806	
17							
18	Subtotal			24,934,479	8,039,234	32,973,713	
19							
20	Union Wage Increase Effective 5/12/10 through 12/31/10 (7.7 months)	3.00%	64.10%	479,490		479,490	
21	Non-Union Wage Increase Effective 7/1/10 through 12/31/10 (6 months)	3.00%	50.00%		120,589	120,589	
22	Rate Year Total Base Wages			<u>25,413,969</u>	<u>8,159,822</u>	<u>33,573,792</u>	
23							
24	Rate Year O&M Base Wages			15,393,241	3,612,353	19,005,595	
25							
26	Test Year O&M Non-Executive Variable Pay			310,359	364,921	675,280	
27	Adjustment to Increase Non-Executive Variable Pay for Rate Year	4.98%	3.02%	15,458	11,030	26,488	
28	Test Year O&M Overtime Wages			3,507,394	595,714	4,103,108	
29	Adjustment to Increase Overtime Wages for Rate Year	4.98%	3.02%	174,692	18,005	192,698	
30							
31	Rate Year Total O&M Wages			<u>\$ 19,401,145</u>	<u>\$ 4,602,024</u>	<u>\$ 24,003,168</u>	<u>\$ 24,003,168</u>
32							
33	Narragansett Electric Wage Adjustment						\$ 2,164,651
34							
35	National Grid - Service Company Wage Adjustment						1,049,310
36	National Grid - KeySpan Service Company Wage Adjustment						78,881
37							
38	Total Rate Year Wage Adjustment before Allocation to IFA						3,292,842
39							
40	Less Amount Applicable to IFA						(200,714)
41							
42	Total Distribution Rate Year Wage Adjustment						<u>\$ 3,092,128</u>

Line Notes

- 1 to 9 Actual 12 months ended December 31, 2008 per Company financials; Workpaper NG-RLO-11, Pages 1 through 5
- 5 Line 4 / Line 1
- 11 Workpaper NG-RLO-11, Page 6
- 12 DSM Wages based on ratio of line 2 to line 1
- 13 Sum of Lines 11 through 12.
- 15 & 16 Line 13 x Column (a) x Column (b) Line 15 or Line 16, respectively; Column (a) = % rate increase; Column (b) = % of year effective
- 18 Sum of Lines 13 through 16.
- 20 & 21 Line 18 x Column (a) x Column (b) Line 20 or Line 21, respectively; Column (a) = % rate increase; Column (b) = % of year effective
- 22 Sum of Lines 18 through 21
- 24 Line 5 x Line 22
- 26 Line 7
- 27 Column (a) = {[1+Line 15, Column (a) x Line 15, Column (b)] x [1+ Line 20, Column (a) x Line 20 Column (b)]} - 1
- 27 Column (b) = {[1+Line 16, Column (a) x Line 16, Column (b)] x [1+ Line 21, Column (a) x Line 21, Column (b)]} - 1
- 27 Column (c) = Line 26 x Line 27 Column (a); Column (d) = Line 26 x Line 27 Column (b)
- 28 Line 8
- 29 Column (a) = Line 27, Column (a)
- 29 Column (b) = Line 27, Column (b)
- 29 Column (c) = Line 28 x Line 29 Column (a); Column (d) = Line 28 x Line 29 Column (b)
- 31 Sum of Lines 24 through 29
- 33 Line 31 - Line 9
- 35 Schedule NG-RLO-2, Page 6, Line 38
- 36 Schedule NG-RLO-2, Page 7, Line 39
- 38 Sum of Lines 33 through 36
- 40 Workpaper NG-RLO-11, Page 8
- 42 Line 38 + Line 40

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for Rate Year NGSC Salaries and Wage Expense Charged to National Grid - NECO

Line No.	Description	Rate (a)	Rate (b)	Union (c)	Non-Union (d)	Rate Year Calculation (e)	Test Year Rate Year and Adjustment (f)
1	Test Year Total Base Wages			\$ 7,679,713	\$ 18,448,752		\$ 26,128,465
2	Test Year DSM Base Wages			13,277	492,561		505,838
3	Test Year Capitalized Wages			4,143,573	3,527,740		7,671,313
4	Test Year O&M Wages			3,522,863	14,428,451		17,951,314
5	O&M Portion			45.87%	78.21%		68.70%
6							
7	Test Year O&M Non-Executive Variable Pay (excl DSM)	6.31%	93.69%	100,348	1,489,948		1,590,296
8	Test Year O&M Overtime Wages (excluding DSM)			480,744	402,796		883,540
9	Total Test Year National Grid - Service Company O&M Wages			<u>\$ 4,103,955</u>	<u>\$ 16,321,195</u>		<u>\$ 20,425,150</u>
10							
11	Annualized Base Wages - Employees and Rates at 1/01/09			\$ 34,898,306	\$ 167,934,643	\$ 202,832,949	
12							
13							
14	Total Service Company Steady State Wages at 1/01/09 Rates			34,898,306	167,934,643	202,832,949	
15							
16	NECO Portion of Steady State Wages at 1/01/09			21.84%	11.58%		
17	Base Wages at 1/01/09 - NECO Portion			7,621,790	19,446,832	27,068,622	
18	DSM Base Wages	0.17%	2.67%	(13,177)	(519,209)	(532,385)	
19	Steady State Wages at 1/01/09 Charged to NECO			<u>7,608,613</u>	<u>18,927,623</u>	<u>26,536,236</u>	
20							
21	Union Wage Increase Effective 5/12/09 through 5/11/10 (12 months)	3.00%	100.00%	228,258		228,258	
22	Non-Union Wage Increase Effective 7/1/09 through 6/30/10 (12 months)	1.50%	100.00%		283,914	283,914	
23	Subtotal			<u>7,836,872</u>	<u>19,211,537</u>	<u>27,048,409</u>	
24							
25	Union Wage Increase Effective 5/11/10 through 12/31/10 (7.7 months)	3.00%	64.10%	150,703		150,703	
26	Non-Union Wage Increase Effective 7/1/10 through 12/31/10 (6 months)	3.00%	50.00%		288,173	288,173	
27	Rate Year Total Base Wages			<u>7,987,575</u>	<u>19,499,710</u>	<u>27,487,285</u>	
28							
29	Rate Year O&M Base Wages			3,664,086	15,250,387	18,914,474	
30							
31	Test Year O&M Non-Executive Variable Pay			100,348	1,489,948	1,590,296	
32	Adjustment to Increase Non-Executive Variable Pay for Rate Year	4.98%	3.02%	4,998	45,034	50,032	
33	Test Year O&M Overtime Wages			480,744	402,796	883,540	
34	Adjustment to Increase Overtime Wages for Rate Year	4.98%	3.02%	<u>23,944</u>	<u>12,175</u>	<u>36,119</u>	
35							
36	Rate Year O&M Wages			<u>\$ 4,274,121</u>	<u>\$ 17,200,340</u>	<u>\$ 21,474,460</u>	21,474,460
37							
38	National Grid - Service Company Adjustment for Wages charged to National Grid - NECO						<u>\$ 1,049,310</u>

Line Notes

- 1 to 9 Actual 12 months ended December 31, 2008 per Company financials; Workpaper NG-RLO-12, Pages 1 through 5
- 11 & 14 Workpaper NG-RLO-12, Page 6
- 16 Workpaper NG-RLO-12, Pages 7 and 8
- 17 Line 14 x Line 16
- 18 Column (c) Line 17 x Column (a) Line 18 = Column (c) Line 18; Column (d) Line 17 x Column (b) Line 18 = Column (d) Line 18
- 19 Line 17 + Line 18
- 21 & 22 Line 19 x Column (a) x Column (b) Line 21 or Line 22, respectively; Column (a) = % rate increase; Column (b) = % of year effective
- 23 Sum of Lines 19 through 22
- 25 & 26 Line 23 x Column (a) x Column (b) Line 25 or Line 26, respectively; Column (a) = % rate increase; Column (b) = % of year effective
- 27 Sum of Lines 23 through 26
- 29 Line 5 x Line 27
- 31 Line 7
- 32 Column (a) = {[1+Line 21, Column (a) x Line 21, Column (b)] x [1+ Line 25, Column (a) x Line 25 Column (b)]} - 1
- 32 Column (b) = {[1+Line 22, Column (a) x Line 22, Column (b)] x [1+ Line 26, Column (a) x Line 26, Column (b)]} - 1
- 32 Column (c) = Line 31 x Line 32 Column (a); Column (d)= Line 31 x Line 32 Column (b)
- 33 Line 8
- 34 Column (a) = Line 33, Column (a)
- 34 Column (b) = Line 33, Column (b)
- 34 Column (c) = Line 33 x Line 34 Column (a); Column (d)= Line 33 x Line 34 Column (b)
- 36 Sum of Lines 29 through 34
- 38 Line 36 - Line 9

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for Rate Year KSC Salaries and Wage Expense Charged to National Grid - NECO

Line No.	Description	Rate (a)	Rate (b)	Union (c)	Non-Union (d)	Rate Year Calculation (e)	Test Year Rate Year and Adjustment (f)
1	Test Year Total Base Wages			\$ 14,908	\$ 720,533		\$ 735,441
2	Test Year Capitalized Wages			-	5,336		5,336
3	Test Year O&M Wages			14,908	715,197		730,105
4	O&M Portion			100.00%	99.26%		99.27%
5							
6	Test Year O&M Non-Executive Variable Pay			261	64,863		65,124
7	Test Year O&M Overtime Wages			17,979	1,843		19,822
8	Total Test Year KeySpan Wages to NECO O&M			\$ 33,148	\$ 781,903		\$ 815,051
9							
10	Annualized Base Wages - Employees and Rates at 1/01/09			\$ 92,728,612	\$ 170,874,452	\$ 263,603,064	
11							
12							
13	Total KeySpan Steady State Wages at 1/01/09			92,728,612	170,874,452	263,603,064	
14							
15	NECO Portion of Base Wages at 1/01/09			0.02%	0.45%		
16	Base Wages at 1/01/09 - NECO Portion			18,546	768,935	787,481	
17							
18	Steady State Wages at 1/01/09 Charged to NECO			18,546	768,935	787,481	
19							
20	Union Wage Increase for Year-end 12/31/09	3.18%	100.00%	590		590	
21	Non-Union Wage Increase Effective 7/1/09 through 6/30/10 (12 months)	1.50%	100.00%		11,534	11,534	
22							
23	Subtotal			19,136	780,469	799,605	
24							
25	Union Wage Increase for Year-end 12/31/10	2.49%	100.00%	476		476	
26	Non-Union Wage Increase Effective 7/1/10 through 12/31/10 (6 months)	3.00%	50.00%		11,707	11,707	
27							
28	Rate Year Total Wages			19,612	792,176	2,398,874	
29							
30	Rate Year O&M Wages	100.00%	99.26%	19,612	786,310	805,922	
31							
32	Test Year O&M Non-Executive Variable Pay			261	64,863	65,124	
33	Adjustment to Increase Non-Executive Variable Pay for Rate Year	5.75%	3.02%	15	1,960	1,975	
34	Test Year O&M Overtime Wages			17,979	1,843	19,822	
35	Adjustment to Increase Overtime Wages for Rate Year	5.75%	3.02%	1,034	56	1,089	
36							
37	Rate Year O&M Wages			\$ 38,901	\$ 855,032	\$ 893,932	893,932
38							
39	National Grid - Keyspan Service Company Adjustment for Wages charged to National Grid - NECO						\$ 78,881

Line Notes

- 1 to 8 Actual 12 months ended December 31, 2008 per Company financials; Workpaper NG-RLO-13, Pages 1 through 4
10 & 13 Workpaper NG-RLO-13, Page 5
15 Workpaper NG-RLO-13, Pages 6 and 7
16 Line 13 x Line 15
18 Line 16
20 & 21 Line 18 x Column (a) x Column (b) Line 20 or Line 21, respectively; Column (a) = % rate increase; Column (b) = % of year effective
23 Sum of Lines 18 through 21
25 & 26 Line 23 x Column (a) x Column (b) Line 25 or Line 26, respectively; Column (a) = % rate increase; Column (b) = % of year effective
28 Sum of Lines 23 through 26.
30 Column (c) Line 30 = Column (c) Line 28 x Column (a) Line 30; Column (d) Line 30 = Column (d) Line 28 x Column (b) Line 30
32 Line 6
33 Column (a) = {[1+Line 20 Column (a) x Column (b)] x [1+ Line 25, Column (a) x Column (b)]} - 1
33 Column (b) = {[1+Line 21 Column (a) x Column (b)] x [1+ Line 26, Column (a) x Column (b)]} - 1
33 Column (c) = Line 32 x Line 33 Column (a); Column (d)= Line 32 x Line 33 Column (b)
34 Line 7
35 Column (a) = Column (a), Line 33
35 Column (b) = Column (b), Line 33
35 Column (c)= Line 34 x Line 35 Column (a); Column (d)=Line 34 x Line 35 Column (b)
37 Sum of Lines 30 through 35.
39 Line 37 - Line 8

National Grid - The Narragansett Electric Company
Pro Forma Income Statement
Adjustment for Medical and Dental Expenses

Line No.	Description	Rate (a)	Rate (b)	NECO (c)	NGSC (d)	KSC (e)	Total (f)
1	Test Year Medical and Dental Costs to NECO O&M			\$ 2,225,859	\$ 1,896,373	\$ 78,173	\$ 4,200,405
2							
3	<u>Medical and Dental Costs Per Employee 1/1/09 - 12/31/09</u>						
4	Medical			9,140	8,254	7,835	
5	Dental			793	753	747	
6	Total Medical and Dental Costs Per Employee 1/1/09 - 12/31/09			9,933	9,007	8,582	
7							
8	<u>Number of Steady State Rate Year Employees</u>						
9	Employees Electing Medical Coverage for 1/01/09 to 12/31/09			456	2,486	1,849	
10							
11	<u>Total Medical and Dental Costs for 2009</u>						
12	Medical			4,167,840	20,519,444	14,486,915	
13	Dental (for percentage of employees who elected dental coverage for 2009)			327,725	1,659,678	1,369,325	
14	Total Medical and Dental Costs for 2009			4,495,565	22,179,122	15,856,240	
15	% of Employees Electing Dental Coverage		1/	90.63%	88.66%	99.14%	
16							
17	<u>Cost Increases for Rate Year</u>						
18	Medical - Period 1/1/10 - 12/31/10 expected average cost increase	8.0%	100.0%	333,427	1,641,556	1,158,953	
19	Dental - Period 1/1/10 - 12/31/10 expected average cost increase	3.0%	100.0%	9,832	49,790	41,080	
20	Total Rate Year Medical and Dental Costs			4,838,825	23,870,469	17,056,274	
21							
22	<u>NECO's Share of Medical and Dental Costs for Rate Year 2010</u>						
23	Percentage Charged to NECO - Total			100.00%	13.35%	0.30%	
24	Percentage Charged to NECO O&M Labor %			56.61%	68.81%	33.60%	
25							
26	Allocation of NECO Rate Year Medical and Dental Costs to O&M			\$ 2,739,183	\$ 2,192,053	\$ 17,118	4,948,354
27							
28	NECO Rate Year Medical and Dental Adjustment			\$ 513,324	\$ 295,680	\$ (61,055)	747,949
29							
30	Less Amount Applicable to IFA		4.64%				(34,705)
31							
32	Total Distribution Medical and Dental Adjustment						\$ 713,244
	<u>1/ Employees Electing Dental Coverage</u>						
	Number of employees who elected dental coverage			406	2,064	1,612	
	Number of employees with medical coverage			448	2,328	1,626	
	Percent of employees who elected dental coverage			90.63%	88.66%	99.14%	

Line Notes

- 1 Actual 12 months ended December 31, 2008 per Company financials; Workpaper NG-RLO-14, Page 1
- 4 Workpaper NG-RLO-14, Pages 3 through 5
- 5 Workpaper NG-RLO-14, Pages 3 through 5
- 6 Line 4 + Line 5
- 9 Workpaper NG-RLO-14, Pages 6 through 8
- 12 Line 4 x Line 9
- 13 Line 5 x Line 9 x Line 15
- 14 Line 12 + Line 13
- 15 See Footnote 1/
- 18 Column (a) = % Cost increase in 2010; Column (b) = % of year Cost increase effective
- 18 Column (c) = Column (c) Line 12 x Line 18, Column (a) x Column (b); Column (d) = Column (d) Line 12 x Line 18, Column (a) x Column (b)
- 19 Column (a) = % Cost increase in 2010; Column (b) = % of year Cost increase effective
- 19 Column (c) = Column (c) Line 13 x Line 19, Column (a) x Column (b); Column (d) = Column (d) Line 13 x Line 19, Column (a) x Column (b)
- 20 Line 14 + Line 18 + Line 19
- 23 Schedule NG-RLO-2, Page 10, Line 4
- 24 Schedule NG-RLO-2, Page 10 Line 5
- 26 Line 20 x Line 23 x Line 24
- 28 Line 26 - Line 1
- 30 Column (b) = Percentage applicable to the IFA; Workpaper NG-RLO-2, Page 2
- 30 Column (f) = Line 28, Column (f) x Line 30, Column (b)
- 32 Line 28 + Line 30

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for Group Insurance Expense

Line No.	Description	Amount (a)	Amount (b)	Total (c)	Rate (d)	Amount (e)
1	Test Year Group Insurance Expense Charged to O&M					\$ 632,356
2	Rate Year O&M Salaries and Wages - Percentage Change					8.07% 1/
3	Rate Year Adjustment for Group Insurance Expense					51,029
4						
5	Less Amount of Adjustment Applicable to IFA				4.64%	(2,368)
6						
7	Total Rate Year Adjustment for Group Insurance Expense					48,661
8						
9	Rate Year Group Insurance Expense Applicable to Distribution					\$ 681,017
10						
		NECO	NGSC	Total	Percentage Increase / (Decrease)	
11	1/ Percentage Change Calculation:					
12						
13	Test Year Total Base Wages	\$ 30,373,148	\$ 26,128,465	\$ 56,501,613		
14	Rate Year Total Base Wages	33,573,792	27,487,285	61,061,077		
15	Increase (Decrease)	\$ 3,200,644	\$ 1,358,820	\$ 4,559,464		
16						
17	Percentage Increase in O&M Wages from Test Year to Rate Year				8.07%	
18						
19	Percentage of Salary and Wage Expense				1.12%	
20						
21	Allocation of Group Insurance Expense	\$ 374,450	\$ 306,567	\$ 681,017		

Line Notes

- 1 Actual 12 months ended December 31, 2008 per Company financials; Workpaper NG-RLO-15, Page 1
- 2 See Line 17
- 3 Line 1 x Line 2
- 5 Column (d) = Percentage applicable to the IFA; Workpaper NG-RLO-2, Page 2
- 5 Column (e) = Line 3 x Column (d), Line 5
- 7 Line 3 + Line 5
- 9 Line 1 + Line 7
- 13 Column (a) = Schedule NG-RLO-2, Page 5, Line 1, Column (f)
- 13 Column (b) = Schedule NG-RLO-2, Page 6, Line 1, Column (f)
- 14 Column (a) = Schedule NG-RLO-2, Page 5, Line 22, Column (e)
- 14 Column (b) = Schedule NG-RLO-2, Page 6, Line 27, Column (e)
- 15 Line 14 - Line 13
- 17 Line 15, Column (c) / Line 13, Column (c)
- 19 Line 9, Column (e) / Line 14, Column (c)
- 21 Columns (a) and (b) = Line 14 x Line 19, Column (d)
- 21 Column (c) = Columns (a) + (b)

**The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for Pension Expense (FAS 87)**

Line No.	Description	FAS 87 Costs				
		NECO (a)	NGSC (b)	KSC (c)	Rate (d)	Total (e)
1	Total Company Test Year Pension Costs to NECO O&M	\$ (665,445)	\$ 1,512,978	\$ 63,413		\$ 910,946
2						
3	Rate Year Pension Expense	\$ 4,436,025	\$ 32,814,798	\$ 73,859,376		
4	Percentage of Test Year Expense Charged to NECO	100.00%	13.35%	0.30%		
5	Percentage Charged to NECO Labor	56.61%	68.81%	33.60%		
6	Total Company Rate Year FAS 87 Costs to NECO O&M	<u>\$ 2,511,164</u>	<u>\$ 3,013,421</u>	<u>\$ 74,128</u>		5,598,712
7	Rate Year Adjustment for Pension Expense					<u>4,687,767</u>
8						
9	Less Amount Applicable to IFA				4.64%	(217,512)
10						
11	Total Rate Year Distribution Pension Expense Adjustment					<u>\$ 4,470,254</u>
12						
13						
14	Percentage of Total Rate Year Pension to NECO	<u>56.61%</u>	<u>9.18%</u>	<u>0.10%</u>		
15						
16	<u>NGSC and KSC Base Rate Year Salaries & Wages charged to NECO</u>					
17	Salaries & Wages charged to NECO - union		\$ 7,621,790	\$ 18,546		
18	Salaries & Wages charged to NECO - non-union		<u>19,446,832</u>	<u>768,935</u>		
19	Total		<u>\$ 27,068,622</u>	<u>787,481</u>		
20						
21	<u>Total NGSC and KSC Base Rate Year Salaries & Wages</u>					
22	Total Salaries & Wages - union		\$ 34,898,306	92,728,612		
23	Total Salaries & Wages - non-union		<u>167,934,643</u>	<u>170,874,452</u>		
24	Total		<u>\$ 202,832,949</u>	<u>\$263,603,064</u>		
25						
26	Percentage Charged to NECO	<u>100.00%</u>	<u>13.35%</u>	<u>0.30%</u>		
27						
28	Total Rate Year Salaries & Wages to NECO	<u>\$ 33,573,792</u>	<u>\$ 27,487,285</u>	<u>\$ 2,398,874</u>		
29						
30	Total Rate Year Salaries & Wages to NECO O&M	<u>\$ 19,005,595</u>	<u>\$ 18,914,474</u>	<u>\$ 805,922</u>		
31						
32	O&M Portion	<u>56.61%</u>	<u>68.81%</u>	<u>33.60%</u>		
33						
34	Pension Expense for Pension/OPEB Adjustment Mechanism					<u>\$ 5,381,200</u>

Line Notes

- 1 Workpaper NG-RLO-16, Page 1
- 3 See Workpaper NG-RLO-16, Pages 3, 4 & 11
- 4 Line 26
- 5 Line 32
- 6 Columns (a) through (c) = Line 3 x Line 4 x Line 5
- 6 Column (e) = Sum of Columns (a) through (c)
- 7 Line 6 - Line 1
- 9 Column (d) = Percentage applicable to the IFA; Workpaper NG-RLO-2, Page 2
- 9 Column (e) = Line 7, Column (e) x Line 9, Column (d)
- 11 Line 7 + Line 9
- 14 Line 4 x Line 5
- 17 Column (b) = NG-RLO-2, Page 6, Column (c), Line 17; Column (c) = Page 7, Column (c), Line 16
- 18 Column (b) = NG-RLO-2, Page 6, Column (d), Line 17; Column (c) = Page 7, Column (d), Line 18
- 19 Line 17 + Line 18
- 22 Column (b) = NG-RLO-2, Page 6, Column (c), Line 11; Column (c) = Page 7, Column (c), Line 10
- 23 Column (b) = NG-RLO-2, Page 6, Column (d), Line 11; Column (c) = Page 7, Column (d), Line 10
- 24 Line 22 + Line 23
- 26 Line 19 / Line 24
- 28 Column (a) = NG-RLO-2, page 5, Column (e), Line 22; Column (b) = Page 6, Column (e), Line 27; Column (c) = Page 7, column (e), Line 28
- 30 Column (a) = NG-RLO-2, page 5, Column (e), Line 24; Column (b) = Page 6, Column (e), Line 29; Column (c) = Page 7, column (e), Line 30
- 32 Line 30 / Line 28
- 34 Line 6 + Line 9

**The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for Post-retirement Benefits Other than Pension (FAS106)**

Line No.	Description	FAS 106 Costs				
		NECO	NGSC	KSC	Rate	Total
		(a)	(b)	(c)	(d)	(e)
1	Total Company Test Year FAS106 Cost - NECO O&M	\$ 4,608,256	\$ 2,449,571	\$ 71,867		\$ 7,129,693
2						
3						
4	Rate Year FAS106 Total Expense	\$ 10,212,025	\$ 25,915,459	\$ 39,737,585		
5						
6						
7	Percentage of Test Year Expense Charged to NECO	100.00%	13.35%	0.30%		
8	Percentage of Total Rate Year Pension to NECO	56.61%	68.81%	33.60%		
9						
10	Total Company Rate Year FAS106 Cost - NECO O&M	\$ 5,780,867	\$ 2,379,847	\$ 39,882		8,200,595
11						
12	Rate Year Adjustment for FAS106 Expense					1,070,902
13						
14	Less Amount Applicable to IFA				0.00%	-
15						
16	Total Rate Year Distribution FAS106 Expense Adjustment					\$ 1,070,902
17						
18						
19	FAS106 Expense for Pension/OPEB Adjustment Mechanism					\$ 8,200,595

Line Notes

- 1 Workpaper NG-RLO-17, Page 1
- 4 Workpaper NG-RLO-17, Pages 3, 4 & 11
- 7 Schedule NG-RLO-2, Page 10, Line 4
- 8 Schedule NG-RLO-2, Page 10, Line 5
- 10 Columns (a) through (c) = Line 4 x Line 7 x Line 8
- 10 Column (e) = Sum of Columns (a) through (c)
- 12 Line 10 - Line 1
- 14 Column (d) = Total Company FAS106 expense allocable to Transmission is capped at \$5.4 million per IFA Agreement; therefore, no allocation to IFA
- 14 Column (e) = Line 12, Column (e) x Line 14, Column (d)
- 16 Line 12 + Line 14
- 19 Line 10 + Line 14

**The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for Employee Thrift Plan - Company Match**

Line No.	Description	Amount (a)	Amount (b)	Amount (c)	Total (d)	Rate (e)	Amount (f)
1	Test Year Employee Thrift Plan - Company Match Expense Charged to O&M						\$ 1,397,322
2	Rate Year O&M Salaries and Wages - Percentage Change						10.87% 1/
3	Rate Year Adjustment for Thrift Plan - Company Match Expense						151,919
4							
5	Less Amount Applicable to IFA					4.64%	(7,049)
6							
7	Total Distribution Thrift Plan - Company Match Adjustment						144,870
8							
9							
10	Rate Year Expense Thrift Plan - Company Match Applicable to Distribution						\$ 1,542,192
11							
12	1/ Percentage Change Calculation:	<u>NECO</u>	<u>NGSC</u>	<u>KSC</u>	<u>Total</u>	Percentage Increase / (Decrease)	
13							
14							
15	Test Year O&M Wages	\$ 30,373,148	\$ 26,128,465	\$ 735,441	\$ 57,237,054		
16	Rate Year O&M Wages	33,573,792	27,487,285	2,398,874	63,459,951		
17	Difference	<u>\$ 3,200,644</u>	<u>\$ 1,358,820</u>	<u>\$ 1,663,433</u>	<u>\$ 6,222,897</u>		
18							
19	Percentage Increase in O&M Wages from Test Year to Rate Year					10.87%	
20							
21	Percentage of Salary and Wage Expense					2.43%	
22							
23	Allocation of Thrift Plan-Company Match Expense	<u>\$815,904</u>	<u>\$667,991</u>	<u>\$58,297</u>	<u>\$1,542,192</u>		

Line Notes

- 1 Workpaper NG-RLO-18, Page 1
- 2 Line 19
- 3 Line 1 x Line 2
- 5 Column (e) = Percentage applicable to the IFA; Workpaper NG-RLO-2, Page 2
- 5 Column (f) = Line 3, Column (f) x Line 5, Column (e)
- 7 Line 3 + Line 5
- 10 Line 1 + Line 7
- 15 Column (a) = Schedule NG-RLO-2, Page 5, Line 1, Column (f)
- 15 Column (b) = Schedule NG-RLO-2, Page 6, Line 1, Column (f)
- 15 Column (c) = Schedule NG-RLO-2, Page 7, Line 1, Column (f)
- 15 Column (d) = Column (a) + Column (b) + Column (c)
- 16 Column (a) = Schedule NG-RLO-2, Page 5, Line 22, Column (e)
- 16 Column (b) = Schedule NG-RLO-2, Page 6, Line 27, Column (e)
- 16 Column (c) = Schedule NG-RLO-2, Page 7, Line 28, Column (e)
- 16 Column (d) = Column (a) + Column (b) + Column (c)
- 17 Line 16 - Line 15
- 19 Column (d) Line 17 / Column (d) Line 15
- 21 Column (f), Line 10 / Column (d), Line 16
- 23 Line 21 x Line 16 Columns (a), (b), (c) and (d) respectively

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for IS Leasing Charges

Line No.	Description	Rate (a)	Amount (b)	Total (c)
1	<u>Information Services (IS) Leasing Expense Rate Year Adjustment</u>			
2				
3	----Leasing Projects to End Before Rate Year		\$ (696,592)	
4				
5	----New Leasing Projects to be Amortized in Rate Year		<u>264,437</u>	
6				
7	Pro Forma Leasing Charges Adjustment			\$ (432,155)
8				
9	Less Amount Applicable to IFA	4.64%		<u>20,052</u>
10				
11	Rate Year Adjustment for IS Leasing Projects Applicable to Distribution			<u>\$ (412,103)</u>

Line Notes

- 3 Workpaper NG-RLO-19, Page 1
- 5 Workpaper NG-RLO-19, Page 2
- 7 Line 3 + Line 5
- 9 Column (a) = Percentage applicable to the IFA; Workpaper NG-RLO-2, Page 2
- 9 Column (c) = Line 7, Column (c) x Line 9, Column (a)
- 11 Line 7 + Line 9, Column (c)

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for Rent Expense Related to Capital Improvements

Line No.	Description	Rate (a)	Amount (b)	Amount (c)
1	<u>Facilities Improvements Expense</u>			
2				
3	----Waltham, MA -- Reservoir Woods		\$ 257,940	
4				
5	----Northboro MA		<u>323,494</u>	
6				
7	Pro Forma Rents Expense Adjustment			\$ 581,434
8				
9	Less Amount Applicable to IFA	4.64%		<u>(26,979)</u>
10				
11	Rate Year Leasing Charges Adjustment Applicable to Distribution			<u><u>\$ 554,455</u></u>

Line Notes

- 3 to 5 See Testimony and Schedules of Witness Pettigrew
- 7 Column (c) = Sum of Lines 3 through 5, Column (b)
- 9 Column (a) = Percentage applicable to the IFA; Workpaper NG-RLO-2, Page 2
- 9 Column (c) = Line 7, Column (c) x Line 9, Column (a)
- 11 Line 7 + Line 9

**The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for Contracted Union Hiring Requirement**

Line No.	Description	Percentages (a)	Percentages/ Amount (b)	Amount (c)	Amount (d)
1	Contractual Hiring Requirement - O&M Expense Portion			\$ 900,321	
2					
3	<u>Pension and Benefits, Rate Year Expense amount to NECO O&M:</u>				
4	Payroll Tax	7.75%	\$ 1,860,426		
5	Medical and Dental Insurance	11.41%	2,739,183		
6	Group Insurance	1.56%	374,450		
7	Pension	10.46%	2,511,164		
8	FAS106	24.08%	5,780,867		
9	FAS 112 (Test Year plus inflation)	-3.55%	(852,697)		
10	Workers Compensation (Test Year plus inflation)	4.00%	961,174		
11	Employee Thrift	3.40%	815,904		
12	Total Benefits	59.12%	\$ 14,190,470		
13					
14	NECO Employee Salaries and Wages to O&M		<u>\$ 24,003,168</u>		
15					
16	Payroll Taxes, Pension and Benefits Cost as % of Base Salaries & Wages		<u>59.12%</u>		
17					
18	Pension and Benefits for Contractual Minimum Hiring		51.37%	<u>462,481</u>	
19					
20	Pro Forma Adjustment To O&M Expense - To Page 4, Line 19			<u>\$ 1,362,802</u>	
21					
22	Payroll Taxes - To Page 27, Line 23		<u>7.75%</u>		<u>69,782</u>
23					
24	Rate Year Contractual Hiring Requirement, Total Cost, to O&M		<u>59.12%</u>		<u>\$ 1,432,583</u>

Line Notes

- 1 Workpaper NG-RLO-20, Page 1
- 4 Schedule NG-RLO-2, Page 27, Line 19, Column (a)
- 5 Schedule NG-RLO-2, Page 8, Line 26, Column (c)
- 6 Schedule NG-RLO-2, Page 9, Line 21, Column (a)
- 7 Schedule NG-RLO-2, Page 10, Line 6, Column (a)
- 8 Schedule NG-RLO-2, Page 11, Line 10, Column (a)
- 9 Workpaper NG-RLO-20, Page 2 x Inflation Factors
- 10 Workpaper NG-RLO-20, Page 2 x Inflation Factors
- 11 Schedule NG-RLO-2, Page 12, Line 23, Column (a)
- 12 Sum of Lines 4 through 11
- 14 Schedule NG-RLO-2, Page 5, Line 31, Column (f)
- 16 Line 12 / Line 14
- 18 Column (b) = Line 16 - Line 22
- 18 Column (c) = Column (b) x Line 1
- 20 Line 1 + Line 18
- 22 Column (b) = Line 4, Column (a)
- 22 Column (d) = Column (b) x Line 1, Column (c)
- 24 Column (b) = Line 18 + Line 22
- 24 Column (d) = Column (c), Line 20 + Column (d), Line 22

**The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for Customer Assistance Advocate Personnel**

Line No.	Description	Percentages (a)	Percentages/ Amount (b)	Amount (c)	Amount (d)
1	Additional Customer Assistance Advocate Personnel		2 Positions at \$60,000 each	\$ 120,000	
2					
3	<u>Pension and Benefits, Rate Year Expense amount to NECO O&M:</u>				
4	Payroll Tax	7.75%	\$ 1,860,426		
5	Medical and Dental insurance	11.41%	2,739,183		
6	Group Insurance	1.56%	374,450		
7	Pension	10.46%	2,511,164		
8	FAS106	24.08%	5,780,867		
9	FAS 112 (Test Year plus inflation)	-3.55%	(852,697)		
10	Workers Compensation (Test Year plus inflation)	4.00%	961,174		
11	Employee Thrift	3.40%	815,904		
12	Total Benefits	59.12%	\$ 14,190,470		
13					
14	NECO Employee Salaries and Wages to O&M		<u>\$ 24,003,168</u>		
15					
16	Payroll Taxes, Pension and Benefits Cost as % of Base Salaries & Wages		<u>59.12%</u>		
17					
18	Pension and Benefits for Customer Assistance Advocate Personnel		51.37%	<u>61,643</u>	
19					
20	Pro forma Adjustment to O&M Expense - To Page 4, Line 21			<u>\$ 181,643</u>	
21					
22	Payroll Taxes - To Page 27, Line 24		<u>7.75%</u>		<u>\$ 9,300</u>
23					
24					
25	Rate Year Customer Assistance Advocate Personnel, Total Cost, to O&M		<u>59.12%</u>		<u>\$ 190,943</u>

Line Notes

- 1 \$60,000 x 2
- 4 Schedule NG-RLO-2, Page 27, Line 19, Column (a)
- 5 Schedule NG-RLO-2, Page 8, Line 26, Column (c)
- 6 Schedule NG-RLO-2, Page 9, Line 21, Column (a)
- 7 Schedule NG-RLO-2, Page 10, Line 6, Column (a)
- 8 Schedule NG-RLO-2, Page 11, Line 10, Column (a)
- 9 Workpaper NG-RLO-20, Page 2 x Inflation Factors
- 10 Workpaper NG-RLO-20, Page 2 x Inflation Factors
- 11 Schedule NG-RLO-2, Page 12, Line 23, Column (a)
- 12 Sum of Lines 4 through 11
- 14 Schedule NG-RLO-2, Page 5, Line 31, Column (f)
- 16 Line 12 / Line 14
- 18 Column (b) = Line 16 - Line 22
- 18 Column (c) = Column (b) x Line 1
- 20 Line 1 + Line 18
- 22 Column (b) = Line 4, Column (a)
- 22 Column (d) = Column (b) x Line 1, Column (c)
- 25 Column (b) = Line 18 + Line 22
- 25 Column (d) = Column (c), Line 20 + Column (d), Line 22

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for Rate Year Postage Expenses

Line No.	Description	Factor	Amount
1	Test Year Postage Expense		\$ 1,847,291
2			
3	Percentage Increase per USPS		3.8%
4			
5	Postage Expense Based on May 11, 2009 Increase		1,917,488
6			
7	Postage Rate Increase effective May 12, 2010		0.25%
8	Portion of Rate Year in Effect		64.1%
9	Pro Forma Increase Factor		0.16%
10			
11	Rate Year Adjusted Postage Expense		\$ 1,920,561
12			
13	Rate Year Adjustment for Postage Expense		\$ 73,270

Line Notes

1	Workpaper NG-RLO-21, Page 1		
3	Workpaper NG-RLO-21, Page 2		
5	Line 1 x (1+Line 3)		
7	2010 Inflation Factor calculated below:		
	---GPD Deflator 2009	123.359	
	---GPD Deflator 2010	123.669	
	---Percent Change in GDP (123.669 / 123.359) - 1 = 0.25%		0.250%
8	December 31, 2010 - May 12- 2010 / 365 days		
9	Line 7 x Line 8		
11	Line 5 x (1+Line 9)		
13	Line 11 - Line 1		

The Narragansett Electric Company
d/b/a National Grid
Docket No. R.I.P.U.C. _____
Schedule NG-RLO-2
Page 18 of 39

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for Rate Case Expenses

Line No.	Description	Amount	Total
		(a)	(b)
1	Total Rate Case Expenses		\$ 1,730,000
2			
3	Number of Years to be Amortized		2
4			
5	Annual Amortization of Rate Case Expenses		\$ 865,000
6			
7			
8	<u>Third Party Expenses:</u>		
9	Keegan and Werlin, LLP	\$ 475,000	
10	Foster Associates, Inc.	150,000	
11	Black & Veatch	400,000	
12	P. Moul & Associates	50,000	
13	R.I.P.U.C. and RI Division	470,000	
14	Analysis Group	185,000	
15	Total Rate Case Expenses	\$ 1,730,000	

Line Notes

- 1 Line 15
- 5 Line 1 / Line 3
- 15 Sum of Lines 9 through 14

**The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Inflation Adjustment for Other Operation and Maintenance Expenses**

Line No.	Description	Amount (a)	Amount (b)	Amount (c)	Reference Page (d)
1	Adjusted Test Year Other Operation & Maintenance Expense From Page 1, Column (d), Line 24			\$ 118,643,112	1
2					
3	<u>Less:</u>				
4	Salaries & Wage Expense charged to O&M in Test Year			43,078,719	5, 6, 7
5	Medical and Dental Expense charged to O&M in Test Year			4,200,405	8
6	Group Insurance Expense charged to O&M in Test Year			632,356	9
7	Pension Expense charged to O&M in Test Year			910,946	10
8	FAS 106 Expense charged to O&M in Test Year			7,129,693	11
9	Employee Thrift Plan - Company Match Expense charged to O&M in Test Year			1,397,322	12
10	Postage Expense Charged to O&M in Test Year			1,847,291	17
11	Restore Transmission Portion of Salaries & Wages on line 4 already adjusted out			(2,625,853)	
12	Vegetation Management Expense Charged to O&M in Test Year			6,824,171	23
13	Inspection and Maintenance Expense Charged to O&M in Test Year			2,581,867	24
14					
15	Test Year Other O&M Subject to Inflation			\$ 52,666,196	
16					
17	Less Other O&M Applicable to IFA			(1,171,742)	
18					
19	Other O&M Applicable to Distribution Subject to Inflation			\$ 51,494,455	
20					
21	Inflation Calculation for 2009			0.705%	
22					
23	Inflation Adjustment for 2009			363,036	
24					
25	Other O&M Expense for 2009			51,857,491	
26					
27	Inflation Calculation for 2010			0.251%	
28					
29	Inflation Adjustment for 2010			130,162	
30					
31	Other O&M Expenses for 2010			\$ 51,987,653	
32					
33	Inflation Adjustment For Rate Year			\$ 493,198	
34					
35	<u>GPD Deflator Factors</u>				
36	2008	122.496			
37	2009	123.359	0.705%		
38	2010	123.669	0.251%		

Line Notes

11	Workpaper NG-RLO-22, Page 1
15	Line 1 - Sum of Lines 4 through 13
17	Workpaper NG-RLO-22, Page 2
19	Line 15 + Line 17
21	Column (b), Line 37
23	Line 19 x Line 21
25	Line 19 + Line 23
27	Column (b), Line 38
29	Line 25 x Line 27
31	Line 25 + Line 29
33	Line 31 - Line 19

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Seasonal Employees

Line No.	Description	Factor Or Reference	Amount	Total
		(a)	(b)	(c)
	<u>Seasonal Field Collection Employees</u>			
1	Meter Reading - Lincoln		15	
2	Meter Reading - North Kingstown		5	
3	Number of Seasonal Employees For Rate Year	L 1 + L 2	20	
4				
5	Average Union Seasonal Annual Salary for 2008		\$ 35,178	
6	May 2009 Salary Increase		3.0%	
7	2009 Annual Salary Amount per Employee	L 5 * L 6	36,233	
8				
9	May 2010 Salary Increase		3.0%	
10	2010 Annual Salary Amount Per Employee	L 7 * L 9	37,320	
11				
12	Total 2009 Salary for Seasonal Employees	L 3 * L 10	\$ 746,400	
13				
14	Months in Year		12	
15	Number of Months on Site (June - mid-November)		5.5	
16	Total 2010 Salary	L 12 / L 14 * L 15		\$ 342,100
17				
18	Provision for Workers' Compensation	Pg 15, L 10	\$ 961,174	
19	NECO Employee Salaries and Wages to O&M	Pg 15, L 14	\$ 24,003,168	
20				
21	Percent of Workers' Compensation to Total Payroll (O&M Only)	L 18 / L 19	4.00%	
22	Workers' Compensation Adjustment	L 16 * L 21		13,699
23				
24	Pro forma Adjustment to O&M Expense - To Page 4, Line 29	Sum L 16 to L 22		\$ 355,799
25				
26	Provision for Payroll Taxes	Pg 15, L 4	\$ 1,860,426	
27	NECO Employee Salaries and Wages to O&M	Pg 15, L 14	\$ 24,003,168	
28				
29	Percent of Payroll Taxes to Total Payroll (O&M Only)	L 26 / L 27	7.75%	
30	Payroll Tax Expense Adjustment - To Page 27, Line 25	L 16 * L 29		26,515
31				
32	Total Seasonal Employee Adjustment	L 24 + L 30		\$ 382,314

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Customer Contact Activities - Uncollectible Mitigation

Line No.	Description	Amount (a)	Total (b)
1	<u>Projects or Programs</u>		
2			
3	Incremental Cost of Inbound Calls due to Increased Field Collection Visits	\$ 18,820	
4			
5	Cost of Incremental Outbound Calling Activity in Rate Year	153,186	
6			
7	Cost of Incremental Inbound calls due to Increased Outbound Call Activity in Rate Year	204,249	
8			
9	Total		<u>\$ 376,255</u>

Line Notes

- 3 to 7 See Testimony and Schedules of Witness Wynter
 9 Sum of Lines 3 through 7

**The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Economic Development Program and Activities**

Line Notes

- 97

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Vegetation Management Expenses

Line No.	Description	Test Year Amount (a)	Percent (b)	Amount (c)
1	Test Year Non-Salary O&M Vegetation Management Expense			\$ 6,824,171
2				
3	Rate Year O&M Vegetation Management Expense	<u>\$ 9,084,834</u>		
4				
5	Test Year Non-Salary O&M Percent		<u>96.97%</u>	
6				
7	Rate Year Non-Salary O&M Vegetation Management Expense			<u>8,809,494</u>
8				
9	Rate Year Adjustment			<u>\$ 1,985,323</u>
10				
11				
12	Test Year Vegetation Management Expense	\$ 7,037,460		
13				
14	Less: Salary Related Expenses	<u>213,289</u>		
15				
16	Non-Salary Related Expenses	<u>\$ 6,824,171</u>		
17				
18				
19	Percent of Non-Salary Test Year Vegetation Management Expense	<u>96.97%</u>		

Line Notes

- 1 Line 16
- 3 See Testimony and Schedules of Witness Pettigrew
- 5 Line 19
- 7 Line 3 x Line 5
- 9 Line 7 - Line 1
- 12 Workpaper NG-RLO-23, Page 1
- 14 Workpaper NG-RLO-23, Page 3
- 16 Line 12 - Line 14
- 19 Line 16 / Line 12

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Inspection and Maintenance Costs

Line No.	Description	Amount (a)	Amount (b)
	Inspection and Maintenance (I&M) Program Costs Incurred		
1	During Test Year		\$ 2,581,867
2			
3	I&M Program O&M Costs During Rate Year		
4	Opex Related to Capex	\$ 2,043,694	
5	Repair - Related Costs	1,116,682	
6	Inspections-Related Costs	986,259	
7	Total I&M Program O&M Costs During Rate Year	\$ 4,146,635	
8			
9	Plus Inspections-Related Benefits and Taxes	\$ 529,537	4,676,172
10			
11	Rate Year Adjustment Related to I&M Program		\$ 2,094,305

Line Notes:

- 1-6 See Testimony and Schedules of Witness Pettigrew
- 7 Sum of lines 4 through 6
- 9 See Testimony and Schedules of Witness Pettigrew and Workpaper NG-RLO-33
- 11 Line 9 - Line 1

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Adjustments
Adjustment for Uncollectible Expenses

Line No.	Description	Amount	Calendar Year 2007	Calendar Year 2008	Two Year Total
		(a)	(b)	(c)	(d)
	<u>Two Year Average Net Charge Off Rate</u>				
1	Delivery-Related Net Charge-Offs		\$3,902,833	\$4,550,966	\$4,226,900
2					
3	Delivery Operating Revenue		\$ 376,488,453	\$393,808,040	\$385,148,246
4					
5	Average Net Charge-off % of Delivery Revenue		1.0366%	1.1556%	1.0975%
6					
7	<u>Normalized Test Year Delivery-Related Net Charge Offs</u>				
8	Distribution			\$ 227,000,179	
9	Transmission			125,023,630	
10	Transition			18,129,225	
11	Conservation			27,000,973	
12	Total Delivery Revenue			\$ 397,154,007	
13					
14	Average Delivery-Related Net Charge-off Rate			1.0975%	
15					
16	Rate Year Delivery-Related Uncollectible Expense Based on Net Charge Offs			\$ 4,358,765	
17					
18	Rate Year Commodity Related Net Charge-offs			7,861,885	
19					
20	Total Rate Year Net Charge Offs at Present Rates			12,220,650	
21					
22	Test Year Uncollectible Expense (FERC 904)			12,748,167	
23					
24	Test Year Normalization Adjustment For Use Of Net Charge-Offs				\$ (527,517)
25					
26	<u>Normalized Rate Year Delivery-Related Net Charge Offs</u>				
27	Distribution	\$ 227,000,179	\$ 223,242,387	\$ (3,757,792)	
28	Transmission	125,023,630	123,977,973	(1,045,657)	
29	Transition	18,129,225	17,952,404	(176,821)	
30	DSM/Renewables	27,000,973	26,737,624	(263,349)	
31	Total	\$ 397,154,007	\$ 391,910,388	\$ (5,243,619)	
32					
33	Average Net Charge-off % of Delivery Revenue			1.0975%	
34					
35	Pro-Forma Delivery-Related Charge-Off Adjustment				\$ (57,549)

Line Notes

1	Columns (b) and (c): Workpaper NG-RLO-24, Page 1, Line (6); Column (d) = Average of Columns (b) and (c)
3	Columns (b) and (c): Calendar year income statement; Column (d): Average of Columns (b) and (c)
5	Line 1 ÷ Line 3
8	Schedule NG-RLO-2, Page 1, Column (a), Line 5
9	Workpaper NG-RLO-25, Page 2, Line 20, Column (m)
10	Workpaper NG-RLO-25, Page 2, Line 20, Column (s)
11	Workpaper NG-RLO-25, Page 2, Line 20, Column (p)
12	Sum of Lines 8 through 12
14	Column (d), Line 6
16	Line 12 x Line 14
18	Workpaper NG-RLO-24, Page 1, Line 5
20	Line 16 + Line 18
22	Workpaper NG-RLO-24, Page 1, Line 2
24	Line 20 - Line 22
27 to 30	Column (a) = Column (c) Lines 8 through 11
27	Column (b) = Schedule NG-RLO-2, Page 1, Column (f)
28 to 30	Column (b) = Workpaper NG-RLO-25, Page 1, Line 20
27 to 30	Column (c) = Column (b) - Column (a)
31	Sum of Lines 27 through 30
33	Column (d), Line 5
35	Column (c), Line 31 x Line 33

**The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for Municipal Tax Expense**

Line No.	Description	Amount (a)	Amount (b)	Total (c)
1	Municipal Taxes Expense for the Calendar Year 2008 per Company's Books			\$ 17,959,422
2	Less Amortization of Providence, Rhode Island Tax Settlement			(883,333)
3	Municipal Taxes Expense for the Calendar Year 2008			17,076,089
4	Municipal Taxes Payments for Calendar Year 2008		\$ 17,873,924	
5	Three Year Average Percentage Increase in Municipal Taxes	3.82%	1/ 682,784	
6				
7	Total Calendar Year 2009 Municipal Taxes		18,556,708	
8	Three Year Average Percentage Increase in Municipal Taxes	3.82%	1/ 708,866	
9				
10	Total Rate Year 2010 Municipal Taxes		19,265,574	
11	Total Rate Year 2010 Applicable to Operating Property	99.67%	2/	19,201,998
12				
13	Rate Year Municipal Tax Adjustment			2,125,909
14				
15	Total Rate Year Municipal Taxes			\$ 20,085,331

1/ Three Year Average Municipal Tax Expense Growth Rate:	Year	Municipal Taxes	Percentage Inc / (Dec)
	<u>Year</u>		
	2008	\$ 17,959,422	4.80%
	2007	\$ 17,136,969	-10.20%
	2006	\$ 19,083,224	16.86%
	2005	\$ 16,329,901	
	Three Year Average Percentage Increase		3.82%

2/	Test Year Municipal Tax Expense on Operating Property	\$ 17,076,089	
	Test Year Municipal Tax Expense on Non-Operating Property	56,639	
	Total Test Year Municipal Tax Expense	\$ 17,132,728	
	Percent of Municipal Taxes Applicable to Operating Property		99.67%

Line Notes

- 1 Schedule NG-RLO-2, Page 3, Line 8, Column (d)
- 2 Workpaper NG-RLO-27, Page 1
- 3 Line 1 + Line 2
- 4 Workpaper NG-RLO-27, Page 4
- 5 Line 4 x Line 5, Column (a)
- 7 Line 4 + Line 5
- 8 Line 7 x Line 8, Column (a)
- 10 Line 7 + Line 8
- 11 Line 10 x Line 11, Column (a)
- 13 Line 11 - Line 3

**The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Adjustment for Payroll Tax Expense**

Line No.	Description	Amount (a)	Amount (b)	Amount (c)	Amount (d)	Amount (e)
1	Test Year Payroll Tax Expense					\$ 3,338,924
2	Percentage Change in Rate Year O&M Salaries and Wages					7.64% 1/
3	Payroll Tax Expense Adjustment					255,220
4						
5	Subtotal Base Rate Year Expense					\$ 3,594,144
6						
7						
8		NECO	National Grid Service Company	KeySpan Service Company	Total	Percentage Increase/(Decrease)
9	1/ Percentage Change Calculation:					
10						
11	Test Year O&M Wages	\$ 21,838,518	\$ 20,425,150	\$ 815,051	\$ 43,078,719	
12	Rate Year O&M Wages	24,003,168	21,474,460	893,932	46,371,561	
13	Difference	<u>\$ 2,164,651</u>	<u>\$ 1,049,310</u>	<u>\$ 78,881</u>	<u>\$ 3,292,842</u>	
14						
15	Percent Increase from Test Year to Rate Year					7.64%
16						
17	Percentage of Salary and Wage Expense					7.75%
18						
19	Allocation of Payroll Tax Expense	<u>\$ 1,860,426</u>	<u>\$ 1,664,432</u>	<u>\$ 69,286</u>	<u>\$ 3,594,144</u>	
20						
21	<u>Summary of Payroll Tax Pro Forma Adjustment</u>					
22	General Payroll Taxes - Line 3 above				\$ 255,220	
23	Minimum Staffing Requirement	Page 15			69,782	
24	Customer Assistance Advocate	Page 16			9,300	
25	Seasonal Employees	Page 20			26,515	
26	Total Payroll Tax Adjustment					\$ 360,817
27						
28	Total Rate Year Payroll Tax Expense					<u>\$ 3,699,741</u>

Line Notes

- 1 Schedule NG-RLO-2, Page 3, Line 13, Column (d)
- 2 Line 15
- 3 Line 1 x Line 2
- 5 Line 1 + Line 3
- 11 Column (a) = Schedule NG-RLO-2, Page 5, Line 9, Column (f)
- 11 Column (b) = Schedule NG-RLO-2, Page 6, Line 9, Column (f)
- 11 Column (c) = Schedule NG-RLO-2, Page 7, Line 8, Column (f)
- 11 Column (d) = Column (a) + Column (b) + Column (c)
- 12 Column (a) = Schedule NG-RLO-2, Page 5, Line 31, Column (f)
- 12 Column (b) = Schedule NG-RLO-2, Page 6, Line 36, Column (f)
- 12 Column (c) = Schedule NG-RLO-2, Page 7, Line 37, Column (f)
- 12 Column (d) = Column (a) + Column (b) + Column (c)
- 13 Line 12 - Line 11
- 15 Column (d), Line 13 / Line 11
- 17 Column (e), Line 5 / Column (d), Line 12
- 19 Line 17 x Line 12 for Columns (a), (b), (c) and (d) respectively

The Narragansett Electric Company, d/b/a National Grid
Pro forma Income Statement
Adjustment for Depreciation Expense

Line No.	Description	Source Factor Or Function (a)	Amount (b)
1	Total Company Rate Year Depreciation Expense	Schedule NG-RLO-2, Pg 1	\$ 41,465,676
2	Total Company Test Year Depreciation Expense	Schedule NG-RLO-2, Pg 3	39,183,774
3	Depreciation Expense Adjustment	L 1 - L 2	<u>\$ 2,281,902</u>
4			
5			Per Book
6	<u>Test Year Depreciation Expense 12 Months Ended 12/31/09:</u>		<u>Amount</u>
7	Total Utility Plant 12/31/08	Schedule NG-RLO-2, Pg 31, L1	\$ 1,147,925,831
8	Less Non Depreciable Plant	Workpaper NG-RLO-28, Pg 1	13,168,227
9	Depreciable Utility Plant 12/31/08	L 7 - L 8	<u>1,134,757,604</u>
10			
11	Plus: Plant Added in 2009	Workpaper NG-RLO-28, Pg 2	59,948,598
12	Less: Plant Retired in 2009	Workpaper NG-RLO-28, Pg 2	8,016,527
13	Depreciable Utility Plant 12/31/09	L 9 + L 11 - L 12	<u>1,186,689,675</u>
14			
15	Average Depreciable Plant for Year Ended 12/31/09	(L 9 + L 13) / 2	<u>\$ 1,160,723,639</u>
16			
17	Composite Book Rate % 1/	Workpaper NG-RLO-28, Pg 7	3.56%
18			
19	Book Depreciation Reserve 12/31/08	Schedule NG-RLO-2, Pg 31, L5	\$ 477,960,157
20	Plus: Book Depreciation Expense	L 15 * L 17	41,321,762
21	Less: Net Cost of Removal/(Salvage)	Workpaper NG-RLO-28, Pg 2	6,364,988
22	Less: Retired Plant	L 12	8,016,527
23	Book Depreciation Reserve 12/31/09	L 19 + L 20 - L 21 - L 22	<u>504,900,403</u>
24			
25	<u>Rate Year Depreciation Expense 12 Months Ended 12/31/10:</u>		
26	Total Utility Plant 12/31/09	L 7 + L 11 - L 12	1,199,857,902
27	Less Non-Depreciable Plant	L 8	13,168,227
28	Depreciable Utility Plant 12/31/09	L 26 - L 27	<u>1,186,689,675</u>
29			
30	Plus: Added Plant Twelve Months Ended 12/31/10	Workpaper NG-RLO-28, Pg 2	75,931,916
31	Less: Added Non Depreciable Plant Twelve Months Ended 12/31/10		-
32	Depreciable Retired Plant	Workpaper NG-RLO-28, Pg 2	10,153,870
33			
34	Depreciable Utility Plant 12/31/10	L28 + L 30 - L 31 - L32	<u>1,252,467,721</u>
35			
36	Average Depreciable Plant for Rate Year Ended 12/31/10	(L 28 + L 34) / 2	<u>\$ 1,219,578,698</u>
37			
38	Composite Book Rate %	Workpaper NG-RLO-28, Pg 8	3.40%
39			
40	Book Depreciation Reserve 12/31/09	L 23	504,900,403
41	Plus: Book Depreciation Expense	L 36 * L 38	41,465,676
42	Net Cost of Removal/(Salvage)	Workpaper NG-RLO-28, Pg 2	8,062,003
43	Less: Retired Plant	L32	10,153,870
44	Book Depreciation Reserve 12/31/10	L 40 + L 41 - L 42 - L 43	<u>\$ 528,150,206</u>

**The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Rate Year Income Tax Calculation**

Line No.	Description	Amount (a)	Present Revenue (b)	Revenue Increase (c)	Proposed Revenue (d)
1	Revenue		\$ 223,242,387	\$ 65,533,534	\$ 288,775,921
2	O&M Expenses		(213,026,831)	(719,231)	(213,746,061)
3	Eliminate Medicare Act Reimbursement		(1,430,591)		(1,430,591)
4					
5	Operating Income Before Income Taxes		8,784,966	64,814,304	73,599,269
6	<u>Less: Synchronized Interest Expense</u>				
7	Rate Base	\$ 623,948,473			
8	Weighted Debt Component	3.17%			
9	Interest Expense		19,779,167		19,779,167
10					
11	Operating Income after Interest Expense		(10,994,201)	64,814,304	53,820,102
12					
13	<u>Less: Tax Deductions Not Recorded on Books</u>				
14	Rate Year Tax Depreciation	41,323,352			
15	Rate Year Book Depreciation	(41,465,676)			
16	Other	-			
17	Tax Depreciation Over (Under) Book		(142,324)		(142,324)
18					
19	Taxable Income		(10,851,877)	64,814,304	53,962,426
20					
21	Federal Income Tax Rate		35.00%	35.00%	35.00%
22					
23	Rate Year Current Federal Income Tax Expense		(3,798,157)	22,685,006	18,886,849
24					
25	Deferred Income Tax Expense		(49,813)		(49,813)
26	Unfunded Deferred Tax Catch-up		650,000		650,000
27	Amortization of ITC		(487,749)		(487,749)
28					
29	Income Tax Expense for Rate Year		\$ (3,685,719)	\$ 22,685,006	\$ 18,999,287

Line Notes

- 1 Schedule NG-RLO-2, Page 1, Line 8, Columns (f), (g), and (h) respectively
- 2 Schedule NG-RLO-2, Page 1, Lines 11 to 32, Columns (f), (g), and (h) respectively
- 3 Workpaper NG-RLO-29, Page 1
- 5 Sum of Lines 1 through 3
- 7 Schedule NG-RLO-2, Page 30, Line 22, Column (c)
- 8 Schedule NG-RLO-2, Page 39, Column (c), Line 1 + Line 3
- 9 Line 7 x line 8
- 11 Line 5 - Line 9
- 14 Schedule NG-RLO-2, Page 37, Line 30, Column (b)
- 15 Schedule NG-RLO-2, Page 28, Line 41
- 17 Line 14 + Line 15
- 19 Line 11 - Line 17
- 21 IRC
- 23 Line 19 x Line 21
- 25 Line 17 x Line 21
- 26 Workpaper NG-RLO-29, Page 2
- 27 Schedule NG-RLO-2, Page 2, Line 48, Column (b)
- 29 Sum Line 23 to Line 27

The Narragansett Electric Company
d/b/a National Grid
Docket No. R.I.P.U.C. _____
Schedule NG-RLO-2
Page 30 of 39

The Narragansett Electric Company, d/b/a National Grid
Distribution Rate Base

Line No.	Description	Test Year End 12/31/08 5 Quarter Average (a)	Adjustments (b)	Rate Year End 12/31/10 5 Quarter Average (c)
1	Utility Plant In Service	\$ 1,115,653,559	\$ 117,093,366	\$ 1,232,746,925
2				
3	Property Held for Future Use	203,874	-	203,874
4	Less: CIAC	102,772	-	102,772
5	Less: Accumulated Depreciation	465,792,791	50,732,514	516,525,305
6				
7	Net Plant	<u>\$ 649,961,870</u>	<u>\$ 66,360,852</u>	<u>\$ 716,322,723</u>
8				
9	Materials and Supplies	\$ 5,295,217	\$ 1,080,409	\$ 6,375,626
10	Prepayments	16,375	(14,101)	2,274
11	Loss on Reacquired Debt	6,089,807	(1,498,063)	4,591,744
12	Cash Working Capital	17,789,123	-	17,789,123
13				
14	Subtotal	<u>\$ 29,190,522</u>	<u>\$ (431,755)</u>	<u>\$ 28,758,767</u>
15				
16	Accumulated Deferred FIT	\$ 110,666,997	\$ 2,421,029	\$ 113,088,026
17	Customer Deposits	2,972,809	310,180	3,282,990
18	Injuries and Damages Reserve	4,473,800	288,200	4,762,000
19				
20	Subtotal	<u>\$ 118,113,607</u>	<u>\$ 3,019,410</u>	<u>\$ 121,133,016</u>
21				
22	Rate Base	<u><u>\$ 561,038,786</u></u>	<u><u>\$ 62,909,688</u></u>	<u><u>\$ 623,948,473</u></u>

Column / Line Notes

- (a) Column (a) from Schedule NG-RLO-2, Page 31, Column (f)
(b) Column (b) = Column (c) - Column (a)
- 1 Column (c) = Schedule NG-RLO-2, Page 34, Line 22
3 Column (c) = Schedule NG-RLO-2, Page 33, Line 3, Column (e), less Page 32, Line 3, Column (e)
4 Column (c) = Schedule NG-RLO-2, Page 36, Line 20, Column (a)
5 Column (c) = Schedule NG-RLO-2, Page 35, Line 23
7 Line 1 + Line 3 - Line 4 - Line 5
9 Column (c) = Schedule NG-RLO-2, Page 36, Line 20, Column (b)
10 Column (c) = Schedule NG-RLO-2, Page 36, Line 20, Column (c)
11 Column (c) = Schedule NG-RLO-2, Page 36, Line 20, Column (d)
12 Column (c) = Schedule NG-RLO-2, Page 38, Line 43, Column (e)
14 Sum of Lines 9 through 12
16 Column (c) = Schedule NG-RLO-2, Page 37, Line 20, Column (d)
17 Column (c) = Schedule NG-RLO-2, Page 36, Line 20, Column (e)
18 Column (c) = Schedule NG-RLO-2, Page 36, Line 20, Column (f)
20 Sum of Lines 16 through 18
22 Line 7 + Line 14 - Line 20

The Narragansett Electric Company, d/b/a National Grid
Test Year Rate Base - Distribution
Five Quarter Average

Line No.	Description	December 2007 (a)	March 2008 (b)	June 2008 (c)	September 2008 (d)	December 2008 (e)	5 Quarter Average (f)
1	Utility Plant in Service	\$ 1,083,382,216	\$ 1,100,513,414	\$ 1,114,596,255	\$ 1,131,850,080	\$ 1,147,925,831	\$ 1,115,653,559
2							
3	Property Held for Future Use	203,874	203,874	203,874	203,874	203,874	203,874
4	Less: Contribution in Aid of Construction	102,772	102,772	102,772	102,772	102,772	102,772
5	Less: Accumulated Depreciation	454,098,395	460,264,847	466,075,700	470,564,858	477,960,157	465,792,791
6							
7	Net Plant in Service	\$ 629,384,924	\$ 640,349,668	\$ 648,621,658	\$ 661,386,325	\$ 670,066,777	\$ 649,961,870
8							
9	Plus:						
10	Materials and Supplies	\$ 4,997,510	\$ 5,161,401	\$ 5,509,134	\$ 5,302,917	\$ 5,505,124	\$ 5,295,217
11	Prepayments	48,839	9,779	13,270	7,714	2,274	16,375
12	Loss on Reacquired Debt	6,607,182	6,305,760	6,026,738	5,784,681	5,724,673	6,089,807
13	Cash Working Capital	17,789,123	17,789,123	17,789,123	17,789,123	17,789,123	17,789,123
14							
15	Subtotal	\$ 29,442,654	\$ 29,266,062	\$ 29,338,265	\$ 28,884,435	\$ 29,021,195	\$ 29,190,522
16							
17	Less:						
18	Accumulated Deferred FTT	\$ 114,006,440	\$ 111,781,242	\$ 108,715,614	\$ 108,821,803	\$ 110,009,887	\$ 110,666,997
19	Customer Deposits	2,676,883	3,033,075	3,020,674	3,070,443	3,062,973	2,972,809
20	Injuries and Damages Reserve	4,600,000	5,850,000	3,325,000	3,832,000	4,762,000	4,473,800
21							
22	Subtotal	\$ 121,283,323	\$ 120,664,317	\$ 115,061,288	\$ 115,724,246	\$ 117,834,860	\$ 118,113,607
23							
24	Rate Base	\$ 537,544,255	\$ 548,951,414	\$ 562,898,635	\$ 574,546,513	\$ 581,253,112	\$ 561,038,786

Line Notes

- 1 December 2008 adjusted for Tower Hill substation incorrectly classified in 2008 as transmission but reclassified to distribution in 2009; Workpaper NG-RLO-30
- 5 December 2008 adjusted for Tower Hill substation incorrectly classified in 2008 as transmission but reclassified to distribution in 2009; Workpaper NG-RLO-30
- 24 Line 7 + Line 15 - Line 22

The Narragansett Electric Company, d/b/a National Grid
Test Year Rate Base - Integrated Facilities Agreement (IFA)
Five Quarter Average

Line No.	Description	December 2007 (a)	March 2008 (b)	June 2008 (c)	September 2008 (d)	December 2008 (e)	5 Quarter Average (f)
1	Utility Plant in Service	\$ 210,186,762	\$ 212,207,008	\$ 232,390,246	\$ 245,874,002	\$ 235,833,080	\$ 227,298,220
2							
3	Property Held for Future Use	12,531,903	12,531,903	12,531,903	12,531,903	12,531,903	12,531,903
4	Less: Contribution in Aid of Construction	-	-	-	-	-	-
5	Less: Accumulated Depreciation	75,262,776	76,332,952	77,690,920	78,802,803	78,590,850	77,336,060
6							
7	Net Plant in Service	\$ 147,455,889	\$ 148,405,959	\$ 167,231,229	\$ 179,603,102	\$ 169,774,133	\$ 162,494,062
8							
9	Plus:						
10	Materials and Supplies	\$ 904,829	\$ 1,029,786	\$ 1,186,101	\$ 1,191,745	\$ 1,199,146	\$ 1,102,321
11	Prepayments	8,843	1,951	2,857	1,734	495	3,176
12	Loss on Recaptured Debt	1,196,269	1,258,105	1,297,541	1,300,013	1,246,970	1,259,780
13	Cash Working Capital	908,293	1,376,064	1,175,105	1,278,726	(230,164)	901,605
14							
15	Subtotal	\$ 3,018,234	\$ 3,665,906	\$ 3,661,604	\$ 3,772,218	\$ 2,216,447	\$ 3,266,882
16							
17	Less:						
18	Accumulated Deferred FTT	\$ 8,887,920	\$ 8,907,425	\$ 13,336,958	\$ 14,446,334	\$ 14,450,245	\$ 12,005,776
19	Customer Deposits	-	-	-	-	-	-
20	Injuries and Damages Reserve	-	-	-	-	-	-
21							
22	Subtotal	\$ 8,887,920	\$ 8,907,425	\$ 13,336,958	\$ 14,446,334	\$ 14,450,245	\$ 12,005,776
23							
24	Rate Base	\$ 141,586,203	\$ 143,164,440	\$ 157,555,875	\$ 168,928,986	\$ 157,540,335	\$ 153,755,168

Line Notes

- 1 December 2008 adjusted for Tower Hill substation incorrectly classified in 2008 as transmission but reclassified to distribution in 2009; Workpaper NG-RLO-30
5 December 2008 adjusted for Tower Hill substation incorrectly classified in 2008 as transmission but reclassified to distribution in 2009; Workpaper NG-RLO-30
24 Line 7 + Line 14 - Line 24

The Narragansett Electric Company, d/b/a National Grid
Test Year Rate Base - Combined
Five Quarter Average

Line No.	Description	December 2007 (a)	March 2008 (b)	June 2008 (c)	September 2008 (d)	December 2008 (e)	5 Quarter Average (f)
1	Utility Plant in Service	\$ 1,293,568,978	\$ 1,312,720,422	\$ 1,346,986,501	\$ 1,377,724,082	\$ 1,383,758,911	\$ 1,342,951,779
2							
3	Less: Property Held for Future Use	12,735,777	12,735,777	12,735,777	12,735,777	12,735,777	12,735,777
4	Less: Contribution in Aid of Construction	102,772	102,772	102,772	102,772	102,772	102,772
5	Less: Accumulated Depreciation	529,361,171	536,597,799	543,766,620	549,367,661	556,551,007	543,128,851
6							
7	Net Plant in Service	\$ 776,840,813	\$ 788,755,627	\$ 815,852,887	\$ 840,989,427	\$ 839,840,910	\$ 812,455,933
8							
9	Plus:						
10	Materials and Supplies	\$ 5,902,339	\$ 6,191,187	\$ 6,695,235	\$ 6,494,662	\$ 6,704,270	\$ 6,397,538
11	Prepayments	57,682	11,730	16,127	9,448	2,769	19,551
12	Loss on Reacquired Debt	7,803,451	7,563,865	7,324,279	7,084,694	6,971,643	7,349,586
13	Cash Working Capital	18,697,416	19,165,187	18,964,228	19,067,849	17,558,959	18,690,728
14							
15	Subtotal	\$ 32,460,888	\$ 32,931,968	\$ 32,999,869	\$ 32,656,653	\$ 31,237,642	\$ 32,457,404
16							
17	Less:						
18	Accumulated Deferred FBT	\$ 122,894,360	\$ 120,688,667	\$ 122,052,572	\$ 123,268,137	\$ 124,460,132	\$ 122,672,773
19	Customer Deposits	2,676,883	3,033,075	3,020,674	3,070,443	3,062,973	2,972,809
20	Injuries and Damages Reserve	4,600,000	5,850,000	3,325,000	3,832,000	4,762,000	4,473,800
21							
22	Subtotal	\$ 130,171,243	\$ 129,571,742	\$ 128,398,246	\$ 130,170,580	\$ 132,285,105	\$ 130,119,383
23							
24	Rate Base	\$ 679,130,458	\$ 692,115,854	\$ 720,454,510	\$ 743,475,499	\$ 738,793,447	\$ 714,793,954

Line Notes

24 Line 7 + Line 15 - Line 22

The Narragansett Electric Company
d/b/a National Grid
Docket No. R.I.P.U.C. _____
Schedule NG-RLO-2
Page 34 of 39

The Narragansett Electric Company, d/b/a National Grid
Rate Base Adjustments
Net Plant in Service

Line No.	Description	Period	Distribution Plant In Service
1	Balance @ December 31, 2008		\$ 1,147,925,831
2			
3	Plus: Plant Additions 12 Months Ended 12/31/09		59,948,598
4	Less: Plant Retirements 12 Months Ended 12/31/09		8,016,527
5	Net Increase		51,932,071
6			
7	Balance as of:	12/31/09	1,199,857,902
8			
9		1/31/10 1/	1,205,339,406
10		2/28/10 1/	1,210,820,910
11		3/31/10 1/	1,216,302,414
12		4/30/10 1/	1,221,783,918
13		5/30/10 1/	1,227,265,421
14		6/30/10 1/	1,232,746,925
15		7/31/10 1/	1,238,228,429
16		8/31/10 1/	1,243,709,933
17		9/30/10 1/	1,249,191,437
18		10/31/10 1/	1,254,672,941
19		11/30/10 1/	1,260,154,444
20		12/31/10 1/	1,265,635,948
21			
22	Rate Year Plant in Service - 5 Quarter Average		\$ 1,232,746,925
1/ Adjustment Detail:			
23	Plant Detail 12 Months Ended 12/31/10		
24	Plant Additions 12 Months Ended 12/31/10		\$ 75,931,916
25	Plant Retirements 12 Months Ended 12/31/10		10,153,870
26	Net Increase / (Decrease)		\$ 65,778,046
27	Monthly Increase / (Decrease)		\$ 5,481,504

Line Notes

1	Schedule NG-RLO-2, Page 28, Line 7, Column (b)
3	Workpaper NG-RLO-28, Page 2
4	Workpaper NG-RLO-28, Page 2
5	Line 3 - Line 4
7	Line 1 + Line 5
8 to 20	Prior Month Balance + Monthly Change at Line 27
22	Average of Quarterly Month End Balances for Lines 7, 11, 14, 17, and 20
24	Workpaper NG-RLO-28, Page 2
25	Workpaper NG-RLO-28, Page 2
26	Line 24 - Line 25
27	Line 26 / 12 Months

The Narragansett Electric Company
d/b/a National Grid
Docket No. R.I.P.U.C. _____
Schedule NG-RLO-2
Page 35 of 39

The Narragansett Electric Company, d/b/a National Grid
Rate Base Adjustments
Accumulated Depreciation

Line No.	Description	Period	Accumulated Depreciation
1	Balance @ December 31, 2008		\$ 477,960,157
2			
3	Depreciation Expense 1/1/09 - 12/31/09		41,321,762
4	Less: Net Cost of Removal/(Salvage)		6,364,988
5	Less: Retirements		8,016,527
6	Net Increase/(Decrease)		26,940,247
7			
8	Balance as of:	12/31/09	504,900,403
9			
10		1/31/10 1/	506,837,887
11		2/28/10 1/	508,775,371
12		3/31/10 1/	510,712,854
13		4/30/10 1/	512,650,338
14		5/31/10 1/	514,587,821
15		6/30/10 1/	516,525,305
16		7/31/10 1/	518,462,788
17		8/31/10 1/	520,400,272
18		9/30/10 1/	522,337,755
19		10/31/10 1/	524,275,239
20		11/30/10 1/	526,212,723
21		12/31/10 1/	528,150,206
22			
23	Rate Year Accumulated Depreciation - Five Quarter Average		\$ 516,525,305
1/ <u>Rate Year Ended 12/31/10 Depreciation Reserve Detail:</u>			
24	Depreciation Expense		\$ 41,465,676
25	Net Cost of Removal / (Salvage)		8,062,003
26	Less: Retirements		10,153,870
27	Net Increase / (Decrease)		\$ 23,249,803
28			
29	Monthly Increase / (Decrease)		\$ 1,937,484

Line Notes

1	Schedule NG-RLO-2, Page 28, Line 19, Column (b)
3	Schedule NG-RLO-2, Page 28, Line 20, Column (b)
4	Workpaper NG-RLO-28, Page 2
5	Workpaper NG-RLO-28, Page 2
6	Line 3 - Line 4 - Line 5
8	Line 1 + Line 6
10 to 21	Prior Month Balance + Monthly Change at Line 29
23	Average of Quarterly Month End Balances for Lines 8, 12, 15, 18, and 21
24	Schedule NG-RLO-2, Page 28, Line 41, Column (b)
25	Workpaper NG-RLO-28, Page 2
26	Workpaper NG-RLO-28, Page 2
27	Line 24 - Line 25 - Line 26
29	Line 27 / 12

The Narragansett Electric Company, d/b/a National Grid
Rate Base Adjustments
Other Rate Base Items - Distribution

Line No.	Description	Period	CIAC (a)	Materials and Supplies (b)	Prepayments (c)	Loss on Reacquired Debt (d)	Customer Deposits (e)	Injuries & Damages (f)
1	Distribution Only Balance @ December 31, 2008		\$ 102,772	\$ 5,505,124	\$ 2,274	\$ 5,724,673	\$ 3,062,973	\$ 4,762,000
2								
3	Total 2009 Increase/(Decrease)		- 1/	580,335 2/	- 1/	(755,286) 2/	146,678 2/	- 1/
4								
5	Distribution Only Balance @ December 31, 2009		\$ 102,772	\$ 6,085,459	\$ 2,274	\$ 4,969,387	\$ 3,209,651	\$ 4,762,000
6								
7		1/31/10	102,772	6,133,820	2,274	4,906,446	3,221,874	4,762,000
8		2/28/10	102,772	6,182,181	2,274	4,843,506	3,234,097	4,762,000
9		3/31/10	102,772	6,230,543	2,274	4,780,565	3,246,320	4,762,000
10		4/30/10	102,772	6,278,904	2,274	4,717,625	3,258,543	4,762,000
11		5/31/10	102,772	6,327,265	2,274	4,654,684	3,270,766	4,762,000
12		6/30/10	102,772	6,375,626	2,274	4,591,744	3,282,990	4,762,000
13		7/31/10	102,772	6,423,988	2,274	4,528,803	3,295,213	4,762,000
14		8/31/10	102,772	6,472,349	2,274	4,465,863	3,307,436	4,762,000
15		9/30/10	102,772	6,520,710	2,274	4,402,922	3,319,659	4,762,000
16		10/31/10	102,772	6,569,071	2,274	4,339,982	3,331,882	4,762,000
17		11/30/10	102,772	6,617,433	2,274	4,277,041	3,344,105	4,762,000
18		12/31/10	102,772	6,665,794	2,274	4,214,101	3,356,329	4,762,000
19								
20	Rate Year Amounts - Five Quarter Average		\$ 102,772	\$ 6,375,626	\$ 2,274	\$ 4,591,744	\$ 3,282,990	\$ 4,762,000
21								
22	Changes:							
23	Total 2009 Increase/(Decrease)		\$ - 1/	\$ 703,948 2/	\$ - 1/	\$ (916,165) 3/	\$ 146,678 2/	\$ - 1/
24								
25	Percentage Applicable to IFA		0.00%	17.56%	17.56%	17.56%	0.00%	0.00%
26								
27	Less Amount Applicable to IFA		-	(123,613)	-	160,879	-	-
28								
29	Total 2009 Distribution Only Increase/(Decrease)		-	580,335	-	(755,286)	146,678	-
30								
31	Monthly Change		\$ -	\$ 48,361	\$ -	\$ (62,941)	\$ 12,223	\$ -
32								
	1/ Assumes no change in 2008 balance							
	2/ Adjustment based on average annual change for the prior 3 years							

Line Notes

1	Schedule NG-RLO-2, Page 31, Column (e)
3	Footnotes 1/ and 2/ above
5	Line 1 + Line 3
7 to 18	Prior Month Balance + Monthly change at Line 31
20	Average of Quarterly Month End Balances for Lines 5, 9, 12, 15, and 18
21	Worksheet NG-RLO-31
22	Footnotes 1/ and 2/ above
23	Percentage applicable to the IFA, see Worksheet NG-RLO-2, Page 4
25	Line 23 x Line 25
27	Line 23 + Line 27
29	Line 29 / 12 Months
31	

The Narragansett Electric Company, d/b/a National Grid
Rate Base Adjustments
Accumulated Deferred Income Taxes

Line No.	Description	Period or Amount (a)	Amount (b)	Amount (c)	Accumulated Deferred Income Tax (d)
1	Balance as of December 31, 2008				\$ 110,009,887
2					
3	Increase / (Decrease) 12 Months Ended 12/31/09				3,103,046 1/
4					
5	Balance as of:	12/31/09			113,112,933
6					
7		1/31/10			113,108,782 2/
8		2/28/10			113,104,631 2/
9		3/31/10			113,100,480 2/
10		4/30/10			113,096,329 2/
11		5/30/10			113,092,178 2/
12		6/30/10			113,088,026 2/
13		7/31/10			113,083,875 2/
14		8/31/10			113,079,724 2/
15		9/30/10			113,075,573 2/
16		10/31/10			113,071,422 2/
17		11/30/10			113,067,271 2/
18		12/31/10			113,063,120 2/
19					
20	Rate Year Accumulated Deferred Income Tax - Five Quarter Average				\$ 113,088,026
21					
22	1/ 12 Months Ended 12/31/09:	Book	Tax	Difference	
23					
24	Depreciation	\$ 41,321,762	\$ 50,187,608	\$ 8,865,846	
25	Income Tax Rate			35.00%	
26	Annual Change to Accumulated Deferred Taxes			\$ 3,103,046	
27					
28	2/ 12 Months Ended 12/31/10:				
29					
30	Depreciation	\$ 41,465,676	\$ 41,323,352	\$ (142,324)	
31	Income Tax Rate			35.00%	
32	Annual Change to Accumulated Deferred Taxes			\$ (49,813)	
33					
34	Monthly Change to Accumulated Deferred Taxes			\$ (4,151)	

Line Notes

1	Schedule NG-RLO-2, Page 31, Line 18, Column (e)
3	Line 26
5	Line 1 + Line 3
7 to 18	Prior Month Balance + Monthly change from Line 34
20	Average of Quarterly Month End Balances at Lines 5, 9, 12, 15, and 18
24	Column (a) = Schedule NG-RLO-2, Page 28, Line 20, Column (b)
24	Column (b) = Workpaper NG-RLO-32, Page 1
24	Column (c) = - Column (a) + Column (b)
25	IRC
26	Line 24 x Line 25
30	Column (a) = NG-RLO-2, Page 28, Line 41, Column (b)
30	Column (b) = Workpaper NG-RLO-32, Page 1
30	Column (c) = - Column (a) + Column (b)
31	IRC
32	Line 30 x Line 31
34	Line 32 / 12 Months

The Narragansett Electric Company, d/b/a National Grid
Cash Working Capital Requirement

Line No.				Test Year		Rate Year					
				Total Dollars	CWC Dollars	Total Dollars	CWC Dollars				
		CWC % (a)		(b)	(c)	(d)	(e)				
1	<u>Purchased Power</u>										
2	Total	1.39%	\$	740,638,967	\$	10,294,882	\$	778,825,294	1/	\$	10,825,672
3	Default Service							(752,068,125)			(10,453,747)
4	CTC Service							26,719,222			371,397
5	Borderline Service							37,947			527
6											
7	Operation & Maintenance Expense	5.82%		149,703,020		8,716,097		137,113,118	1/		7,983,080
8	Administrative Expense for Commodity Recovery							(201,785)			(11,748)
9											
10	Federal Income Tax	3.81%		24,135,455		919,561		18,999,287	1/		723,873
11											
12	<u>Taxes Other than Income Taxes</u>										
13	Municipal Taxes	33.77%		21,222,544		7,166,853		20,085,331	1/		6,782,816
14											
15	Sales and Use Tax	0.55%		22,840,962		125,625		22,840,962	2/		125,625
16											
17	Gross Receipts Tax	10.47%		9,767,154		1,022,621					
18	Total - At Present Rates							43,330,773	3/		4,536,732
19	Commodity GRT	77.10%						(33,406,245)			(3,497,634)
20	Distribution Revenue Increase	3.995%						2,617,835			274,087
21											
22	<u>Payroll Taxes - Company Portion</u>										
23	Federal Unemployment	-18.09%		26,687		(4,828)		29,332	4/		(5,306)
24											
25	State Unemployment	-13.03%		125,912		(16,406)		138,390	4/		(18,032)
26											
27	FICA Expense	Weekly	9.55%	2,173,876		207,605		2,389,307	4/		228,179
28		Monthly	9.41%	778,329		73,241		855,462	4/		80,499
29											
30	<u>Payroll Taxes and Other Withholding</u>										
31	FICA and Federal Withholding	Weekly	-0.41%	6,740,122		(27,634)		7,408,068	4/		(30,373)
32		Monthly	-0.51%	2,533,013		(12,918)		2,784,034	4/		(14,199)
33											
34	State Income Tax Withholding	Weekly	-0.41%	1,301,335		(5,335)		1,430,297	4/		(5,864)
35		Monthly	-0.54%	514,514		(2,778)		565,503	4/		(3,054)
36											
37	Temporary Disability Insurance	Weekly	-20.42%	224,684		(45,880)		224,684	2/		(45,880)
38		Monthly	-18.18%	83,950		(15,262)		83,950	2/		(15,262)
39											
40	Incentive Thrift		-1.08%	2,946,084		(31,792)		2,946,084	4/		(31,792)
41			-1.68%	970,476		(16,289)		970,476	4/		(10,473)
42											
43	Total Working Capital Requirement					\$ 28,347,361					\$ 17,789,123

1/ Schedule NG-RLO-2, Page 1

2/ Test Year amount.

3/ Equals Total Pro Forma Proposed Revenue Times Effective GRT Rate

4/ Test Year to Rate Year change equal to percentage change in Company salaries and wages as follows:

The Narragansett Electric Company, d/b/a National Grid
Pro Forma Income Statement
Capital Structure and Rate of Return

Line No.	Description	Capital Structure (a)	Cost Rate (b)	Weighted Return (c)	Taxes (d)	Pre-tax Return (e)
1	Long Term Debt	44.80%	6.79%	3.04%		3.04%
2						
3	Short Term Debt	5.00%	2.50%	0.13%		0.13%
4						
5	Preferred Stock	0.20%	4.50%	0.01%		0.01%
6						
7	Total Common Equity	<u>50.00%</u>	11.60%	<u>5.80%</u>	<u>3.12%</u>	<u>8.92%</u>
8						
9	Total Capitalization	<u><u>100.00%</u></u>		<u><u>8.98%</u></u>	<u><u>3.12%</u></u>	<u><u>12.10%</u></u>

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a National Grid

Docket No. R.I.P.U.C. _____

Witness: O'Brien

Schedule NG-RLO-3

Allocation of Net Synergies from the National Grid / KeySpan
Transaction

The Narragansett Electric Company, d/b/a National Grid
Calculation of National Grid/KeySpan Transaction Net Synergy Value
For the Rate Year Ended December 31, 2010

<u>Line No.</u>		<u>Amount</u>
1	Steady State Annual Synergies (rounded)	\$ 8,600,000
2		
3	Less Synergies Attributable to Calendar Year 2008	<u>(2,400,000)</u>
4		
5	Net Annual Synergies	6,200,000
6		
7	10 year Levelized Costs to Achieve amortization (rounded)	<u>2,100,000</u>
8		
9	Steady State Annual Net Synergies	<u><u>6,500,000</u></u>
10		
11	50% Customer Share - Cost of Service Credit	<u><u>\$ 3,250,000</u></u>

Line Notes:

- 1 Page 5, Column (d), Line 16 (rounded)
- 3 Page 7, Line 23 (rounded)
- 5 Line 1 - Line 3
- 7 Page 6, Line 3 (rounded)
- 9 Line 1 - Line 7
- 11 Line 9 x 50%

**The Narragansett Electric Company, d/b/a National Grid
Calculation of National Grid/KeySpan Transaction Synergy Value - Synergy
For the Rate Year Ended December 31, 2010**

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).

The Narragansett Electric Company, d/b/a National Grid
Calculation of National Grid/KeySpan Transaction Synergy Value - Costs to Achieve
For the Rate Year Ended December 31, 2010

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	<u>\$ 5,380,590,774</u>	<u>100.00%</u>	<u>\$ 400,000,000</u>
18				
19	Cost to Achieve (Page 2, Line 19 x 2)			<u><u>\$ 400,000,000</u></u>

(a) Page 2, Column (a).

(b) Column (a) / Column (a), Line 17.

(c) Line 19 x Column (b).

The Narragansett Electric Company, d/b/a National Grid
Calculation of National Grid/KeySpan Transaction Synergy Value - Phase in Rates
For the Rate Year Ended December 31, 2010

Line No.	Costs to Achieve		Synergy Multiplier		Inflation		Phase-In	
	(a)		(b)		(c)		(d)	
1	Year 1	38.49%	Year 1	50.00%	Year 1	1.0000	Year 1	50.00%
2	Year 2	15.30%	Year 2	68.33%	Year 2	1.0250	Year 2	66.67%
3	Year 3	15.00%	Year 3	87.55%	Year 3	1.0506	Year 3	83.33%
4	Year 4	6.78%	Year 4	107.69%	Year 4	1.0769	Year 4	100.00%
5	Year 5	7.27%	Year 5	110.38%	Year 5	1.1038	Year 5	100.00%
6	Year 6	5.97%	Year 6	113.14%	Year 6	1.1314	Year 6	100.00%
7	Year 7	4.63%	Year 7	115.97%	Year 7	1.1597	Year 7	100.00%
8	Year 8	2.12%	Year 8	118.87%	Year 8	1.1887	Year 8	100.00%
9	Year 9	2.18%	Year 9	121.84%	Year 9	1.2184	Year 9	100.00%
10	Year 10	2.25%	Year 10	124.89%	Year 10	1.2489	Year 10	100.00%

- (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 Mohawk transaction.

The Narragansett Electric Company, d/b/a National Grid
Calculation of National Grid/KeySpan Transaction Net Synergy Value
For the Rate Year Ended December 31, 2010

Line No.	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(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	267,344	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	3,931,621	4,029,891	4,130,638	4,233,954	4,339,752	4,448,246	4,559,452	37,190,145
7 Boston Gas	6,543,107	8,942,291	11,457,403	14,092,421	14,444,431	14,805,850	15,175,996	15,555,396	15,944,281	16,334,261	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	1,095,501	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	8,618,745	8,834,245	9,055,101	9,281,478	9,513,353	9,751,488	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	6,885,986	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)	(32,582)	(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)	(492,359)	(218,183)	(233,951)	(192,117)	(148,995)	(68,222)	(70,153)	(72,406)	(3,217,713)
29 Niagara Mohawk Electric	(31,331,760)	(12,375,087)	(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)	(1,153,560)	(1,186,002)	(1,224,085)	(34,398,325)
32 LILCO - GAS	(12,433,022)	(4,942,199)	(4,845,293)	(2,190,073)	(2,348,552)	(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	(1,923,492)	2,690,787	4,104,065	6,712,341	6,834,440	7,216,628	7,609,440	8,174,160	8,584,743	8,984,177	58,380,177
43 Essex Gas	(294,492)	411,871	628,197	1,027,438	1,046,127	1,104,627	1,164,574	1,251,194	1,314,040	1,374,040	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	(3,530,600)	4,937,909	7,531,439	12,317,930	12,541,996	13,243,356	13,964,212	15,000,540	15,733,722	16,464,008	107,134,451
46 Granite State Electric	(227,950)	318,807	486,253	795,283	809,750	853,032	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	17,233,602	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	7,214,371	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
57											
58											
59											
60											

Line Notes:

- 1 Page 2, Column (c) x Page 4, Column (b).
20 Page 4, Column (a) x Page 3, Column (c).
39 Net synergies equal synergies less cost to achieve.

The Narragansett Electric Company, d/b/a National Grid
Calculation of 10 Year Levelized Cost to Achieve Value by Year
For the Rate Year Ended December 31, 2010

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											
2	Net Present Value (NPV)	\$ 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
3	Levelized Cost to Achieve	\$ 2,076,436	\$ 2,076,436	\$ 2,076,436	\$ 2,076,436	\$ 2,076,436	\$ 2,076,436	\$ 2,076,436	\$ 2,076,436	\$ 2,076,436	\$ 2,076,436	\$ 2,076,436

Line Notes:

- Page 5, line 35
- NPV of annual costs to achieve discounted at the pre-tax weighted average cost of capital of 12.1%
- 10 year levelized payment using an interest rate equal to the pre-tax weighted average cost of capital of 12.1%

The Narragansett Electric Company, d/b/a National Grid
Calculation of National Grid/KeySpan Transaction Net Synergy Value - Calendar Year 2008 Savings
For the Rate Year Ended December 31, 2010

Line
No.

1	Function:	Amount
2		
3	Shared Services	\$ 9,300,000
4	Gas Distribution	7,200,000
5	Information Services	5,600,000
6	Customers and Markets	8,600,000
7	Electric Distribution	1,800,000
8	Tax and Treasury	5,600,000
9	Regulation and Legal	5,700,000
10	Executive	6,700,000
11	Safety, Health, Environmental and Security	3,200,000
12	External Affairs	3,700,000
13	Generation	1,200,000
14	Group Audit	1,400,000
15		
16	Subtotal	\$ 60,000,000
17		
18	KeySpan LTIP	4,900,000
19	Other	3,000,000
20		
21	Total Calendar Year 2008 Savings	\$ 67,900,000
22		
23	Narragansett Electric Share 1\	4% \$ 2,400,000

1/ Run Rate Calculation through March 2009:

Narragansett Electric Portion of Run Rate Savings	4,600,000
Total Run Rate Savings	130,700,000
Narragansett Electric Share	4%

National Grid - Narragansett Electric
Calculation of National Grid/KeySpan Transaction Net Synergy Value
For the Rate Year Ended December 31, 2010

Line No.	Description	Yr 1 - 2008	Yr 4 - Steady State	Rate Year
		(a)	(b)	(c)
1	Steady State Annual Synergies (rounded)	\$ 2,400,000	\$ 8,600,000	\$ 8,600,000
2				
3	10 year Levelized Costs to Achieve amortization (rounded)	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,100,000</u>
4				
5	Steady State Annual Net Synergies	<u>300,000</u>	<u>6,500,000</u>	<u>6,500,000</u>
6				
7	50% Customer Share - Cost of Service Credit		<u>\$ 3,250,000</u>	<u>\$ 3,250,000</u>

Line Notes:

- 1 Page 7, Line 23 (rounded).
- 3 Page 6, Line 3 (rounded).
- 5 Line 1 - Line 3.
- 7 Line 5 x 50%.

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a National Grid

Docket No. R.I.P.U.C. _____

Witness: O'Brien

Schedule NG-RLO-4

Cash Working Capital Study

National Grid - Narragansett Electric Company
Schedule List
Revenue Requirement For The Twelve Months Ended December 31, 2010

Line #	Schedule Name	Page
1	Summary	1
2	Revenue Payment Lag	2
3	Summary of Purchased Power	3
4	Operating & Maintenance (O&M) Summary	4
5	Transmission Wheeling Expenses	5
6	Federal Income Taxes	6
7	Municipal Taxes	7
8	Sales and Use Tax	8
9	Gross Earnings Tax	9
10	Federal Unemployment Tax	10
11	State Unemployment Tax	11
12	FICA Expense - Weekly Payroll	12
13	FICA Expense - Monthly Payroll	13
14	Employee FIT and FICW Withholding - Weekly Payroll	14
15	Employee FIT and FICW Withholding - Monthly Payroll	15
16	State Income Tax Withholding - Weekly Payroll	16
17	State Income Tax Withholding - Monthly Payroll	17
18	Temporary Disability Insurance - Weekly Payroll	18
19	Temporary Disability Insurance - Monthly Payroll	19
20	Incentive Thrift Withholding - Weekly Payroll	20
21	Incentive Thrift Withholding - Monthly Payroll	21

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008
Summary**

Line No.		CWC %			TEST YEAR		Reference Page
		Revenue	Expense	Net Payment	Total	CWC	
		Receipt Lag (a)	Payment (Lag) (b)	(Lead) Lag (c)	Dollars (d)	Dollars (e)	
1	Purchased Power	9.93%	-8.54%	1.39%	\$ 740,638,967	\$ 10,294,882	0
2	Operation & Maintenance Expense	9.93%	-4.11%	5.82%	149,703,020	8,716,097	0
3	Transmission	9.93%	-5.12%	4.81%	89,314,978	4,296,050	0
4	Federal Income Tax	9.93%	-6.12%	3.81%	24,135,455	919,561	6
5	<u>Taxes Other than Income Taxes</u>						
6	Municipal Taxes	9.93%	23.84%	33.77%	21,222,544	7,166,853	7
7	Sales and Use Tax	9.93%	-9.38%	0.55%	22,840,962	125,625	8
8	Gross Receipts Tax	9.93%	0.54%	10.47%	9,767,154	1,022,621	9
8	<u>Payroll Taxes - Company Portion</u>						
9	Federal Unemployment	9.93%	-28.02%	-18.09%	26,687	(4,828)	10
10	State Unemployment	9.93%	-22.96%	-13.03%	125,912	(16,406)	11
11	FICA Expense - Weekly	9.93%	-0.38%	9.55%	2,173,876	207,605	12
12	FICA Expense - Monthly	9.93%	-0.52%	9.41%	778,329	73,241	13
13	<u>Payroll Taxes and Other Withholding</u>						
14	FICA and Federal Withholding - Weekly		-0.41%	-0.41%	6,740,122	(27,634)	14
15	FICA and Federal Withholding - Weekly		-0.51%	-0.51%	2,533,013	(12,918)	15
16	State Income Tax Withholding - Weekly		-0.41%	-0.41%	1,301,335	(5,335)	16
17	State Income Tax Withholding - Monthly		-0.54%	-0.54%	514,514	(2,778)	17
18	Temporary Disability Ins. - Weekly		-20.42%	-20.42%	224,684	(45,880)	18
19	Temporary Disability Ins. - Monthly		-18.18%	-18.18%	83,950	(15,262)	19
20	Incentive Thrift - Weekly		-1.08%	-1.08%	2,946,084	(31,792)	20
21	Incentive Thrift - Monthly		-1.68%	-1.68%	970,476	(16,289)	21
22	TOTAL				<u>\$ 1,076,042,063</u>	<u>\$ 32,643,411</u>	

- (a) Page 2
(b) From Schedule in Column (f)
(c) Column (a) + (b)
(d) From Schedule in Column (f)
(e) Column (c) x Column (d)

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008**

Revenue Payment Lag

	Service Period	Accounts Receivable	Sales of Electric Energy	Days in Month	Days of Sales in Accounts Receivable
		(a)	(b)	(c)	(d)
			1/		(a) / (b) x (c)
1	1/31/08	\$ 93,939,745	\$ 84,839,040	31	34.33
2	2/29/08	103,952,342	82,766,682	29	36.42
3	3/31/08	100,709,764	76,410,847	31	40.86
4	4/30/08	96,004,325	80,529,511	30	35.76
5	5/31/08	84,687,977	67,695,028	31	38.78
6	6/30/08	88,912,635	76,225,173	30	34.99
7	7/31/08	91,938,889	94,246,554	31	30.24
8	8/31/08	115,280,368	119,963,547	31	29.79
9	9/30/08	115,828,958	109,912,421	30	31.61
10	10/31/08	110,572,667	93,201,020	31	36.78
11	11/30/08	103,378,196	89,062,447	30	34.82
12	12/31/08	<u>102,540,266</u>	<u>92,667,493</u>	31	<u>34.30</u>
13					
14	Total	\$ 1,207,746,131	\$ 1,067,519,763		418.68
15					
16					/ 12 =
17	Average lag in days from date bill sent to				
18	customer to date bill is paid by customer		L 14 / L 16		34.89
19					
20	Average lag in days from date meter is read				
21	to date bill is sent to customer				<u>1.45</u>
22	Average lag in days from date meter is read				
23	to date bill is paid by customer		L 18 + L 21		<u>36.34</u>
24					
25					
26	Customer payment lag - annual percent		L 23 / 365		<u>9.93%</u>

1/ Data from monthly CSS Report CR97991A.

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008

Summary of Purchased Power

Line No.	Description	Factor Or Reference	CWC %
1	Net CWC Percent Lag	Line 7	<u>1.39%</u>
2	Total Payments in year		<u>\$ 740,638,967</u>
3	Total Weighted Dollar Days		<u>\$ 23,158,421,205</u>
4	Payment Lag Days	L 3 / L 2	<u>-31.27</u>
5	Payment Lag Days as Percent of Year	L 4 / 366	-8.54%
6	Revenue Lag Days Percent	Page 2	<u>9.93%</u>
7	Net CWC Percent Lag	L 6 + L 5	<u>1.39%</u>

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008**

Operating & Maintenance (O&M) Summary

<u>Line No.</u>	<u>Cost Category</u> (a)	<u>Amount</u> (b)	<u>NECO IFA</u> (c)	<u>Other Interstate</u> (d)	<u>Intrastate</u> (e)	<u>Lead Days</u> (f)	<u>Dollar Weighted Days</u> (g)	<u>O&M % Total</u>	<u>CWC %</u>	<u>Weighted CWC %</u>
1	Payroll-Weekly	\$ 17,117,997	\$ 1,172,638		\$ 15,945,359	(8.67)	(\$138,246,261)	10.65%	-2.37%	-0.25%
2	Payroll-Monthly	5,353,825	2,032,987		3,320,838	(10.16)	(33,739,716)	2.22%	-2.78%	-0.06%
3	Service Company Billin,	72,222,417			72,222,417	(21.22)	(1,532,559,684)	48.24%	-5.80%	-2.80%
4	Other O&M	62,250,071	4,035,664		58,214,407	(9.36)	(544,764,595)	38.89%	-2.56%	-1.00%
5	Total	\$ 156,944,310	\$ 7,241,289		\$ 149,703,020	(14.10)	(\$2,111,063,995)	100.00%		-4.11%

Reconciliation to financial statements:	
\$212,423,474	Total O&M expenses per financials
(72,222,417)	Service Company Billing
(22,471,822)	Payroll expenses
(89,314,978)	Transmission Wheeling
38,882,752	G&T credit
(335,316)	Uncollectible expense allowance
(\$2,491,401)	Cost to achieve (CTA)
<u>(\$2,220,221)</u>	VERO
\$62,250,071	Other O&M expenses

per Dec. Earnings Report
allocator per Dec. Earnings Report

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008

Transmission Wheeling Expenses

Line <u>No.</u>	DAYS OF <u>COST</u>	ANNUAL <u>PERCENT</u>	REVENUE <u>LAG %</u>	<u>CWC %</u>
1	(18.75)	-5.12%	9.93%	4.81%

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008

Federal Income Taxes

Line	Payment	Days from	Percent	Weighted
No.	<u>Date 1/</u>	<u>Svc Period End</u>	<u>Payment 1/</u>	<u>Average</u>
	(a)	(b)	(c)	<u>Days From</u>
				<u>Year End</u>
				(d)
1	07/15/2008	259	25.00%	64.75
2	09/15/2008	197	25.00%	49.25
3	12/15/2008	106	25.00%	26.50
4	03/15/2009	16	<u>25.00%</u>	<u>4.00</u>
5			<u>100.00%</u>	<u>144.50</u>
6				
7				

Service	Days from	Average
<u>Period</u>	<u>Year End</u>	<u>Days from</u>
		<u>Year End</u>
04/30/2008	335	
05/31/2008	304	
06/30/2008	274	
07/31/2008	243	
08/31/2008	212	
09/30/2008	182	
10/31/2008	151	
11/30/2008	121	
12/31/2008	90	
01/31/2009	59	
02/28/2009	31	
03/31/2009	0	
Average End of		
Service Period Date	<u>2.002</u> 12 :	<u>166.83</u>

Weighted Average Payment	144.50
Average Days from End of Service	<u>(166.83)</u>
Period for Payment of FIT	<u>(22.33)</u>

Day of	Annual	Customer	
<u>Cost</u>	<u>Percent</u>	<u>Payment</u>	<u>Lag %</u>
			<u>cwc %</u>
(22.33)	-6.12%	9.93%	3.81%

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 - Narragansett Electric Company
Cash Working Capital Requirements
Assessments for Statement Year 2008

Municipal Taxes

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	7/31/08	334	\$ 3,583,391	16.88%	56.38
2	8/31/08	303	490,347	2.31%	7.00
3	9/30/08	273	6,575,809	30.99%	84.60
4	10/31/08	242	164,814	0.78%	1.89
5	11/30/08	212	10,399,648	49.00%	103.88
6	12/31/08	181	4,384	0.02%	0.04
7	1/31/09	150	4,151	0.02%	0.03
8	2/28/09	122	0	0.00%	0.00
9	3/31/09	91	0	0.00%	0.00
10	2/3/09	147	0	0.00%	0.00
11	5/31/09	30	0	0.00%	0.00
12	6/30/09	0	0	0.00%	0.00
13					
14			\$ 21,222,544	100.00%	253.82

Service Period	Days From Year End	Average Days From Year End
07/31/2008	334	
08/31/2008	303	
09/30/2008	273	
10/31/2008	242	
11/30/2008	212	
12/31/2008	181	
01/31/2009	150	
02/28/2009	122	
03/31/2009	91	
04/30/2009	61	
05/31/2009	30	
06/30/2009	0	
Average End of Service Period Date	1,999	/12 = 166.58

Weighted Payment Date From Year End 253.82
Average End of Service Period Date (166.58)
Average days from End of Service Period Date
for payment of Municipal Taxes 87.24

Days of Cost	Annual Percent	Customer Payment Lag %	cwc %
87.24	23.84%	9.93%	33.77%

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008

Sales and Use Tax

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	1/15/08	\$ 1,768,719	7.74%	1/15/08	2/20/08	36	2.79
2	2/15/08	1,769,049	7.75%	2/15/08	3/20/08	34	2.63
3	3/15/08	1,720,724	7.53%	3/15/08	4/21/08	37	2.79
4	4/15/08	1,749,048	7.66%	4/15/08	5/19/08	34	2.60
5	5/15/08	1,534,325	6.72%	5/15/08	6/20/08	36	2.42
6	6/15/08	1,655,740	7.25%	6/15/08	7/18/08	33	2.39
7	7/15/08	2,003,056	8.77%	7/15/08	8/19/08	35	3.07
8	8/15/08	2,479,860	10.86%	8/15/08	9/19/08	35	3.80
9	9/15/08	2,942,007	12.88%	9/15/08	10/17/08	32	4.12
10	10/15/08	2,506,347	10.97%	10/15/08	11/19/08	35	3.84
11	11/15/08	866,097	3.79%	11/15/08	12/19/08	34	1.29
12	12/15/08	<u>1,845,991</u>	<u>8.08%</u>	12/15/08	1/16/09	32	<u>2.59</u>
13							
14		<u>\$ 22,840,962</u>	<u>100.00%</u>				<u>34.33</u>
15							
16							
17			Customer				
18	Days of	Annual	Payment				
19	<u>Cost.</u>	<u>Percent</u>	<u>Lag %</u>	<u>cwc %</u>			
20							
21	(34.33)	-9.38%	9.93%	0.55%			

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.

Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008
Gross Earnings Tax

Line No.	Gross Earnings Tax Payment Date 1/	Days From Service Period	Percent Payment 1/	Payment Amount	Weighted Average Days from Year End
1	03/15/2008	291	30.49%	\$ 13,000,000	88.71
2	06/15/2008	199	43.38%	18,500,000	86.33
3	09/15/2008	107	5.96%	2,542,699	6.38
4	02/25/2009	(56)	<u>20.17%</u>	<u>8,600,973</u>	<u>(11.29)</u>
5			<u>100.00%</u>	\$ 42,643,672 2/	<u>170.13</u>

Service Period	Days from Year end	Average Days from Year end
01/31/2008	335	
02/29/2008	306	
03/31/2008	275	
04/30/2008	245	
05/31/2008	214	
06/30/2008	184	
07/31/2008	153	
08/31/2008	122	
09/30/2008	92	
10/31/2008	61	
11/30/2008	31	
12/31/2008	<u>0</u>	
Average End of Service Period Date	<u>2.018</u>	<u>168.17</u>

Weighted Average Payment Days from Year End	170.13
Average Days from End of Service Period for Payment of Gross Earnings Tax	<u>(168.17)</u>
	<u>1.96</u>

Days of Cost	Annualized Percent	Customer Payment Lag %	CWC %
1.96	0.54%	9.93%	10.47%

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, 2008.

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008**

Federal Unemployment Tax

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	1/15/08	\$ 23,677	88.72%	4/30/08	106	94.04
2	2/15/08	1,373	5.14%	4/30/08	75	3.86
3	3/15/08	89	0.33%	4/30/08	46	0.15
4	4/15/08	166	0.62%	7/30/08	106	0.66
5	5/15/08	194	0.73%	7/30/08	76	0.55
6	6/15/08	280	1.05%	7/30/08	45	0.47
7	7/15/08	264	0.99%	10/31/08	108	1.07
8	8/15/08	160	0.60%	10/31/08	77	0.46
9	9/15/08	224	0.84%	10/31/08	46	0.39
10	10/15/08	177	0.66%	1/30/09	107	0.71
11	11/15/08	61	0.23%	1/30/09	76	0.17
12	12/15/08	<u>22</u>	<u>0.08%</u>	1/30/09	46	<u>0.04</u>
13						
14		<u>\$ 26,687</u>	<u>100.00%</u>			<u>102.57</u>
15						
16				Customer		
17		Days of	Annual	Payment		
18		<u>Cost</u>	<u>Percent</u>	<u>Lag %</u>	<u>cwc %</u>	
19						
20		(102.57)	-28.02%	9.93%	-18.09%	

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 - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008

State Unemployment Tax

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	1/15/08	\$ 65,032	51.65%	4/25/08	101	52.17
2	2/15/08	36,813	29.24%	4/25/08	70	20.47
3	3/15/08	13,008	10.33%	4/25/08	41	4.24
4	4/15/08	3,559	2.83%	7/28/08	104	2.94
5	5/15/08	1,246	0.99%	7/28/08	74	0.73
6	6/15/08	890	0.71%	7/28/08	43	0.31
7	7/15/08	1,074	0.85%	10/30/08	107	0.91
8	8/15/08	945	0.75%	10/30/08	76	0.57
9	9/15/08	1,237	0.98%	10/30/08	45	0.44
10	10/15/08	1,237	0.98%	1/16/09	93	0.91
11	11/15/08	529	0.42%	1/16/09	62	0.26
12	12/15/08	<u>342</u>	<u>0.27%</u>	1/16/09	32	<u>0.09</u>
13		<u>\$ 125,912</u>	<u>100.00%</u>			<u>84.04</u>
14						
15						
16						
17						
18				Customer		
19		Days of	Annual	Payment		
20		<u>Cost</u>	<u>Percent</u>	<u>Lag %</u>	<u>cwc %</u>	
21						
22		(84.04)	-22.96%	9.93%	-13.03%	

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 - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008
FICA Expense - Weekly Payroll**

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	\$ - 2/	0.00%	01/04/2008	01/07/2008	3	0.00
2	26,819 3/	1.23%	01/10/2008	01/11/2008	1	0.01
3	42,853	1.97%	01/17/2008	01/18/2008	1	0.02
4	45,649	2.10%	01/24/2008	01/25/2008	1	0.02
5	36,712	1.69%	01/31/2008	02/01/2008	1	0.02
6	41,238	1.90%	02/07/2008	02/08/2008	1	0.02
7	38,220	1.76%	02/14/2008	02/15/2008	1	0.02
8	41,048	1.89%	02/22/2008	02/25/2008	3	0.06
9	44,404	2.04%	02/28/2008	02/29/2008	1	0.02
10	37,498	1.72%	03/06/2008	03/07/2008	1	0.02
11	41,595	1.91%	03/13/2008	03/14/2008	1	0.02
12	46,797	2.15%	03/20/2008	03/21/2008	1	0.02
13	39,661	1.82%	03/27/2008	03/28/2008	1	0.02
14	37,406	1.72%	04/03/2008	04/04/2008	1	0.02
15	38,714	1.78%	04/10/2008	04/11/2008	1	0.02
16	37,951	1.75%	04/17/2008	04/18/2008	1	0.02
17	39,062	1.80%	04/24/2008	04/25/2008	1	0.02
18	44,153	2.03%	05/01/2008	05/02/2008	1	0.02
19	38,619	1.78%	05/08/2008	05/09/2008	1	0.02
20	38,387	1.77%	05/15/2008	05/16/2008	1	0.02
21	42,126	1.94%	05/22/2008	05/23/2008	1	0.02
22	39,910	1.84%	05/30/2008	06/02/2008	3	0.06
23	42,104	1.94%	06/05/2008	06/06/2008	1	0.02
24	42,484	1.95%	06/12/2008	06/13/2008	1	0.02
25	48,446	2.23%	06/19/2008	06/20/2008	1	0.02
26	42,096	1.94%	06/26/2008	06/27/2008	1	0.02
27	44,055	2.03%	07/03/2008	07/07/2008	4	0.08
28	44,205	2.03%	07/10/2008	07/11/2008	1	0.02
29	42,425	1.95%	07/17/2008	07/18/2008	1	0.02
30	41,896	1.93%	07/24/2008	07/25/2008	1	0.02
31	56,383	2.59%	07/31/2008	08/01/2008	1	0.03
32	43,506	2.00%	08/07/2008	08/08/2008	1	0.02
33	41,872	1.93%	08/14/2008	08/15/2008	1	0.02
34	44,562	2.05%	08/21/2008	08/22/2008	1	0.02
35	39,938	1.84%	08/28/2008	08/29/2008	1	0.02
36	39,853	1.83%	09/05/2008	09/08/2008	3	0.05
37	41,761	1.92%	09/11/2008	09/12/2008	1	0.02
38	51,325	2.36%	09/18/2008	09/19/2008	1	0.02
39	41,485	1.91%	09/25/2008	09/26/2008	1	0.02
40	39,761	1.83%	10/02/2008	10/03/2008	1	0.02
41	38,096	1.75%	10/09/2008	10/10/2008	1	0.02
42	39,720	1.83%	10/16/2008	10/17/2008	1	0.02
43	34,333	1.58%	10/23/2008	10/24/2008	1	0.02
44	34,736	1.60%	10/30/2008	10/31/2008	1	0.02
45	38,911	1.79%	11/06/2008	11/07/2008	1	0.02
46	35,717	1.64%	11/14/2008	11/17/2008	3	0.05
47	31,880	1.47%	11/20/2008	11/21/2008	1	0.01
48	30,372	1.40%	11/28/2008	12/01/2008	3	0.04
49	29,119	1.34%	12/04/2008	12/05/2008	1	0.01
50	27,809	1.28%	12/11/2008	12/12/2008	1	0.01
51	41,292	1.90%	12/18/2008	12/19/2008	1	0.02
52	72,854	3.35%	12/26/2008	12/29/2008	3	0.10
53	65,991	3.04%	01/02/2009	01/05/2009	3	0.09
54	26,068 4/	1.20%	01/08/2009	01/09/2009	1	0.01
55						
56	<u>\$ 2,173,876</u>	<u>100.00%</u>				<u>1.39</u>
57						
58						
59				Customer		
60		Days of	Annual	Payment		
61		Cost	Percent	Lag %		cwc %
62		(1.39)	-0.38%	9.93%		9.55%

- 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 12/29/2007, thus 0 work days included.
3/ Payroll for work week ended 01/05/2008, thus 5 work days included.
4/ Payroll for work week ended 01/03/2009, thus 4 work days included.

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008
FICA Expense - Monthly Payroll

Line No.	Payment Amount (a)	% of Total (b)	Payroll Date 1/ (c)	Payment Date 2/ (d)	Lag Days (e)	Weighted Lag Days (f)
1	\$ 58,407	7.50%	01/18/2008	01/21/2008	3	0.23
2	56,332	7.24%	02/21/2008	02/22/2008	1	0.07
3	59,147	7.60%	03/21/2008	03/24/2008	3	0.23
4	55,095	7.08%	04/21/2008	04/22/2008	1	0.07
5	54,184	6.96%	05/21/2008	05/22/2008	1	0.07
6	54,477	7.00%	06/20/2008	06/23/2008	3	0.21
7	55,447	7.12%	07/21/2008	07/22/2008	1	0.07
8	59,150	7.60%	08/21/2008	08/22/2008	1	0.08
9	56,194	7.22%	09/19/2008	09/22/2008	3	0.22
10	49,757	6.39%	10/21/2008	10/22/2008	1	0.06
11	42,529	5.46%	11/21/2008	11/24/2008	3	0.16
12	40,922	5.26%	12/19/2008	12/22/2008	3	0.16
13	29,635	3.81%	02/01/2008	02/04/2008	3	0.11
14	43,810	5.63%	06/09/2008	06/10/2008	1	0.06
15	40,966	5.26%	06/10/2008	06/11/2008	1	0.05
16	7,899	1.01%	06/11/2008	06/12/2008	1	0.01
17	8,472	1.09%	06/18/2008	06/19/2008	1	0.01
18	1,750	0.22%	07/25/2008	07/28/2008	3	0.01
19	13	0.00%	12/16/2008	12/17/2008	1	0.00
20	593	0.08%	12/24/2008	12/26/2008	2	0.00
21	<u>3,551</u>	0.46%	12/31/2008	01/02/2009	2	<u>0.01</u>
22						
23	<u>\$ 778,329</u>	<u>100.00%</u>				<u>1.89</u>
24				Customer		
25		Days of	Annual	Payment		
26		<u>Cost</u>	<u>Percent</u>	<u>Lag %</u>	<u>cwc %</u>	
27						
28		(1.89)	-0.52%	9.93%	9.41%	

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 - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008**

Employee FIT and FICW Withholding - Weekly Payroll

Line	Withholding	% of	Payroll	Payment	Payment	Weighted
No.	Amount 3/	Total	Date 1/	Date 2/	Lag in	Payment
	(a)	(b)	(c)	(d)	Days	Lag in
					(e)	Days
1	\$ - 4/	0.00%	1/4/08	1/7/08	3	0.00
2	85,236 5/	1.26%	1/10/08	1/11/08	1	0.01
3	124,882	1.85%	1/17/08	1/18/08	1	0.02
4	134,081	1.99%	1/24/08	1/25/08	1	0.02
5	98,185	1.46%	1/31/08	2/1/08	1	0.01
6	116,008	1.72%	2/7/08	2/8/08	1	0.02
7	104,496	1.55%	2/14/08	2/15/08	1	0.02
8	116,032	1.72%	2/22/08	2/25/08	3	0.05
9	130,524	1.94%	2/28/08	2/29/08	1	0.02
10	101,534	1.51%	3/6/08	3/7/08	1	0.02
11	118,155	1.75%	3/13/08	3/14/08	1	0.02
12	140,673	2.09%	3/20/08	3/21/08	1	0.02
13	110,398	1.64%	3/27/08	3/28/08	1	0.02
14	102,917	1.53%	4/3/08	4/4/08	1	0.02
15	107,259	1.59%	4/10/08	4/11/08	1	0.02
16	103,391	1.53%	4/17/08	4/18/08	1	0.02
17	108,670	1.61%	4/24/08	4/25/08	1	0.02
18	140,510	2.08%	5/1/08	5/2/08	1	0.02
19	107,730	1.60%	5/8/08	5/9/08	1	0.02
20	105,801	1.57%	5/15/08	5/16/08	1	0.02
21	118,401	1.76%	5/22/08	5/23/08	1	0.02
22	110,065	1.63%	5/30/08	6/2/08	3	0.05
23	119,926	1.78%	6/5/08	6/6/08	1	0.02
24	121,164	1.80%	6/12/08	6/13/08	1	0.02
25	146,235	2.17%	6/19/08	6/20/08	1	0.02
26	119,574	1.77%	6/26/08	6/27/08	1	0.02
27	128,614	1.91%	7/3/08	7/7/08	4	0.08
28	129,844	1.93%	7/10/08	7/11/08	1	0.02
29	122,113	1.81%	7/17/08	7/18/08	1	0.02
30	119,757	1.78%	7/24/08	7/25/08	1	0.02
31	181,284	2.69%	7/31/08	8/1/08	1	0.03
32	126,902	1.88%	8/7/08	8/8/08	1	0.02
33	119,756	1.78%	8/14/08	8/15/08	1	0.02
34	131,781	1.96%	8/21/08	8/22/08	1	0.02
35	111,990	1.66%	8/28/08	8/29/08	1	0.02
36	110,761	1.64%	9/5/08	9/8/08	3	0.05
37	120,318	1.79%	9/11/08	9/12/08	1	0.02
38	161,326	2.39%	9/18/08	9/19/08	1	0.02
39	124,583	1.85%	9/25/08	9/26/08	1	0.02
40	116,770	1.73%	10/2/08	10/3/08	1	0.02
41	111,692	1.66%	10/9/08	10/10/08	1	0.02
42	123,477	1.83%	10/16/08	10/17/08	1	0.02
43	100,952	1.50%	10/23/08	10/24/08	1	0.02
44	107,942	1.60%	10/30/08	10/31/08	1	0.02
45	130,369	1.93%	11/6/08	11/7/08	1	0.02
46	120,717	1.79%	11/14/08	11/17/08	3	0.05
47	105,114	1.56%	11/20/08	11/21/08	1	0.02
48	106,926	1.59%	11/28/08	12/1/08	3	0.05
49	99,105	1.47%	12/4/08	12/5/08	1	0.01
50	97,541	1.45%	12/11/08	12/12/08	1	0.01
51	192,683	2.86%	12/18/08	12/19/08	1	0.03
52	435,634	6.46%	12/26/08	12/29/08	3	0.19
53	223,841	3.32%	1/2/09	1/5/09	3	0.10
54	86,481 5/	1.28%	1/8/09	1/9/09	1	0.01
55						
56	<u>\$ 6,740,122</u>	<u>100.00%</u>				<u>1.49</u>

Annual cwc % -0.41%

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.

2/ Payroll for work week ended 12/29/2007, thus 0 work days included.

3/ Payroll for work week ended 01/05/2008, thus 5 work days included.

4/ Payroll for work week ended 01/03/2009, thus 4 work days included.

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008**

Employee FIT and FICW Withholding - Monthly Payroll

Line No.	Withholding Amount (a)	% of Total (b)	Payroll Date 1/ (c)	Payment Date 2/ (d)	Lag Days (e)	Weighted Lag Days (f)
1	\$ 168,140	6.64%	1/18/08	1/21/08	3	0.20
2	159,113	6.28%	2/21/08	2/22/08	1	0.06
3	171,592	6.77%	3/21/08	3/24/08	3	0.20
4	155,186	6.13%	4/21/08	4/22/08	1	0.06
5	152,137	6.01%	5/21/08	5/22/08	1	0.06
6	157,781	6.23%	6/20/08	6/23/08	3	0.19
7	162,903	6.43%	7/21/08	7/22/08	1	0.06
8	182,747	7.21%	8/21/08	8/22/08	1	0.07
9	174,020	6.87%	9/19/08	9/22/08	3	0.21
10	164,072	6.48%	10/21/08	10/22/08	1	0.06
11	156,510	6.18%	11/21/08	11/24/08	3	0.19
12	155,156	6.13%	12/19/08	12/22/08	3	0.18
13	126,483	4.99%	2/1/08	2/4/08	3	0.15
14	179,762	7.10%	6/9/08	6/10/08	1	0.07
15	171,943	6.79%	6/10/08	6/11/08	1	0.07
16	48,175	1.90%	6/11/08	6/12/08	1	0.02
17	34,474	1.36%	6/18/08	6/19/08	1	0.01
18	2,643	0.10%	7/25/08	7/28/08	3	0.00
19	2,145	0.08%	12/16/08	12/17/08	1	0.00
20	8,030	0.32%	12/24/08	12/26/08	2	0.01
21	<u>0</u>	<u>0.00%</u>	12/31/08	1/2/09	2	<u>0.00</u>
22						
23	<u>\$ 2,533,013</u>	<u>100.00%</u>				<u>1.87</u>
24						
25				Annual cwc %		<u>-0.51%</u>

- 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 - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008**

State Income Tax Withholding - Weekly Payroll

Line No.	Withholding Amount (a)	% of Total (b)	Payroll Date 1/ (c)	Payment Date 2/ (d)	Lag Days (e)	Weighted Lag Days (f)
1	\$ - 3/	0.00%	1/4/08	1/7/08	3	0.00
2	13,188 4/	1.01%	1/10/08	1/11/08	1	0.01
3	23,499	1.81%	1/17/08	1/18/08	1	0.02
4	25,564	1.96%	1/24/08	1/25/08	1	0.02
5	17,775	1.37%	1/31/08	2/1/08	1	0.01
6	21,671	1.67%	2/7/08	2/8/08	1	0.02
7	19,179	1.47%	2/14/08	2/15/08	1	0.01
8	21,628	1.66%	2/22/08	2/25/08	3	0.05
9	24,763	1.90%	2/28/08	2/29/08	1	0.02
10	18,547	1.43%	3/6/08	3/7/08	1	0.01
11	22,130	1.70%	3/13/08	3/14/08	1	0.02
12	27,008	2.08%	3/20/08	3/21/08	1	0.02
13	20,462	1.57%	3/27/08	3/28/08	1	0.02
14	18,905	1.45%	4/3/08	4/4/08	1	0.01
15	19,712	1.51%	4/10/08	4/11/08	1	0.02
16	18,914	1.45%	4/17/08	4/18/08	1	0.01
17	20,044	1.54%	4/24/08	4/25/08	1	0.02
18	26,983	2.07%	5/1/08	5/2/08	1	0.02
19	19,922	1.53%	5/8/08	5/9/08	1	0.02
20	19,475	1.50%	5/15/08	5/16/08	1	0.02
21	22,036	1.69%	5/22/08	5/23/08	1	0.02
22	20,354	1.56%	5/30/08	6/2/08	3	0.05
23	22,465	1.73%	6/5/08	6/6/08	1	0.02
24	22,712	1.75%	6/12/08	6/13/08	1	0.02
25	28,075	2.16%	6/19/08	6/20/08	1	0.02
26	22,323	1.72%	6/26/08	6/27/08	1	0.02
27	24,316	1.87%	7/3/08	7/7/08	4	0.07
28	24,546	1.89%	7/10/08	7/11/08	1	0.02
29	22,220	1.71%	7/17/08	7/18/08	1	0.02
30	22,362	1.72%	7/24/08	7/25/08	1	0.02
31	35,706	2.74%	7/31/08	8/1/08	1	0.03
32	23,903	1.84%	8/7/08	8/8/08	1	0.02
33	22,413	1.72%	8/14/08	8/15/08	1	0.02
34	25,016	1.92%	8/21/08	8/22/08	1	0.02
35	20,757	1.60%	8/28/08	8/29/08	1	0.02
36	20,363	1.56%	9/5/08	9/8/08	3	0.05
37	22,659	1.74%	9/11/08	9/12/08	1	0.02
38	31,694	2.44%	9/18/08	9/19/08	1	0.02
39	23,787	1.83%	9/25/08	9/26/08	1	0.02
40	22,157	1.70%	10/2/08	10/3/08	1	0.02
41	21,152	1.63%	10/9/08	10/10/08	1	0.02
42	23,033	1.77%	10/16/08	10/17/08	1	0.02
43	19,125	1.47%	10/23/08	10/24/08	1	0.01
44	21,079	1.62%	10/30/08	10/31/08	1	0.02
45	26,278	2.02%	11/6/08	11/7/08	1	0.02
46	24,422	1.88%	11/14/08	11/17/08	3	0.06
47	21,101	1.62%	11/20/08	11/21/08	1	0.02
48	22,048	1.69%	11/28/08	12/1/08	3	0.05
49	20,159	1.55%	12/4/08	12/5/08	1	0.02
50	20,083	1.54%	12/11/08	12/12/08	1	0.02
51	43,144	3.32%	12/18/08	12/19/08	1	0.03
52	100,638	7.73%	12/26/08	12/29/08	3	0.23
53	45,039	3.46%	1/2/09	1/5/09	3	0.10
54	14,804 5/	1.14%	1/8/09	1/9/09	1	0.01
55						
56	\$ 1,301,335	100.00%				1.50
57						
58			Annual cwc %			-0.41%

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 12/29/2007, thus 0 work days included.

4/ Payroll for work week ended 01/05/2008, thus 5 work days included.

5/ Payroll for work week ended 01/03/2009, thus 4 work days included.

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008**

State Income Tax Withholding - Monthly Payroll

Line No.	Withholding Amount (a)	% of Total (b)	Payroll Date 1/ (c)	Payment Date 2/ (d)	Lag Days (e)	Weighted Lag Days (f)
1	\$ 32,145	6.25%	1/18/08	1/22/08	4	0.25
2	30,111	5.85%	2/21/08	2/22/08	1	0.06
3	32,733	6.36%	3/21/08	3/24/08	3	0.19
4	29,065	5.65%	4/21/08	4/22/08	1	0.06
5	28,525	5.54%	5/21/08	5/22/08	1	0.06
6	30,039	5.84%	6/20/08	6/23/08	3	0.18
7	31,170	6.06%	7/21/08	7/22/08	1	0.06
8	35,825	6.96%	8/21/08	8/22/08	1	0.07
9	34,163	6.64%	9/19/08	9/22/08	3	0.20
10	33,090	6.43%	10/21/08	10/22/08	1	0.06
11	32,708	6.36%	11/21/08	11/24/08	3	0.19
12	41,741	8.11%	12/19/08	12/22/08	3	0.24
13	27,117	5.27%	2/1/08	2/4/08	3	0.16
14	38,067	7.40%	6/9/08	6/10/08	1	0.07
15	36,674	7.13%	6/10/08	6/11/08	1	0.07
16	11,277	2.19%	6/11/08	6/12/08	1	0.02
17	7,280	1.42%	6/18/08	6/19/08	1	0.01
18	250	0.05%	7/25/08	7/28/08	3	0.00
19	453	0.09%	12/16/08	12/17/08	1	0.00
20	2,082	0.40%	12/24/08	12/26/08	2	0.01
21	0	0.00%	12/31/08	1/2/09	2	0.00
22	<u>0</u>	<u>0.00%</u>			0	<u>0.00</u>
23						
24	<u>\$ 514,514</u>	<u>100.0%</u>				<u>1.96</u>
25						
26						
27				Annual cwc %		<u>-0.54%</u>

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 - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008**

Temporary Disability Insurance - Weekly Payroll

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	\$ 30,338	13.50%	1/15/08	4/25/08	101	13.64
2	24,751	11.02%	2/15/08	4/25/08	70	7.71
3	25,193	11.21%	3/15/08	4/25/08	41	4.60
4	22,825	10.16%	4/15/08	7/28/08	104	10.57
5	29,798	13.26%	5/15/08	7/28/08	74	9.81
6	24,968	11.11%	6/15/08	7/28/08	43	4.78
7	23,173	10.31%	7/15/08	10/30/08	107	11.03
8	12,791	5.69%	8/15/08	10/30/08	76	4.32
9	10,509	4.68%	9/15/08	10/30/08	45	2.11
10	9,388	4.18%	10/15/08	1/16/09	93	3.89
11	5,349	2.38%	11/15/08	1/16/09	62	1.48
12	5,601	<u>2.49%</u>	12/15/08	1/16/09	32	<u>0.80</u>
13						
14	<u>\$ 224,684</u>	<u>100.00%</u>				<u>74.74</u>
15						
16						
17						
18					cwc %	<u>-20.42%</u>

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 - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008**

Temporary Disability Insurance - Monthly Payroll

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	\$ 9,187	10.94%	1/18/08	4/25/08	98	10.72
2	8,753	10.43%	2/21/08	4/25/08	64	6.68
3	8,833	10.52%	3/21/08	4/25/08	35	3.68
4	8,485	10.11%	4/20/08	7/28/08	99	10.01
5	8,223	9.80%	5/21/08	7/28/08	68	6.66
6	6,608	7.87%	6/20/08	7/28/08	38	2.99
7	4,758	5.67%	7/21/08	10/30/08	101	5.73
8	3,079	3.67%	8/21/08	10/30/08	70	2.57
9	2,362	2.81%	9/19/08	10/30/08	41	1.15
10	1,741	2.07%	10/21/08	1/16/09	87	1.80
11	1,177	1.40%	11/21/08	1/16/09	56	0.78
12	921	1.10%	12/19/08	1/16/09	28	0.31
13	5,036	6.00%	2/1/08	4/25/08	84	5.04
14	7,019	8.36%	6/9/08	7/28/08	49	4.10
15	6,409	7.63%	6/10/08	7/28/08	48	3.66
16	170	0.20%	6/11/08	7/28/08	47	0.09
17	1,173	1.40%	6/18/08	7/28/08	40	0.56
18	16	0.02%	12/24/08	1/16/09	23	0.00
19	0	0.00%			0	0.00
20						
21	<u>\$ 83,950</u>	<u>100.00%</u>				<u>66.53</u>
22						
23						
24				Annual CWC %		<u>-18.18%</u>

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 - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008**

Incentive Thrift Withholding - Weekly Payroll

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	\$ 37,849	1.28%	1/10/08	1/14/08	4	0.05
2	57,363	1.95%	1/17/08	1/22/08	5	0.10
3	59,028	2.00%	1/24/08	1/28/08	4	0.08
4	52,695	1.79%	1/31/08	2/4/08	4	0.07
5	56,390	1.91%	2/7/08	2/11/08	4	0.08
6	53,405	1.81%	2/14/08	2/19/08	5	0.09
7	56,184	1.91%	2/22/08	2/25/08	3	0.06
8	57,877	1.96%	2/28/08	3/3/08	4	0.08
9	52,808	1.79%	3/6/08	3/10/08	4	0.07
10	55,481	1.88%	3/13/08	3/17/08	4	0.08
11	60,422	2.05%	3/20/08	3/24/08	4	0.08
12	53,955	1.83%	3/27/08	3/31/08	4	0.07
13	52,340	1.78%	4/3/08	4/7/08	4	0.07
14	53,491	1.82%	4/10/08	4/14/08	4	0.07
15	53,178	1.81%	4/17/08	4/21/08	4	0.07
16	52,992	1.80%	4/24/08	4/28/08	4	0.07
17	52,131	1.77%	5/1/08	5/5/08	4	0.07
18	52,977	1.80%	5/8/08	5/12/08	4	0.07
19	52,355	1.78%	5/15/08	5/19/08	4	0.07
20	54,927	1.86%	5/22/08	5/27/08	5	0.09
21	55,129	1.87%	5/30/08	6/2/08	3	0.06
22	54,823	1.86%	6/5/08	6/9/08	4	0.07
23	96,547	3.28%	6/12/08	6/16/08	4	0.13
24	69,524	2.36%	6/19/08	6/23/08	4	0.09
25	55,846	1.90%	6/26/08	6/30/08	4	0.08
26	56,481	1.92%	7/3/08	7/7/08	4	0.08
27	58,473	1.98%	7/10/08	7/14/08	4	0.08
28	55,821	1.89%	7/17/08	7/21/08	4	0.08
29	56,040	1.90%	7/24/08	7/28/08	4	0.08
30	67,750	2.30%	7/31/08	8/4/08	4	0.09
31	56,483	1.92%	8/7/08	8/11/08	4	0.08
32	55,287	1.88%	8/14/08	8/18/08	4	0.08
33	58,181	1.97%	8/21/08	8/25/08	4	0.08
34	54,238	1.84%	8/28/08	9/2/08	5	0.09
35	53,144	1.80%	9/5/08	9/8/08	3	0.05
36	54,593	1.85%	9/11/08	9/15/08	4	0.07
37	62,405	2.12%	9/18/08	9/22/08	4	0.08
38	55,410	1.88%	9/25/08	9/29/08	4	0.08
39	51,671	1.75%	10/2/08	10/6/08	4	0.07
40	52,001	1.77%	10/9/08	10/14/08	5	0.09
41	52,473	1.78%	10/16/08	10/20/08	4	0.07
42	48,419	1.64%	10/23/08	10/27/08	4	0.07
43	49,426	1.68%	10/30/08	11/3/08	4	0.07
44	52,858	1.79%	11/6/08	11/10/08	4	0.07
45	51,258	1.74%	11/14/08	11/17/08	3	0.05
46	47,758	1.62%	11/20/08	11/24/08	4	0.06
47	47,432	1.61%	11/28/08	12/1/08	3	0.05
48	45,442	1.54%	12/4/08	12/8/08	4	0.06
49	45,474	1.54%	12/11/08	12/15/08	4	0.06
50	60,375	2.05%	12/18/08	12/22/08	4	0.08
51	91,071	3.09%	12/26/08	12/29/08	3	0.09
52	66,211	2.25%	1/2/09	1/5/09	3	0.07
53	<u>30,190</u>	<u>1.02%</u>	1/8/09	1/12/09	4	<u>0.04</u>
54						
55	\$ 2,946,084	100.00%			CWC %	<u>-1.08%</u>

1/ Date payroll is actually paid.

2/ Incentive thrift withholdings for weekly payroll are deposited weekly, generally during the week following the payroll.

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2008**

Incentive Thrift Withholding - Monthly Payroll

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	\$ 80,351	8.28%	1/18/08	1/22/08	4	0.33
2	81,951	8.44%	2/21/08	2/25/08	4	0.34
3	84,342	8.69%	3/21/08	3/24/08	3	0.26
4	82,619	8.51%	4/21/08	4/28/08	7	0.60
5	81,890	8.44%	5/21/08	5/27/08	6	0.51
6	77,991	8.04%	6/20/08	6/30/08	10	0.80
7	81,533	8.40%	7/21/08	7/28/08	7	0.59
8	82,858	8.54%	8/21/08	8/25/08	4	0.34
9	81,769	8.43%	9/19/08	9/29/08	10	0.84
10	79,916	8.23%	10/21/08	10/27/08	6	0.49
11	77,436	7.98%	11/21/08	11/24/08	3	0.24
12	<u>77,820</u>	8.02%	12/19/08	12/29/08	10	0.80
13	<u>\$ 970,476</u>	<u>100.00%</u>				6.14

CWC % -1.68%

1/ Date payroll is actually paid.

2/ Incentive thrift withholdings for weekly payroll are deposited weekly, generally during the week following the payroll.

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a National Grid

Docket No. R.I.P.U.C. _____

Witness: O'Brien

Schedule NG-RLO-5

Calculation of Proposed Pension / OPEB Reconciliation Illustrative Example

The Narragansett Electric Company, d/b/a National Grid

Pension Costs

Regulatory Reconciliation - Pension / OPEB Adjustment Mechanism ("POAM")

Illustrative Example

Line No.	Amount (a)	Year 1 2010 (b)	Year 2 2011 (c)	Year 3 2012 (d)	Year 4 2013 (e)	Year 6 2014 (f)	5 Year Total (g)
1							
2							
3	\$2,511,164						
4	94,174						
5	12,552						
6	93,706						
7		\$2,711,596					
8		3,013,421					
9		74,128					
10		(217,512)					
11		\$5,581,633					
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							

Line Notes:
2 O&M Rate Allowance per this proceeding (Excludes \$1,874,184 recovered per R.I.P.U.C. Docket No. 3617; See Worksheet NG-RLO-9, Page 1)
3 NG-RLO-2, Page 15, Line 1 x Line 7, Column (a)
4 NG-RLO-2, Page 16, Line 1 x Line 7, Column (a)
5 Worksheet NG-RLO-33
6 Sum of Lines 2 through 5
7 O&M Rate Allowance per this proceeding
8 O&M Rate Allowance per this proceeding
9 NG-RLO-2, Page 10, Line 9
10 Sum of Lines 6 through 9
13 Illustrative amounts to be replaced with actual pension expense
15 From Line 13
17 Line 13 - Line 15
20 From Line 14
21 Prior Year Line 17
22 Line 20 + Line 21
24 Illustrative amounts to be replaced with actual funding amounts
26 Line 22 - Line 24
27 Prior year Line 27 + current year Line 26
29 Line 27 x pre-tax WACC
30 Prior year Line 30 + current year Line 29

The Narragansett Electric Company, d/b/a National Grid
Other Post Employment Benefits (OPEB)
Regulatory Reconciliation - Pension / OPEB Adjustment Mechanism ("POAM")
Illustrative Example

Line No.	Amount (a)	Year 1 2010 (b)	Year 2 2011 (c)	Year 3 2012 (d)	Year 4 2013 (e)	Year 6 2014 (f)	5 Year Total (g)
1							
2							
3		\$5,780,867					
4		216,797					
5		28,896					
6		215,718					
7		\$6,242,278					
8		2,379,847					
9		39,882					
10		\$8,662,007					
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							

Line Notes:
2 O&M Rate Allowance per this proceeding (Excludes \$636,948 recovered per R.I.P.U.C. Docket No. 3617; See Workpaper NG-RLO-9, Page 1).
3 NG-RLO-2, Page 15, Line 1 x Line 8, Column (a).
4 NG-RLO-2, Page 16, Line 1 x Line 8, Column (a).
5 Workpaper NG-RLO-33.
6 Sum of Lines 2 through 5.
7 O&M Rate Allowance per this proceeding.
8 O&M Rate Allowance per this proceeding.
9 NG-RLO-2, Page 11, Line 14
10 Sum of Lines 6 through 9
13 Illustrative amounts to be replaced with actual OPEB expense
15 From Line 13
17 Line 13 - Line 15
20 From Line 15
21 Prior Year Line 17
22 Line 20 + Line 21
24 Illustrative amounts to be replaced with actual funding amounts
26 Line 22 - Line 24
27 Prior year Line 27 + current year Line 26
29 Line 27 x pre-tax WACC
30 Prior year Line 30 + current year Line 29

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a National Grid

Docket No. R.I.P.U.C. _____

Witness: O'Brien

Schedule NG-RLO-6

Standard Offer Service Cost Adjustment Factors

Narragansett Electric Company
Calculation of Standard Offer Service Administrative Cost Factors

	<u>Total</u>	<u>Small Customer Group</u>	<u>Large Customer Group</u>
<u>Section 1: Calculation of Standard Offer Service Administrative Cost Factors</u>			
(1) Total Standard Offer Service Administrative Costs	\$9,751,787	\$7,661,160	\$2,090,627
(2) Estimated Standard Offer Service -Related kWh Deliveries	6,209,599,876	3,558,657,016	2,650,942,859
(3) Standard Offer Service Administrative Cost Factors per kWh	\$0.00157	\$0.00215	\$0.00078
(1) Page 2, Line (9)			
(2) Section 2, Line (3)			
(3) Line (1) ÷ Line (2), truncated after 5 decimal places			

Section 2: kWh Data for the Period January 2010 through December 2010

(1) Total Company kWh Deliveries	7,665,092,954	3,663,796,706	4,001,296,248
(2) Percentage of total March 2009 kWh under Commodity Service	81.01%	97.13%	66.25%
(3) Estimated Standard Offer Service -Related kWh Deliveries	6,209,599,876	3,558,657,016	2,650,942,859
(1) Per Company Forecast			
(2) Per Company billing records, includes kWh billed under Standard Offer Service and Last Resort Service			
(3) Line (1) x Line (2)			

Note: Small Customer Group includes customers on rates A-16, A-60, C-06, S-10 and S-14
Large Customer Group includes customers on rates G-02, G-32, G-62, B-62, X-01

Narragansett Electric Company
Calculation of Standard Offer Service Cost Administrative Costs

	<u>Total</u>	<u>Small Customer Group</u>	<u>Large Customer Group</u>
<u>Section 1: Standard Offer Service Administrative Costs</u>			
<u>Wholesale Costs:</u>			
(1) Energy Supply Department Labor	\$112,418	\$56,209	\$56,209
(2) Procurement Support	\$34,241	\$17,121	\$17,121
(3) Ongoing Administration Support	<u>\$9,513</u>	<u>\$4,757</u>	<u>\$4,757</u>
(4) Total Wholesale Costs	\$156,173	\$78,087	\$78,087
<u>Direct Retail:</u>			
(5) Customer Communication and Rate Change Processing	\$11,516	\$5,758	\$5,758
(6) Environmental Disclosure Label	\$34,096	\$17,048	\$17,048
(7) Bad Debt Expense	<u>\$7,861,885</u>	<u>\$6,655,432</u>	<u>\$1,206,453</u>
(8) Total Direct Retail Costs	\$7,907,497	\$6,678,238	\$1,229,259
<u>Cash Working Capital:</u>			
(9) Working Capital Impact	\$1,688,117	\$904,836	\$783,281
(10) Total Standard Offer Service Administrative Costs	\$9,751,787	\$7,661,160	\$2,090,627

- (1) Based on budget provided by Energy Supply Department, allocated equally to the Small Customer Group and the Large Customer Group
- (2) Page 3, allocated equally to the Small Customer Group and the Large Customer Group
- (3) Page 3, allocated equally to the Small Customer Group and the Large Customer Group
- (4) Line (2) + Line (3)
- (5) Page 4, allocated equally to the Small Customer Group and the Large Customer Group
- (6) Page 5, allocated equally to the Small Customer Group and the Large Customer Group
- (7) Page 6, Line (5)
- (8) Sum of Lines (5) through (7)
- (10) Page 15
- (11) Line (1) + Line (4) + Line (8) + Line (9)

Narragansett Electric Company
Estimate of Costs Associated with Regulatory, Legal and Accounting
Support of Wholesale Procurement and Ongoing Administration of Standard Offer Service

Task	Conducted by	(A)	(B)	(C)	(D)
		Hours	Direct Labor Rate (\$/hr)	Indirect / Overhead Rate	Total \$
Support for Wholesale Procurement					
Preparation of documents and supporting data to be included in each Request for Proposal	Legal: Attorney	4.0	\$82.00	73.85%	\$570
	Total for Task:	4.0			\$570
	Annual Frequency for Task:	4			
	Annual Total for Task:	16.0			\$2,281
Review of bidder information and proposed contract modifications					
	Legal: Attorney	48.0	\$82.00	73.85%	\$6,843
	Total for Task:	48.0			\$6,843
	Annual Frequency for Task:	4			
	Annual Total for Task:	192.0			\$27,371
Preparation and submission of rate filing					
	Legal: Attorney	3.0	\$60.00	73.85%	\$313
	Regulation and Pricing: Management	8.0	\$60.00	73.85%	\$834
	Total for Task:	11.0			\$1,147
	Annual Frequency for Task:	4			
	Annual Total for Task:	44.0			\$4,590
Annual Total for Task:	252.0			\$34,241	
Support for Ongoing Administration					
Receipt, review and payment of monthly invoices	Shared Services Energy Trading: Analyst	9.0	\$24.00	73.85%	\$376
	Accounting: Analyst	6.0	\$40.00	73.85%	\$417
	Total for Task:	15.0			\$793
	Annual Frequency for Task:	12			
	Annual Total for Task:	180.0			\$9,513
Annual Total for all Tasks:		432			\$43,755

Notes:

- (A) Based on interviews with departments/personnel involved in each task which relied on experience from prior RFPs.
(C) Source: Overhead accrual rate for year ended December 31, 2008

Narragansett Electric Company
Estimated Costs for Customer Communication and Rate Changes

Section 1: Web and E-Business Group:

(1)	Number of Hours to Process Web Site Update per Rate Change	2
(2)	Number of Rates Changes in a 12-Month Period	<u>4</u>
(3)	Total Number of Hours to Update Web Site in a 12-Month Period	8
(4)	Average Hourly Labor Rate for Web Site Personnel	\$60.00
(5)	Average Labor Overhead Mark-Up	<u>73.85%</u>
(6)	Estimated Cost of Web Site Update in a 12-Month Period	\$834

(1)	Per Web and E-Business Group
(2)	Number of Basic service rate changes in a 12 month period
(3)	Line (1) x Line (2)
(4)	Per Web and E-Business Group
(5)	Overhead accrual rate for year ended December 31, 2008
(6)	Line (3) x Line (4) x [1 + Line (5)]

Section 2: Billing & Systems Group

(1)	Number of Hours to Process Rate Changes and Communication Pieces Per Month	4
(2)	Number of Months	<u>12</u>
(3)	Total Number of Hours to Process Rate Changes and Communication Pieces Per Month	48
(4)	Average Hourly Labor Rate for Billing & Systems Personnel	\$35.00
(5)	Average Labor Overhead Mark-Up	<u>73.85%</u>
(6)	Estimated Cost of Billing & Systems in a 12-Month Period	\$2,921

(1)	Per Billing & Systems
(2)	Number of months in 12 month period.
(3)	Line (1) x Line (2)
(4)	Per Billing & Systems
(5)	Overhead accrual rate for year ended December 31, 2008
(6)	Line (3) x Line (4) x [1 + Line (5)]

Section 3: Information Technology

(1)	Number of Hours to Process Rate Changes and Communication Pieces Per Month	12
(2)	Number of Months	<u>12</u>
(3)	Total Number of Hours to Process Rate Changes and Communication Pieces Per Month	144
(4)	Average Hourly Labor Rate for Information Technology Personnel	\$31.00
(5)	Average Labor Overhead Mark-Up	<u>73.85%</u>
(6)	Estimated Cost of Information Technology in a 12-Month Period	\$7,761

(1)	Per Information Technology
(2)	Number of months in 12 month period.
(3)	Line (1) x Line (2)
(4)	Per Information Technology
(5)	Overhead accrual rate for year ended December 31, 2008
(6)	Line (3) x Line (4) x [1 + Line (5)]

Section 4: Total Communication and Rate Change Costs:

(1)	Total Estimated Cost of Customer Communication and Processing Rate Changes	\$11,516
-----	--	----------

Narragansett Electric Company
Estimate of Costs Associated with
Environmental Disclosure Labels

<u>Task</u>	<u>Conducted by</u>	(A)	(B)	(C)	(D)
		<u>Hours</u>	<u>Direct Labor</u> <u>Rate (\$/hr)</u>	<u>Indirect /</u> <u>Overhead</u> <u>Rate</u>	<u>Total \$</u>
Prepare proofs for printing, check for accuracy, schedule for insertion, post to website	Corporate Communications: Coordinator	2.0	\$30.00	73.85%	\$104
	Customer Service: Designer	<u>2.0</u>	\$56.00	73.85%	\$195
	Total for Task:	4.0			\$299
	Annual Frequency for Task:	4			
	Annual Total for Task:	16.0			\$1,196
Print labels	Third Party Vendor	n/a	n/a	n/a	\$8,225
	Annual Frequency for Task:	4.00			
	Annual Total for Task:	n/a			\$32,900
Annual Total for all Tasks:		16.0			\$34,096

Notes:

(A) Based on interviews with departments/personnel involved in each task which relied on experience from prior labels.

(C) Source: Average departmental overhead accrual rates for year ended December 31, 2008

Narragansett Electric Company
Bad Debt Expense
Calculation of Net Charge-Offs - 2008

(1)	Bad Debt Reserve @ January 1	\$9,787,505
(2)	Plus Additions to Reserve during the year	\$12,748,167
(3)	Less Bad Debt Reserve @ December 31	<u>\$10,122,821</u>
(4)	Net Charge-Offs	\$12,412,851
(5)	Net Charge-Offs Allocated to Commodity	\$7,861,885

- (1) Per FERC Form 1, Account 144, Electric balance only
- (2) Per FERC Form 1, Account 904
- (3) Per FERC Form 1, Account 144, Electric balance only
- (4) Line (1) + Line (2) - Line (3)
- (5) Page 7, Section 5, Line (3)

Narragansett Electric Company
Allocation of 2008 Net Charge-Offs to Standard Offer/Last Resort Service

		<u>Total</u>	<u>A-16</u>	<u>A-60</u>	<u>C-06</u>	<u>C-08</u>	<u>G-02</u>	<u>G-32</u>	<u>S-10</u>	<u>T-06</u>
<u>Section 1: Allocation of 2008 Net Charge-Offs to Rate Classes</u>										
(1)	2008 Net Charge-Offs for All Accounts per Billing System	\$12,082,792	\$8,166,678	\$1,309,629	\$918,273	\$0	\$942,417	\$741,745	\$4,048	\$2
(2)	Allocator Based on Net Charge-Offs for All Accounts	100.00%	67.59%	10.84%	7.60%	0.00%	7.80%	6.14%	0.03%	0.00%
(3)	2008 Net Charge-Offs	\$12,412,851								
(4)	Allocation of 2008 Net Charge-Offs to Rate Classes	\$12,412,851	\$8,389,763	\$1,345,403	\$943,357	\$0	\$968,160	\$762,007	\$4,158	\$2
(1)	Page 8, Section 3, Line (1)									
(2)	Line (1), each rate class as a percent of the total									
(3)	Page 6, Line (4)									
(4)	Line (2) x Line (3)									
<u>Section 2: Standard Offer & Last Resort Service Accounts as a Percentage of All Accounts</u>										
(1)	2008 Net Charge-Offs for Last Resort Service Accounts per Billing System	\$15,703	\$14,900	\$892	\$0	\$0	(\$90)	\$0	\$0	\$2
(2)	2008 Net Charge-Offs for Standard Offer Accounts per Billing System	<u>\$12,047,680</u>	<u>\$8,150,561</u>	<u>\$1,308,737</u>	<u>\$918,244</u>	<u>\$0</u>	<u>\$942,159</u>	<u>\$723,931</u>	<u>\$4,048</u>	<u>\$0</u>
(3)	2008 Net Charge-Offs for Commodity Accounts per Billing System	\$12,063,383	\$8,165,460	\$1,309,629	\$918,244	\$0	\$942,069	\$723,931	\$4,048	\$2
(4)	2008 Net Charge-Offs for All Accounts per Billing System	\$12,082,792	\$8,166,678	\$1,309,629	\$918,273	\$0	\$942,417	\$741,745	\$4,048	\$2
(5)	Percentage of Charge-Offs Related to Standard Offer & Last Resort Service Accounts, by Rate Class		99.99%	100.00%	100.00%	0.00%	99.96%	97.60%	100.00%	100.00%
(1)	Page 9, Section 3, Line (1)									
(2)	Page 12, Section 3, Line (1)									
(3)	Line (1) + Line (2)									
(4)	Section 1, Line (1)									
(5)	Line (3) ÷ Line (4)									
<u>Section 3: Allocation of 2008 Net Charge-Offs to Standard Offer & Last Resort Service Accounts</u>										
(1)	Allocation of 2008 Net Charge-Offs to Rate Classes	\$12,412,851	\$8,389,763	\$1,345,403	\$943,357	\$0	\$968,160	\$762,007	\$4,158	\$2
(2)	Percentage of Charge-Offs Related to Standard Offer & Last Resort Service Accounts, by Rate Class		99.99%	100.00%	100.00%	0.00%	99.96%	97.60%	100.00%	100.00%
(3)	Allocated Share of 2008 Net Charge-Offs for Standard Offer & Last Resort Service Accounts, by Rate Class	\$12,392,913	\$8,388,512	\$1,345,403	\$943,327	\$0	\$967,803	\$743,706	\$4,158	\$2
(1)	Section 1, Line (4)									
(2)	Section 2, Line (3)									
(3)	Line (1) x Line (2)									
<u>Section 4: Commodity Billing Charge-Offs as a Percentage of Standard Offer & Last Resort Service Accounts Charged Off</u>										
(1)	Estimate of Last Resort Service Billing Charge-Offs per Billing System	\$9,670	\$9,096	\$636	\$0	\$0	(\$63)	\$0	\$0	\$1
(2)	Estimate of Standard Offer Billing Charge-Offs per Billing System	<u>\$7,643,166</u>	<u>\$4,999,437</u>	<u>\$921,735</u>	<u>\$546,048</u>	<u>\$0</u>	<u>\$640,669</u>	<u>\$533,767</u>	<u>\$1,511</u>	<u>\$0</u>
(3)	Total Estimated Commodity Billing Charge-Offs per Billing System	\$7,652,836	\$5,008,533	\$922,371	\$546,048	\$0	\$640,606	\$533,767	\$1,511	\$1
(4)	2008 Net Charge-Offs for Commodity Accounts per Billing System	\$12,063,383	\$8,165,460	\$1,309,629	\$918,244	\$0	\$942,069	\$723,931	\$4,048	\$2
(5)	Percentage of Commodity Charge-Offs Related to Commodity Billings, by Rate Class		61.34%	70.43%	59.47%	0.00%	68.00%	73.73%	37.32%	60.39%
(1)	Page 9, Section 3, Line (2)									
(2)	Page 12, Section 3, Line (2)									
(3)	Line (1) + Line (2)									
(4)	Section 2, Line (3)									
(5)	Line (3) ÷ Line (4)									
<u>Section 5: Allocation of Estimated Commodity Charge-Offs to Commodity Billings</u>										
(1)	Percentage of Commodity Charge-Offs Related to Commodity Billings, by Rate Class		61.34%	70.43%	59.47%	0.00%	68.00%	73.73%	37.32%	60.39%
(2)	Allocated Share of 2008 Net Charge-Offs for Standard Offer & Last Resort Service Accounts, by Rate Class	\$12,392,913	\$8,388,512	\$1,345,403	\$943,327	\$0	\$967,803	\$743,706	\$4,158	\$2
(3)	Allocated Share of 2008 Net Charge-Offs for Standard Offer & Last Resort Service Accounts, by Rate Class	\$7,861,885	\$5,145,349	\$947,567	\$560,964	\$0	\$658,105	\$548,348	\$1,552	\$1
(1)	Section 4, Line (5)									
(2)	Section 3, Line (3)									
(3)	Line (1) x Line (2)									

Narragansett Electric Company
Net Charge Offs for All Accounts

		<u>Total</u>	<u>A-16</u>	<u>A-60</u>	<u>C-06</u>	<u>C-08</u>	<u>G-02</u>	<u>G-32</u>	<u>S-10</u>	<u>T-06</u>
<u>Section 1: Gross Charge Offs for All Accounts</u>										
(1)	Amount of C/O for all Accounts	\$15,752,240	\$11,049,533	\$1,670,573	\$1,107,574	\$10	\$1,055,661	\$862,683	\$6,203	\$2
(2)	Allocator Based On Gross Charge Offs	100.00%	70.15%	10.61%	7.03%	0.00%	6.70%	5.48%	0.04%	0.00%
(1)	Per Company reports of charge offs processed in the Company's Billing System									
(2)	Each rate class's Line (1) as a percentage of total of Line (1)									
<u>Section 2: Recoveries for All Accounts</u>										
(1)	Amount of Recovery for All Accounts	(\$3,669,448)	(\$2,882,856)	(\$360,944)	(\$189,301)	(\$10)	(\$113,244)	(\$120,938)	(\$2,155)	\$0
(2)	Allocator Based On Recoveries	100.00%	78.56%	9.84%	5.16%	0.00%	3.09%	3.30%	0.06%	0.00%
(1)	Per Company reports of recoveries processed through the Company's Billing System									
(2)	Each rate class's Line (1) as a percentage of total of Line (1)									
<u>Section 3: Total Company Amounts for All Accounts</u>										
(1)	Total Company Net Charge-Offs	\$12,082,792	\$8,166,678	\$1,309,629	\$918,273	\$0	\$942,417	\$741,745	\$4,048	\$2
(2)	Allocator Based On Net Charge Offs	100.00%	67.59%	10.84%	7.60%	0.00%	7.80%	6.14%	0.03%	0.00%
(1)	Sum of Section 1 and Section 2									
(2)	Each rate class's Line (1) as a percentage of total of Line (1)									

Narragansett Electric Company
Estimated Last Resort Service Net Charge Off

		<u>Total</u>	<u>A-16</u>	<u>A-60</u>	<u>C-06</u>	<u>C-08</u>	<u>G-02</u>	<u>G-32</u>	<u>S-10</u>	<u>T-06</u>
<u>Section 1: Gross Charge Offs for Last Resort Service Accounts</u>										
(1)	Amount of C/O for Last Resort Service Accounts	\$16,793	\$15,842	\$949	\$0	\$0	\$0	\$0	\$0	\$2
(2)	Last Resort Service-Related Charge-Off	\$10,354	\$9,677	\$676	\$0	\$0	\$0	\$0	\$0	\$1
(3)	Allocator Based on Gross Last Resort Related C/O	100%	93%	7%	0%	0%	0%	0%	0%	0%
(1) - (2)	Page 10									
(3)	Each rate class's Line (3) as a percentage of total Line (3)									

Section 2: Recoveries for Last Resort Service Accounts

(1)	Amount of Recovery for Last Resort Service Accounts	(\$1,090)	(\$943)	(\$57)	\$0	\$0	(\$90)	\$0	\$0	\$0
(2)	Last Resort Service-Related Recovery	(\$684)	(\$581)	(\$40)	\$0	\$0	(\$63)	\$0	\$0	\$0
(3)	Allocator Based on Gross Last Resort Related Recovery	100%	85%	6%	0%	0%	9%	0%	0%	0%
(1) - (2)	Page 11									
(3)	Each rate class's Line (3) as a percentage of total Line (3)									

Section 3: Total Company Amounts for Last Resort Service Accounts

(1)	Amount of C/O for Last Resort Service Accounts	\$15,703	\$14,900	\$892	\$0	\$0	(\$90)	\$0	\$0	\$2
(2)	Last Resort Service-Related Charge-Off	\$9,670	\$9,096	\$636	\$0	\$0	(\$63)	\$0	\$0	\$1
(1)	Section 1, Line (1) + Section 2, Line (1)									
(2)	Section 1, Line (2) + Section 2, Line (2)									

Narragansett Electric Company
Estimated Last Resort Service Charge Offs for Last Resort Service Accounts

Month of Charge-Off		2008												Annual Total
		January	February	March	April	May	June	July	August	September	October	November	December	
<u>Rate A-16</u>														
(1)	Amount of C/O for Last Resort Service Accounts	\$16	\$994	\$0	\$4	\$7,325	\$515	\$188	\$1,183	\$2,094	\$665	\$2,298	\$560	\$15,842
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Last Resort Service Rate as a % of Total Rate	60.1235%	60.1235%	60.1235%	60.1235%	60.1235%	60.1235%	60.1235%	60.9568%	61.7682%	62.5585%	63.3286%	63.3286%	
(4)	Last Resort Service-Related Charge-Off	\$10	\$598	\$0	\$2	\$4,404	\$310	\$113	\$721	\$1,293	\$416	\$1,456	\$355	\$9,677
<u>Rate A-60</u>														
(1)	Amount of C/O for Last Resort Service Accounts	\$277	\$0	\$0	\$0	\$0	\$118	\$0	\$0	\$0	\$0	\$554	\$0	\$949
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Last Resort Service Rate as a % of Total Rate	69.4034%	69.4034%	69.4034%	69.4034%	69.4034%	69.4034%	69.4034%	70.2208%	71.0135%	71.7826%	72.5290%	72.5290%	
(4)	Last Resort Service-Related Charge-Off	\$192	\$0	\$0	\$0	\$0	\$82	\$0	\$0	\$0	\$0	\$402	\$0	\$676
<u>Rate C-06</u>														
(1)	Amount of C/O for Last Resort Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Last Resort Service Rate as a % of Total Rate	61.6026%	59.9621%	60.0088%	60.1212%	60.3014%	59.6372%	59.2546%	60.8569%	62.1069%	63.0359%	63.1790%	63.0106%	
(4)	Last Resort Service-Related Charge-Off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate C-08</u>														
(1)	Amount of C/O for Last Resort Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Last Resort Service Rate as a % of Total Rate	61.6026%	59.9621%	60.0088%	60.1212%	60.3014%	59.6372%	59.2546%	60.8569%	62.1069%	63.0359%	63.1790%	63.0106%	
(4)	Last Resort Service-Related Charge-Off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate G-02</u>														
(1)	Amount of C/O for Last Resort Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Last Resort Service Rate as a % of Total Rate	69.9403%	68.4737%	68.5157%	68.6167%	68.7785%	68.1813%	67.8359%	69.3443%	70.5230%	71.4090%	71.6034%	71.4562%	
(4)	Last Resort Service-Related Charge-Off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate G-32</u>														
(1)	Amount of C/O for Last Resort Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Last Resort Service Rate as a % of Total Rate	75.1122%	73.8034%	73.8410%	73.9314%	74.0761%	73.5413%	73.2313%	74.6400%	75.7447%	76.5842%	76.8141%	76.6851%	
(4)	Last Resort Service-Related Charge-Off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate S-10</u>														
(1)	Amount of C/O for Last Resort Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Last Resort Service Rate as a % of Total Rate	40.1285%	38.4866%	38.5327%	38.6437%	38.8223%	38.1672%	37.7933%	39.2772%	40.4421%	41.2984%	41.3437%	41.1685%	
(4)	Last Resort Service-Related Charge-Off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate T-06</u>														
(1)	Amount of C/O for Last Resort Service Accounts	\$0	\$0	\$0	\$0	\$2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Last Resort Service Rate as a % of Total Rate	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	61.2829%	62.0942%	62.8844%	63.6542%	63.6542%	
(4)	Last Resort Service-Related Charge-Off	\$0	\$0	\$0	\$0	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1
Amount of C/O for Last Resort Service Accounts		\$293	\$994	\$0	\$4	\$7,327	\$633	\$188	\$1,183	\$2,094	\$665	\$2,853	\$560	\$16,793
Total Last Resort Service-Related Charge-Offs		\$202	\$598	\$0	\$2	\$4,405	\$392	\$113	\$721	\$1,293	\$416	\$1,858	\$355	\$10,354

Narragansett Electric Company
Estimated Electronic Last Resort Service Recoveries for Last Resort Service Accounts

2008													Annual
Month of Recovery	January	February	March	April	May	June	July	August	September	October	November	December	Total
<u>Rate A-16</u>													
(1) Amount of Recovery for Last Resort Service Accounts	(\$20)	\$0	\$0	\$0	(\$224)	(\$4)	(\$5)	(\$220)	(\$30)	(\$299)	(\$142)	\$0	(\$943)
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Last Resort Service Rate as a % of Total Rate	60.1235%	60.1235%	60.1235%	60.1235%	60.1235%	60.1235%	60.1235%	60.9568%	61.7682%	62.5585%	63.3286%	63.3286%	
(4) Last Resort Service-Related Recovery	(\$12)	\$0	\$0	\$0	(\$135)	(\$2)	(\$3)	(\$134)	(\$19)	(\$187)	(\$90)	\$0	(\$581)
<u>Rate A-60</u>													
(1) Amount of Recovery for Last Resort Service Accounts	(\$57)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$57)
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Last Resort Service Rate as a % of Total Rate	69.4034%	69.4034%	69.4034%	69.4034%	69.4034%	69.4034%	69.4034%	70.2208%	71.0135%	71.7826%	72.5290%	72.5290%	
(4) Last Resort Service-Related Recovery	(\$40)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$40)
<u>C-06</u>													
(1) Amount of Recovery for Last Resort Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Last Resort Service Rate as a % of Total Rate	61.6026%	59.9621%	60.0088%	60.1212%	60.3014%	59.6372%	59.2546%	60.8569%	62.1069%	63.0359%	63.1790%	63.0106%	
(4) Last Resort Service-Related Recovery	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>C-08</u>													
(1) Amount of Recovery for Last Resort Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Last Resort Service Rate as a % of Total Rate	61.6026%	59.9621%	60.0088%	60.1212%	60.3014%	59.6372%	59.2546%	60.8569%	62.1069%	63.0359%	63.1790%	63.0106%	
(4) Last Resort Service-Related Recovery	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate G-02</u>													
(1) Amount of Recovery for Last Resort Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$90)	\$0	\$0	\$0	(\$90)
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Last Resort Service Rate as a % of Total Rate	69.9403%	68.4737%	68.5157%	68.6167%	68.7785%	68.1813%	67.8359%	69.3443%	70.5230%	71.4090%	71.6034%	71.4562%	
(4) Last Resort Service-Related Recovery	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$63)	\$0	\$0	\$0	(\$63)
<u>Rate G-32</u>													
(1) Amount of Recovery for Last Resort Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Last Resort Service Rate as a % of Total Rate	75.1122%	73.8034%	73.8410%	73.9314%	74.0761%	73.5413%	73.2313%	74.6400%	75.7447%	76.5842%	76.8141%	76.6851%	
(4) Last Resort Service-Related Recovery	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate S-10</u>													
(1) Amount of Recovery for Last Resort Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Last Resort Service Rate as a % of Total Rate	40.1285%	38.4866%	38.5327%	38.6437%	38.8223%	38.1672%	37.7933%	39.2772%	40.4421%	41.2984%	41.3437%	41.1685%	
(4) Last Resort Service-Related Recovery	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate S-14</u>													
(1) Amount of Recovery for Last Resort Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Last Resort Service Rate as a % of Total Rate	40.1285%	38.4866%	38.5327%	38.6437%	38.8223%	38.1672%	37.7933%	39.2772%	40.4421%	41.2984%	41.3437%	41.1685%	
(4) Last Resort Service-Related Recovery	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate T-06</u>													
(1) Amount of Recovery for Last Resort Service Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Last Resort Service Rate as a % of Total Rate	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	61.2829%	62.0942%	62.8844%	63.6542%	63.6542%	
(4) Last Resort Service-Related Recovery	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amount of Recovery for Last Resort Service Accounts	(\$77)	\$0	\$0	\$0	(\$224)	(\$4)	(\$5)	(\$220)	(\$120)	(\$299)	(\$142)	\$0	(\$1,090)
Total Last Resort Service-Related Recovery	(\$52)	\$0	\$0	\$0	(\$135)	(\$2)	(\$3)	(\$134)	(\$82)	(\$187)	(\$90)	\$0	(\$684)

Narragansett Electric Company
Estimated Standard Offer Net Charge Off

		<u>Total</u>	<u>A-16</u>	<u>A-60</u>	<u>C-06</u>	<u>C-08</u>	<u>G-02</u>	<u>G-32</u>	<u>S-10</u>	<u>T-06</u>
<u>Section 1: Gross Charge Offs for Standard Offer Accounts</u>										
(1)	Amount of C/O for Standard Offer Accounts	\$15,715,454	\$11,032,474	\$1,669,625	\$1,107,545	\$10	\$1,054,730	\$844,869	\$6,203	\$0
(2)	Standard Offer-Related Charge-Off	\$9,933,722	\$6,757,920	\$1,175,225	\$658,194	\$6	\$717,116	\$622,941	\$2,321	\$0
(3)	Allocator Based on Gross Standard Offer Related C/O	100%	68%	12%	7%	0%	7%	6%	0%	0%
(1) - (2)	Page 13									
(3)	Each rate class's Line (3) as a percentage of total Line (3)									

Section 2: Recoveries for Standard Offer Accounts

(1)	Amount of Recovery for Standard Offer Accounts	(\$3,667,774)	(\$2,881,913)	(\$360,887)	(\$189,301)	(\$10)	(\$112,571)	(\$120,938)	(\$2,155)	\$0
(2)	Standard Offer-Related Recovery	(\$2,290,556)	(\$1,758,483)	(\$253,490)	(\$112,146)	(\$6)	(\$76,446)	(\$89,173)	(\$810)	\$0
(3)	Allocator Based on Gross Standard Offer Related Rec	100%	77%	11%	5%	0%	3%	4%	0%	0%
(1) - (2)	Page 14									
(3)	Each rate class's Line (3) as a percentage of total Line (3)									

Section 3: Total Company Amounts for Standard Offer Accounts

(1)	Amount of C/O for Standard Offer Accounts	\$12,047,680	\$8,150,561	\$1,308,737	\$918,244	\$0	\$942,159	\$723,931	\$4,048	\$0
(2)	Standard Offer-Related Charge-Off	\$7,643,166	\$4,999,437	\$921,735	\$546,048	\$0	\$640,669	\$533,767	\$1,511	\$0
	Allocator Based on Net Standard Offer Related C/O	63%	61%	70%	59%	0%	68%	74%	37%	0%
(1)	Section 1, Line (1) + Section 2, Line (1)									
(2)	Section 1, Line (2) + Section 2, Line (2)									

Narragansett Electric Company
Estimated Standard Offer Charge Offs for Standard Offer Accounts

2008													Annual
Month of Charge-Off	January	February	March	April	May	June	July	August	September	October	November	December	Total
<u>Rate A-16</u>													
(1) Amount of C/O for Standard Offer Accounts	\$1,403,557	\$180,681	\$484,262	\$548,063	\$801,771	\$796,902	\$842,243	\$1,447,872	\$1,521,190	\$1,118,710	\$1,024,788	\$862,434	\$11,032,474
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Standard Offer Rate as a % of Total Rate	60.1235%	60.1235%	60.1235%	60.1235%	60.1235%	60.1235%	60.1235%	60.9568%	61.7682%	62.5585%	63.3286%	63.3286%	
(4) Standard Offer-Related Charge-Off	\$843,867	\$108,632	\$291,155	\$329,515	\$482,053	\$479,125	\$506,386	\$882,576	\$939,612	\$699,849	\$648,984	\$546,167	\$6,757,920
<u>Rate A-60</u>													
(1) Amount of C/O for Standard Offer Accounts	\$351,798	\$58,674	\$87,083	\$79,263	\$98,206	\$118,602	\$154,649	\$137,530	\$130,061	\$127,623	\$137,058	\$189,078	\$1,669,625
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Standard Offer Rate as a % of Total Rate	69.4034%	69.4034%	69.4034%	69.4034%	69.4034%	69.4034%	69.4034%	70.2208%	71.0135%	71.7826%	72.5290%	72.5290%	
(4) Standard Offer-Related Charge-Off	\$244,160	\$40,722	\$60,439	\$55,011	\$68,158	\$82,314	\$107,331	\$96,575	\$92,361	\$91,611	\$99,407	\$137,136	\$1,175,225
<u>Rate C-06</u>													
(1) Amount of C/O for Standard Offer Accounts	\$193,773	\$6,936	\$47,946	\$94,529	\$27,653	\$49,141	\$132,762	\$114,224	\$77,522	\$94,122	\$181,379	\$87,559	\$1,107,545
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Standard Offer Rate as a % of Total Rate	58.2428%	58.2428%	58.2428%	58.2428%	58.2428%	58.2428%	58.2428%	59.0747%	59.8854%	60.6757%	61.4463%	61.4463%	
(4) Standard Offer-Related Charge-Off	\$112,859	\$4,040	\$27,925	\$55,056	\$16,106	\$28,621	\$77,324	\$67,477	\$46,424	\$57,109	\$111,450	\$53,802	\$658,194
<u>Rate C-08</u>													
(1) Amount of C/O for Standard Offer Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10	\$10
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Standard Offer Rate as a % of Total Rate	58.2428%	58.2428%	58.2428%	58.2428%	58.2428%	58.2428%	58.2428%	59.0747%	59.8854%	60.6757%	61.4463%	61.4463%	
(4) Standard Offer-Related Charge-Off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6	\$6
<u>Rate G-02</u>													
(1) Amount of C/O for Standard Offer Accounts	\$129,027	\$200,038	\$66,051	\$41,496	\$58,172	\$38,484	\$32,368	\$82,705	\$110,962	\$68,465	\$145,670	\$81,291	\$1,054,730
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Standard Offer Rate as a % of Total Rate	66.9183%	66.9183%	66.9183%	66.9183%	66.9183%	66.9183%	66.9183%	67.7437%	68.5450%	69.3232%	70.0794%	70.0794%	
(4) Standard Offer-Related Charge-Off	\$86,343	\$133,862	\$44,200	\$27,769	\$38,928	\$25,753	\$21,660	\$56,027	\$76,059	\$47,462	\$102,084	\$56,968	\$717,116
<u>Rate G-32</u>													
(1) Amount of C/O for Standard Offer Accounts	\$0	\$112,304	\$0	\$0	\$0	\$0	\$49,954	\$62,951	\$559,169	\$0	\$0	\$60,490	\$844,869
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Standard Offer Rate as a % of Total Rate	72.4049%	72.4049%	72.4049%	72.4049%	72.4049%	72.4049%	72.4049%	73.2091%	73.9878%	74.7424%	75.4739%	75.4739%	
(4) Standard Offer-Related Charge-Off	\$0	\$81,314	\$0	\$0	\$0	\$0	\$36,169	\$46,086	\$413,717	\$0	\$0	\$45,654	\$622,941
<u>Rate S-10</u>													
(1) Amount of C/O for Standard Offer Accounts	\$211	\$367	\$57	\$1,820	\$426	\$877	\$788	\$191	\$139	\$391	\$408	\$527	\$6,203
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Standard Offer Rate as a % of Total Rate	36.8169%	36.8169%	36.8169%	36.8169%	36.8169%	36.8169%	36.8169%	37.5212%	38.2140%	38.8956%	39.5663%	39.5663%	
(4) Standard Offer-Related Charge-Off	\$78	\$135	\$21	\$670	\$157	\$323	\$290	\$72	\$53	\$152	\$161	\$208	\$2,321
<u>Rate T-06</u>													
(1) Amount of C/O for Standard Offer Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2) Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3) Standard Offer Rate as a % of Total Rate	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	61.2829%	62.0942%	62.8844%	63.6542%	63.6542%	
(4) Standard Offer-Related Charge-Off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amount of C/O for Standard Offer Accounts	\$2,078,366	\$559,001	\$685,399	\$765,172	\$986,229	\$1,004,005	\$1,212,764	\$1,845,473	\$2,399,043	\$1,409,312	\$1,489,302	\$1,281,388	\$15,715,454
Total Standard Offer-Related Charge-Offs	\$1,287,306	\$368,705	\$423,740	\$468,021	\$605,402	\$616,135	\$749,161	\$1,148,814	\$1,568,226	\$896,184	\$962,087	\$839,942	\$9,933,722

Narragansett Electric Company
Estimated Electronic Standard Offer Recoveries for Standard Offer Accounts

Month of Recovery		2008												Annual Total
		January	February	March	April	May	June	July	August	September	October	November	December	
<u>Rate A-16</u>														
(1)	Amount of Recovery for Standard Offer Accounts	(\$223,673)	(\$367,039)	(\$282,355)	(\$263,611)	(\$224,340)	(\$212,296)	(\$208,382)	(\$194,279)	(\$198,420)	(\$231,392)	(\$280,831)	(\$195,296)	(\$2,881,913)
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Standard Offer Rate as a % of Total Rate	60.1235%	60.1235%	60.1235%	60.1235%	60.1235%	60.1235%	60.1235%	60.9568%	61.7682%	62.5585%	63.3286%	63.3286%	
(4)	Standard Offer-Related Recovery	(\$134,480)	(\$220,676)	(\$169,762)	(\$158,492)	(\$134,881)	(\$127,640)	(\$125,286)	(\$118,426)	(\$122,560)	(\$144,755)	(\$177,846)	(\$123,678)	(\$1,758,483)
<u>Rate A-60</u>														
(1)	Amount of Recovery for Standard Offer Accounts	(\$51,544)	(\$29,431)	(\$41,566)	(\$32,714)	(\$23,224)	(\$28,062)	(\$22,212)	(\$27,366)	(\$19,030)	(\$25,160)	(\$39,805)	(\$20,774)	(\$360,887)
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Standard Offer Rate as a % of Total Rate	69.4034%	69.4034%	69.4034%	69.4034%	69.4034%	69.4034%	69.4034%	70.2208%	71.0135%	71.7826%	72.5290%	72.5290%	
(4)	Standard Offer-Related Recovery	(\$35,773)	(\$20,426)	(\$28,848)	(\$22,704)	(\$16,118)	(\$19,476)	(\$15,416)	(\$19,217)	(\$13,514)	(\$18,060)	(\$28,871)	(\$15,067)	(\$253,490)
<u>Rate C-06</u>														
(1)	Amount of Recovery for Standard Offer Accounts	(\$20,122)	(\$14,049)	(\$10,504)	(\$18,280)	(\$9,923)	(\$7,063)	(\$29,990)	(\$10,339)	(\$21,565)	(\$8,902)	(\$26,900)	(\$11,664)	(\$189,301)
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Standard Offer Rate as a % of Total Rate	58.2428%	58.2428%	58.2428%	58.2428%	58.2428%	58.2428%	58.2428%	59.0747%	59.8854%	60.6757%	61.4463%	61.4463%	
(4)	Standard Offer-Related Recovery	(\$11,720)	(\$8,183)	(\$6,118)	(\$10,647)	(\$5,780)	(\$4,114)	(\$17,467)	(\$6,108)	(\$12,914)	(\$5,401)	(\$16,529)	(\$7,167)	(\$112,146)
<u>Rate C-08</u>														
(1)	Amount of Recovery for Standard Offer Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$10)	(\$10)
(2)	Month for Rate Application	January	February	March	April	May	June	July	August	September	October	November	December	
(3)	Standard Offer Rate as a % of Total Rate	58.2428%	58.2428%	58.2428%	58.2428%	58.2428%	58.2428%	58.2428%	59.0747%	59.8854%	60.6757%	61.4463%	61.4463%	
(4)	Standard Offer-Related Recovery	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$6)	(\$6)
<u>Rate G-02</u>														
(1)	Amount of Recovery for Standard Offer Accounts	(\$8,490)	(\$7,328)	(\$3,545)	(\$6,458)	(\$13,024)	(\$5,075)	(\$14,133)	(\$11,794)	(\$13,839)	(\$15,824)	(\$7,174)	(\$5,887)	(\$112,571)
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Standard Offer Rate as a % of Total Rate	66.9183%	66.9183%	66.9183%	66.9183%	66.9183%	66.9183%	66.9183%	67.7437%	68.5450%	69.3232%	70.0794%	70.0794%	
(4)	Standard Offer-Related Recovery	(\$5,681)	(\$4,904)	(\$2,372)	(\$4,321)	(\$8,715)	(\$3,396)	(\$9,458)	(\$7,990)	(\$9,486)	(\$10,970)	(\$5,027)	(\$4,126)	(\$76,446)
<u>Rate G-32</u>														
(1)	Amount of Recovery for Standard Offer Accounts	\$0	(\$470)	\$0	\$0	\$0	(\$33,254)	(\$4,738)	(\$17,075)	(\$36,093)	\$0	\$0	(\$29,309)	(\$120,938)
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Standard Offer Rate as a % of Total Rate	72.4049%	72.4049%	72.4049%	72.4049%	72.4049%	72.4049%	72.4049%	73.2091%	73.9878%	74.7424%	75.4739%	75.4739%	
(4)	Standard Offer-Related Recovery	\$0	(\$340)	\$0	\$0	\$0	(\$24,078)	(\$3,431)	(\$12,500)	(\$26,704)	\$0	\$0	(\$22,120)	(\$89,173)
<u>Rate S-10</u>														
(1)	Amount of Recovery for Standard Offer Accounts	(\$503)	(\$50)	\$0	(\$204)	(\$64)	(\$178)	(\$337)	\$0	(\$207)	(\$428)	(\$184)	\$0	(\$2,155)
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Standard Offer Rate as a % of Total Rate	36.8169%	36.8169%	36.8169%	36.8169%	36.8169%	36.8169%	36.8169%	37.5212%	38.2140%	38.8956%	39.5663%	39.5663%	
(4)	Standard Offer-Related Recovery	(\$185)	(\$18)	\$0	(\$75)	(\$24)	(\$66)	(\$124)	\$0	(\$79)	(\$167)	(\$73)	\$0	(\$810)
<u>Rate T-06</u>														
(1)	Amount of Recovery for Standard Offer Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Standard Offer Rate as a % of Total Rate	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	61.2829%	62.0942%	62.8844%	63.6542%	63.6542%	
(4)	Standard Offer-Related Recovery	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate T-06</u>														
(1)	Amount of Recovery for Standard Offer Accounts	(\$304,331)	(\$418,367)	(\$337,970)	(\$321,265)	(\$270,575)	(\$285,929)	(\$279,791)	(\$260,853)	(\$289,154)	(\$281,707)	(\$354,894)	(\$262,939)	(\$3,667,774)
(2)	Month for Rate Application	July	August	September	October	November	December	January	February	March	April	May	June	
(3)	Standard Offer Rate as a % of Total Rate	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	60.4494%	61.2829%	62.0942%	62.8844%	63.6542%	63.6542%	
(4)	Standard Offer-Related Recovery	(\$187,839)	(\$254,547)	(\$207,100)	(\$196,239)	(\$165,518)	(\$178,769)	(\$171,181)	(\$164,241)	(\$185,258)	(\$179,354)	(\$228,346)	(\$172,164)	(\$2,290,556)

Narragansett Electric Company
Cash Working Capital Requirements for Purchased Power
For The Twelve Months Ended December 31, 2008
Summary

Section 1: Working Capital Impact

		<u>CWC %</u>	<u>Total Dollars</u>	<u>CWC Dollars</u>
(1)	Purchased Power Costs	1.39%	\$752,068,125	\$10,453,747
(2)	Gross Receipts Tax	10.47%	\$33,406,245	\$3,497,634
(3)	Working Capital Requirement			\$13,951,381
(4)	Interest Rate			12.10%
(3)	Working Capital Impact			\$1,688,117
(1)	Schedule NG-RLO-1, Page 38, Line 3			
(2)	Schedule NG-RLO-1, Page 38, Line 20			
(3)	Line (1) + Line (2)			
(4)	Schedule NG-RLO-1, Page 39, Line 9			
(5)	Line (3) x Line (4)			

Section 2: Allocation of Working Capital Impact

	<u>Customer Group</u>	<u>Commodity Revenue</u> (a)	<u>Percent of Commodity Revenue</u> (b)	<u>Allocation of Working Capital Impact</u> (c)
(1)	Small Customer Group	\$375,262,205	54%	\$904,836
(2)	Large Customer Group	<u>\$324,850,093</u>	46%	\$783,281
(3)	Total	\$700,112,298		

Lines (1) and (2), Column (a)	Narragansett Electric, Form 1, Pages 304 and 304.1
Lines (1) and (2), Column (b)	Line in Column (a) / Line (3) Column (a)
Lines (1) and (2), Column (c)	Section 1 Line (3) x Column (b)

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a National Grid

Docket No. R.I.P.U.C. _____

Witness: O'Brien

Schedule NG-RLO-7

Illustration of Proposed Revenue Decoupling Mechanism

National Grid - Narragansett Electric Company
Illustrative Revenue Decoupling Mechanism
Computation of RDM Revenue Adjustments

Line		(A) CY 2010	(B) CY 2011	(C) CY 2012
<u>Calculation of Annual Target Revenue (ATR)</u>				
1	Revenue Requirement Docket _____	281,076,526	281,076,526	281,076,526
2	Net Inflation Adjustment		1,697,274	4,136,372
3	Prior Year RDR Plan Revenue Reconciliation		0	2,752,724
4	Cumulative Net Historic Capital Adjustment	0	3,926,349	11,819,741
5	Annual Target Revenue	281,076,526	286,700,149	299,785,363
<u>Components of Billed Revenue</u>				
6	Revenue Requirement Docket _____	281,076,526	281,076,526	281,076,526
7	Prior Year RDR Plan Revenue Reconciliation		0	2,752,724
8	Net Inflation Adjustment		1,697,274	4,136,372
9	Cumulative Net Historic Capital Adjustment - Prior Year		0	3,926,349
10	Current Year Capital Adjustment		1,173,625	1,765,509
11	Cumulative RDR Plan Adjustment Factor Revenue	0	2,870,899	12,580,954
12	Total RDM Plan Revenue	281,076,526	283,947,425	293,657,480
13	Incremental RDR Plan Adjustment Factor Revenue	0	2,870,899	9,710,055
<u>Calculation of Annual RDM Reconciliation</u>				
14	Actual Billed Revenue	281,076,526	283,947,425	293,657,480
15	Annual Target Revenue	281,076,526	286,700,149	299,785,363
16	Excess/(Under) billed Revenue	0	(2,752,724)	(6,127,883)

Line Notes

- 1 Distribution Revenue Requirement per Docket No. _____
- 2 From Page 2 of 4, Line 22
- 3 Prior year Line 16 x (-1)
- 4 From Page 3 of 4 Line 52 for Current Year
- 5 Sum of Lines 1 through 4
- 6 From Line 1
- 7 Prior year Line 15 x (-1) - Amount to be allocated over total forecasted kWh's
- 8 From Line 2 - Amount to be allocated to each class based on class O&M allocator
- 9 Prior Year Line 4 - Amount to be allocated to each class based on class rate base allocator
- 10 From Page 4 Line 37 for Current Year - Amount to be allocated to each class based on class rate base allocator
- 11 Sum of Lines 7 through 10
- 12 Line 6 + Line 11
- 13 Current Year Line 11 - Prior Year Line 11
- 14 From Line 12
- 15 From Line 5
- 16 Line 14 - Line 15

**National Grid - Narragansett Electric Company
Illustrative Revenue Decoupling Mechanism
Computation Of Net Inflation Adjustment**

	(A) As Approved Dkt 09 _____	(B) CY 2011	(C) CY 2012	(D) CY 2013
1 Four Quarter Average Annual Change - GPD PI		1.69%	2.19%	2.20%
2 Productivity Offset		-0.50%	-0.50%	-0.50%
3 Net Inflation Allowance		1.19%	1.69%	1.70%
4				
5 Total Operating Expenses	218,758,717			
6 Less:				
7 Pension / OPEB expense	(13,581,795)			
8 Commodity Costs Tracker	(9,751,787)			
9 Loss on Reacquired Debt	(686,219)			
10 Depreciation	(41,465,676)			
11 Economic Development Program	(1,000,000)			
12 Net Synergy Expense Adjustments	(850,000)			
13 Environmental and Storm fund collections	(4,119,000)			
14 Inspection & Maintenance Program	(4,676,172)			
15				
16 Net Operating Expenses Subject to Inflation	142,628,068	142,628,068	144,325,342	146,764,440
17				
18 Net Inflation Adjustment		1,697,274	2,439,098	2,494,995
19				
20 Net Operating Expenses Subject to Inflation		144,325,342	146,764,440	149,259,436
21				
22 Cumulative Net Inflation Adjustment		1,697,274	4,136,372	6,631,368

Line Notes

- 1 Illustrative to be replaced with actual mid-year to mid year inflation rate in report file in November of current year.
- 2 Productivity offset rate as established in this proceeding, Docket No. _____
- 3 Line 1 + Line 2
- 5 Total non-income tax operating expenses as approved in this proceeding Docket No. _____
- 7 - 14 As approved in Docket No. _____
- 16 Sum of Lines 5 through 14 for Column (A). All other Years, Prior Year Line 20
- 18 Line 3 x Line 16
- 20 Line 16 + Line 18

National Grid - Narragansett Electric Company
Illustrative Revenue Decoupling Mechanism
Illustrative Computation of Historic Capital Adjustment

Line No.		(A) CY 2009	(B) CY 2010	(C) CY 2011	(D) CY 2012
<u>Depreciable Net Plan Additions</u>					
1	Actual Capital Spend - Illustrative to be replaced with Actual when known	\$59,948,598	\$75,931,916	\$81,253,000	\$87,479,000
2	Beginning of Year CWIP - Actual Dec 31, 2008 amount	\$23,263,057	\$23,263,057	\$23,263,057	\$23,263,057
3	End of Year CWIP - Actual Year end amounts when known	\$23,263,057	\$23,263,057	\$23,263,057	\$23,263,057
4	Plant Additions (Line 1 + Line 2 - Line 3)	\$59,948,598	\$75,931,916	\$81,253,000	\$87,479,000
5	Plant Additions included in base Rates (Sch NG-RLO-2, Page 28, Line 11)	\$59,948,598	\$75,931,916		
6	Plant Additions not in base rates (Line 4 - Line 5)	\$0	\$0	\$81,253,000	\$87,479,000
7					
8	Actual Retirements	1/ 8,016,527	10,153,870	12,187,950	13,121,850
9	Retirements reflected in base rates (Sch NG-RLO-2, Page 28, Line 22)	8,016,527	10,153,870		
10	Retirements not in base rates (Line 8 - Line 9)	\$0	\$0	\$12,187,950	\$13,121,850
11					
12	Net Depreciable Additions (Line 6 - Line 10)	\$0	\$0	\$69,065,050	\$74,357,150
13	Cumulative Net Depreciable Additions (Prior Year Line 13 + Cur Year Line 12)	\$0	\$0	\$69,065,050	\$143,422,200
14					
15	<u>Change in Net Plant</u>				
16	Plant Additions (From Line 6)	\$0	\$0	\$81,253,000	\$87,479,000
17	Depreciation Expense - from Dkt No. _____			41,321,762	41,321,762
18	Incremental Depreciable Amount (Line 10 - Line 11)	0	0	39,931,238	46,157,238
19	Cumulative Depreciable Amount (Prior Year Line 13 + Cur Year Line 12)	\$0	\$0	\$39,931,238	\$86,088,476
20					
21	<u>Deferred Tax Calculation:</u>				
22	Composite Book Depreciation Rate - as approved in this proceeding, Dkt - 09-__	3.56%	3.39%	3.39%	3.39%
23	20 YR MACRS Tax Depreciation Rates	3.75%	7.22%	6.68%	6.18%
24	20 YR MACRS Tax Depreciation Rates - 50% Bonus Depreciation	51.88%	3.61%	3.34%	3.09%
25	Vintage Year Tax Depreciation:				
26	2009 Spend	2/ 0	0	0	0
27	2010 Spend		0	0	0
28	2011 Spend			3,046,988	5,866,467
29	2012 Spend				3,280,463
30	Annual Tax Depreciation (Sum of Lines 26 through 29)	0	0	3,046,988	9,146,929
31	Cumulative Tax Depreciation (Prior Year Line 31 + Cur Year Line 30)	0	0	3,046,988	12,193,917
32					
33	Book Depreciation (Prior Line 13 x Line 22 + Cur. Line 12 x Line 22 x 50%)	0	0	1,170,653	3,601,659
34	Cumulative Book Depreciation (Prior Year Line 34 + Cur Year Line 33)	0	0	1,170,653	4,772,311
35					
36	Cumulative Book / Tax Timer (Line 31 - Line 34)	0	0	1,876,335	7,421,605
37	Effective Tax Rate	35.000%	35.000%	35.000%	35.000%
38	Deferred Tax Reserve (Line 36 * Line 37)	\$0	\$0	\$656,717	\$2,597,562
39					
40	<u>Rate Base Calculation:</u>				
41	Cumulative Incremental Spend (Line 19)	\$0	\$0	\$39,931,238	\$86,088,476
42	Accum Depreciation (Line 34 x (-1))	0	0	(1,170,653)	(4,772,311)
43	Deferred Tax Reserve (Line 38 x (-1))	0	0	(656,717)	(2,597,562)
44	Deferred Tax Reversal on 2008 assets	0	0	7,444,836	11,568,759
45	Year End Rate Base (Sum of Lines 41 through 44)	\$0	\$0	\$45,548,704	\$90,287,362
46					
47	<u>Revenue Requirement Calculation:</u>				
48	Average Rate Base (Prior Line 45 + Cur Year Line 45) / 2)	\$0	\$0	\$22,774,352	\$67,918,033
49	Pre-Tax ROR	3/ 12.10%	12.10%	12.10%	12.10%
50	Return and Taxes (Line 48 x Line 49)	0	0	2,755,697	8,218,082
51	Book Depreciation (Line 33)	0	0	1,170,653	3,601,659
52	Annual Revenue Requirement (Line 50 + Line 51)	\$0	\$0	\$3,926,349	\$11,819,741

- 1/ Assumes 15% of Capital Spend to be replaced with actual retirements
2/ Assumes 75% of CY 2009 capital spending qualifies for 50% bonus depreciation deduction
3/ Weighted Average Cost of Capital as approved in this Proceeding Docket No. _____

	Ratio	Rate	Weighted Rate	Taxes	Pre-tax Return
Long Term Debt	44.80%	6.79%	3.04%		3.04%
Short Term Debt	5.00%	2.50%	0.13%		0.13%
Preferred Stock	0.20%	4.50%	0.01%		0.01%
Common Equity	50.00%	11.60%	5.80%	3.12%	8.92%
	100.00%		8.98%	3.12%	12.10%

National Grid - Narragansett Electric Company
Illustrative Revenue Decoupling Mechanism
Computation of Current Capital Adjustment

Line No.		2009 Actual Capital Spend	2010 Actual Capital Spend	2 Year Average Actual Spend	Company / Cust Sharing Adj.	(A) CY 2011	2010 Actual Capital Spend	2011 Capital Spend	2 Year Average Actual Spend	Company / Cust Sharing Adj.	CY 2012
<u>Depreciable Net Plan Additions</u>											
1	Actual Capital Spend - Illustrative to be replaced with Actual when known										
2	Actual Capital Spend - Illustrative to be replaced with Actual when known										
3	Beginning of Year CWIP - Actual Dec 31, 2008 amount, then prior year Line 4										
4	End of Year CWIP - Actual Year end amounts when known										
5	Plant Additions (Line 1 + Line 2 - Line 3)										
6	Retirements										
7	Net Depreciable Additions (Line 5 - Line 6)										
8											
9	<u>Net Rate Base Change</u>										
10	Plant Additions (From Line 4)										
11	Depreciation Expense - actual 2009 then from Dkt 09-39										
12	Incremental Depreciable Amount (Line 10 - Line 11)										
13											
14	Composite Book Depreciation Rate - as approved in this proceeding, Dkt - 09-__										
15	20 YR MACRS Tax Depreciation Rates										
16											
17	Tax Depreciation: (Line 5 x Line 15)										
18											
19	Book Depreciation (Line 7 x Line 14 x 50%)										
20											
21	Book / Tax Timer (Line 17 - Line 19)										
22	Effective Tax Rate (Line 23 x (-1))										
23	Deferred Tax Reserve (Line 21 x Line 22)										
24											
25	<u>Rate Base Calculation:</u>										
26	Cumulative Incremental Spend (Line 12)										
27	Accum Depreciation (Line 19 x (-1))										
28	Deferred Tax Reserve (Line 23 x (-1))										
29	Deferred Tax Reversal on 2008 assets										
30	Year End Rate Base (Sum of Lines 26 through 29)										
31											
32	<u>Revenue Requirement Calculation:</u>										
33	Average Rate Base (Line 30/2)										
34	Pre-Tax ROR										
35	Return and Taxes (Line 33 x Line 34)										
36	Book Depreciation (Line 19)										
37	Annual Revenue Requirement (Line 36 + Line 37)										

1/ Assumes 15% of Capital Spend to be replaced with actual retirements
2/ Weighted Average Cost of Capital as approved in this Proceeding Docket 09-39

	Ratio	Rate	Weighted Rate	Taxes	Pre-tax Return
Long Term Debt	44.80%	6.79%	3.04%		3.04%
Short Term Debt	5.00%	2.50%	0.13%		0.13%
Preferred Stock	0.20%	4.50%	0.01%		0.01%
Common Equity	50.00%	11.60%	5.88%	3.12%	8.92%
	100.00%		8.98%	3.12%	12.10%

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a National Grid

Docket No. R.I.P.U.C. _____

Witness: O'Brien

Schedule NG-RLO-8

Company Proposal in Docket 3617 to add two Additional Sites
to the site eligibility list in the Environmental Response Fund Mechanism

August 8, 2007

VIA HAND DELIVERY AND ELECTRONIC MAIL

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

Re: Environmental Response Fund, Docket 3617
Request to Propose Additions to the List of Sites

Dear Ms. Massaro:

This letter serves as a request by National Grid¹ to propose two additional environmental sites to the list of sites included in the Second Amended Stipulation and Settlement of the Electric Distribution Rate Plan ("Rate Plan"). Section 8(A) of the Rate Plan provides that:

Narragansett shall have the right to propose additions to the list of sites during the Rate Freeze Period by including the request to include additional sites at the time that Narragansett files its annual report under subparagraph (C) below, provided that the inclusion of the Environmental Response Costs associated with additional sites to be charged to the fund shall be subject to the approval of the Commission.

As described more fully below, National Grid requests to include the JM Mills Landfill Site and the Quonset Point Site to the list of environmental sites contained in the Rate Plan. Concurrent with this request, National Grid is filing its Environmental Response Fund Report for the period April 1, 2006 through March 31, 2007 (fiscal year 2007).

1. JM Mills Landfill Site

The JM Mills Landfill Site is part of the Peterson/Puritan, Inc. Superfund Site located along the Blackstone River between the towns of Cumberland and Lincoln in Providence County, Rhode Island. The site is over 500 acres and is split into two Operable Units ("OUs"). The now, inactive JM Mills Landfill is part of OU2 and from 1954 until 1983 was used for the disposal of wastes, including industrial, municipal and hazardous wastes. The JM Mills Landfill study area contains soils impacted by a variety of organic and inorganic contaminants. In addition, OU2 includes physical hazards such as broken glass, metal parts and unstable surfaces, related to the landfill operations.

¹ Submitted on behalf of The Narragansett Electric Company, d/b/a National Grid (herein referred to as "Narragansett", "National Grid" or the "Company").

Cleanup activities for OU2 by a group of Potentially Responsible Parties (“PRPs”) for the site began in the early 1990s under an agreement with the U.S. Environmental Protection Agency (“EPA”). These activities included the erection of a fence and signs to restrict access to the area, as well as the removal of drums from the base of the landfill. Since that time, the Remedial Investigation/Feasibility Study (“RI/FS”) has been on-going to characterize the site impacts and risks and evaluate potential remedial alternatives for OU2. It is projected that this process will be completed in late 2007. Once the final RI/FS report is submitted, a remedy for OU2 will be selected. National Grid does not have current information concerning the cost of the RI/FS phase; however, in 2006 the cost was estimated to be in the \$7 million range, based on similar size landfill sites.

In 1998, the EPA began negotiations with several parties to conduct and fund the site investigation costs. In 2001, Unilever Bestfoods and CCL Manufacturing, Inc. (referred to as the “Investigating Parties”) entered into an Administrative Order on Consent to conduct and fund the RI/FS for OU2. The Investigating Parties then began conducting significant research to identify additional PRPs for the site. To date, the Investigating Parties allege that they have been able to identify over 80 PRPs that transported or generated wastes that were disposed of at the JM Mills Landfill. Over 70 of the identified PRPs were General Noticed by EPA. In 2001, the Investigating Parties filed a CERCLA contribution action in Rhode Island Federal District Court captioned *Unilever Bestfoods and CCL Custom Manufacturing, Inc. v. American Steel & Aluminum Corp. et al.*, C.A. No. 01-496 L. The complaint named approximately 58 defendants, but did not name National Grid.

In August 2000, National Grid, as a successor company to Blackstone Valley Gas and Electric (“BVG&E”), was contacted by the EPA with a Request for Information in Connection with the Peterson/Puritan, Inc. Superfund Site. In the Request for Information, the EPA stated that several drivers for Goditt & Boyer, the waste hauler used by BVG&E between 1967 and 1986, recalled hauling BVG&E’s waste to the JM Mills Landfill. National Grid responded to the EPA in 2000, and supplied supplemental responses to EPA in 2002 and 2004. While the information provided to the EPA was voluminous and covered numerous specific issues related to waste streams, certain data indicated that the waste hauled by Goditt & Boyer came from the Blackstone Valley Electric (“BVE”) office headquarters and operations facility in Lincoln, Rhode Island. The waste itself consisted overwhelmingly of non-hazardous office trash, plus some vehicle maintenance waste, kitchen waste, light bulbs and (possibly) a limited number of pole butts. The data further indicated that BVE recycled much of its waste and since the early 1980s maintained a licensed facility for handling toxic materials. One former driver with Goditt & Boyer claims to recall seeing several “small transformers” containing “small amounts of oil” in the BVE trash; however, this fact is disputed by former BVE employees. These employees pointed out that transformers and transformer oil was valuable and was routinely sold for recycling. To date, National Grid has not been permitted to interview the Goditt & Boyer drivers.

In 2003, National Grid, along with all current defendants in the CERCLA action and seventeen “newly identified” PRPs, were contacted by attorneys for Unilever Bestfoods,

regarding joining the PRP Group that was being formed to conduct and fund the RI/FS work. Extensive multi-party negotiations followed. While no official PRP group was ever formed, National Grid believes that the Investigating Parties were able to conclude settlements with some PRPs. Settlement negotiations between National Grid and the Investigating Parties broke down in 2005. To date, National Grid has not been added as a defendant in the CERCLA contribution action.

Given the nature of the superfund site, the cleanup costs, and efforts of National Grid, the Company believes it would be appropriate to include the JM Mills Landfill Site to the list of environmental sites contained in the fund. To date, National Grid has incurred an insignificant amount of costs regarding this site.

2. Quonset Point Site

National Grid also seeks to include the Quonset Point Site in its list of sites recovered through the Environmental Response Cost Fund.

The Quonset Point Naval Air Station and the electrical system were built by the U.S. Navy before and during World War II. Being a military facility, large amounts of the electrical system contained polychlorinated biphenyls (“PCBs”) as a fire resistant additive. The U.S. Government declared the facility surplus to its needs in the early 1970’s resulting in a significant loss of jobs to the local and state economy. The State of Rhode Island stepped in to acquire and manage the property as an economic development opportunity, under the Rhode Island Port Authority (“RIPA”). RIPA took over large sections of the former base. The U.S. government retained title or control over several areas of the former base for the use of both military and non-military government agencies. In taking over the base, RIPA became saddled with the responsibility of operation and maintenance of the public utilities on the base including electrical, water, and sewerage. The Narragansett Electric Company was approached several times by both the U.S. government and RIPA to purchase the electrical system. On November 4, 1986, Narragansett purchased and took title to the Quonset Point electrical system from RIPA.

Through the purchase agreement, RIPA retained environmental liability for known pre-sale leaking PCB electrical equipment, and Narragansett took responsibility for potential future releases from electrical equipment. Prior to the conveyance, a survey of the electrical distribution system assets was conducted to identify PCB transformers that were leaking or had leaked in the past. Using what was “state of the art” methodology at the time of property transfer in 1986, Narragansett was able to identify certain areas that RIPA retained liability for. However, in the twenty-one years since the conveyance, the Company has identified additional historical locations and new post-conveyance PCB releases exhibiting PCB contamination which have and will require extensive assessment and remedial actions by Narragansett. As a result, Narragansett expects to continue to incur significant environmental costs as a result of PCB contamination discovered in the vicinity of oil-filled electrical distribution assets.

Luly Massaro, Commission Clerk
Docket 3617 – Environmental Response Fund
Request for Additional Sites
August 8, 2007
Page 4

Through March 31, 2007, Narragansett has incurred \$582,803 of environmental remediation costs for the Quonset Point site. Attachment 1 is a summary of spending by fiscal year at Quonset Point, beginning with fiscal year 2001. The Company is not seeking to recover prior spending. Through this filing, the Company seeks to include the remediation costs for the Quonset Point site through the Environmental Response Fund beginning with the current fiscal year 2008.

As described above, in accordance with Section 8(A) of the Rate Plan, National Grid requests to include the JM Mills Landfill site and the Quonset Point site to the list of environmental sites covered by the Environmental Response Fund.

Thank you for your attention to this filing. Please feel free to contact me if you have any questions concerning this matter at (401) 784-7667.

Very truly yours,



Laura S. Olton

cc: Docket 3617 Service List

**Narragansett Electric Company d/b/a National Grid
Environmental Response Cost Summary for Quonset Point Site
By Fiscal Year through March 31, 2007**

<u>Fiscal Year Spending</u>	<u>Amount</u>
FY 2001	\$2,161.46
FY 2002	\$24,506.64
FY 2003	\$31,573.71
FY 2004	\$14,347.10
FY 2005	\$53,720.76
FY 2006	\$47,909.26
FY 2007	<u>\$408,583.91</u>
Total	<u><u>\$582,802.84</u></u>

Total fiscal year amounts include spending at the following locations on the Quonset Development Corporation property; Building 20, Keifer Park, Manholes #26 & #29 and 1401 Quonset Road. The Fiscal 2007 amount also includes a reimbursement from the Quonset Development Corporation in the amount of \$54,067.96. FY 2008 spending through July 31st at the Quonset Point site totaled to \$7,708.

Certificate of Service

I hereby certify that a copy of the cover letter and / or any materials accompanying this certificate has been mailed or hand-delivered to the individuals listed below.



Joanne M. Scanlon

August 8, 2007
Date

Narragansett Electric Company – Distribution Rate Plan Stipulation & Settlement – Docket 3617 - Service List as of 5/11/07

Name	E-mail	Phone/FAX
Laura Olton, Esq. Narragansett Electric Co. 280 Melrose St. Providence RI 02903	Laura.olton@us.ngrid.com	401-784-7667
	Thomas.robinson@us.ngrid.com	401-784-4321
	Joanne.scanlon@us.ngrid.com	
Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence RI 02903	Lwold@riag.ri.gov	401-222-2424
	Sscialabba@ripuc.state.ri.us	ext. 2299
	Dstearns@ripuc.state.ri.us	401-222-3016
Paul Roberti, Assistant Attorney General Dept. of Attorney General 150 South Main St. Providence RI 02903	Proberti@riag.ri.gov	401-222-2424
	RDIMeglio@riag.ri.gov	ext. 2231
Michael McElroy, Esq. Schacht & McElroy PO Box 6721 Providence RI 02940-6721	McElroyMik@aol.com	401-351-4100 401-421-5696
John Farley, Executive Director The Energy Council of RI One Richmond Square Suite 340D Providence RI 02906	jfarley316@hotmail.com	401-621-2240 401-621-2260
Audrey Van Dyke, Esq. Naval Facilities Engineering Command Litigation Command 1314 Harwood St., SE, Suite 412 Washington Navy Yard, DC 20374-5018	Audrey.VanDyke@navy.mil	202-685-1931
	Khojasteh.davoodi@navy.mil	202-685-3319 202-433-7159
Sam Defrawi, Rate Intervention Naval Facilities Engineering Command 1314 Harwood St., SE, Suite 412 Washington Navy Yard, DC 20374-5018		

John Klavens, Esq. Bernstien, Cushner & Kimmel 585 Boylston St., Suite 400 Boston MA 02116	jklavens@bck.com	617-236-4090 617-236-4339
People's Power & Light LLC 17 Gordon Avenue #201A Providence RI 02905		401-861-6111 401-861-6115
W. Mark Russo, Esq. Ferrucci Russo P.C. 55 Pine St., 4 th Floor Providence RI 02903	mrusso@frlawri.com	401-455-1000 401-455-7778
	wsmith@frlawri.com	
David J. Effron Berkshire Consulting 12 Pond Path North Hampton, NH 03862-2243	djeffron@aol.com	
John Stutz Tellus Institute 11 Arlington St. Boston MA 02116-3411	Jstutz@tellus.org	
Original & nine (9) copies file w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Boulevard Warwick RI 02888	Lmassaro@puc.state.ri.us	401-941-4500
	PatriciaL@gw.doa.state.ri.us	
	Sfrias@puc.state.ri.us	
	Anault@puc.state.ri.us	
E-mail Service List: John B. Lawlor, Jr., Esq.	jlawlor@ids.net	
William Gilmore – Bryant University	bgilmore@bryant.edu	