

September 25, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4077 - Distribution Adjustment Charge 2009
Responses to Division Data Requests - Set 2

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's¹ responses to the Division of Public Utilities and Carrier's ("Division") Second Set of Data Requests issued on August 31, 2009 in the above-captioned proceeding.

This transmittal includes responses to Division Data Requests 2-4 and Division 2-5.

Thank you for your attention to this matter. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 4077 Service List
Steve Scialabba, Division

¹ Submitted on behalf of The Narragansett Electric Company d/b/a National Grid

Certificate of Service

I hereby certify that a copy of the cover letter and / or any materials accompanying this certificate has been electronically transmitted, sent via U.S. mail or hand-delivered to the individuals listed below.



Joanne M. Scanlon

September 25, 2009

Date

Docket No. 4077 – National Grid – Annual Distribution Adjustment Clause Filing (“DAC”) - Service List as of 8/5/09

Name/Address	E-mail	Phone/FAX
Thomas R. Teehan, Esq. National Grid 280 Melrose St. Providence, RI 02907	Thomas.teehan@us.ngrid.com	401-784-7667
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David Effron Berkshire Consulting 12 Pond Path North Hampton, NH 03862-2243	Djeffron@aol.com	603-964-6526
File an original & nine (9) copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02888	Lmassaro@puc.state.ri.us	401-780-2107
	plucarelli@puc.state.ri.us	401-941-1691
	sccamara@puc.state.ri.us	
John Farley, TEC-RI	Jfarley316@hotmail.com	401-621-2240

Division Data Request 2-4

Request:

Re: Attachment JFN-5 page 2, please:

- a. Provide full documentation for the determination of the dollar amounts for the rate allowances shown on lines 2 and 3, and the Company's rationale in the determination of those dollar amounts.
- b. Provide the attachments referenced on line 7, "Current year actual Pension Expense Including Service Company-Allocated Expense."
- c. Explain the timeframe and rationale used to determine the dollar amount on line 7, Current year actual Pension Expense Including Service Company-Allocated Expense, and if the dollar amount is prorated for the eight month period November 2009 – June 2009, provide documentation of all supporting calculations for that proration.

Response:

- a. The rate allowance dollar amounts on Attachment JFN-5, page 2 are eight twelfths of the annual rate allowance from Attachment NG-MDL-3 filed in Docket 3943. This reconciliation mechanism and methodology were approved by the Commission in its Order of January 29, 2009 in that proceeding. (See Order 19563 at pages 51-57.)
- b. Attachment DIV 2-4A to this response is the Company revision to JFN-5. It also represents a revision to JFN-5S and WRR-3. This revision is for both Pensions and PBOP's. The supporting documentation for Line 7 of DIV 2-4A for both pages 1 and 2 is a worksheet and is included as Attachment DIV 2-4B. Also included is Attachment DIV 2-4C the reports from our actuaries, Hewitt Associates and Attachment DIV 2-5D that provides additional documentation for Attachment DIV 2-4B.
- c. The timeframe for the amounts on line 7 is November 2008 thru June 2009. This eight month period is in compliance with the Company's tariff that states that for the period ending June 30, 2009, the calculation will be based upon eight months. (See RIPUC NG-GAS 101, Section 3, Schedule A, Sheet 6, subpart 3.5). Attached are reports for the Company's fiscal year 2009 and 2010 calculation that shows that the expense is calculated by dividing the full year actuarial expense by twelve (12) and then multiplying the fiscal 2009 portion by five (5) and the fiscal 2010 portion by three (3).

Prepared by or under the supervision of William Richer:

National Grid - RI Gas
Pension Costs
Regulatory Reconciliation 2009

Line No.		Nov 2008 - <u>June 2009</u>
1	<u>Rate Allowance:</u>	
2	National Grid - RI Gas Pension Costs Allowance prorated 8 months	\$3,184,985
3	National Grid - Service Company Allocated Pension Costs Allowance prorated 8 months	183,017
4	Total Pension Costs	<u>\$3,368,002</u>
5		
6	<u>Expense Reconciliation:</u>	
7	Current Year actual Pension Expense Including Service Company-Allocated Expense	\$3,739,574
8		
9	Rate Allowance	\$3,368,002
10		
11	Current Year Regulatory Expense Reconciliation	\$371,572

Line Notes:

- 2 Docket No. 3943 Attachment NG-MDL-3 page 1 of 2 line 2 pro-rated for 8 months
- 3 Docket No. 3943 Attachment NG-MDL-3 page 1 of 2 line 3 pro-rated for 8 months
- 4 Line 2 + Line 3.
- 7 Pension expense per books
- 9 Docket No. 3943 Attachment NG-MDL-3 line 4 pro-rated for 8 months
- 11 Line 9 - Line 7.

**National Grid - RI Gas
Post-Retirement Benefits Other Than Pension (PBOP)
Regulatory Reconciliation 2009**

Line No.		Nov 2008 - <u>June 2009</u>
1	<u>Rate Allowance</u>	
2	National Grid - RI Gas PBOP Costs Allowance	\$2,724,255
3	National Grid - Service Company Allocated PBOP Costs Allowance	<u>320,994</u>
4	Total PBOP Costs	\$3,045,249
5		
6	<u>Expense Reconciliation</u>	
7	Current Year actual PBOP Expense Including Service Company-Allocated Expense	\$3,848,112
8		
9	Rate Allowance	\$3,045,249
10		
11	Current Year Regulatory Expense Reconciliation	\$802,863

Line Notes:

- 2 Docket No. 3943 Attachment NG-MDL-3 page 1 of 2 line 2 pro-rated for 8 months
- 3 Docket No. 3943 Attachment NG-MDL-3 page 1 of 2 line 3 pro-rated for 8 months
- 4 Line 2 + Line 3.
- 7 PBOP expense per books
- 9 Docket No. 3943 Attachment NG-MDL-3 line 4 pro-rated for 8 months
- 11 Line 9 - Line 7.

Calculation of Pension Expense

	2008
1 Narragansett Gas Actuary Report	1,107,344
2 Narragansett Gas Purchase Accounting Regulatory Asset Amortization	2,710,201
3 Narragansett Gas Pension Charged to Capital	<u>(589,866)</u>
4 Narragansett Gas Pension Charged to Expense	3,227,679
5	
6 Service Company Allocation to Narragansett Gas	480,828
7	
8 Other Company Charges to Narragansett Gas	31,067
9	
10 Total Expense	<u><u>\$ 3,739,574</u></u>

NE Qualified Pension Plan

Entries to record US GAAP Monthly Expense - Co 01 - 01220

	Actuary Expense Calculation
2010 portion	894,234
2009 portion	213,110
Total	1,107,344

	Narr Gas	
Annual Expense - per Hewitt letter dated		
Service Cost	201,932	
Interest Cost		
Expected Return on Assets		
Amortization of Prior Service Cost	-	
Amortization of Net (Gain) / Loss	3,375,000	
Net Cost	3,576,932	
Regulatory Expense / (Income)		
Total Expense / (Income)	3,576,932	
Monthly Expense		
Service Cost	16,828	
Interest Cost	-	
Expected Return on Assets	-	
Amortization of Prior Service Cost	-	
Amortization of Net (Gain) / Loss	281,250	
Net Cost	298,078	
Regulatory Expense / (Income)	-	
Total Expense / (Income)	298,078	Monthly Amount times 3 (April, May and June 2009)

AOCI, Regulatory Asset or Deferred Debit? **Reg Asset**

Amortization of Prior Svc Cost	-
Amortization of Net Loss	281,250
Amortization	281,250

Deferred SIT (6.5%)	
Deferred SIT (7.5%)	
Deferred SIT (8.5%)	
Deferred FIT (35%)	(98,438)
Deferred FIT on SIT (35% of Defd SIT)	
Total Deferred FIT and SIT	(98,438)

NET	182,813
	-35.00%

US GAAP Peoplesoft Entry

	Narr Gas
AG1060 - Pension Expense	298,078
182458 - Reg Asset - FAS158 - Pension	(281,250)
186458 - FAS158 - Pension - gross	n/a
186358 - FAS158 - Pension - tax	n/a
219058 - AOCI - FAS158 - Pension - gross	n/a
219058 - AOCI - FAS158 - Pension - def t	n/a
253027 - Accrued Pension Liability	(16,828)
190158 - ADFIT - FAS158 - Pension	(98,438)
190258 - ADSIT - FAS158 - Pension	-
283158 - ADFIT - Rate Reserves	98,438
283258 - ADSIT - Rate Reserves	-

total expense by company per Hewitt -	8,185,932	Ties to Hewitt Report
Less - amortization of reg asset/liab per 4/	4,065,000	

	4,120,932
Less - VERO charges per	544,000

FAS87 Actuarial Pension Expense	3,576,932
Amort - Actuarial (Gain) Loss per 3/31/09	3,375,000
Amort - Prior Service Cost per 3/31/09 dis	-
	3,375,000
Srv Cost + Int Cost +ROA	201,932

Calculation of PBOP Expense

2008

1 Narragansett Gas Actuary Report	2,465,915
2 Narragansett Gas Purchase Accounting Regulatory Asset Amortization	1,193,152
3 Narragansett Gas PBOP Charged to Capital	192,223
4 Narragansett Gas PBOP Charged to Expense	<u>3,851,290</u>
5	
6 Service Company Allocation to Narragansett Gas	3,273
7	
8 Other	(6,452)
9	
10 Total Expense	<u><u>\$ 3,848,111</u></u>

NE Retiree Welfare (OPEB/FAS106) Plan
Entries to record US GAAP Monthly Expense - Co 01, 01224

	Actuary Expense Calculation
2010 portion	1,065,742
2009 portion	1,400,175
Total	2,465,917

	Narr	
	<u>Gas</u>	
Annual Expense - per Hewitt letter dated		
Service Cost	3,877,966	
Interest Cost		
Expected Return on Assets		
Amortization of Prior Service Cost	-	
Amortization of Net (Gain) / Loss	385,000	
Net Cost	4,262,966	
Regulatory Expense / (Income)		
Total Expense / (Income)	4,262,966	
Monthly Expense		
Service Cost	323,164	
Interest Cost	-	
Expected Return on Assets	-	
Amortization of Prior Service Cost	-	
Amortization of Net (Gain) / Loss	32,083	
Net Cost	355,247	
Regulatory Expense / (Income)	-	
Total Expense / (Income)	355,247	Monthly Amount times 3 (April, May and June 2009)
AOCl, Regulatory Asset or Deferred Debit??	Reg Asset	
Amortization of Prior Svc Cost	-	
Amortization of Net Loss	32,083	
Amortization	32,083	
Deferred SIT (6.5%)		
Deferred SIT (7.5%)		
Deferred SIT (8.5%)		
Deferred FIT (35%)	(11,229)	
Deferred FIT on SIT (35% of Defd SIT)		
Total Deferred FIT and SIT	(11,229)	
NET	20,854	
NONUNION	3,841,845	Ties to Hewitt Report
UNION	2,211,121	Ties to Hewitt Report
total expense by company per Hewitt -	6,052,966	
Less - amortization of reg asset/liab	1,790,000	
	4,262,966	
Less - VERO charges		
FAS87 Actuarial Pension Expense	4,262,966	
Amort - Actuarial (Gain) Loss	385,000	
Amort - Prior Service Cost	-	
	385,000	
Srv Cost + Int Cost +ROA	3,877,966	

National Grid USA
FAS 87 Expense for NG FAPP Plan
April 1, 2008 through March 31, 2009

The Narragansett Electric Company
d/b/a National Grid
Docket No. 4077 – DAC 2009
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Attachment DIV 2-4-C
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	Granite St	Mass Elec	Narr Elec	NE Power	NGUSCO	Nantucket	NE Gas	Total
Reconciliation of Funded Status, 4/1/2008								
Projected Benefit Obligation	(17,229,678)	(434,649,098)	(203,608,728)	(122,593,929)	(555,308,116)	(4,442,463)	(158,269,275)	(1,496,101,287)
Assets at Fair Value *	16,806,187	423,965,799	198,604,202	119,580,676	541,659,123	4,333,271	154,379,153	1,459,328,411
Funded Status	(423,491)	(10,683,299)	(5,004,526)	(3,013,253)	(13,648,993)	(109,192)	(3,890,122)	(36,772,876)
Unrecognized:								
Net Transition Obligation								0
Prior Service Cost								11,256,921
Net (Gain)/Loss								418,252,978
(Accrued)/Prepaid Cost								392,737,023
FAS 87 Expense, 4/1/2008 - 3/31/2009								
Service Cost	265,852	7,759,510	2,967,961	0	11,719,859	147,884	3,242,237	26,103,303
Interest Cost	1,086,129	27,358,441	12,760,717	7,690,730	34,853,202	284,860	9,962,503	93,996,582
Expected Return on Assets *	(1,402,931)	(35,391,410)	(16,578,891)	(9,982,241)	(45,216,101)	(361,729)	(12,887,115)	(121,820,417)
Amortization of								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	23,462	622,295	306,844	208,400	568,704	3,700	0	1,733,405
Net (Gain)/Loss *	199,565	5,034,375	2,358,323	1,419,959	6,431,923	51,455	193,840	15,689,440
Net Periodic Pension Cost	172,077	5,383,211	1,814,954	(663,152)	8,357,587	126,170	511,465 (A)	15,702,313
Regulatory (Income)	(292,225)	(6,648,000)	(3,766,726)	(2,467,200)	(9,344,148)	(38,400)	4,065,260 (B)	(18,491,439)
FAS 88 VERO STB Expense	0	702,000	0	0	14,889,000	0	2,097,000	17,688,000
Total Expense/(Income)	(120,148)	(562,789)	(1,951,772)	(3,130,352)	13,902,439	87,770	6,673,725	14,898,874

Assumptions

Discount Rate	(A) 511,465 divided by 12 months times 5 months =	6.50%
Expected Return on Assets	213,110	8.00%
Average Salary Scale		
Nonunion		
Union	(B) 4,065,260 divided by 12 months times 8 months =	4.00%
Market Related Value of Assets	2,710,173	3.50%
Expected Benefit Payments		1,522,755,203
Expected Contributions		100,000,000
		50,000,000

* Allocation in proportion to the projected benefit obligation. This does not apply to the allocation of the amortized net (gain)/loss

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National Grid USA
Final Average Pay Pension Plan
Estimated FAS 87 Expense

	Actual 4/2008-3/2009	Estimated 4/2009-3/2010
Net Periodic Pension Cost		
National Grid Plans		
Granite State	\$ (120,148)	\$ 343,149
Mass Electric	\$ 113,575	\$ 10,326,613
Nantucket Electric	\$ 87,770	\$ 194,156
Narragansett Electric	\$ (1,951,772)	\$ 3,591,218
NE Gas	\$ 8,691,620	\$ 8,185,932
NE Power	\$ (3,130,352)	\$ 414,909
NGUSCO	\$ 22,782,269	\$ 21,586,023
Directors	\$ 0	\$ 0
Total Expense/(Income)	\$ 26,472,962	\$ 44,642,000

ties to worksheet

Assumptions:

Discount Rate	6.50%	7.30%
Expected Return on Assets	8.00%	8.00%
Salary Scale		
Nonunion	4.00%	3.50%
Union	3.50%	3.50%
Mortality Table for Union	RP2000CH	RP2000CH
Mortality Table for Nonunion	RP2000CH_15	RP2000CH_15

Hewitt Associates

Hewitt Associates LLC
CityPoint
230 Third Avenue
Waltham, MA 02451
Tel 781.891.8600 Fax 781.891.0935
www.hewitt.com



July 17, 2008

Private and Confidential

Mr. Andrew Sloey
National Grid USA
One MetroTech Center
Brooklyn, NY 11201-3850

Dear Andrew:

Subject: Preliminary Qualified Pension Expense Results under US GAAP and UK GAAP—
April 1, 2008 through March 31, 2009

We have completed the preliminary Fiscal Year 2009 FAS 87 and IAS 19 expense results for the National Grid USA Companies' Final Average Pay Pension Plan. Note that we have not reflected any costs for the Union VERO. It is our understanding that the VERO will be available to a select group of union employees until the end of August. Once we know who elects the VERO we will provide the associated expense.

Expense under FAS 87 and IAS 19 is based on the following information:

- 6.5 percent discount rate assumption
- 4.0 percent salary increase assumption for nonunion employees
- 3.5 percent salary increase assumption for union employees
- 8.0 percent expected long-term rate of return on assets
- RP2000 mortality table projected 15 years for nonunion employees
- RP2000 mortality table for union employees
- The April 1, 2008 market value of assets for FAS 87 purposes
- The April 1, 2008 bid value of assets for IAS 19 purposes
- The estimated FAS 88 charge associated with the special termination benefits of the nonunion Voluntary Early Retirement Offer for those employees expected to retire during fiscal year 2009. The entire cost associated with the VERO was reflected during fiscal 2008 under IAS 19.
- The New England Gas allocation of the FAS 87 gain/loss amortization follows the approach outlined by National Grid on April 26, 2007.



Mr. Andrew Sloey
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US GAAP

FAS 87 expense, as well as regulatory income, for the period April 1, 2008 through March 31, 2009 (by company) is shown below. Total expense is \$14.9 million.

	FAS 87 Expense/(Income)	Regulatory Income	Estimated VERO STB Expense	Total Expense/(Income)
Granite State	\$ 172,077	\$ (292,225)	\$ 0	\$ (120,148)
Mass Electric	5,383,211	(6,648,000)	702,000	(562,789)
Nantucket	126,170	(38,400)	0	87,770
Narragansett	1,814,954	(3,766,726)	0	(1,951,772)
New England Power	(663,152)	(2,467,200)	0	(3,130,352)
NGUSCO	8,357,588	(9,344,148)	14,889,000	13,902,440
New England Gas	<u>511,465</u>	<u>4,065,260</u>	<u>2,097,000</u>	<u>6,673,725</u>
Total	\$ 15,702,313	\$ (18,491,439)	\$ 17,688,000	\$ 14,898,874

UK GAAP

Total expense is \$5.7 million. IAS 19 expense for the period April 1, 2008 through March 31, 2009 (by company) is as follows:

	IAS 19 Expense/(Income)
Granite State	\$ 38,554
Mass Electric	1,970,479
Nantucket	94,111
Narragansett	207,744
New England Power	(1,654,838)
NGUSCO	3,911,248
New England Gas	<u>1,096,462</u>
Total	\$ 5,663,760

Both US GAAP and UK GAAP expense are approximately \$1.1 million lower than our prior estimates. This decrease is mainly due to the reduction of the number of active employees.



Mr. Andrew Sloey
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Enclosed is a summary of the results for both US GAAP and UK GAAP.

Andrew, if you have any questions, please call.

Sincerely,

Hewitt Associates LLC

A handwritten signature in black ink, appearing to read "SFD".

Stephen F. Doucette

SFD:chz
Enclosures

4844L574

cc: Mr. Paul Bailey, National Grid USA
Mr. William F. Dowd, National Grid USA
Ms. Maureen Heaphy, National Grid USA
Mr. Joseph Marrese, National Grid USA
Mr. Brian McNeill, National Grid USA
Mr. William Richer, National Grid USA
Ms. Lori Santoro, National Grid USA
Ms. Susan Toronto, National Grid USA
Ms. Kerry-Ann Forrester, Hewitt Associates
Ms. Carol MacDonald, Hewitt Associates
Ms. Ditah Rimer, Hewitt Associates

National Grid USA
FAS 87 Expense for NG FAPP Plan
April 1, 2008 through March 31, 2009

The Narragansett Electric Company
d/b/a National Grid
Docket No. 4077 – DAC 2009
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Attachment DIV 2-4-C
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	Granite St	Mass Elec	Narr Elec	NE Power	NGUSCO	Nantucket	NE Gas	Total
Reconciliation of Funded Status, 4/1/2008								
Projected Benefit Obligation	(17,229,678)	(434,649,098)	(203,608,728)	(122,593,929)	(555,308,116)	(4,442,463)	(158,269,275)	(1,496,101,287)
Assets at Fair Value *	16,806,187	423,965,799	198,604,202	119,580,676	541,659,123	4,333,271	154,379,153	1,459,328,411
Funded Status	(423,491)	(10,683,299)	(5,004,526)	(3,013,253)	(13,648,993)	(109,192)	(3,890,122)	(36,772,876)
Unrecognized:								
Net Transition Obligation								0
Prior Service Cost								11,256,921
Net (Gain)/Loss								418,252,978
(Accrued)/Prepaid Cost								392,737,023
FAS 87 Expense, 4/1/2008 - 3/31/2009								
Service Cost	265,852	7,759,510	2,967,961	0	11,719,859	147,884	3,242,237	26,103,303
Interest Cost	1,086,129	27,358,441	12,760,717	7,690,730	34,853,202	284,860	9,962,503	93,996,582
Expected Return on Assets *	(1,402,931)	(35,391,410)	(16,578,891)	(9,982,241)	(45,216,101)	(361,729)	(12,887,115)	(121,820,417)
Amortization of								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	23,462	622,295	306,844	208,400	568,704	3,700	0	1,733,405
Net (Gain)/Loss *	199,565	5,034,375	2,358,323	1,419,959	6,431,923	51,455	193,840	15,689,440
Net Periodic Pension Cost	172,077	5,383,211	1,814,954	(663,152)	8,357,587	126,170	511,465	15,702,313
Regulatory (Income)	(292,225)	(6,648,000)	(3,766,726)	(2,467,200)	(9,344,148)	(38,400)	4,065,260	(18,491,439)
FAS 88 VERO STB Expense	0	702,000	0	0	14,889,000	0	2,097,000	17,688,000
Total Expense/(Income)	(120,148)	(562,789)	(1,951,772)	(3,130,352)	13,902,439	87,770	6,673,725	14,898,874
Assumptions								
Discount Rate								6.50%
Expected Return on Assets								8.00%
Average Salary Scale								
Nonunion								4.00%
Union								3.50%
Market Related Value of Assets								1,522,755,203
Expected Benefit Payments								100,000,000
Expected Contributions								50,000,000

* Allocation in proportion to the projected benefit obligation. This does not apply to the allocation of the amortized net (gain)/loss

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National Grid USA
IAS 19 Expense for FAPP Plan
April 1, 2008 through March 31, 2009

	Granite St	Mass Elec	Narr Elec	NE Power	NGUSCO	Nantucket	NE Gas	Total
Reconciliation of Funded Status, 4/1/2008								
Projected Benefit Obligation	(17,229,678)	(436,061,322)	(203,608,728)	(122,593,929)	(584,887,507)	(4,442,463)	(162,107,556)	(1,530,931,183)
Assets at Bid Value *	16,800,359	423,818,770	198,535,327	119,539,206	541,471,278	4,331,768	154,325,615	1,458,822,323
Funded Status	(429,319)	(12,242,552)	(5,073,401)	(3,054,723)	(43,416,229)	(110,695)	(7,781,941)	(72,108,860)
Prior Service Costs	48	5,028	1,090	0	5,215	48	0	11,429
(Accrued)/Prepaid Cost	(429,271)	(12,237,524)	(5,072,311)	(3,054,723)	(43,411,014)	(110,647)	(7,781,941)	(72,108,860)
P&L Pension Expense, 4/1/2008 - 3/31/2009								
Operating Expense								
Service Cost	265,852	7,759,510	2,967,961	0	11,719,859	147,884	3,242,237	26,103,303
Exceptional Costs (STBs)	0	0	0	0	0	0	0	0
Prior Service Costs - On-going cost	24	2,514	545	0	2,608	24	0	5,715
Prior Service Costs - One-time charge	0	0	0	0	0	0	0	0
Curtailment/Settlement Costs	0	0	0	0	0	0	0	0
Total Operating Expense	265,876	7,762,024	2,968,506	0	11,722,467	147,908	3,242,237	26,109,018
Financing Expense								
Interest Cost	1,086,129	27,450,236	12,760,717	7,690,730	36,775,863	284,860	10,211,991	96,260,526
Expected Return on Assets *	(1,313,451)	(33,241,781)	(15,521,479)	(9,345,568)	(44,587,082)	(338,657)	(12,357,766)	(116,705,784)
Total Financing Expense	(227,322)	(5,791,545)	(2,760,762)	(1,654,838)	(7,811,219)	(53,797)	(2,145,775)	(20,445,258)
Total P&L Expense	38,554	1,970,479	207,744	(1,654,838)	3,911,248	94,111	1,096,462	5,663,760
Assumptions								
Discount Rate								6.50%
Expected Return on Assets								8.00%
Average Salary Scale								
Nonunion								4.00%
Union								3.50%
Expected Benefit Payments								100,000,000
Expected Contributions								50,000,000

* Allocation in proportion to the projected benefit obligation

National Grid USA
Retiree Health and Welfare Plan - Union
FAS 106 Expense April 1, 2008 through March 31, 2009

The Narragansett Electric Company
d/b/a National Grid
Docket No. 4077 – DAC 2009
Responses to Division Data Requests – Set 2
Attachment DIV 2-4-C
Page 8 of 21

	Granite St	Mass Elec	Nantucket	Narr Elec	NE Power	NGUSCO	NE Gas	Total
Reconciliation of Funded Status, 4/1/2008								
Accumulated Postretirement Benefit Obligation	(5,495,581)	(188,189,576)	(437,041)	(89,490,048)	(25,137,136)	(58,449,050)	(24,120,347)	(391,318,779)
Assets at Fair Value	3,799,952	119,905,893	0	52,690,296	23,842,553	43,020,605	9,631,334	252,890,633
Funded Status	(1,695,629)	(68,283,683)	(437,041)	(36,799,752)	(1,294,583)	(15,428,445)	(14,489,013)	(138,428,146)
Unrecognized:								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	(84,556)	(2,710,116)	666	(1,125,575)	(72,742)	(965,645)	0	(4,957,968)
Net (Gain)/Loss	1,968,319	61,806,422	(66,410)	33,458,810	13,373,023	18,062,022	4,852,231	133,454,417
(Accrued)/Prepaid Cost	188,134	(9,187,377)	(502,785)	(4,466,517)	12,005,698	1,667,932	(9,636,782)	(9,931,697)
Market Related Value of Assets	4,020,399	126,861,996	0	55,747,019	25,225,731	45,516,360	10,190,077	267,561,582
Net Postretirement Benefit Cost								
Service Cost	93,723	2,491,923	12,790	1,065,547	0	944,309	266,936	4,875,228
Interest Cost	350,290	11,913,237	28,083	5,650,421	1,566,411	3,715,696	1,527,165	24,751,303
Expected Return on Assets	(337,994)	(10,545,851)	454	(4,656,962)	(1,987,815)	(3,776,880)	(905,320)	(22,210,368)
Amortization of								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	(8,091)	(259,924)	48	(107,785)	(6,941)	(92,627)	0	(475,320)
Net (Gain)/Loss	79,588	2,393,075	(1,508)	1,424,838	628,783	645,658	124,960	5,295,394
Net Postret. Benefit Cost	177,516	5,992,460	39,867	3,376,059	200,438	1,436,156	1,013,741	12,236,237
Regulatory Expense / (Income)	18,597	620,760	2,506	272,636	(245,435)	175,221	715,892	1,560,177
Total Expense / (Income)	196,113	6,613,220	42,373	3,648,695	(44,997)	1,611,377	1,729,633	13,796,414
Expected Benefit Payments								
Gross	229,000	10,513,000	11,000	5,510,000	2,262,000	2,742,000	1,423,000	22,690,000
Net	213,000	9,818,000	10,000	5,121,000	2,077,000	2,569,000	1,251,000	21,059,000
Expected Contributions	191,000	6,223,000	0	3,456,000	0	1,635,000	1,495,000	13,000,000
Assumptions								
Discount Rate	6.50%							
Expected Return on Assets	8.25%							
Initial Pre-65 Medical Trend Rate	9.00%							
Initial Post-65 Medical Trend Rate	10.00%							
Ultimate Medical Trend Rate	5.00%							
Mortality	RP2000CH							

$$\begin{aligned}
 & 2,313,237 \\
 & + 1,013,741 \\
 & \hline
 & \textcircled{A} 3,326,978 / 12 = 277,248 \times 5 = 1,386,240 \\
 & 33442 / 12 = 2787 \times 5 = 13,934
 \end{aligned}$$

9/8/2008

National Grid USA
Retiree Health and Welfare Plan - Nonunion
FAS 106 Expense April 1, 2008 through March 31, 2009

	Granite St	Mass Elec	Nantucket	Narr Elec	NE Power	NGUSCO	NE Gas	Total
Reconciliation of Funded Status, 4/1/2008								
Accumulated Postretirement Benefit Obligation	(6,250,213)	(103,825,113)	(566,426)	(53,355,420)	(26,521,724)	(205,232,015)	(36,752,384)	(432,503,295)
Assets at Fair Value	<u>3,305,430</u>	<u>53,496,787</u>	0	<u>26,507,925</u>	<u>19,368,710</u>	<u>77,588,556</u>	<u>5,476,151</u>	<u>185,743,559</u>
Funded Status	(2,944,783)	(50,328,326)	(566,426)	(26,847,495)	(7,153,014)	(127,643,459)	(31,276,233)	(246,759,736)
Unrecognized:								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	(100,542)	(1,626,289)	(5,358)	(595,571)	(47,750)	(2,731,002)	0	(5,106,512)
Net (Gain)/Loss	<u>2,410,587</u>	<u>34,733,529</u>	<u>271,461</u>	<u>22,163,717</u>	<u>6,783,209</u>	<u>85,483,878</u>	<u>6,080,855</u>	<u>157,927,236</u>
(Accrued)/Prepaid Cost	(634,738)	(17,221,086)	(300,323)	(5,279,349)	(417,555)	(44,890,583)	(25,195,378)	(93,939,012)
Market Related Value of Assets	3,501,944	56,677,266	0	28,083,868	20,520,214	82,201,335	5,801,718	196,786,345
Net Postretirement Benefit Cost								
Service Cost	43,612	977,970	12,634	415,419	0	3,718,762	294,229	5,462,626
Interest Cost	393,166	6,540,990	36,298	3,354,157	1,650,883	13,035,718	2,326,017	27,337,229
Expected Return on Assets	(244,987)	(4,066,690)	608	(2,008,960)	(1,439,992)	(5,835,734)	(452,838)	(14,048,593)
Amortization of								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	(13,387)	(240,571)	(2,038)	(83,964)	(18,157)	(390,036)	0	(748,153)
Net (Gain)/Loss	<u>111,406</u>	<u>1,484,235</u>	<u>15,061</u>	<u>1,069,312</u>	<u>208,891</u>	<u>4,230,902</u>	<u>145,829</u>	<u>7,265,636</u>
Net Postret. Benefit Cost	289,810	4,695,934	62,563	2,745,964	401,625	14,759,612	<u>2,313,237</u>	25,268,745
FAS 106 VERO One-time Charges	0	13,600	0	7,400	0	305,000	54,000	380,000
Regulatory Expense / (Income)	<u>97,157</u>	<u>3,243,240</u>	<u>13,094</u>	<u>1,424,385</u>	<u>(1,282,165)</u>	<u>915,435</u>	<u>1,073,838</u>	<u>5,484,984</u>
Total Expense / (Income)	386,967	7,952,774	75,657	4,177,749	(880,540)	15,980,047	3,441,075	31,133,729
Expected Benefit Payments								
Gross	433,000	6,858,000	18,000	3,779,000	2,438,000	9,728,000	2,064,000	25,318,000
Net	403,000	6,389,000	16,000	3,506,000	2,247,000	9,365,000	1,935,000	23,861,000
Expected Contributions	344,000	6,999,000	0	3,568,000	2,032,000	9,118,000	1,939,000	24,000,000
Assumptions								
Discount Rate	6.50%							
Expected Return on Assets	6.75%							
Initial Pre-65 Medical Trend Rate	9.00%							
Initial Post-65 Medical Trend Rate	10.00%							
Ultimate Medical Trend Rate	5.00%							
Mortality								

$$\begin{array}{r}
 715,892 \\
 1,073,838 \\
 \hline
 1,789,720 / 12 \times 8 = 1,193,152
 \end{array}$$

National Grid USA
Retiree Health and Welfare Plan - Nonunion
FAS 106 Expense April 1, 2008 through March 31, 2009

	Granite St	Mass Elec	Nantucket	Narr Elec	NE Power	NGUSCO	NE Gas	Total
Reconciliation of Funded Status, 4/1/2008								
Accumulated Postretirement Benefit Obligation	(6,250,213)	(103,825,113)	(566,426)	(53,355,420)	(26,521,724)	(205,232,015)	(36,752,384)	(432,503,295)
Assets at Fair Value	<u>3,305,430</u>	<u>53,496,787</u>	<u>0</u>	<u>26,507,925</u>	<u>19,368,710</u>	<u>77,588,556</u>	<u>5,476,151</u>	<u>185,743,559</u>
Funded Status	(2,944,783)	(50,328,326)	(566,426)	(26,847,495)	(7,153,014)	(127,643,459)	(31,276,233)	(246,759,736)
Unrecognized:								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	(100,542)	(1,626,289)	(5,358)	(595,571)	(47,750)	(2,731,002)	0	(5,106,512)
Net (Gain)/Loss	<u>2,410,587</u>	<u>34,733,529</u>	<u>271,461</u>	<u>22,163,717</u>	<u>6,306,209</u>	<u>84,679,879</u>	<u>6,557,855</u>	<u>157,123,237</u>
(Accrued)/Prepaid Cost	(634,738)	(17,221,086)	(300,323)	(5,279,349)	(894,555)	(45,694,582)	(24,718,378)	(94,743,011)
Market Related Value of Assets	3,501,944	56,677,266	0	28,083,868	20,520,214	82,201,335	5,801,718	196,786,345
Net Postretirement Benefit Cost								
Service Cost	43,612	977,970	12,634	415,419	0	3,718,762	294,229	5,462,626
Interest Cost	393,166	6,540,990	36,298	3,354,157	1,650,883	13,035,718	2,326,017	27,337,229
Expected Return on Assets	(244,987)	(4,066,690)	608	(2,008,960)	(1,439,992)	(5,835,734)	(452,838)	(14,048,593)
Amortization of								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	(13,387)	(240,571)	(2,038)	(83,964)	(18,157)	(390,036)	0	(748,153)
Net (Gain)/Loss	<u>111,406</u>	<u>1,484,235</u>	<u>15,061</u>	<u>1,069,312</u>	<u>175,449</u>	<u>4,174,535</u>	<u>179,271</u>	<u>7,209,269</u>
Net Postret. Benefit Cost	289,810	4,695,934	62,563	2,745,964	368,183	14,703,245	2,346,679	25,212,378
FAS 106 VERO One-time Charge	0	13,600	0	7,400	0	305,000	54,000	380,000
Regulatory Expense / (Income)	<u>97,157</u>	<u>3,243,240</u>	<u>13,094</u>	<u>1,424,385</u>	<u>(1,282,165)</u>	<u>915,435</u>	<u>1,073,838</u>	<u>5,484,984</u>
Total Expense / (Income)	386,967	7,952,774	75,657	4,177,749	(913,982)	15,923,680	3,474,517	31,077,362
Expected Benefit Payments								
Gross	433,000	6,858,000	18,000	3,779,000	2,438,000	9,728,000	2,064,000	25,318,000
Net	403,000	6,389,000	16,000	3,506,000	2,247,000	9,365,000	1,935,000	23,861,000
Expected Contributions	344,000	6,999,000	0	3,568,000	2,032,000	9,118,000	1,939,000	24,000,000
Assumptions								
Discount Rate	6.50%							
Expected Return on Assets	6.75%							
Initial Pre-65 Medical Trend Rate	9.00%							
Initial Post-65 Medical Trend Rate	10.00%							
Ultimate Medical Trend Rate	5.00%							
Mortality								

* Due to small dollar amount of change, entire change will be recorded in November 2008 - change in net gain/loss expense

Update from
Hence
Per 9/9/08
Letter
Change

\$ 368,183
\$ 14,703,245
\$ 2,346,679

401,625
14,759,612
2,313,237

(33,442)
(56367)
33,442
10/20/2008

RP2000CH Proj. 15 years

**National Grid USA
Union Retiree Welfare Plan
Estimated FAS 106 Expense**

	Actual 4/2008-3/2009	Estimated 4/2009-3/2010
Net Periodic Cost		
National Grid Plans		
Granite State	\$ 196,113	\$ 363,703
Mass Electric	\$ 6,613,220	\$ 12,419,722
Nantucket Electric	\$ 42,373	\$ 53,895
Narragansett Electric	\$ 3,648,695	\$ 6,045,651
NE Gas	\$ 1,729,633	\$ 2,211,121
NE Power	\$ (44,997)	\$ 530,900
NGUSCO	\$ 1,611,377	\$ 3,632,007
Directors	\$ 0	\$ 0
Total Expense/(Income)	\$ 13,796,414	\$ 25,257,000

Assumptions:

Discount Rate	6.50%	7.30%
Expected Return on Assets	8.25%	8.25%
Initial Trend - Pre-65	9.00%	8.50%
Initial Trend - Post-65	10.00%	9.50%
Ultimate Trend	5.00%	5.00%
Mortality Table	RP2000CH	RP2000CH

Hewitt Associates

National Grid USA
Nonunion Retiree Welfare Plan
Estimated FAS 106 Expense

	Actual 4/2008-3/2009	Estimated 4/2009-3/2010
Net Periodic Cost		
National Grid Plans		
Granite State	\$ 386,967	\$ 442,529
Mass Electric	\$ 7,955,954	\$ 9,311,431
Nantucket Electric	\$ 75,657	\$ 72,355
Narragansett Electric	\$ 4,170,349	\$ 4,526,384
NE Gas	\$ 3,471,610	\$ 3,841,845
NE Power	\$ (913,982)	\$ (342,818)
NGUSCO	\$ 16,056,063	\$ 16,578,274
Directors	\$ 0	\$ 0
Total Expense/(Income)	\$ 31,202,618	\$ 34,430,000

Assumptions:

Discount Rate	6.50%	7.30%
Expected Return on Assets	6.75%	6.75%
Initial Trend - Pre-65	9.00%	8.50%
Initial Trend - Post-65	10.00%	9.50%
Ultimate Trend	5.00%	5.00%
Mortality Table	RP2000CH 15	RP2000CH 15

Hewitt Associates

Hewitt Associates LLC
CityPoint
230 Third Avenue
Waltham, MA 02451
Tel 781.891.8600 Fax 781.891.0935
www.hewitt.com

The Hewitt logo, consisting of the word "Hewitt" in a white serif font on a black rectangular background.

September 9, 2008

Private and Confidential

Mr. Andrew Sloey
National Grid USA
One MetroTech Center
Brooklyn, NY 11201-3850

Dear Andrew:

Subject: Revised New England FAS 106 and IAS 19 Expense Results—
April 1, 2008 through March 31, 2009

We have revised the April 1, 2008 through March 31, 2009 FAS 106 valuation results for the New England retiree welfare plans. The change impacts the nonunion US GAAP expense results only. Specifically, we have corrected the amortization of the unrecognized loss, which increases expense approximately \$150,000. Our results are based on the following assumptions:

- 6.5 percent discount rate assumption
- Initial pre-65 medical trend assumption of 9.0 percent decreasing to an ultimate trend of 5.0 percent
- Initial post-65 medical trend assumption of 10.0 percent decreasing to an ultimate trend of 5.0 percent
- 6.75 percent expected long-term rate of return on nonunion assets
- 8.25 percent expected long-term rate of return on union assets
- RP2000 Mortality Table for union employees
- RP2000 Mortality Table projected 15 years for nonunion employees
- The April 1, 2008 market value of assets for FAS 106 purposes
- The April 1, 2008 bid value of assets for IAS 19 purposes
- The estimated FAS 106 charge associated with the special termination benefits of the nonunion Voluntary Early Retirement Offer for those expected to retire during fiscal year 2009. For IAS 19 purposes, the entire cost associated with the VERO was reflected during fiscal 2008.



Mr. Andrew Sloey
Page 2
September 9, 2008

US GAAP

Total FAS 106 expense for fiscal year 2009 is \$44.9 million, including regulatory expense. Below is the company allocation of FAS 106 expense. As requested, we have also shown below a summary of expense without reflecting the expected federal prescription drug subsidy.

	Preliminary 2008/2009 FAS 106 Expense Reflecting Federal Subsidy		Preliminary 2008/2009 Gross Expense without Reflecting Federal Subsidy	
Granite State	\$	0.6 million	\$	0.7 million
Mass Electric		14.5 million		17.7 million
Nantucket		0.1 million		0.1 million
Narragansett		7.8 million		9.3 million
New England Power		(0.9) million		(0.5) million
NGUSCO		17.6 million		21.1 million
New England Gas		5.2 million		6.2 million
Total	\$	44.9 million	\$	54.6 million

UK GAAP

Total IAS 19 expense for fiscal year 2009 is \$28.1 million.

IAS 19 expense for the period April 1, 2008 through March 31, 2009 (by company) is as follows:

	Preliminary 2008/2009 IAS 19 Expense	
Granite State	\$	0.3 million
Mass Electric		7.7 million
Nantucket		0.1 million
Narragansett		4.0 million
New England Power		0.0 million
NGUSCO		11.9 million
New England Gas		4.1 million
Total	\$	28.1 million

Both US GAAP and UK GAAP expense are within \$0.4 million of our prior estimates.



Mr. Andrew Sloey
Page 3
September 9, 2008

Enclosed are summaries of our results.

Andrew, if you have any questions please call.

Sincerely,

Hewitt Associates LLC

A handwritten signature in black ink, appearing to read "S. Doucette".

Stephen F. Doucette

SFD:chz
Enclosures

4844LS88

cc: Mr. Paul Bailey, National Grid USA
Mr. William F. Dowd, National Grid USA
Ms. Maureen Heaphy, National Grid USA
Mr. Joseph Marrese, National Grid USA
Mr. Brian McNeill, National Grid USA
Ms. Julie Morris, National Grid USA
Mr. William Richer, National Grid USA
Ms. Lori Santoro, National Grid USA
Ms. Susan Toronto, National Grid USA
Ms. Kerry-Ann Forrester, Hewitt Associates
Ms. Carol MacDonald, Hewitt Associates
Ms. Ditah Rimer, Hewitt Associates

National Grid USA
Retiree Health and Welfare Plan - Nonunion
FAS 106 Expense April 1, 2008 through March 31, 2009

	Granite St	Mass Elec	Nantucket	Narr Elec	NE Power	NGUSCO	NE Gas	Total
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Assets at Fair Value	<u>3,305,430</u>	<u>53,496,787</u>	<u>0</u>	<u>26,507,925</u>	<u>19,368,710</u>	<u>77,588,556</u>	<u>5,476,151</u>	<u>185,743,559</u>
Funded Status	(2,944,783)	(50,328,326)	(566,426)	(26,847,495)	(7,153,014)	(127,643,459)	(31,276,233)	(246,759,736)
Unrecognized:								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	(100,542)	(1,626,289)	(5,358)	(595,571)	(47,750)	(2,731,002)	0	(5,106,512)
Net (Gain)/Loss	<u>2,410,587</u>	<u>34,733,529</u>	<u>271,461</u>	<u>22,163,717</u>	<u>6,783,209</u>	<u>85,483,878</u>	<u>6,080,855</u>	<u>157,927,236</u>
(Accrued)/Prepaid Cost	(634,738)	(17,221,086)	(300,323)	(5,279,349)	(417,555)	(44,890,583)	(25,195,378)	(93,939,012)
Market Related Value of Assets	3,501,944	56,677,266	0	28,083,868	20,520,214	82,201,335	5,801,718	196,786,345
Net Postretirement Benefit Cost								
Service Cost	43,612	977,970	12,634	415,419	0	3,718,762	294,229	5,462,626
Interest Cost	393,166	6,540,990	36,298	3,354,157	1,650,883	13,035,718	2,326,017	27,337,229
Expected Return on Assets	(244,987)	(4,066,690)	608	(2,008,960)	(1,439,992)	(5,835,734)	(452,838)	(14,048,593)
Amortization of								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	(13,387)	(240,571)	(2,038)	(83,964)	(18,157)	(390,036)	0	(748,153)
Net (Gain)/Loss	<u>111,406</u>	<u>1,484,235</u>	<u>15,061</u>	<u>1,069,312</u>	<u>208,891</u>	<u>4,230,902</u>	<u>145,829</u>	<u>7,265,636</u>
Net Postret. Benefit Cost	289,810	4,695,934	62,563	2,745,964	401,625	14,759,612	2,313,237	25,268,745
FAS 106 VERO One-time Charges	0	13,600	0	7,400	0	305,000	54,000	380,000
Regulatory Expense / (Income)	<u>97,157</u>	<u>3,243,240</u>	<u>13,094</u>	<u>1,424,385</u>	<u>(1,282,165)</u>	<u>915,435</u>	<u>1,073,838</u>	<u>5,484,984</u>
Total Expense / (Income)	386,967	7,952,774	75,657	4,177,749	(880,540)	15,980,047	3,441,075	31,133,729
Expected Benefit Payments								
Gross	433,000	6,858,000	18,000	3,779,000	2,438,000	9,728,000	2,064,000	25,318,000
Net	403,000	6,389,000	16,000	3,506,000	2,247,000	9,365,000	1,935,000	23,861,000
Expected Contributions	344,000	6,999,000	0	3,568,000	2,032,000	9,118,000	1,939,000	24,000,000
Assumptions								
Discount Rate	6.50%							
Expected Return on Assets	6.75%							
Initial Pre-65 Medical Trend Rate	9.00%							
Initial Post-65 Medical Trend Rate	10.00%							
Ultimate Medical Trend Rate	5.00%							
Mortality	RP2000CH Proj. 15 years							

National Grid USA
Retiree Health and Welfare Plan - Union
FAS 106 Expense April 1, 2008 through March 31, 2009

	Granite St	Mass Elec	Nantucket	Narr Elec	NE Power	NGUSCO	NE Gas	Total
Reconciliation of Funded Status, 4/1/2008								
Accumulated Postretirement Benefit Obligation	(5,495,581)	(188,189,576)	(437,041)	(89,490,048)	(25,137,136)	(58,449,050)	(24,120,347)	(391,318,779)
Assets at Fair Value	<u>3,799,952</u>	<u>119,905,893</u>	<u>0</u>	<u>52,690,296</u>	<u>23,842,553</u>	<u>43,020,605</u>	<u>9,631,334</u>	<u>252,890,633</u>
Funded Status	(1,695,629)	(68,283,683)	(437,041)	(36,799,752)	(1,294,583)	(15,428,445)	(14,489,013)	(138,428,146)
Unrecognized:								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	(84,556)	(2,710,116)	666	(1,125,575)	(72,742)	(965,645)	0	(4,957,968)
Net (Gain)/Loss	<u>1,968,319</u>	<u>61,806,422</u>	<u>(66,410)</u>	<u>33,458,810</u>	<u>13,373,023</u>	<u>18,062,022</u>	<u>4,852,231</u>	<u>133,454,417</u>
(Accrued)/Prepaid Cost	188,134	(9,187,377)	(502,785)	(4,466,517)	12,005,698	1,667,932	(9,636,782)	(9,931,697)
Market Related Value of Assets	4,020,399	126,861,996	0	55,747,019	25,225,731	45,516,360	10,190,077	267,561,582
Net Postretirement Benefit Cost								
Service Cost	93,723	2,491,923	12,790	1,065,547	0	944,309	266,936	4,875,228
Interest Cost	350,290	11,913,237	28,083	5,650,421	1,566,411	3,715,696	1,527,165	24,751,303
Expected Return on Assets	(337,994)	(10,545,851)	454	(4,656,962)	(1,987,815)	(3,776,880)	(905,320)	(22,210,368)
Amortization of								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	(8,091)	(259,924)	48	(107,785)	(6,941)	(92,627)	0	(475,320)
Net (Gain)/Loss	<u>79,588</u>	<u>2,393,075</u>	<u>(1,508)</u>	<u>1,424,838</u>	<u>628,783</u>	<u>645,658</u>	<u>124,960</u>	<u>5,295,394</u>
Net Postret. Benefit Cost	177,516	5,992,460	39,867	3,376,059	200,438	1,436,156	1,013,741	12,236,237
Regulatory Expense / (Income)	<u>18,597</u>	<u>620,760</u>	<u>2,506</u>	<u>272,636</u>	<u>(245,435)</u>	<u>175,221</u>	<u>715,892</u>	<u>1,560,177</u>
Total Expense / (Income)	196,113	6,613,220	42,373	3,648,695	(44,997)	1,611,377	1,729,633	13,796,414
Expected Benefit Payments								
Gross	229,000	10,513,000	11,000	5,510,000	2,262,000	2,742,000	1,423,000	22,690,000
Net	213,000	9,818,000	10,000	5,121,000	2,077,000	2,569,000	1,251,000	21,059,000
Expected Contributions	191,000	6,223,000	0	3,456,000	0	1,635,000	1,495,000	13,000,000
Assumptions								
Discount Rate	6.50%							
Expected Return on Assets	8.25%							
Initial Pre-65 Medical Trend Rate	9.00%							
Initial Post-65 Medical Trend Rate	10.00%							
Ultimate Medical Trend Rate	5.00%							
Mortality	RP2000CH							9/8/2008

National Grid USA
Retiree Health and Welfare Plan - Nonunion
IAS 19 Expense April 1, 2008 through March 31, 2009

	Granite St	Mass Elec	Nantucket	Narr Elec	NE Power	NGUSCO	NE Gas	Total
Reconciliation of Funded Status, 4/1/2008								
Accumulated Postretirement Benefit Obligation	(6,250,213)	(103,827,897)	(566,426)	(53,355,420)	(26,521,724)	(205,854,915)	(36,792,375)	(433,168,970)
Assets at Bid Value	<u>3,305,014</u>	<u>53,490,059</u>	<u>0</u>	<u>26,504,591</u>	<u>19,366,274</u>	<u>77,578,799</u>	<u>5,475,462</u>	<u>185,720,200</u>
Funded Status	(2,945,199)	(50,337,838)	(566,426)	(26,850,829)	(7,155,450)	(128,276,116)	(31,316,913)	(247,448,770)
Prior Service Cost	<u>(98,787)</u>	<u>(1,648,496)</u>	<u>(8,055)</u>	<u>(594,989)</u>	<u>(71,769)</u>	<u>(2,738,904)</u>	<u>7,762,850</u>	<u>2,601,850</u>
(Accrued)/Prepaid Cost	(3,043,986)	(51,986,334)	(574,481)	(27,445,818)	(7,227,219)	(131,015,020)	(23,554,063)	(244,846,920)
P&L Expense								
Operating Expense								
Service Cost	43,612	977,970	12,634	415,419	0	3,718,762	294,229	5,462,626
Exceptional Costs (STBs)	0	0	0	0	0	0	0	0
Prior Service Costs	(11,886)	(198,356)	(969)	(71,593)	(8,635)	(329,561)	1,015,037	394,037
Curtailment/Settlement Costs	0	0	0	0	0	0	0	0
Total Operating Expense	31,726	779,614	11,665	343,826	(8,635)	3,389,201	1,309,266	5,856,663
Financing Expense								
Interest Cost	393,166	6,541,171	36,298	3,354,157	1,650,885	13,076,207	2,328,617	27,380,501
Expected Return on Assets	<u>(231,695)</u>	<u>(3,851,554)</u>	<u>608</u>	<u>(1,902,359)</u>	<u>(1,362,101)</u>	<u>(5,523,714)</u>	<u>(430,816)</u>	<u>(13,301,631)</u>
Total Financing Expense	161,471	2,689,617	36,906	1,451,798	288,784	7,552,493	1,897,801	14,078,870
Total P&L Expense	193,197	3,469,231	48,571	1,795,624	280,149	10,941,694	3,207,067	19,935,533
Expected Benefit Payments								
Gross	433,000	6,858,000	18,000	3,779,000	2,438,000	9,728,000	2,064,000	25,318,000
Net	403,000	6,389,000	16,000	3,506,000	2,247,000	9,365,000	1,935,000	23,861,000
Expected Contributions	344,000	6,999,000	0	3,568,000	2,032,000	9,118,000	1,939,000	24,000,000
Assumptions								
Discount Rate	6.50%							
Expected Return on Assets	6.75%							
Initial Pre-65 Medical Trend Rate	9.00%							
Initial Post-65 Medical Trend Rate	10.00%							
Ultimate Medical Trend Rate	5.00%							
Mortality		RP2000CH Proj. 15 years						

9/8/2008

National Grid USA
Retiree Health and Welfare Plan - Union
IAS 19 Expense April 1, 2008 through March 31, 2009

	Granite St	Mass Elec	Nantucket	Narr Elec	NE Power	NGUSCO	NE Gas	Total
Reconciliation of Funded Status, 4/1/2008								
Accumulated Postretirement Benefit Obligation	(5,495,581)	(188,189,576)	(437,041)	(89,490,048)	(25,137,136)	(58,449,050)	(24,120,347)	(391,318,779)
Assets at Bid Value	<u>3,798,784</u>	<u>119,869,025</u>	<u>0</u>	<u>52,674,094</u>	<u>23,835,222</u>	<u>43,007,377</u>	<u>9,628,373</u>	<u>252,812,876</u>
Funded Status	(1,696,797)	(68,320,551)	(437,041)	(36,815,954)	(1,301,914)	(15,441,673)	(14,491,974)	(138,505,903)
Prior Service Cost	<u>(50,715)</u>	<u>(1,652,989)</u>	<u>(320)</u>	<u>(678,492)</u>	<u>(42,657)</u>	<u>(589,663)</u>	<u>0</u>	<u>(3,014,836)</u>
(Accrued)/Prepaid Cost	(1,747,512)	(69,973,540)	(437,361)	(37,494,446)	(1,344,571)	(16,031,336)	(14,491,974)	(141,520,739)
P&L Expense								
Operating Expense								
Service Cost	93,723	2,491,923	12,790	1,065,547	0	944,309	266,936	4,875,228
Exceptional Costs (STBs)	0	0	0	0	0	0	0	0
Prior Service Costs	(7,130)	(229,910)	20	(95,087)	(6,086)	(81,953)	0	(420,145)
Curtailment/Settlement Costs	0	0	0	0	0	0	0	0
Total Operating Expense	86,593	2,262,013	12,810	970,460	(6,086)	862,356	266,936	4,455,083
Financing Expense								
Interest Cost	350,290	11,913,237	28,083	5,650,421	1,566,411	3,715,696	1,527,165	24,751,303
Expected Return on Assets	<u>(319,711)</u>	<u>(9,968,931)</u>	<u>454</u>	<u>(4,403,445)</u>	<u>(1,873,098)</u>	<u>(3,569,889)</u>	<u>(858,979)</u>	<u>(20,993,599)</u>
Total Financing Expense	30,579	1,944,306	28,537	1,246,976	(306,687)	145,807	668,186	3,757,704
Total P&L Expense	117,172	4,206,319	41,347	2,217,436	(312,773)	1,008,163	935,122	8,212,787
Expected Benefit Payments								
Gross	229,000	10,513,000	11,000	5,510,000	2,262,000	2,742,000	1,423,000	22,690,000
Net	213,000	9,818,000	10,000	5,121,000	2,077,000	2,569,000	1,251,000	21,059,000
Expected Contributions	191,000	6,223,000	0	3,456,000	0	1,635,000	1,495,000	13,000,000
Assumptions								
Discount Rate	6.50%							
Expected Return on Assets	8.25%							
Initial Pre-65 Medical Trend Rate	9.00%							
Initial Post-65 Medical Trend Rate	10.00%							
Ultimate Medical Trend Rate	5.00%							
Mortality	RP2000CH							

9/8/2008

National Grid USA

Retiree Health and Welfare Plan - Nonunion

Gross FAS 106 Expense April 1, 2008 through March 31, 2009 (without reflecting federal subsidy)

	Granite St	Mass Elec	Nantucket	Narr Elec	NE Power	NGUSCO	NE Gas	Total
Reconciliation of Funded Status, 4/1/2008								
Accumulated Postretirement Benefit Obligation	(6,794,285)	(113,197,308)	(640,819)	(58,304,597)	(28,955,491)	(225,306,886)	(40,453,907)	(473,653,293)
Assets at Fair Value	<u>3,305,430</u>	<u>53,496,787</u>	0	<u>26,507,925</u>	<u>19,368,710</u>	<u>77,588,556</u>	<u>5,476,151</u>	<u>185,743,559</u>
Funded Status	(3,488,855)	(59,700,521)	(640,819)	(31,796,672)	(9,586,781)	(147,718,330)	(34,977,756)	(287,909,734)
Unrecognized:								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	(100,542)	(1,626,289)	(5,358)	(595,571)	(47,750)	(2,731,002)	0	(5,106,512)
Net (Gain)/Loss	<u>2,711,169</u>	<u>39,754,693</u>	<u>321,291</u>	<u>24,887,299</u>	<u>7,597,851</u>	<u>96,232,340</u>	<u>6,853,445</u>	<u>178,358,088</u>
(Accrued)/Prepaid Cost	(878,228)	(21,572,117)	(324,886)	(7,504,944)	(2,036,680)	(54,216,992)	(28,124,311)	(114,658,158)
Market Related Value of Assets	3,501,944	56,677,266	0	28,083,868	20,520,214	82,201,335	5,801,718	196,786,345
Net Postretirement Benefit Cost								
Service Cost	49,081	1,112,050	15,031	469,139	0	4,351,970	359,129	6,356,400
Interest Cost	427,556	7,134,940	41,068	3,666,981	1,802,870	14,328,788	2,562,424	29,964,627
Expected Return on Assets	(244,987)	(4,066,690)	608	(2,008,960)	(1,439,992)	(5,835,734)	(452,838)	(14,048,593)
Amortization of								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	(13,387)	(240,571)	(2,038)	(83,964)	(18,157)	(390,036)	0	(748,153)
Net (Gain)/Loss	<u>132,987</u>	<u>1,830,035</u>	<u>18,638</u>	<u>1,266,731</u>	<u>257,304</u>	<u>5,006,440</u>	<u>179,890</u>	<u>8,692,027</u>
Net Postret. Benefit Cost	351,250	5,769,764	73,307	3,309,927	602,025	17,461,428	2,648,605	30,216,308
FAS 106 VERO One-time Charges	0	13,600	0	7,400	0	305,000	54,000	380,000
Regulatory Expense / (Income)	<u>97,157</u>	<u>3,243,240</u>	<u>13,094</u>	<u>1,424,385</u>	<u>(1,282,165)</u>	<u>915,435</u>	<u>1,073,838</u>	<u>5,484,984</u>
Total Expense / (Income)	448,407	9,026,604	86,401	4,741,712	(680,140)	18,681,863	3,776,443	36,081,292
Expected Benefit Payments	433,000	6,858,000	18,000	3,779,000	2,438,000	9,728,000	2,064,000	25,318,000
Expected Contributions	344,000	6,999,000	0	3,568,000	2,032,000	9,118,000	1,939,000	24,000,000
Assumptions								
Discount Rate	6.50%							
Expected Return on Assets	6.75%							
Initial Pre-65 Medical Trend Rate	9.00%							
Initial Post-65 Medical Trend Rate	10.00%							
Ultimate Medical Trend Rate	5.00%							
Mortality	RP2000CH Proj. 15 years							9/8/2008

National Grid USA

Retiree Health and Welfare Plan - Union

Gross FAS 106 Expense April 1, 2008 through March 31, 2009 (without reflecting federal subsidy)

	Granite St	Mass Elec	Nantucket	Narr Elec	NE Power	NGUSCO	NE Gas	Total
Reconciliation of Funded Status, 4/1/2008								
Accumulated Postretirement Benefit Obligation	(6,029,072)	(206,107,888)	(543,641)	(97,985,754)	(27,398,447)	(64,428,859)	(29,636,465)	(432,130,126)
Assets at Fair Value	<u>3,799,952</u>	<u>119,905,893</u>	<u>0</u>	<u>52,690,296</u>	<u>23,842,553</u>	<u>43,020,605</u>	<u>9,631,334</u>	<u>252,890,633</u>
Funded Status	(2,229,120)	(86,201,995)	(543,641)	(45,295,458)	(3,555,894)	(21,408,254)	(20,005,131)	(179,239,493)
Unrecognized:								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	(84,556)	(2,710,116)	666	(1,125,575)	(72,742)	(965,645)	0	(4,957,968)
Net (Gain)/Loss	<u>2,243,110</u>	<u>71,107,349</u>	<u>3,394</u>	<u>37,794,027</u>	<u>14,524,633</u>	<u>21,102,675</u>	<u>8,851,349</u>	<u>155,626,537</u>
(Accrued)/Prepaid Cost	(70,566)	(17,804,762)	(539,581)	(8,627,006)	10,895,997	(1,271,224)	(11,153,782)	(28,570,924)
Market Related Value of Assets	4,020,399	126,861,996	0	55,747,019	25,225,731	45,516,360	10,190,077	267,561,582
Net Postretirement Benefit Cost								
Service Cost	107,903	2,931,268	17,500	1,231,769	0	1,157,270	380,700	5,826,410
Interest Cost	384,447	13,055,340	34,979	6,189,999	1,707,384	4,098,761	1,880,123	27,351,033
Expected Return on Assets	(337,994)	(10,545,851)	454	(4,656,962)	(1,987,815)	(3,776,880)	(905,320)	(22,210,368)
Amortization of								
Net Transition Obligation	0	0	0	0	0	0	0	0
Prior Service Cost	(8,091)	(259,924)	48	(107,785)	(6,941)	(92,627)	0	(475,320)
Net (Gain)/Loss	<u>94,224</u>	<u>2,889,626</u>	<u>0</u>	<u>1,655,095</u>	<u>690,318</u>	<u>807,284</u>	<u>353,665</u>	<u>6,490,212</u>
Net Postret. Benefit Cost	240,489	8,070,459	52,981	4,312,116	402,946	2,193,808	1,709,168	16,981,967
Regulatory Expense / (Income)	<u>18,597</u>	<u>620,760</u>	<u>2,506</u>	<u>272,636</u>	<u>(245,435)</u>	<u>175,221</u>	<u>715,892</u>	<u>1,560,177</u>
Total Expense / (Income)	259,086	8,691,219	55,487	4,584,752	157,511	2,369,029	2,425,060	18,542,144
Expected Benefit Payments	229,000	10,513,000	11,000	5,510,000	2,262,000	2,742,000	1,423,000	22,690,000
Expected Contributions	191,000	6,223,000	0	3,456,000	0	1,635,000	1,495,000	13,000,000
Assumptions								
Discount Rate	6.50%							
Expected Return on Assets	8.25%							
Initial Pre-65 Medical Trend Rate	9.00%							
Initial Post-65 Medical Trend Rate	10.00%							
Ultimate Medical Trend Rate	5.00%							
Mortality	RP2000CH							

9/8/2008

The Narragansett Electric Company, d/b/a National Grid
D-06-13
Responses to Division Data Requests – Set 7
Issued May 12, 2006

Division Data Request 7-5

Request:

Does Narragansett expect that the NEG balance sheet will be adjusted at the closing date to reflect the difference between the fair value of the NEG pension obligations and the fair value of plan assets? If the response is affirmative, please provide an estimate of such adjustments and any implications for the determination of future revenue requirements.

Response:

Yes. Pursuant to GAAP, at the acquisition date, the pension plan assets will be fair valued and any unrecognized prior service costs and unrecognized gains or losses must be realized. As was the case in the Eastern Utilities Associates (EUA) merger, for example, the EUA pension plan funded status included unrecognized net gains at the time of merger. For regulatory purposes, these gains were deferred and recorded as a regulatory liability which is being amortized as a reduction to pension expense over a period which approximates the remaining service life of the pension plan participants. This treatment effectively matches how the unrecognized amounts would have been recognized in pension expense pursuant to FAS87 had the merger not taken place. Narragansett expects that there will be an unrecognized loss in the NEG pension plan at the closing date, which would be deferred as a regulatory asset and amortized to pension expense. The unrecognized prior service costs and unrecognized losses in the NEG pension plan totaled \$55 million at September 30, 2005 per the actuarial valuations referred to in our response to Division Data Requests 7-1 and 7-2 and will be revalued via an actuarial study as of the acquisition date.

Prepared by or under the supervision of: Michael D. Laflamme

The Narragansett Electric Company, d/b/a National Grid
D-06-13
Responses to Division Data Requests – Set 7
Issued May 12, 2006

Division Data Request 7-6

Request:

Does Narragansett expect that the NEG balance sheet will be adjusted at the closing date to reflect the difference between the fair value of the NEG obligations for postretirement benefits other than pensions and the fair value of plan assets? If the response is affirmative, please provide an estimate of such adjustments and any implications for the determination of future revenue requirements.

Response:

Yes. Pursuant to GAAP, at the acquisition date, the postretirement benefits plan assets will be fair valued and any unrecognized prior service costs and unrecognized gains or losses must be realized. As was the case in the Eastern Utilities Associates (EUA) merger, for example, the EUA postretirement benefits plan funded status included unrecognized net gains at the time of merger. For regulatory purposes, these gains were deferred and recorded as a regulatory liability which is being amortized as a reduction to post retirement benefits expense over a period which approximates the remaining service life of the postretirement benefits plan participants. This treatment effectively matches how the unrecognized amounts would have been recognized in postretirement benefits expense pursuant to FAS106 had the merger not taken place. Narragansett expects that there will be an unrecognized loss in the NEG postretirement benefits plan at the closing date, which would be deferred as a regulatory asset and amortized to postretirement benefits expense. The unrecognized prior service costs and unrecognized losses in the NEG postretirement benefits plan totaled \$8 million at September 30, 2005 per the actuarial valuations referred to in our response to Division Data Requests 7-1 and 7-2 and will be revalued via an actuarial study as of the acquisition date.

Prepared by or under the supervision of: Michael D. Laflamme

National Grid
R.I.P.U.C. Docket No. 3943
Rhode Island Gas Rate Case
Responses to Division Data Requests – Set 1
Issued on April 23, 2008

Division Data Request DIV-1-7

Request:

Referring to Volume Page 5, Page 16, please explain what the accrued pension costs and FAS 106 recovery represent. The response should include an explanation of the extent to which the balances represent purchase accounting adjustments and the extent to which the balances represent accrued annual expenses in excess of contributions to the relevant funds.

Response:

The balance in the pension and OPEB balance sheet accounts at September 30, 2007 are made up of the following:

	<u>Pension</u>	<u>OPEB</u>
Balance at acquisition (Asset)/Liability	(\$32,622,409)	\$14,650,859
Merger purchase accounting adjustment	44,924,336	19,968,576
Amortization of merger purchase accounting adjustment	<u>(4,404,065)</u>	<u>(1,938,872)</u>
Net merger purchase accounting adjustment at 9/30/07	<u>40,520,271</u>	<u>18,029,704</u>
Expense accruals net of contributions and benefit payments	559,301	(1,392,704)
Amortization of merger purchase accounting adjustment	<u>4,404,065</u>	<u>1,938,872</u>
Total expense net of contributions and benefit payment	4,963,366	546,168
FAS 158 adjustment	<u>(851,067)</u>	<u>(1,480,622)</u>
Balance	<u>\$12,010,161</u>	<u>\$31,746,109</u>

The merger purchase accounting adjustment was an adjustment made to the pension and OPEB liability accounts as of the effective date of the merger to recognize previously unrecognized actuarial net losses and unrecognized net prior service costs. This adjustment increased these liability accounts and was recorded with an offset to regulatory assets. The regulatory asset is being amortized to pension and OPEB expense over the average remaining service lives of the participants of the plans (120 months for Providence Gas plans and 168 months for Valley Gas plans). This amortization, however, does not affect the balance of the pension and OPEB liability accounts. This is due to the fact that as the regulatory asset is amortized, the portion of these liability accounts related to the merger purchase accounting adjustment is reduced and the portion representing the expense accruals in excess of contributions is increased, both by the amount of the amortization.

National Grid
R.I.P.U.C. Docket No. 3943
Rhode Island Gas Rate Case
Responses to Division Data Requests – Set 1
Issued on April 23, 2008

Response to Division Data Request 1-7 (continued)

The FAS 158 adjustment is attributable to a new accounting standard that became effective for National Grid at the end of its fiscal year ended March 31, 2007. FAS 158 amends previous pension and OPEB accounting standards by requiring an employer to recognize an asset or liability on its balance sheet for the over funded or under funded status of the plan as defined in the standard. The initial recognition of this asset or liability is very similar to the merger purchase accounting adjustment because employers are now required to recognize any previously unrecognized actuarial gains and losses and unrecognized prior service costs. Future adjustments to the initial balances are made annually at the end of each fiscal year and represent actuarial gains or losses and prior service costs incurred during that year.

Division Data Request 2-5

Request:

Re: Attachment JFN-5 page 3, please:

- a. Provide full documentation for the determination of the dollar amounts for the rate allowances shown on lines 2 and 3, and assumptions and rationale that the Company relied upon in the determination of the referenced dollar amounts.
- b. Provide copies (preferably in digital format) of the attachments referenced on line 7: Current year actual PBOP Expense Including Service Company-Allocated Expense.
- c. Explain the timeframe and rationale used to determine line 7, Current year actual PBOP Expense Including Service Company-Allocated Expense. Also, if the referenced dollar amount reflects a proration of cost for the eight month period November 2008 – June 2009, please provide the supporting assumptions and calculations for that proration.

Response:

- a. The rate allowance dollar amounts on Attachment JFN-5, page 3 are eight twelfths of the annual rate allowance from Attachment NG-MDL-3 filed in Docket 3943. This reconciliation mechanism and methodology were approved by the Commission in its Order of January 29, 2009 in that proceeding. (See Order 19563 at pages 51-57.)
- b. Please see the response to data request DIV 2-4b and its associated attachments. Attachment DIV 2-4A is the Company revision to JFN-5. It also represents a revision to JFN-5S and WRR-3. This revision is for both Pensions and PBOP's. The supporting documentation for Line 7 of DIV 2-4A for both pages 1 and 2 is a worksheet and is included as Attachment DIV 2-4B. Also included is Attachment DIV 2-4C the reports from our actuaries, Hewitt Associates.
- c. The timeframe for the amounts on line 7 is November 2008 thru June 2009. This eight month period is in compliance with the Company's tariff that states that for the period ending June 30, 2009, the calculation will be based upon eight months. (See RIPUC NG-GAS 101, Section 3, Schedule A, Sheet 6, subpart 3.5). Attached are reports for the Company's fiscal year 2009 and 2010 calculation that shows that the expense is calculated by dividing the full year actuarial expense by twelve (12) and then multiplying the fiscal 2009 portion by five (5) and the fiscal 2010 portion by three (3).

Prepared by or under the supervision of William Richer: