

October 18, 2011

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4269 – 2011 Distribution Adjustment Charge Filing  
Response to Division Data Request 3-8**

Dear Ms. Massaro:

Enclosed is National Grid's<sup>1</sup> response to Division Data Request 3-8.

This transmittal completes the Company's responses to the Division's Third Set of Data Requests in the above-captioned proceeding.

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

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Docket 4269 Service List  
Leo Wold, Esq.  
Steve Scialabba

---

<sup>1</sup> The Narragansett Electric Company d/b/a National Grid ("Company").

Division 3-8

Request:

Referring to the response to DIV 1-2, please explain why the pension and PBOP funding in FY 2011 was less the pension and PBOP accruals in FY 2011.

Response:

The Company's response to DIV 1-2 was based on the information reflected in Attachment WRR-1, page 6, which provides the difference between the rate allowance for pensions and PBOPs for the last three periods ended June 30, 2011, as compared to amounts contributed to the external pension and PBOP trusts during that period. It is necessary to describe funding activity since the inception of the pension and PBOP reconciliation mechanism approved by the Rhode Island Public Utilities Commission (RIPUC) in Docket No. 3943 effective November 1, 2008, to explain FY 2011 funding as compared to FY 2011 pension and PBOP rate recovery.

First, the Company's pension and PBOP funding analysis provided in Attachment WRR-1 at page 6 understates the amount of cumulative funding due in part to the timing of contributions in the first year of the reconciliation. National Grid funds its pension and PBOP plans on a fiscal year basis (i.e. 12 months ending March 31). The Company's funding analysis provided on September 13, 2011 (Attachment WRR-1, page 6) reflects funding from November 1, 2008 to June 30, 2011; however, the analysis should reflect contributions during the Company's fiscal 2009 that were made prior to the effective date of the new mechanism. The Company made contributions of \$6,881,000 for pensions and \$3,434,000 for PBOPs in April 2008 which were the only contributions made by the Company during the fiscal year ended March 31, 2009. Please see Attachment DIV 3-8(A) for documentation supporting these contributions. (Please be advised that the Company has redacted bank account information on Attachment DIV 3-8(A)). The Company should have reflected five months (the post rate case period of November 2008 – March 2009) of these contributions, or \$2,867,083 ( $\$6,881,000 \times 5/12\text{ths}$ ) and \$1,430,833 ( $\$3,434,000 \times 5/12\text{ths}$ ) in column (a) of Attachment WRR-1, page 6 for pensions and PBOPs, respectively. Therefore, the funding shortfall reflected on Attachment WRR-1, page 6 should be reduced to \$3,460,165 ( $\$7,758,081$  per Attachment WRR-1, page 6, less \$2,867,083 and \$1,430,833).

During the period covered by the reconciliation mechanism, National Grid has based its level of funding on the allowance in rates for pension and PBOPs, while being mindful of the funding rules under the Pension Protection Act of 2006 (PPA). See further discussion of the PPA below. The pension and PBOP reconciliation mechanism is based on a fiscal year ending June 30 each year. However, as described above, National Grid develops its pension and PBOP funding plans on a fiscal year basis ending March 31 each year, so there is a lag between the June 30 date of

Division 3-8 (continued, p2)

the reconciliation mechanism, and the development of National Grid's following fiscal year funding plan. This lag partially contributes to the cumulative funding shortfall. In fiscal 2010, the Narragansett Gas funded \$5,100,000 for pensions and \$4,600,000 for PBOPs, or \$9,700,000 of total contributions, which were based on the rate allowances established in Docket No. 3943 of \$5,052,002 for pensions and \$4,567,873 for PBOPs (See rate allowance amounts on Attachment NG-JFN-5S, pages 2 and 3).

For Narragansett Gas in fiscal 2011, the funding plan included \$5,500,000 for pensions and \$5,400,000 for PBOPs. This reflects the base level rate allowances in Docket No. 3943 referred to above, plus \$400,000 and \$800,000 reflecting recovery of amounts deferred during the reconciliation period ended June 30, 2009 for pension and PBOP, respectively. In fiscal 2012, the funding plan included \$5,550,000 for pensions and \$5,250,000 for PBOPs. This reflects the base level rate allowances in Docket No. 3943 referred to above, plus \$450,000 and \$650,000 reflecting recovery of amounts deferred during the reconciliation period ended June 30, 2010 for pension and PBOP, respectively, however the proposed fiscal 2012 funding for deferral recoveries is less than the level actually being recovered by approximately \$1,400,000 in total (\$1,918,076 and \$572,555 of pension and PBOP deferral recoveries per Attachment WRR-1, page 6 compared to \$450,000 and \$650,000 included in the fiscal 2012 funding plan as described above). This also contributed to the funding shortfall; however, the Company plans to increase its funding by \$1,400,000 over the remainder of fiscal 2012 to make up this difference. After accounting for the \$1,400,000 of deferral recoveries that it plans to fund, the remaining shortfall is approximately \$2,100,000 as shown on Attachment DIV 3-8(B). The Company plans to fund this remaining shortfall before the end of fiscal 2012.

As referred to above, pension plan funding is determined with consideration of the PPA. The PPA establishes minimum funding levels for companies to avoid increased premiums to the Pension Benefits Guaranty Corporation and also avoid restrictions on its ability to pay benefits to retirees. As a result of this, the Company has directed a portion of PBOP recoveries to the pension plan to meet the minimum funding requirements under PPA.

Prepared by or under the supervision of: William R. Richer

**nationalgrid**

*VIA FASCIMILE*

April 8, 2008

Mr. Charles J. Abati  
Mellon Global Securities Services  
135 Santilli Highway  
AIM: 026-0030  
Everett, MA 02149

Re: New England Pension Contribution

Dear CJ;

On Tuesday, April 8, 2008, a contribution of \$50,000,000 will be sent from National Grid USA to the National Grid USA FAPP Plan.

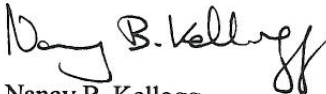
These contributions will be made for the fiscal year April 1, 2008 through March 31, 2009.

Please book employer contribution accounting to the following breakdown:

<b>Company</b>	<b>Contribution</b>
NG Service Company	\$ 20,781,000
Mass Electric	14,182,000
New England Gas	6,881,000
New England Power	1,476,000
Narragansett Electric	5,942,000
Nantucket Electric	208,000
Granite State Electric	530,000
<b>TOTAL</b>	<b>\$ 50,000,000</b>

Please contact Terrence Bertrand at (508) 389-4104 if you have any questions regarding this contribution.

Sincerely,



Nancy B. Kellogg

cc: T. Bertrand  
F. Skypeck  
S. Doucette, Hewitt

PAGE 04/12

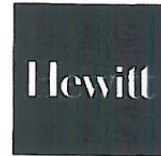
nationalgrid										REQUEST FOR WIRE										Date	
<b>Originating Bank</b> Routing #    Acct # <div style="text-align: center;">Federal Reserve Bank of Boston</div>										<b>Electronic Transfer Number</b> <div style="text-align: right;">04/07/2008</div>											
<b>Recipient Bank</b> Routing #    Acct #										<b>Paying Company Name and Number</b> <div style="text-align: right;">New England Gas Company 00048</div>											
<b>To the Account of:</b> Mellon Bank of New England										<b>Vendor No.</b> 93068					<b>Federal Tax No. or SSN</b>						
<b>Reference Information for Beneficiary:</b> National Grid USA FAPP Fund 2008/2009 Pension Attn: CJ Abati										<b>Payments Due Date</b> <div style="text-align: right;">04/08/2008</div>											
										<b>Amount</b> <div style="text-align: right;">\$ 6,881,000.00</div>											
										<b>Invoice Number</b> <div style="text-align: right; font-size: 1.2em;">11871</div>											
Business Unit	Activity	Project	WFO	Expense Type	Org Dept	Charge Dept	Billing Period	Segment	Acct	Req Acct	Originating Business Unit	Amount									
00048	253027	US, Non-Resident Assets Evt-04/28/07									00048	\$ 6,881,000.00									
<b>Preparer's Name (Print)</b> Jill M. Curley			<b>Phone Number</b> (508) 389-2713			<b>Approver's Name (Print)</b> Matthew J. Powers			<b>Signature</b> <i>Matthew J. Powers</i>			<b>PeopleSoft User ID</b>									
<b>Requested by</b> Nancy B. Kellogg			<b>Phone Number</b> (508) 389-2347			<b>Title</b> Director, Investment Mgt.			<b>Signature</b> <i>Nancy B. Kellogg</i>			<b>PeopleSoft User ID</b> KELLOG									

**For Cash Management Use Only:**

Wired By RAV Date: 4/8/08 Value Date: \_\_\_\_\_  
 AUTHORIZED BY: \_\_\_\_\_ RECEIVED  
 APR - 8 2008

**For all Paying Companies other than Niagara Mohawk (#36), forward requests to:**  
**Louis Tabaldi, Cash Management, Westboro**  
**For Niagara Mohawk (Co.# 36) Requests, forward to:**  
**Steve Hixby, Accounts Payable, C-1, Syracuse**

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



April 4, 2008

Private and Confidential

Mr. Terrence P. Bertrand  
National Grid USA  
25 Research Drive  
Westboro, MA 01582

Dear Terrence:

Subject: 2008/2009 Pension Contribution for New England FAPP Plan

Consistent with the business plan projection, it is our understanding that National Grid will be making a \$50 million contribution during the month of April. Below is the company allocation of the \$50 million contribution.

	Contribution
NG Service Company	\$ 20,781,000
Mass Electric	14,182,000
New England Gas	6,881,000
New England Power	1,476,000
Narragansett Electric	5,942,000
Nantucket Electric	208,000
Granite State Electric	<u>530,000</u>
Total	\$ 50,000,000

The company allocation is based on each company's portion of normal cost. To the extent the contribution amount is greater than the normal cost, the excess amount is allocated on each company's liability. For this purpose, we have used the target liability and target liability normal cost as defined under the Pension Protection Act of 2006 (PPA).

As you know, the 2008 valuation is currently in progress and is scheduled to be complete this summer. However, using the January 1, 2007 valuation data and February 28, 2008 market value of assets, we estimate that the April 1, 2008 funding target percent (funded status) is 104 percent to 106 percent. Below we have summarized the major changes to the funding valuation as introduced by the PPA.

The PPA has changed the way liabilities, assets and contributions are calculated for qualified pension plans. Because 2008 is the first plan year PPA is effective, National Grid will need to make some decisions on how plan liabilities and assets will be valued. There is no IRS approval required for these decisions; however, if National Grid elects to change any methods after 2008, IRS approval will be required. We have outlined below the decisions that need to be made later this year, along with our recommendations.

Mr. Terrence P. Bertrand  
Page 2  
April 4, 2008



#### **Discount Rate Timing**

Under PPA, employers no longer choose the discount rate assumption to calculate plan liabilities (now called the funding target under PPA). Instead, the funding target is determined using three segment rates (interest rates) that apply to benefits paid during three distinct time periods: less than 5 years, between 5 and 20 years, and 20 years and beyond. The three segment rates are based on an underlying corporate bond yield curve. National Grid has the choice to use the yield curve for the month of April (the month that includes the valuation date) or any of the four months which precede the valuation date (December through March). We suggest National Grid use the earliest month (December) to allow for a longer planning period. The December 2007 segment rates are 5.70%, 5.90%, and 6.07%.

#### **Discount Rate Phase-in**

Under PPA, the segment rates are based on a 24-month average of yields on investment grade corporate bonds in the top three quality levels. Also, the new rates are phased in over three years, although National Grid can elect to ignore the phase-in. Because the phase-in does not materially impact the funded status of the plan, we have used transitional rates (i.e. the phase-in rates) to estimate the funding target percent.

#### **Asset Valuation Method**

The Value of Plan Assets (VPA) is generally equal to the fair market value. Alternatively, the VPA can be based on an averaging method that takes into account the fair market values and averages these values over a period of no more than 24-months ending on the valuation date. Furthermore, the VPA must be within 90% to 110% of the fair market value as of the valuation date. Using 24 month averaging serves to reduce the volatility but will tend to produce a VPA which, in the long term, will lag the fair market value (for 24 month averaging, we estimate by approximately 8 percent). Setting the VPA to the fair market value will avoid the lag factor, but will result in more volatility because the VPA is based on the fair market value of one day only. Thus, we recommend using a VPA that averages the fair market value over a 3 to 5-month period. Below we have estimated the April 1, 2008 funding target percent using a VPA equal to the fair market value and to 4 month averaging.

	<u>VPA equals FMV</u>	<u>VPA with 4 month Averaging</u>
VPA, 4/1/2008	\$1,486,500,000	\$1,512,900,000
Funding Target	\$1,427,400,000	\$1,427,400,000
Funding Target %	104%	106%



Mr. Terrence P. Bertrand  
Page 3  
April 4, 2008



Terrence, if you have any questions, please call.

Sincerely,

Hewitt Associates LLC

A handwritten signature in black ink, appearing to read "SFD", is written over a horizontal line.

Stephen F. Doucette

SFD:chz  
4844LS31

Enclosure

cc: Ms. Maureen Heaphy, National Grid USA  
Ms. Nancy Kellogg, National Grid USA  
Ms. Lorraine Lynch, National Grid USA  
Ms. Susan Toronto, National Grid USA  
Ms. Carol MacDonald, Hewitt Associates  
Ms. Ditah Rimer, Hewitt Associates



**Curley, Jill M.**

---

**From:** Kellogg, Nancy  
**Sent:** Friday, April 04, 2008 3:23 PM  
**To:** Curley, Jill M.; Tabaldi, Louis  
**Cc:** Bertrand, Terrence P.  
**Subject:** FW: FAPP Funding  
**Attachments:** 4844L531.pdf

We hope to make these contributions as soon as possible.

---

**From:** Steve Doucette [mailto:[steve.doucette@hewitt.com](mailto:steve.doucette@hewitt.com)]  
**Sent:** Friday, April 04, 2008 3:10 PM  
**To:** Kellogg, Nancy; Bertrand, Terrence P.  
**Cc:** steve doucette; Carol MacDonald; Ditah Rimer  
**Subject:** FAPP Funding

Nancy/Terrence,

Attached is a copy of the FAPP contribution letter.....



**Steve Doucette**  
Principal | Retirement & Financial Management  
Hewitt Associates | CitiPoint, 230 Third Avenue | Waltham, MA 02451  
Tel 781-314-7666 | Fax 781-891-0935  
[steve.doucette@hewitt.com](mailto:steve.doucette@hewitt.com) | [www.hewitt.com](http://www.hewitt.com)

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04/07/2008

**nationalgrid**

Nancy B. Kellogg  
Director, Investment Management

**REVISED – April 2, 2008**

*VIA FASCIMLE*

April 1, 2008

Mr. Charles J. Abati  
Mellon Global Securities Services  
135 Santilli Highway  
AIM: 026-0030  
Everett, MA 02149

Re: VEBA and 401(h) Contribution for New England Retiree Welfare Plans  
April 2, 2008 Contribution

Dear CJ;

On Wednesday, April 2, 2008, contributions will be sent from National Grid USA to the New England VEBA and 401(h) trusts.

These contributions will be made for the fiscal year April 1, 2008 through March 31, 2009.

For the New England Nonunion VEBA a wire for \$20 million will be sent to cash account [REDACTED]. Please book employer contribution accounting to the following breakdown:

Company	Nonunion Life VEBA	Nonunion Medical VEBA	Total Nonunion VEBA
NG Service Company	\$ 1,314,000	\$ 6,009,000	\$ 7,323,000
Mass Electric	1,057,000	5,018,000	6,075,000
New England Gas	167,000	1,272,000	1,439,000
New England Power	329,000	1,462,000	1,791,000
Narragansett Electric	530,000	2,545,000	3,075,000
Nantucket Electric	0	0	0
Granite State Electric	53,000	244,000	297,000
<b>TOTAL</b>	<b>\$ 3,450,000</b>	<b>\$ 16,550,000</b>	<b>\$ 20,000,000</b>

Mr. Abati  
Page 2  
April 1, 2008

For the New England Union VEBA a wire for \$13 million will be sent to cash account [REDACTED]  
Please book employer contribution accounting to the following breakdown:

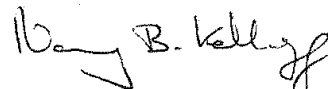
Company	Union Life VEBA	Union Medical VEBA	Total Union VEBA
NG Service Company	\$ 70,000	\$ 1,565,000	\$ 1,635,000
Mass Electric	265,000	5,958,000	6,223,000
New England Gas	64,000	1,431,000	1,495,000
New England Power	0	0	0
Narragansett Electric	147,000	3,309,000	3,456,000
Nantucket Electric	0	0	0
Granite State Electric	8,000	183,000	191,000
<b>TOTAL</b>	<b>\$ 554,000</b>	<b>\$ 12,446,000</b>	<b>\$ 13,000,000</b>

For the New England 401(h) a wire for \$4 million will be sent to cash account [REDACTED]  
Please book employer contribution accounting to the following breakdown:

Company	Nonunion Life 401(h)	Nonunion Medical 401(h)	Total Nonunion 401(h)
NG Service Company	\$ 0	\$ 1,795,000	\$ 1,795,000
Mass Electric	0	924,000	924,000
New England Gas	0	500,000	500,000
New England Power	0	241,000	241,000
Narragansett Electric	0	493,000	493,000
Nantucket Electric	0	0	0
Granite State Electric	0	47,000	47,000
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 4,000,000</b>	<b>\$ 4,000,000</b>

Please contact Terrence Bertrand at (508) 389-4104 if you have any questions regarding this contribution.

Sincerely,

  
Nancy B. Kellogg

cc: T. P. Bertrand  
M. DeRoche

04/02/2008 13:23 15088364560

TREASURY SERVICES

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nationalgrid		REQUEST FOR WIRE		Date								
				03/31/2008								
Originating Bank	Routing #	Acct #		Electronic Transfer Number								
Federal Reserve Bank of Boston												
Recipient Bank	Routing #	Acct #		Paying Company Name and Number								
				New England Gas Company								
To the Account of: Mellon Bank of New England				Vendor No. 93088								
				Federal Tax No. or SS#								
				Payment Due Date								
				04/02/2008								
Reference Information for Beneficiary: National Grid USA				Amount								
Retiree Welfare Fund 2008/2009 Non-union VERA				\$ 1,439,000.00								
Attn: CJ Abati				Invoice Number								
				11774								
Business Unit	Activity	Project	W/O	Expense Type	Orig Dept	Charge Dept	Billing Pool	Segment	Acct	Reg Acct	Originating Business Unit	Amount
00048	253106	p/s. Toronto-Acc'y Sves-03/28/07									00048	\$ 1,439,000.00
Preparer's Name (Print)		Phone Number		Approver's Name (Print)		Signature		PeopleSoft User ID				
Jill M. Curley		(508) 389-2713		William R. Richer				RICHER				
Requested By		Phone Number		Title		Signature		PeopleSoft User ID				
Nancy B. Kellogg		(508) 389-2347		Director, Investment Mgt.				KELLOG				

For Cash Management Use Only:

Wired By		Date:	4/1/08	Value Date:	4/2
				RECEIVED	
				APR - 2 2008	
AUTHORIZED BY:					

ACCOUNTS PAYABLE

For all Paying Companies other than Niagara Mohawk (#36), forward requests to:  
Louis Tabaldi, Cash Management, Westboro  
For Niagara Mohawk (Co.# 36) Requests, forward to:  
Steve Bixby, Accounts Payable, C-1, Syracuse

04/02/2008 13:23 15088364560

TREASURY SERVICES

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nationalgrid		<b>REQUEST FOR WIRE</b>		Date								
				03/31/2008								
Originating Bank	Routing #	Acct #	Electronic Transfer Number									
Recipient Bank	Routing #	Acct #	Paying Company Name and Number									
			New England Gas Company									
To the Account of: Mellon Bank of New England			Vendor No. 93088									
			Federal Tax No. or SS#									
			Payment Due Date									
			04/02/2008									
Reference Information for Beneficiary: National Grid USA			Amount									
Retiree Welfare Plan 2008/09 Union VEBA			1,495,000.00									
Attn: CJ Abati			Invoice Number									
			11773									
Business Unit	Activity	Project	W/O	Expense Type	Orig Dept	Charge Dept	Billing Pool	Segment	Acct	Reg Acct	Originaling Business Unit	Amount
00048	253106	p03, Yarmouth Acctg Svcs - 03/28/07									00048	\$ 1,495,000.00
Preparer's Name (Print)			Phone Number			Approver's Name (Print)			Signature			PeopleSoft User ID
Jill M. Curley			(508) 389-2713			William R. Richer						RICHER
Requested by			Phone Number			Title			Signature			PeopleSoft User ID
Nancy B. Kellogg			(508) 389-2347			Director, Investment Mgt.						KELLOG

For Cash Management Use Only:

Wired By		Date:	4/1/08	Value Date:	4/2/08
AUTHORIZED BY:					APR - 2 2008

ACCOUNTS PAYABLE

For all Paying Companies other than Niagara Mohawk(#36), forward requests to:  
Louis Tabaldi, Cash Management, Westboro  
For Niagara Mohawk (Co.# 36) Requests, forward to:  
Steve Bixby, Accounts Payable, C-1, Syracuse

04/02/2008 13:23 15088364560

TREASURY SERVICES

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nationalgrid		REQUEST FOR WIRE								Date		
										03/31/2008		
Electronic Transfer Number												
Originating Bank	Routing #	Federal Reserve Bank of Boston		Acct #		Paying Company Name and Number						
Recipient Bank	Routing #			Acct #		New England Gas Company						
To the Account of:		Mellon Bank of New England										
Reference Information for Beneficiary:		National Grid USA Nonunion Retiree Welfare Fund 2008/09 401(h) Attn: CJ Abati										
Vendor No.		93088		Federal Tax No. or SS#		00048						
Payment Due Date		04/02/2008		Amount		\$ 500,000.00						
Invoice Number		11772										
Business Unit	Activity	Project	W/O	Expense Type	Orig Dept	Charge Dept	Billing Pool	Segment	Acct	Reg Acct	Originating Business Unit	Amount
00048	253106	p/s Toronto Acctg Sys-03/25/07									00048	\$ 500,000.00
Preparer's Name (Print)		Phone Number		Approver's Name (Print)		Signature		PeopleSoft User ID				
Jill M. Curley		(508) 389-2713		William R. Richer				RICHER				
Requested by		Phone Number		Title		Signature		PeopleSoft User ID				
Nancy B. Kellogg		(508) 389-2347		Director, Investment Mgt.				KELLOG				

For Cash Management Use Only:

Wired By: Date: 4/1/08 Value Date: 4/2 RECEIVED  
APR - 2 2008  
AUTHORIZED BY:

ACCOUNTS PAYABLE

For all Paying Companies other than Niagara Mohawk(#36), forward requests to:  
Louis Tabaldi, Cash Management, Westboro  
For Niagara Mohawk (Co.# 36) Requests, forward to:  
Steve Bixby, Accounts Payable, C-1, Syracuse

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



March 28, 2008

Private and Confidential

Ms. Nancy B. Kellogg  
National Grid USA  
25 Research Drive  
Westboro, MA 01582

Dear Nancy:

Subject: April 2008 VEBA and 401(h) Contributions for New England Retiree Welfare Plans

We have estimated the 2008/2009 maximum deductible contributions for the National Grid USA nonunion postretirement welfare plan, for purposes of determining the April 2008 contribution amounts.

Using the January 1, 2007 valuation data, we estimate the maximum deductible contribution for the nonunion VEBA to be \$20 million for the fiscal year April 1, 2008 to March 31, 2009. We estimate the maximum deductible contribution for the 401(h) account to be \$4 million. For the union plan, we estimate fiscal year 2009 expense to be \$13 million.

It is our understanding that, National Grid will make a \$20 million contribution to the nonunion VEBA, a \$13 million contribution to the union VEBA and a \$4 million contribution to the nonunion 401(h) account during the first week of April.

Below is the company allocation of the \$20 million nonunion VEBA contribution.

	<b>Nonunion Life VEBA</b>	<b>Nonunion Medical VEBA</b>	<b>Total Nonunion VEBA</b>
NG Service Company	\$ 1,314,000	\$ 6,009,000	\$ 7,323,000
Mass Electric	1,057,000	5,018,000	6,075,000
New England Gas	167,000	1,272,000	1,439,000
New England Power	329,000	1,462,000	1,791,000
Narragansett Electric	530,000	2,545,000	3,075,000
Nantucket Electric	0	0	0
Granite State Electric	<u>53,000</u>	<u>244,000</u>	<u>297,000</u>
Total	\$ 3,450,000	\$ 16,550,000	\$ 20,000,000





Ms. Nancy B. Kellogg  
Page 2  
March 28, 2008

Below is the company allocation of the \$13 million union VEBA contribution.

	<b>Union Life VEBA</b>	<b>Union Medical VEBA</b>	<b>Total Union VEBA</b>
NG Service Company	\$ 70,000	\$ 1,565,000	\$ 1,635,000
Mass Electric	265,000	5,958,000	6,223,000
New England Gas	64,000	1,431,000	1,495,000
New England Power	0	0	0
Narragansett Electric	147,000	3,309,000	3,456,000
Nantucket Electric	0	0	0
Granite State Electric	<u>8,000</u>	<u>183,000</u>	<u>191,000</u>
Total	\$ 554,000	\$ 12,446,000	\$ 13,000,000

Below is the company allocation of the \$4 million nonunion 401(h) contribution.

	<b>Nonunion Life 401(h)</b>	<b>Nonunion Medical 401(h)</b>	<b>Total Nonunion 401(h)</b>
NG Service Company	\$ 0	\$ 1,795,000	\$ 1,795,000
Mass Electric	0	924,000	924,000
New England Gas	0	500,000	500,000
New England Power	0	241,000	241,000
Narragansett Electric	0	493,000	493,000
Nantucket Electric	0	0	0
Granite State Electric	<u>0</u>	<u>47,000</u>	<u>47,000</u>
Total	\$ 0	\$ 4,000,000	\$ 4,000,000



Ms. Nancy B. Kellogg  
Page 3  
March 28, 2008

Nancy, if you have any questions, please call.

Sincerely,

Hewitt Associates LLC

A handwritten signature in blue ink, appearing to read "SFD", is written over the printed name.

Stephen F. Doucette

SFD:chz

4844L528

cc: Mr. Terrence Bertrand, National Grid USA  
Mr. Malcolm Cooper, National Grid USA  
Mr. William R. Richer, National Grid USA  
Ms. Susan Toronto, National Grid USA  
Ms. Frances Skypeck, National Grid USA  
Ms. Kerry-Ann Forrester, Hewitt Associates  
Ms. Carol MacDonald, Hewitt Associates  
Ms. Ditah Rimer, Hewitt Associates

**National Grid - RI Gas  
Pension and PBOP Funding Reconciliation  
For the twelve months ended June 30, 2011**

	(a) June 30, 2009	(b) June 30, 2010	(c) June 30, 2011
<b>1 Pension</b>			
<b>2</b>			
<b>3 <u>Funding Reconciliation:</u></b>			
<b>4 Rate Allowance</b>	\$3,368,002	\$5,052,002	5,052,002
<b>5 DAC Recovery for Prior Year Expense Reconciliation</b>	-	371,572	1,918,076
<b>6 Total Rate Allowance</b>	\$3,368,002	\$5,423,574	\$6,970,079
<b>7</b>			
<b>8 Funded Amount</b>	\$2,741,250	\$5,020,292	4,634,525
<b>9</b>			
<b>10 Current Year Internal Funding Reserve</b>	(\$626,752)	(\$403,282)	(\$2,335,554)
<b>11 Cumulative Internal Funding Reserve - Rate Base Credit</b>	<b>(\$626,752)</b>	<b>(\$1,030,034)</b>	<b>(\$3,365,588)</b>
<b>12</b>			
<b>13 PBOP</b>			
<b>14</b>			
<b>15 <u>Funding Reconciliation:</u></b>			
<b>16 Rate Allowance</b>	\$3,045,249	\$4,567,873	\$4,567,873
<b>17 DAC Recovery for Prior Year Expense Reconciliation</b>	-	802,863	572,555
<b>18 Total Rate Allowance</b>	\$3,045,249	\$5,370,736	\$5,140,428
<b>19</b>			
<b>20 Funded Amount</b>	\$4,600,000	\$1,891,485	\$2,672,434
<b>21</b>			
<b>22 Current Year Internal Funding Reserve</b>	\$1,554,751	(\$3,479,251)	(\$2,467,994)
<b>23 Cumulative Internal Funding Reserve - Rate Base Credit</b>	<b>\$1,554,751</b>	<b>(\$1,924,500)</b>	<b>(\$4,392,494)</b>
<b>24</b>			
<b>25 Pension PBOP Internal Funding Ratebase addition/(credit)</b>	<b>\$927,999</b>	<b>(\$2,954,534)</b>	<b>(\$7,758,081)</b>
<b>26</b>			
<b>27 Less: Pension April 2008 Funding (5/12ths)</b>			\$2,867,083
<b>28 Less: PBOP April 2008 Funding (5/12ths)</b>			\$1,430,833
<b>29</b>			
<b>30 Revised Pension PBOP Internal Funding Ratebase addition/(credit)</b>			<b>(\$3,460,165)</b>
<b>31</b>			
<b>32 Deferral under funding--to be funded during Company's FY 12</b>			\$1,390,632
<b>33</b>			
<b>34 Remaining Additional Internal Funding credit to be funded during FY 12</b>			<b>(\$2,069,533)</b>

Line Notes:

- 27 April 2008 payment of \$6,881,000 x 5/12ths = \$2,867,083 (See Attachment DIV 3-8 (A))  
28 April 2008 payment of \$3,434,000 x 5/12ths = \$1,430,833 (See Attachment DIV 3-8 (A))  
32 Under funding of FY 10 deferral recovery to be funded by the end of the Company's FY 12:

	Pension	PBOP	Total
Expense reconciliation deferral year ended June 30, 2010	\$1,918,076	\$572,555	\$2,490,632
Actual funding per Company funding plan	\$450,000	\$650,000	\$1,100,000
FY 10 deferral under funding	\$1,468,076	(\$77,445)	\$1,390,632