

The Narragansett Electric Company

d/b/a National Grid

INVESTIGATION AS TO THE  
PROPRIETY OF PROPOSED TARIFF  
CHANGES

Compliance Filing

Compliance Summary  
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Attachments

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January 24, 2013

Submitted to:  
Rhode Island Public Utilities Commission  
R.I.P.U.C. Docket No. 4323

Submitted by:

nationalgrid



THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
R.I.P.U.C. Docket No. 4323

## Compliance Summary

The Narragansett Electric Company  
Compliance Filing Summary Including  
Summary of Changes in Compliance Attachments  
As A Result of Debt Issuance

**Compliance Filing Summary – Docket 4323**

The Narragansett Electric Company d/b/a National Grid (the “Company”) submits this summary to (a) identify changes in the attachments to the approved Amended Settlement that are required to reflect the Company’s December 10, 2012 issuance of \$250 million of long-term debt pursuant to a separate settlement agreement between the Company and the Division of Public Utilities and Carriers (“Division”) in Division Docket D-12-12, (b) reflect the approved rates for the recovery of uncollectible expense, and (c) reflect the inclusion in rate base of capital additions that are currently being recovered through the Electric and Gas Infrastructure, Safety and Reliability (“ISR”) plans.

**Debt Issuance Impacts on Revenue Requirement**

The Company issued the debt on December 10, 2012 at a rate of 4.17% for a term of 30 years. The effect of this debt issuance reduced the weighted average cost of capital to 7.17% and 7.54% for electric and gas, respectively, thus reducing the electric and gas revenue requirement by \$582,747 and \$393,948, respectively, from the revenue requirement contained in the Amended Settlement. The capital structure reflected in the approved Amended Settlement was unchanged by the \$250 million long-term debt issuance.

As a result, the compliance electric revenue requirement is \$259,948,386 reflecting a rate base of \$561,738,462, resulting in a total base revenue increase of \$20,925,482.

The compliance gas revenue requirement is \$166,765,895 reflecting a rate base of \$372,661,602, resulting in a total base revenue increase of \$10,898,619.

These compliance revenue requirements, the newly approved uncollectible expense rates, and the ISR-related changes to rate base have been reflected in the electric and gas rate design attachments as follows:

**Electric Updates**

- All base distribution charges, including customer, demand (per kW) and energy (per kWh) charges, have been changed to reflect the compliance revenue requirement of \$259,948,386.
- The ISR CapEx base charge has been set to \$0 to reflect the inclusion in base rates of the revenue requirement associated with capital investment that is currently being recovered through that charge. The O&M factor implemented on April 1, 2012 and the CapEx and O&M reconciling factors, reconciling actual to estimated capital investment for fiscal year 2012, implemented October 1, 2012, remain in effect.

The Narragansett Electric Company  
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- The Energy Efficiency Program charge has been revised from \$0.00895 per kWh to \$0.00906 per kWh to reflect the adjustment to include the approved uncollectible rate of 1.25%.
- Although the Standard Offer Administrative Cost Adjustment factor and the Transmission Uncollectible factor will be affected by the change in the uncollectible rate the Company is not proposing any change to these charges until the next scheduled rate change applicable to these factors, which will be on April 1, 2013. However, the Company is reflecting the effect of this change in the typical bill impact analysis for each class.

Gas Updates

- All base distribution charges, including customer and energy (per therm) charges, have been changed to reflect the compliance revenue requirement of \$166,765,895.
- The Energy Efficiency Program charge has been revised from \$0.0413 per therm to \$0.0417 per therm to reflect the adjustment to include the approved uncollectible rate of 3.18%.
- The Distribution Adjustment charges have been revised to reflect the updated uncollectible rate of 3.18% and to eliminate the Capital Expenditure Tracker and to zero out the ISR Component.
- The Gas Cost Recovery Factor (“GCR”) has been revised to include (a) the uncollectible rate of 3.18%; (b) a revision to the gas cost working capital to reflect the lead days of 21.51 days, cost of capital of 7.54%, and total cost of debt (short term and long term) of 2.86%; and (c) the revision to the Supply Related LNG O&M expense in the amount of \$1,148,275. As a result of these changes, the revised Low Load GCR rate will be \$0.6725 per therm, which is an increase of \$0.0050 per therm (0.7%) as compared to the currently approved rate, while the revised High Load GCR rate will be \$0.6240 per therm, which is an increase of \$0.0047 per therm (0.8%) as compared to the currently approved rate. The revised FT-2 Marketer Demand rate will be \$7.4178 per MDCQ dekatherm, which is an increase of \$0.0408 per MDCQ dekatherm (0.6%) as compared to the currently approved rate.



THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
R.I.P.U.C. Docket No. 4323

Amended Settlement Agreement  
Final

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS**

**PUBLIC UTILITIES COMMISSION**

\_\_\_\_\_)  
Re: The Narragansett Electric Company     )  
d/b/a National Grid's Application to Change     )  
Electric and Gas Base Distribution Rates     )  
\_\_\_\_\_)

Docket No. 4323

**AMENDED SETTLEMENT AGREEMENT**

The Narragansett Electric Company d/b/a National Grid (the "Company")<sup>1</sup> enters into this amended settlement agreement (the "Settlement Agreement") with the Division of Public Utilities and Carriers ("Division"), and the U.S. Department of the Navy ("Navy") (collectively, the "Settling Parties"), with regard to the Company's Application for Approval of a Change in Electric and Gas Base Distribution Rates Pursuant to R.I.G.L. §§ 39-3-10 and 39-3-11 (the "Application"). The Company submitted its Application to the Rhode Island Public Utilities Commission (the "Commission") on April 27, 2012.

**Background:**

The Company's Application to the Commission requested a change in base rates to address a total revenue deficiency of \$31,448,278 for Narragansett Electric and a total revenue deficiency of \$19,952,203 for Narragansett Gas. The Company's Application was necessary for the purpose of recovering the costs incurred by the Company to operate

<sup>1</sup> The term "Company" refers to The Narragansett Electric Company's electric and gas distribution operations on a collective basis. Where there is a need to refer to the individual electric and gas distribution operations of the Company, the terms "Narragansett Electric" or "Narragansett Gas," respectively, are used in this Settlement Agreement.



its electric distribution and gas delivery systems on a safe and reliable basis for the benefit of Rhode Island customers.

The Commission received comments from customers at public hearings held on September 5, September 18, September 19, September 25, and October 3, 2012, and from The Energy Council of Rhode Island (“TEC-RI”) by letter to the Commission dated September 21, 2012, requesting that the Commission limit the increase in electric delivery costs arising from the Company’s Application.

The Settling Parties have engaged in discovery and negotiations regarding the matters specified in the articles of this Settlement Agreement and have asserted competing and disputed claims with regard to certain issues contained in the Application, including, but not limited to, the magnitude of the proposed revenue deficiency and the appropriate rate-recovery mechanisms.

The Settling Parties now wish to resolve the contested issues raised by the Division and the Navy in direct testimony filed with the Commission on August 30, 2012, on mutually agreeable terms and without establishing any new precedents or principles applicable to any other proceedings.

The Settling Parties believe that a settled resolution will reduce costs for Rhode Island customers through the elimination of resource-consuming litigation before the Commission.

Accordingly, in consideration of the exchange of promises herein contained, the Settling Parties hereby agree, subject to approval by the Commission, as follows:

## **ARTICLE I: INTRODUCTION**

### **A. Procedural History**

Since the initial filing of its Application on April 27, 2012, the Company has responded to approximately 550 data requests issued by the Commission, the Division, the Navy and the George Wiley Center. On August 30, 2012, the Division filed the direct testimony of David J. Effron, Bruce A. Gay, Matthew I. Kahal, Dr. Emma L. Nicholson, Bruce R. Oliver and Lee Smith, raising issues in relation to the calculation of the proposed revenue requirement, the computation of allowable uncollectible expense, the cost of capital, and other ratemaking issues including, but not limited to, customer growth on the gas distribution system, cost allocation, and rate design. On August 30, 2012, the Navy filed the direct testimony of Ali Al-Jabir, raising issues in relation to one or more of these same matters. The Rhode Island Attorney General intervened in the proceeding.

### **B. Settling Parties' Statement**

This Settlement Agreement is based on extensive discovery and negotiations among the Settling Parties concerning all issues involved in establishing new base rates for the Company's gas and electric operations to become effective February 1, 2013. The Settling Parties agree that the outcome of this Settlement Agreement is just and reasonable and in the public interest.

### **C. Scope**

The Settlement Agreement resolves all issues contested among the Settling Parties and establishes distribution rates for the Company's electric and gas residential, commercial and industrial ("C&I"), and outdoor lighting customers in Rhode Island.

## **ARTICLE II: TERMS OF SETTLEMENT**

### **NARRAGANSETT ELECTRIC**

#### **A. Electric Revenue Requirement**

The base rates for Narragansett Electric shall be set in this proceeding based on a revenue requirement of \$260,531,133 using a test-year ended December 31, 2011 and rate-year ending January 31, 2014, as detailed in Amended Attachment 1 to this agreement.<sup>2</sup> The electric revenue requirement was determined using a total rate base of \$561,379,652; pro forma test-year operating revenues of \$844,436,763; distribution operating expenses of \$204,983,327; income taxes of \$14,679,368; and an overall rate of return of 7.28 percent. The electric revenue requirement established by the Settling Parties allows for recovery of a revenue deficiency of \$21,508,229, which represents a reduction of \$9,940,049 from the original request for Narragansett Electric. The increase to rates results in an estimated increase of \$2.56 per month for the typical Narragansett Electric residential customer consuming 500 kWh, or 3.5 percent on the total bill, as compared to rates in effect October 1, 2012.

#### **1. Rate Base**

##### **(a) Calculation of Rate Base**

The Settling Parties agree that rate base for Narragansett Electric shall be calculated to include capital additions approved in the Infrastructure, Safety and Reliability (“ISR”) plans for Fiscal Year 2012 (Docket No. 4218), Fiscal Year 2013 (Docket No. 4307), and estimated Fiscal Year 2014 additions through January 31, 2014. Narragansett Electric’s rate base shall be calculated to include non-ISR capital additions

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<sup>2</sup> Schedule A to this Settlement Agreement lists the attachments supporting this Settlement Agreement. Schedule A also provides a cross-reference to the bound volume that contains each respective attachment.

through January 31, 2014.<sup>3</sup> Narragansett Electric's rate base shall also reflect the reserve for uninsured claims and the unamortized cost of long-term debt issuance expense.

(b) Treatment of Deferred Taxes

The Settling Parties agree that Narragansett Electric's rate base includes a reduction for accumulated deferred income taxes, net of current income tax net operating loss ("NOL") receivables. Until the Company utilizes the NOL and receives the tax benefit from the Internal Revenue Service ("IRS"), thereby extinguishing the NOL receivable, the Company's NOL tax receivable shall be included in rate base. Effective from the date that the Company receives the tax benefit from the IRS, customers shall receive a rate-base credit through Narragansett Electric's ISR reconciliation mechanism. Similarly, if the Company is required to adjust its deferred taxes related to its capital-repairs tax deduction to reflect a settlement with the IRS, or an adverse determination by the IRS, the Company shall be entitled to recover the related impacts of such adjustment through its Narragansett Electric ISR reconciliation mechanism. When the IRS completes its review and renders a final determination on the Company's capital-repairs related tax deductions, the Company shall file a copy of the final determination with both the Commission and the Division.

**2. Operating Expenses**

(a) Uncollectible Accounts Expense

The Settling Parties agree that the recovery of distribution-related uncollectible-accounts expense shall be calculated using Narragansett Electric's actual five-year average of net write-offs as a percentage of revenues, or 1.25 percent. The actual, five-

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<sup>3</sup> Capital additions that are currently being recovered through the ISR will be included in rate base as of February 1, 2013, concurrent with the effective date of new base rates in this proceeding. Therefore, the capital-related portion of the ISR factor will be set to zero as of February 1, 2013.

year average write-off rate of 1.25 percent shall also be used to calculate recovery of transmission-related, energy efficiency-related, and commodity-related uncollectible accounts expense (see, Article II.C.1, below).

(b) Non-Deferrable Storm Expense

The Settling Parties agree that the amount of non-deferrable storm expense allowed for recovery through base rates shall be set at \$3,722,000 annually, subject to the following: If the actual level of non-deferrable storm expense in any calendar year is greater than \$5,722,000, then the amount in excess of \$5,722,000 shall be charged to the Storm Contingency Fund (the “Storm Fund”). If the actual level of non-deferrable storm expense in any calendar year is less than \$1,722,000, then the amount by which \$1,722,000 exceeds the actual non-deferrable storm expense in that calendar year shall be credited to the Storm Fund.

(c) Storm Fund

The Settling Parties agree that Narragansett Electric shall relinquish its request to establish a three-year Storm Cost Recovery Provision and associated Storm Cost Recovery factor. Instead, the base-rate revenue requirement established by the Settlement Agreement shall include \$1,800,000 annually as a contribution to the Storm Fund. Further, as a result of the damage and Company restoration efforts associated with Hurricane Sandy, which struck the Company’s service territory on October 29-30, 2012, the Settling Parties agree that it is appropriate to contribute an additional \$3.0 million to the Storm Fund annually, for a period of six years commencing with the effective date of base rates in this proceeding, or February 1, 2013. At the end of this six-year period, the continuation of this supplemental \$3.0 million annual Storm Fund contribution will be

subject to Commission review. The resulting total base rate recovery of Storm Fund contributions effective February 1, 2013, will be \$4.8 million.

Finally, the 10-year amortization of \$25 million related to a voluntary early retirement offer in 2003 (the “2003 VERO”), as set forth in the Second Amended Stipulation and Settlement approved in Docket No. 3617, concludes December 31, 2013 (i.e., the eleventh month of the Rate Year). The Settling Parties agree that, upon conclusion of the 2003 VERO cost amortization effective January 1, 2014, an additional \$2.5 million, on an annual basis, will be credited to Narragansett Electric’s Storm Fund. This will result in total annual Storm Fund contributions in the amount of \$7.3 million. To accomplish the incremental annual funding of \$2.5 million, Narragansett Electric shall contribute an additional \$208,333 per month to the Storm Fund commencing January 2014.

In addition, the Settling Parties agree that Narragansett Electric shall credit the Storm Fund in an amount equal to any incremental legal, consulting, or other costs that it incurred on its own behalf or on behalf of the Division to respond to the Division’s investigation in Docket D-11-94 regarding the Division’s review of the preparedness and restoration efforts related to Tropical Storm Irene. This credit to the Storm Fund will be recorded upon Commission approval of this Settlement Agreement.

### **3. Return on Rate Base**

#### **(a) Capital Structure**

The Settling Parties agree that the revenue requirement established by this Settlement Agreement for Narragansett Electric shall be set using the Company’s actual consolidated capital structure as of June 30, 2012, adjusted to eliminate Goodwill and

accumulated other comprehensive income (“AOCI”). The actual capital structure shall be further adjusted to include \$200 million of long-term debt to be issued pursuant to the separate settlement agreement entered into between the Division and the Company dated October 15, 2012, in Division Docket D-12-12.

(b) Cost of Long-Term Debt

The Settling Parties agree that the new long-term debt shall be pro-formed at an interest rate of 4.88 percent and debt expense estimated at 0.75 percent, or \$1.5 million. Upon completion of the long-term debt issuance, the revenue requirement established by the Settlement Agreement shall be adjusted to use the actual weighted cost of long-term debt and debt expense after the new debt issuance. Unless the long-term debt issuance is completed prior to submission of the compliance filing implementing rates as a result of this Settlement Agreement, the Company shall make a filing to the Commission within 60 days of the completion of the issuance to adjust base rates for Narragansett Electric to incorporate the actual debt rate and issuance costs in distribution rates. If the impact of incorporating the actual debt rate and issuance costs on Narragansett Electric’s total cost of service is less than \$100,000, no filing will be required and no rate adjustments will be made.

(c) Return on Common Equity

The Settling Parties agree that the return on common equity shall be set at 9.5 percent.

(d) Weighted Average Cost of Capital

The computation of the weighted average cost of capital established by this Settlement Agreement, or 7.28 percent, is set forth in Amended Attachment 1. The

weighted average cost of capital set forth in Amended Attachment 1, as adjusted pursuant to Article II.A.3.(b), above, shall be used for ratemaking purposes, including the ISR mechanism, until the next base-rate proceeding for Narragansett Electric.

**B. Cost Allocation and Rate Design**

**1. Allocated Cost of Service**

The Settling Parties agree, for the purpose of settlement in this proceeding, to use the allocated cost of service study initially filed by Narragansett Electric, except that customer-service costs shall be allocated on a kWh basis, as proposed by the Division and approved by the Commission in the Company's last electric rate case, Docket No. 4065, and similar to proposals made by the Division in this proceeding.

**2. Rate Design and Revenue Allocation**

The Settling Parties agree, for the purpose of settlement, that Narragansett Electric's rate design shall be the rate design filed by the Company, except: (1) the customer charges for the A-60 rate class and X-01 rate class shall be maintained at current levels; and (2) the increase to the G-62 rate class shall be limited to 1.5 times the system-average increase for the G-62 rate class as a whole.

**3. Miscellaneous Corrections**

The Settling Parties agree that Narragansett Electric shall make all corrections identified during discovery in finalizing the allocated cost of service, revenue allocation and rate design.

**4. Amended Attachments**

Amended Attachment 2 sets forth the rate tariffs the Settling Parties have agreed to modify and that will take effect for billings to customers of Narragansett Electric for



usage on and after February 1, 2013. Amended Attachments 3A through 3E provide the allocated cost of service study, rate design and bill impacts as of February 1, 2013, for all customer classes, resulting from the implementation of the new distribution rates for Narragansett Electric.

**C. Recovery Mechanisms Other Than Base Rates**

**1. Commodity-Related Uncollectible Accounts Expense**

The Settling Parties agree that the Company shall relinquish its proposal to recover commodity-related uncollectible accounts expense through a reconciling mechanism that allows for the recovery of actual expense. Pursuant to Article II.A.2.(a), above, the recovery of commodity-related uncollectible accounts expense shall be limited to the amount calculated by multiplying the actual five-year average write-off rate of 1.25 percent times total estimated commodity revenue in each Standard Offer Service rate filing submitted to the Commission and shall be reconciled annually on a calendar year basis.

**2. Pension Adjustment Mechanism**

The Settling Parties agree that the Pension Adjustment Mechanism (“PAM”) currently in place for Narragansett Gas to recover pension and other post-retirement employee benefits (“OPEB”) costs shall be implemented by Narragansett Electric based on a fiscal year ending March 31 reconciliation period to align with the Company’s financial reporting fiscal year. The Settling Parties further agree that the Company shall enhance the customer protections currently in place for the PAM by contributing to the pension and OPEB plans at the Minimum Funding Obligation level, which is the amount of pension and OPEB costs collected from customers through base rates and the PAM,

plus capitalized amounts of pension/OPEB cost. The Minimum Funding Obligation shall be contributed by the end of the quarter following the recognition of such costs. The Company shall also include a carrying charge in the PAM equal to the weighted average cost of capital, which shall be applied to any cumulative shortfall between the Minimum Funding Obligation and amounts contributed by the Company to the pension/OPEB plans, including payments to the service companies for allocated pension/OPEB costs. The cumulative shortfall for carrying charge purposes shall be measured quarterly for each fiscal year,<sup>4</sup> and a carrying charge on the five-quarter average shortfall, if any, shall be included in the subsequent PAM rate change. Attachment 4 provides an illustration of the electric PAM calculation. The Settling Parties agree that the Company shall design a uniform per kWh charge for the PAM implemented by Narragansett Electric.

### **3. Property Tax Expense**

The Settling Parties agree that the Company shall relinquish its request for a fully reconciling mechanism to recover property tax expense. In lieu of a reconciling mechanism to recover property tax expense, the Settling Parties agree to modify the method used to calculate recoverable property tax expense through the ISR.<sup>5</sup> The adjustment is limited to property embedded in Narragansett Electric's rate-year rate base in this proceeding, along with eligible cumulative ISR net property additions not included in rate base in this proceeding.

In determining the base on which property tax expense is calculated for purposes of the ISR revenue requirement, the Company shall include an amount equal to the base-rate allowance for depreciation expense and depreciation expense on incremental ISR

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<sup>4</sup> The Company's fiscal year is defined as the twelve month period ending March 31.

<sup>5</sup> This Settlement Agreement also resolves the method of recovering property tax expenses through the ISR.

plant additions in the accumulated reserve for depreciation that is deducted from plant in service. The ISR property tax recovery will also include the impact of any changes in the Company's effective property tax rates on base-rate embedded property, plus cumulative ISR net additions. Property tax impacts associated with non-ISR plant additions are excluded from the property tax recovery calculation. Attachment 5 depicts the ISR property tax recovery formula. The Company shall recover the allowable property tax expense from Narragansett Electric rate classes using a rate-base allocator.

#### **4. Other Tariffs and Non-Base Rate Mechanisms**

The Settling Parties agree that this Settlement Agreement is not intended to change the operation of any tariff or mechanism currently in effect pursuant to any statute or prior Commission order that are not specifically addressed in this Settlement Agreement, or contained in Amended Attachment 2.

#### **D. Earnings Sharing Mechanism**

The Settling Parties agree that Narragansett Electric shall continue to submit annual earnings reports for each calendar year showing its return on equity on intrastate earnings. Copies will be filed with the Commission and the Division. Such filings shall be made no later than May 1 of the succeeding year. For purposes of these earnings reports, results will be adjusted to reflect established Commission ratemaking principles. However, there will be no adjustments to actual results to recognize or annualize known and measurable changes. Narragansett Electric shall use the capital structure and cost rates set forth in Article II.A.3 of this Settlement Agreement. The return on common equity will be calculated by dividing the net income available for common equity by the common equity applicable to rate base. The common equity applicable to rate base shall

be calculated by multiplying the common equity ratio required by this subsection by rate base. Any accumulated earnings over the Narragansett Electric allowed return on equity of 9.5 percent, up to and including 100 basis points, shall be shared 50 percent with customers and 50 percent for Narragansett Electric. Any earnings over 100 basis points above the allowed return on equity of 9.5 percent shall be shared 75 percent with customers and 25 percent for Narragansett Electric.

## **ARTICLE III: TERMS OF SETTLEMENT**

### **NARRAGANSETT GAS**

#### **A. Gas Revenue Requirement**

Base rates for Narragansett Gas shall be set in this proceeding based on a revenue requirement of \$167,159,844, using a test-year ended December 31, 2011 and rate-year ending January 31, 2014, as detailed in Attachment 6.<sup>6</sup> The gas revenue requirement was determined using a total rate base of \$372,504,484; pro forma test-year operating revenues of \$366,691,174; operating expenses (excluding the cost of gas) of \$129,651,590; income taxes of \$9,011,661; and an overall rate of return of 7.65 percent. The gas revenue requirement established by the Settling Parties allows for recovery of a revenue deficiency of \$11,292,567, which represents a reduction of \$8,659,636 from the original request for Narragansett Gas. The increase to rates results in an estimated increase of \$55.00 for the typical Narragansett Gas residential heating customer consuming 846 therms annually, or 4.9 percent on the total bill, as compared to the rates in effect October 1, 2012.

#### **1. Rate Base**

##### **(a) Calculation of Rate Base**

The Settling Parties agree that rate base for Narragansett Gas shall be calculated to include capital additions approved in the ISR plans for Fiscal Year 2012 (Docket No. 4219), Fiscal Year 2013 (Docket No. 4306), and estimated Fiscal Year 2014 additions

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<sup>6</sup> Schedule A to this Settlement Agreement lists the attachments supporting this Settlement Agreement. Schedule A also provides a cross-reference to the bound volume that contains each respective attachment.

through January 31, 2014.<sup>7</sup> The Narragansett Gas rate base shall also reflect the reserve for uninsured claims and the unamortized cost of the long-term debt issuance expense.

(b) Treatment of Deferred Taxes

The Settling Parties agree that the Narragansett Gas rate base includes a reduction for accumulated deferred income taxes, net of current income tax NOL receivables. Until the Company utilizes the NOL and receives the tax benefit from the IRS, thereby extinguishing the NOL receivable, the Company's NOL tax receivable shall be included in rate base. Effective from the date that the Company receives the tax benefit from the IRS, customers shall receive a rate-base credit through the Narragansett Gas ISR reconciliation mechanism. Similarly, if the Company is required to adjust its deferred taxes related to its capital-repairs tax deduction to reflect a settlement with the IRS, or an adverse determination by the IRS, the Company shall be entitled to recover the related impacts of such adjustment through its Narragansett Gas ISR reconciliation mechanism. When the IRS completes its review and renders a final determination on the Company's capital-repairs related tax deductions, the Company shall file a copy of the final determination with both the Commission and the Division.

**2. Operating Expenses**

(a) Uncollectible Accounts Expense

The Settling Parties agree that the recovery of distribution-related uncollectible-accounts expense shall be calculated using the Narragansett Gas actual five-year average of net write-offs as a percentage of revenues, or 3.18 percent. The actual, five-year average write-off rate of 3.18 percent shall also be used to calculate recovery of energy

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<sup>7</sup> Capital additions that are currently being recovered through the ISR will be included in rate base as of February 1, 2013, concurrent with the effective date of new base rates in this proceeding. Therefore, the capital-related portion of the ISR factor will be set to zero as of February 1, 2013.

efficiency and commodity-related uncollectible accounts expense (see Article III.C.1, below).

### **3. Return on Rate Base**

#### **(a) Capital Structure**

The Settling Parties agree that the revenue requirement established by this Settlement Agreement for Narragansett Gas shall be set using the Company's actual consolidated capital structure as of June 30, 2012, adjusted to eliminate Goodwill and AOCI. The actual capital structure shall be further adjusted to include \$200 million of long-term debt to be issued pursuant to the separate settlement agreement entered into between the Division and the Company dated October 15, 2012, in Division Docket D-12-12.

#### **(b) Cost of Long-Term Debt**

The Settling Parties agree that the new long-term debt shall be pro-formed at an interest rate of 4.88 percent and debt expense estimated at 0.75 percent, or \$1.5 million. Upon completion of the debt issuance, the revenue requirement established by the Settlement Agreement shall be adjusted to use the actual weighted cost of long-term debt and debt expense after the new debt issuance. Unless the long-term debt issuance is completed prior to submission of the compliance filing implementing rates as a result of this Settlement Agreement, the Company shall make a filing to the Commission within 60 days of the completion of the issuance to adjust base rates to incorporate the actual debt rate and issuance costs in distribution rates. If the impact of incorporating the actual debt rate and issuance costs on Narragansett Gas' total cost of service is less than \$50,000, no filing will be required and no rate adjustments will be made.

(c) Return on Common Equity

The Settling Parties agree that the return on common equity shall be set at 9.5 percent.

(d) Weighted Average Cost of Capital

The computation of the weighted average cost of capital established by this Settlement Agreement, or 7.65 percent, is set forth in Attachment 6. The weighted average cost of capital set forth in Attachment 6, as adjusted pursuant to Article III.A.3.(b), above, shall be used for ratemaking purposes, including the ISR mechanism, until the next base-rate proceeding for Narragansett Gas.

**B. Cost Allocation and Rate Design**

**1. Allocated Cost of Service**

The Settling Parties agree, for the purpose of settlement in this proceeding, to use the allocated cost of service study initially filed by Narragansett Gas.

**2. Rate Design and Revenue Allocation**

The Settling Parties agree, for the purpose of settlement, that the Narragansett Gas rate design shall be the rate design initially filed, except as described below. The Settling Parties agree that the proposed customer charge for the residential heating class shall be \$13.00. The Settling Parties agree that the rate increase for the C&I Extra-Large Low Load Factor class should be reduced from the level proposed by Narragansett Gas to 3.79 percent. Narragansett Gas shall increase the non-heating rate class above the overall average for Narragansett Gas customer classes. Narragansett Gas shall update its bill-impact analysis in each rate class for this proceeding and in each subsequent base-rate proceeding to reflect actual mean usage for the test year.



### **3. Service to Dual-Fuel Customers**

The Settling Parties agree that Narragansett Gas will cease separate tracking of revenue for dual-fuel customers who utilize its Firm Service rate schedules. Revenue requirements for dual-fuel customers who utilize the Firm Service rate schedules will be counted within the revenues of the respective Firm Service rate classifications.

The Settling Parties agree that, in the absence of an allocated cost of service study that properly reflects Narragansett Gas costs of providing service to Non-Firm Service customers, the annual revenue requirement for dual-fuel customers who use Non-Firm service shall be set at \$1.8 million. Only non-firm revenue shall be included for the purpose of calculating the Distribution Adjustment Clause (“DAC”) On-System Margin factor.

The Settling Parties agree that Narragansett Gas will continue to account for firm customers and non-firm dual-fuel customers that migrate from or to the firm to non-firm classes. The annual \$1.8 million threshold will be adjusted to reflect changes in the non-firm customer base. If a firm customer converts to non-firm service, Narragansett Gas will increase the threshold by the customer’s prior year’s historical usage multiplied by the applicable non-firm rate set forth in this Settlement Agreement. If a non-firm customer converts to firm service, Narragansett Gas will decrease the threshold by the non-firm customer’s forecasted rate-year usage multiplied by the applicable non-firm rate set forth in this Settlement Agreement.

In the absence of an allocated cost of service study, which includes Non-Firm Service as a separate class, the Settling Parties agree for the purpose of this settlement to design rates for Non-Firm gas transportation service based on a 20 percent discount from

the otherwise applicable Firm C&I rates excluding firm customer charges. Narragansett Gas also agrees that the non-firm rate increase shall be less than or equal 19 percent and shall not exceed 19 percent.

The Settling Parties agree that Narragansett Gas will submit an allocated cost of service study in its next base-rate proceeding, which details the allocations of its full costs of service to all classes with Non-Firm service shown as a separate class within the study, although no determination is made by this Settlement Agreement as to whether Narragansett Gas shall use the study for the purpose of designing rates in that case.

#### **4. Firm Revenues**

A large commercial and industrial customer in southern Rhode Island has proposed to install a large gas-fired combined heat and power project. In the event such project is constructed, 50 percent of any incremental revenues received by Narragansett Gas will be credited to firm customers through the annual reconciliation of the DAC until the next base-rate proceeding for Narragansett Gas.

#### **5. Miscellaneous Corrections**

The Settling Parties agree that the Company shall make all corrections identified during discovery in finalizing the allocated cost of service, revenue allocation and rate design.

#### **6. Attachments**

Attachment 7 sets forth the rate tariffs that will take effect for billings to customers of Narragansett Gas for usage on and after February 1, 2013. Attachments 8A through 8D provide the allocated cost of service study, rate design and bill impacts as of

February 1, 2013, for all rate classes, resulting from the implementation of the new distribution rates for Narragansett Gas.

**C. Recovery Mechanisms Other than Base Rates**

**1. Commodity-Related Uncollectible Accounts Expense**

The Settling Parties agree that the Company shall relinquish its proposal to recover commodity-related uncollectible accounts expense through a reconciling mechanism that allows for the recovery of actual expense. Pursuant to Article III.A.2.(a), above, the recovery of commodity-related uncollectible accounts expense shall be limited to the amount calculated by multiplying the actual, five-year average write-off rate of 3.18 percent times total commodity revenues in each calendar year.

**2. Pension Adjustment Mechanism**

The Settling Parties agree that the PAM currently in place for Narragansett Gas to recover pension and OPEB costs shall continue, but the Company shall transition to a fiscal year ending March 31 reconciliation period to align with the Company's financial reporting fiscal year. The Settling Parties further agree that the Company shall enhance the customer protections applicable to the existing PAM by contributing to the pension and OPEB plans at the Minimum Funding Obligation level, which is the amount of pension and OPEB costs collected from customers through base rates and the PAM, plus capitalized amounts of pension/OPEB cost. The Minimum Funding Obligation shall be contributed by the end of the quarter following the recognition of such costs. The Company shall also include a carrying charge in the PAM equal to the weighted average cost of capital, which shall be applied to any cumulative shortfall between the Minimum Funding Obligation and amounts contributed by the Company to the pension/OPEB

plans, including payments to the service companies for allocated pension/OPEB costs. The cumulative shortfall for carrying charge purposes shall be measured quarterly for each fiscal year, and a carrying charge on the five-quarter average shortfall, if any, shall be included in the subsequent PAM rate change. The Settling Parties agree that the Company shall design a uniform per therm charge for the Narragansett Gas PAM.

### **3. Property Tax Expense**

The Settling Parties agree that the Company shall relinquish its request for a fully reconciling mechanism to recover property tax expense. In lieu of a reconciling mechanism to recover property tax expense, the Settling Parties agree to modify the method used to calculate recoverable property tax expense through the ISR.<sup>8</sup> The adjustment is limited to property embedded in the Narragansett Gas rate-year rate base in this proceeding, along with eligible cumulative ISR net property additions not included in rate base in this proceeding.

In determining the base on which property tax expense is calculated for purposes of the ISR revenue requirement, the Company shall include an amount equal to the base-rate allowance for depreciation expense and depreciation expense on incremental ISR plant additions in the accumulated reserve for depreciation that is deducted from plant in service. The ISR property tax recovery will also include the impact of any changes in the Company's effective property tax rates on base-rate embedded property, plus cumulative ISR net additions. Property tax impacts associated with non-ISR plant additions are excluded from the property tax recovery calculation. Attachment 5 depicts the ISR

---

<sup>8</sup> This Settlement Agreement also resolves the method of recovering property tax expenses through the ISR.

property tax recovery formula. The Company shall recover the allowable property tax expense from Narragansett Gas rate classes using a rate-base allocator.

#### **4. Gas Growth – Revenue Decoupling Mechanism (“RDM”)**

The Settling Parties agree that actual average rate-year customer data and actual rate year gas-growth capital investments will be used for purposes of establishing the Revenue Per Customer targets used in the calculation of the Narragansett Gas annual RDM for periods commencing February 1, 2013, or the effective date of base rates in this proceeding. Attachment 9 provides an illustrative calculation to be employed at the end of the rate year. As shown on this attachment, Narragansett Gas will calculate the difference between the forecasted gas-growth capital revenue requirement and the actual gas growth capital revenue requirement in the rate year. This difference shall be added to or subtracted from the total RDM class revenue requirement used to establish base rates in this proceeding. This adjusted total class revenue requirement will be divided by the actual average customer totals per rate class during the rate year to arrive at the class revenue per customer amount to be used in the calculation of RDM adjustments for all periods commencing February 1, 2013, and until new base rates are established for gas service. The method illustrated in Attachment 9 does not establish any precedent for the calculation of RDM adjustments subsequent to future gas base rate cases.

#### **5. Other Non-Base Rate Mechanisms**

The Settling Parties agree that this Settlement Agreement is not intended to change the operation of rate-recovery mechanisms that function outside of gas base rates to recover costs, except that filing dates shall be moved from June 30 of each year to March 31 of each year, as provided by tariff. Rate-recovery through these mechanisms

will continue in accordance with the tariffs approved and implemented with this Settlement Agreement.

**D. Earnings Sharing Mechanism**

The Settling Parties agree that Narragansett Gas shall continue to submit annual earnings reports showing its return on equity on intrastate earnings, but will move the reporting period to a fiscal year (April 1 through March 31). This reporting period aligns with the Company's fiscal year for financial reporting purposes. Copies will be filed with the Commission and the Division. Such filings shall be made no later than July 1 succeeding the end of the fiscal year. For purposes of these earnings reports, results will be adjusted to reflect established Commission ratemaking principles. However, there will be no adjustments to actual results to recognize or annualize known and measurable changes. Narragansett Gas shall use the capital structure and cost rates set forth in Article III.A.3 of this Settlement Agreement. The return on common equity will be calculated by dividing the net income available for common equity by the common equity applicable to rate base. The common equity applicable to rate base shall be calculated by multiplying the common equity ratio required by this subsection by rate base. Any accumulated earnings over the Narragansett Gas allowed return on equity of 9.5 percent, up to and including 100 basis points, shall be shared 50 percent with customers and 50 percent for Narragansett Gas. Any earnings over 100 basis points above the allowed return on equity of 9.5 percent shall be shared 75 percent with customers and 25 percent for Narragansett Gas. The Company's Annual Report to the Commission will reflect the same fiscal-year period, or the twelve months ended March 31.

#### **ARTICLE IV: SETTLEMENT CONDITIONS**

A. This Settlement Agreement is the result of negotiations among the Settling Parties. The discussions that have produced this Settlement Agreement have been conducted on the explicit understanding that all offers of settlement and discussions relating hereto are and shall be privileged, shall be without prejudice to the position of any party or participant presenting such offer or participating in any such discussion, and are not to be used in any manner in connection with these or other proceedings involving any one or more of the parties to this Settlement Agreement or otherwise. The agreement by a party to the terms of this Settlement Agreement shall not be construed as an agreement as to any matter of fact or law for any other purpose.

B. Unless expressly stated herein, the making of this Settlement Agreement establishes no principles and shall not be deemed to foreclose any Settling Party from making any contention in any other proceeding or investigation.

C. The Settling Parties submit this Settlement Agreement on the condition that it be approved in full by the Commission. In the event that the Commission (i) rejects this Settlement Agreement; (ii) fails to accept this Settlement Agreement as filed; or (iii) accepts this Settlement Agreement subject to conditions unacceptable to any party hereto, then this Settlement Agreement shall be deemed withdrawn and shall be null and void in all respects.

D. The Settling Parties recognize that the Commission has an ongoing obligation to modify rates to protect the public against improper and unreasonable rates, and that obligation cannot be precluded by a settlement agreement.

E. This Settlement Agreement may be signed in counterparts each of which shall be deemed an original and all of which together shall constitute one in the same document.

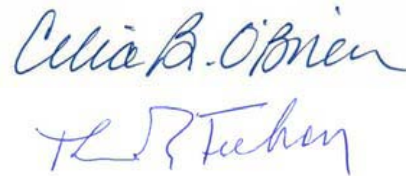


IN WITNESS WHEREOF, the parties agree that this Settlement Agreement is reasonable and have caused this document to be executed by their respective representatives, each being fully authorized to do so, as of this 13th day of November, 2012.

Respectfully submitted,

**DIVISION OF PUBLIC  
UTILITIES AND CARRIERS**  
By its Attorney,

**THE NARRAGANSETT ELECTRIC  
COMPANY D/B/A NATIONAL GRID**  
By its Attorneys,

Handwritten signatures of Celia B. O'Brien and Thomas R. Teehan in blue ink.

---

Leo J. Wold  
Assistant Attorney General

---

Celia B. O'Brien  
Thomas R. Teehan

**UNITED STATES DEPARTMENT OF  
THE NAVY**  
By its Attorney,

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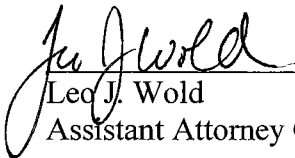
Ellen M. Evans  
Senior Trial Attorney  
Naval Litigation Office

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Respectfully submitted,

**DIVISION OF PUBLIC  
UTILITIES AND CARRIERS**  
By its Attorney,

**THE NARRAGANSETT ELECTRIC  
COMPANY D/B/A NATIONAL GRID**  
By its Attorneys,

  
\_\_\_\_\_  
Leo J. Wold  
Assistant Attorney General

\_\_\_\_\_  
Celia B. O'Brien  
Thomas R. Teehan

**UNITED STATES DEPARTMENT OF  
THE NAVY**  
By its Attorney,

\_\_\_\_\_  
Ellen M. Evans  
Senior Trial Attorney  
Naval Litigation Office

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**THE NARRAGANSETT ELECTRIC  
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By its Attorneys,

\_\_\_\_\_  
Leo J. Wold  
Assistant Attorney General

\_\_\_\_\_  
Celia B. O'Brien  
Thomas R. Teehan

**UNITED STATES DEPARTMENT OF  
THE NAVY**  
By its Attorney,



\_\_\_\_\_  
Ellen M. Evans  
Senior Trial Attorney  
Naval Litigation Office

**SCHEDULE A**

**LIST OF ATTACHMENTS**

<b><u>Compliance</u></b> <b><u>Attachment No.</u></b>	<b><u>Compliance</u></b> <b><u>Attachment Name</u></b>	<b><u>Book</u></b> <b><u>No.</u></b>
Attachment 1	Narragansett Electric Cost of Service	Book 1
Attachment 2	Electric Tariffs	Book 3
Attachment 3A	(Electric) Class Cost of Service Study	Book 2
Attachment 3B	Proposed (Electric) Distribution Revenue Allocation	Book 2
Attachment 3C	Summary of Proposed Electric Service Rates	Book 2
Attachment 3D	Proposed (Electric) Distribution Rate Design	Book 2
Attachment 3E	Typical Bills and Street and Area Lighting Bill Impacts	Book 2
Attachment 4	Illustrative Electric Pension/OPEB Tracker Mechanism	Book 1
Attachment 5	Illustrative ISR Property Tax Recovery Calculation	Book 1
Attachment 6	Narragansett Gas Cost of Service	Book 1
Attachment 7	Gas Tariffs	Book 4
Attachment 8A	Gas Cost of Service Study - Summary	Book 2
Attachment 8B	Gas Cost of Service Study - Detail	Book 2
Attachment 8C	Proposed Gas Rate Design	Book 2
Attachment 8D	Bill Impact Analysis	Book 2
Attachment 9	Illustrative RDM Revenue per Customer Target Calculation	Book 1
Attachment 10	Revised GCR - Gas Cost Recovery Docket 4346	Book 2
Attachment 11	Revised DAC - Distribution Adjustment Clause - Docket 4339	Book 2
Attachment 12	Revised Energy Efficiency Factor - Docket 4366	Book 2



THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
R.I.P.U.C. Docket No. 4323

Compliance Attachment 1

Narragansett Electric Cost of Service  
(Schedule MDL-3-ELEC)

**The Narragansett Electric Company d/b/a National Grid  
Test Year Ended December 31, 2011**

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**The Narragansett Electric Company d/b/a National Grid  
Test Year Ended December 31, 2011**

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The Narragansett Electric Company d/b/a National Grid  
Revenue Deficiency Summary  
Test Year Ended December 31, 2011

	(a)	(b)	(a) + (b) (c)	(d)	(c) + (d) (e)	(f)	(e) + (f) (g)
	<u>Test Year Books</u>	<u>Normalizing Adjustments</u>	<u>Adjusted Test Year Books</u>	<u>Pro Forma Adjustments</u>	<u>Rate Year Adjusted</u>	<u>Proposed Rate Increase</u>	<u>After Rate Increase</u>
1 Revenues	\$ 809,554,121	\$ 9,648,547	\$ 819,202,668	\$ 3,725,866	\$ 822,928,534	\$ 20,925,482	\$ 843,854,016
2							
3 Purchased Power & Other Reconciling Expense	574,060,882	6,118,882	580,179,764	3,725,866	583,905,630		\$ 583,905,630
4							
5 Net Distribution Revenues	<u>\$ 235,493,239</u>	<u>\$ 3,529,665</u>	<u>\$ 239,022,904</u>	<u>\$ -</u>	<u>\$ 239,022,904</u>		<u>\$ 259,948,386</u>
6							
7 Operation & Maintenance Expense	239,234,490	(118,539,823)	120,694,667	2,617,158	123,311,825	231,353	123,543,178
8							
9 Depreciation	48,428,228	(6,529,533)	41,898,695	3,087,296	44,985,990		44,985,990
10							
11 Amortization	617,200	722,539	1,339,739	(609,998)	729,741		729,741
12							
13 Gross Receipts Tax	30,674,656	(30,674,656)	-	-	-		-
14							
15 Taxes Other Than Income	35,375,758	(5,756,323)	29,619,434	5,944,169	35,563,603		35,563,603
16							
17 Interest on Customers Deposits	-	-	-	160,814	160,814		160,814
18							
19 Operating Income Before Income Taxes	<u>\$ (118,837,093)</u>	<u>\$ 164,307,462</u>	<u>\$ 45,470,369</u>	<u>\$ (11,199,439)</u>	<u>\$ 34,270,930</u>	<u>\$ 20,694,129</u>	<u>\$ 54,965,059</u>
20							
21 Income Taxes			10,884,780	(3,439,315)	7,445,465	7,242,945	14,688,410
22							
23 Operating Income After Income Taxes			<u>\$ 34,585,589</u>	<u>\$ (7,760,124)</u>	<u>\$ 26,825,465</u>	<u>\$ 13,451,184</u>	<u>\$ 40,276,649</u>
24							
25 Rate Base			\$ 531,936,315		\$ 561,738,462		\$ 561,738,462
26							
27 Rate Of Return			6.50%		4.78%		7.17%
28							
29 Cost of Capital			7.17%				7.17%
30							
31			<u>0.67%</u>				<u>0.00%</u>

Line Notes

- 1 From Page 4 of 71, Line 36
- 3 From Page 6 of 71, Line 12
- 5 Line 1 - Line 3
- 7 From Page 6 of 71, Line 14
- 9 From Page 6 of 71, Line 20
- 11 From Page 6 of 71, Line 21
- 13 From Page 6 of 71, Line 22
- 15 From Page 6 of 71, Line 23
- 17 From Page 6 of 71, Line 25
- 19 Line 5 - the sum of Lines 7 to Line 16
- 21 From Page 60 of 71, Line 17
- 23 Line 19 - Line 21
- 25 From Page 63 of 71, Line 21
- 27 Line 23 / Line 25
- 29 From Page 61 of 71, Line 9
- 31 Line 27 - Line 29

**The Narragansett Electric Company d/b/a National Grid  
Revenue Requirement Calculation  
Test Year Ended December 31, 2011**

1	<b><u>Revenue Requirement Calculation</u></b>	<b><u>Total</u></b>
2	Rate Base	\$ 561,738,462
3	Rate of Return	4.78%
4	Required Return	7.17%
5		
6	Required Operating Income	40,276,648
7	Operating Income After Taxes	26,825,465
8	Shortfall/(Excess)	<u>\$ 13,451,183</u>
9		
10	Gross up Factor for Taxes	1.5579
11		
12	<b>Revenue/(Excess) Requirement</b>	<b><u>\$ 20,925,482</u></b>
13		
14		
15	Gross Up Factor Calculation	100.00%
16	Uncollectibles	<u>-1.25%</u>
17		98.75%
18	Federal Income Taxes @ 35%	<u>-34.56%</u>
19	Net	64.19%
20	Gross Up Factor	1.5579

**Line Notes**

2	From Page 63 of 71, Line 21(c)
3	From Page 1 of 71, Line 27(e)
4	From Page 61 of 71, Line 9 (c)
6	Line 2 x Line 4
7	From Page 1 of 71, Line 23 (e)
8	Line 6 - Line 7
10	Line 20
12	Line 8 x Line 10 , excluding the impact of debt issuance adjustment on uncollectibles.
16	From Page 46 of 71, Line 10
17	Line 15 - Line 16
18	-Line 17 x federal income tax rate of 35%
19	Line 17 + Line 18
20	Line 15 / Line 19

The Narragansett Electric Company d/b/a National Grid  
Revenue Deficiency Summary- Recovery by Component  
Test Year Ended December 31, 2011

	(a) = sum (b)-(j)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
		Base Revenues	Storm Recovery	Late Payment	Revenue	Infrastructure,	Other	Commodity Related		Energy Efficiency
	Total	Base Rates	Provision	& Other Fees	Decoupling Adj	Safety and Reliability (CapEx)	Revenue <sup>1</sup>	Administrative	Commodity	Uncollectibles
1 Revenues	\$ 822,928,534	\$ 233,433,096		\$ 8,146,620	\$ (6,018,564)	\$ 3,461,752	\$ 151,643,096	\$ 6,582,222	\$ 376,831,161	\$ 48,849,151
2 Purchased Power and Other Reconciling Expense	583,905,630						151,643,096	6,582,222	376,831,161	48,849,151
3 Base Distribution	239,022,904	233,433,096	-	8,146,620	(6,018,564)	3,461,752	-	-	-	-
4										
5 Operation & Maintenance Expense	123,543,178	122,932,564								610,614
6 Depreciation	44,985,990	44,985,990								
7 Amortization	729,741	729,741								
8 Gross Receipts Tax	-	-								
9 Taxes Other Than Income	35,563,603	35,563,603								
10 Interest on Customers Deposits	160,814	160,814								
11 Income Taxes	14,688,410	14,688,410								
12 Rate Base	561,738,462	561,738,462								
13 Cost of Capital	7.17%	7.17%								
14 Return on Rate Base	40,276,648	40,276,648								
15 Total Revenue Requirement	\$ 259,948,385	\$ 259,337,770	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 610,614
16										
17 Reallocation/Adjustments										
18 CapEx	-	-								
19 Late Payment Charges & Other Fees	-	(8,146,620)		8,146,620						
20 Storm Cost Recovery	-									
21 RDM	-									
22 Sub-total Reallocation/Adjustments	-	(8,146,620)	-	8,146,620				-	-	
23										
24 Final Rate Year Revenues	\$ 259,948,385	\$ 251,191,150	\$ -	\$ 8,146,620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 610,614
25										
26 Total Rate Increase	\$ 20,925,480	\$ 17,758,054	\$ -	\$ -	\$ 6,018,564	\$ (3,461,752)	\$ -	\$ -	\$ -	\$ 610,614
27										

<sup>1</sup> Includes Transmission charge revenue, Transition charge revenue, ISR O & M charge revenue, Long-Term Contracting for Renewable Energy charge revenue

Line Notes

- 1(b) From Page 4 of 71, Line 3 + Line 4  
1(d) From Page 4 of 71, Sum of Line 13 thru Line 17  
1(e) From Page 4 of 71, Line 7  
1(f) From Page 4 of 71, Line 4  
1(g) From Page 4 of 71, Lines 26, 27, 28, 29, 32, and 33  
1(h) From Page 4 of 71, Line 22  
1(i) From Page 4 of 71, Line 27  
1(j) From Page 4 of 71, Line 28  
3(g) From Page 6 of 71, Lines 4(e), 5(e), 6(e), 7(e), and 9(e)  
3(h) From Page 6 of 71, Line 3(e)  
3(i) From Page 6 of 71, Line 1(e)  
3(j) From Page 6 of 71, Line 8(e)  
5 Line 1 - Line 3  
7(b) From Page 1 of 71, Line 7(g) - Line 7(j)  
7(j) From Page 46 of 71, Line 36  
9 From Page 1 of 71, Line 9(g)  
11 From Page 1 of 71, Line 11(g)  
13 From Page 1 of 71, Line 13(g)  
15 From Page 1 of 71, Line 15(g)  
17 From Page 1 of 71, Line 17(g)  
19 From Page 1 of 71, Line 21(g)  
21 From Page 1 of 71, Line 25(g)  
22 From Page 1 of 71, Line 29(g)  
23 Line 22 x Line 21  
25 Line 7 + Line 9 + Line 11 + Line 15 + Line 17 + Line 19 + Line 23  
29-33 From Company books  
33 Sum of Line 29 through Line 32  
35 Line 25 + Line 33

	Adjusted Revenues	Revenue Deficiency	(k) Unadjusted Revenues
Uncollectible expense			
Final Rate Year Revenues	\$ 251,191,150	\$ 20,925,480	\$ 230,265,670
ISR O&M	10,497,177		10,497,177
CTC	4,947,744		4,947,744
Final Rate Year Revenues Adjusted	\$ 266,636,071	\$ 20,925,480	\$ 245,710,591
Uncollectible rate	1.25%	1.25%	1.25%
Uncollectible expense as calculated	\$ 3,332,951	\$ 261,569	\$ 3,071,382
Uncollectible expense per COS	\$ 3,302,735	\$ 231,353	\$ 3,071,382
variance	\$30,215	\$30,216	\$0

(k) From Page 4 of 71, Line 9 (e) minus Page 3 of 71 Line 35(j)

The Narragansett Electric Company d/b/a National Grid  
Operating Revenue Summary  
Test Year Ended December 31, 2011

	(a)	(b)	(a) + (b)	(d)	(c) + (d)
Description	Test Year Books	Normalizing Adjustments	(c) Test Year Adjusted	Pro Forma Adjustments	(e) Rate Year
1					
2 Customer	\$ 47,878,742	\$ (736,152)	\$ 47,142,590	\$ 297,204	\$ 47,439,794
3 Distribution	193,411,625	(9,847,184)	183,564,441	2,428,861	185,993,302
4 ISR Cap Ex	500,661	2,895,838	3,396,499	65,253	3,461,752
5 SOS Admin	(6,582,222)	6,582,222	-	-	-
6 ISR O & M	(6,423,732)	6,423,732	-	-	-
7 RDM	(1,438,455)	(1,788,791)	(3,227,246)	(2,791,318)	(6,018,564)
8					
9 Total Base Distribution Revenues	<u>\$ 227,346,619</u>	<u>\$ 3,529,665</u>	<u>\$ 230,876,284</u>	<u>\$ -</u>	<u>\$ 230,876,284</u>
10					
11					
12 Other Distribution Revenues:					
13 Forfeited Discounts - Electric	1,474,450	-	1,474,450	-	1,474,450
14 Misc Service Revenue - Electric	805,548	-	805,548	-	805,548
15 Rent from Electric Property	4,405,990	-	4,405,990	-	4,405,990
16 Other Electric Revenue - Misc	1,460,632	-	1,460,632	-	1,460,632
17 Other Electric Revenue - Credit	-	-	-	-	-
18 Energy Efficiency Uncollectibles	-	-	-	-	-
19 Subtotal Distribution Revenue	<u>\$ 235,493,239</u>	<u>\$ 3,529,665</u>	<u>\$ 239,022,904</u>	<u>\$ -</u>	<u>\$ 239,022,904</u>
20					
21 Other Delivery and Commodity Revenue:					
22 SO Admin	6,582,222	-	6,582,222	-	6,582,222
23 ISR O & M	6,423,732	3,917,660	10,341,392	155,785	10,497,177
24 Transmission	118,067,241	13,815,857	131,883,098	2,490,312	134,373,410
25 Transmission Related Uncollectible Revenue	1,116,199	88,715	1,204,914	70,182	1,275,096
26 CTC (Transition)	(101,333)	4,957,163	4,855,830	91,914	4,947,744
27 Commodity	376,831,161	-	376,831,161	-	376,831,161
28 Energy Efficiency	34,591,429	13,350,261	47,941,690	907,461	48,849,151
29 LTRER	-	539,457	539,457	10,212	549,669
30 Gross Receipts Tax	30,550,231	(30,550,231)	-	-	-
31					
32 Total Other Operating Revenues	<u>\$ 574,060,882</u>	<u>\$ 6,118,882</u>	<u>\$ 580,179,764</u>	<u>\$ 3,725,866</u>	<u>\$ 583,905,630</u>
33					
34					
35					
36 Total Operating Revenues	<u>\$ 809,554,121</u>	<u>\$ 9,648,547</u>	<u>\$ 819,202,668</u>	<u>\$ 3,725,866</u>	<u>\$ 822,928,534</u>

Line/Column Notes

Column(a)	From Company Books
Column (b)	From Page 5 of 71, Column (a)
Column(d)	From Page 5 of 71, Column (b)
9	Sum of Line 2 through Line 7
19	Sum of Line 9 through Line 17
33	Sum of Line 21 through Line 18
37	Line 19 + Line 32

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Revenues**  
**Test Year Ended December 31, 2011**

	(a)	(b)
	<b>Normalizing</b>	<b>Pro Forma</b>
	<b>Adjustments</b>	<b>Adjustments</b>
<b>Adjustments to Operating Revenues</b>		
1 Electric Revenue Adjustments:		
2 Customer	\$ (736,152)	\$ 297,204
3 Distribution	(9,847,184)	2,428,861
4 ISR Cap Ex	2,895,838	65,253
5 SOS Admin	6,582,222	-
6 ISR O & M	6,423,732	-
7 RDM	(1,788,791)	(2,791,318)
8		
9 Total Base Distribution Revenue Adjustments	<u>\$ 3,529,665</u>	<u>\$ -</u>
10		
11		
12 Other Distribution Revenues:		
13 Forfeited Discounts - Electric	-	-
14 Misc Service Revenue - Electric	-	-
15 Rent from Electric Property	-	-
16 Other Electric Revenue - Misc	-	-
17 Other Electric Revenue - Credit	-	-
18		
19 Subtotal Distribution Revenue	<u>\$ 3,529,665</u>	<u>\$ -</u>
20		
21 Other Delivery and Commodity Revenue:		
22 SO Admin	-	-
23 O & M	3,917,660	155,785
24 Transmission	13,815,857	2,490,312
25 Transmission Related Uncollectible Revenue	88,715	70,182
26 CTC (Transition)	4,957,163	91,914
27 Commodity	-	-
28 Energy Efficiency	13,350,261	907,461
29	539,457	10,212
30 Gross Receipts Tax	(30,550,231)	-
31		
32		
33 Total Other Operating Revenues	<u>\$ 6,118,882</u>	<u>\$ 3,725,866</u>
34		
35		
36		
37 <b>Total Operating Revenues</b>	<u><u>\$ 9,648,547</u></u>	<u><u>\$ 3,725,866</u></u>

**Line Notes**

1-8	From Company books
9	Sum of Line 2 through Line 8
13-17	From Company books
19	Sum of Line 9 through Line 18
22-30	From Company books
33	Sum of Line 21 through Line 31
37	Line 19 + Line 33

The Narragansett Electric Company d/b/a National Grid  
Cost of Service Summary  
Test Year Ended December 31, 2011

	(a)	(b)	(a)+(b) (c)	(d)	(c) + (d) (e)
<u>Description</u>	<u>Test Year</u> <u>Books</u>	<u>Normalizing</u> <u>Adjustments</u>	<u>Adjusted</u> <u>Test Year</u> <u>Books</u>	<u>Pro Forma</u> <u>Adjustments</u>	<u>Adjusted</u> <u>Rate Year</u> <u>Books</u>
1 Purchased Power	\$ 376,831,161		\$ 376,831,161		\$ 376,831,161
2					
3 SO Administration	6,582,222		6,582,222	-	6,582,222
4 O & M	6,423,732	3,917,660	10,341,392	155,785	10,497,177
5 Transmission	118,067,241	13,815,857	131,883,098	2,490,312	134,373,410
6 Transmission Related Uncollectible Revenue	1,116,199	88,715	1,204,914	70,182	1,275,096
7 CTC (Transition)	(101,333)	4,957,163	4,855,830	91,914	4,947,744
8 Energy Efficiency	34,591,429	13,350,261	47,941,690	907,461	48,849,151
9 LTCRER	-	539,457	539,457	10,212	549,669
10 GET	30,550,231	(30,550,231)	-	-	-
11 Energy Efficiency Uncollectible					-
12 Total Commodity & Other Reconciling Costs	\$ 574,060,882	\$ 6,118,882	\$ 580,179,764	\$ 3,725,866	\$ 583,905,630
13					
14 Other Operation and Maintenance Expenses	239,234,490	(118,539,823)	120,694,667	2,617,158	123,311,825
15 Uncollectibles on Proposed Rate Increase				231,353	231,353
16					
17 Total Operation & Maintenance Expenses	\$ 239,234,490	\$ (118,539,823)	\$ 120,694,667	\$ 2,848,511	\$ 123,543,178
18					
19					
20 Depreciation Expense	48,428,228	(6,529,533)	41,898,695	3,087,296	44,985,990
21 Amortization	617,200	722,539	1,339,739	(609,998)	729,741
22 Gross Receipts Tax	30,674,656	(30,674,656)	-	-	-
23 Taxes Other Than Income	35,375,758	(5,756,323)	29,619,434	5,944,169	35,563,603
24 Federal Income Tax			10,884,780	3,803,630	14,688,410
25 Interest on Customer Deposits			-	160,814	160,814
26 Operating Income After Taxes			34,585,589	5,691,060	40,276,649
27					
28					
29 <b>Total Cost of Service</b>			<b>\$ 819,202,668</b>	<b>\$ 24,651,348</b>	<b>\$ 843,854,016</b>

Line Notes

1(a)-10(d)	From Company Books
12	Sum of Lines 1 through Line 10
14	Page 7 of 71, Line 33
15	From Page 1 of 71, Line 7(f)
17	Line 14 + Line 15
20(a)	From Page 52 of 71, Line 2
20(b)	From Page 52 of 71, Line 3 + Line 4
20(d)	From Page 52 of 71, Line 6
21	From Page 54 of 71, Line 10
22	From Page 58 of 71, Line 13
23	From Page 58 of 71, Line 10
24(c)	From Page 60 of 71, Line 17(b)
24(d)	Line 26(e) - Line 26(c)
24(e)	From Page 60 of 71, Line 17(c)
25	From Page 51 of 71, Line 5
26(c)	From Page 1 of 71, Line 23(c)
26(d)	From Page 1 of 71, Line 23(d) Plus Line 7(f)
29	Line 12 + Line 17 + Sum of Lines 20 Through 26

The Narragansett Electric Company d/b/a National Grid  
Summary of Operating Expenses by Component  
Test Year Ended December 31, 2011

		(a)	(b)	(c)	(d)	(e)
	Reference	Total Test Year Per Books	Normalizing Adjustments	Adjusted Books Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
1	<u>Operation &amp; Maintenance Expenses</u>					
2	Purchased Power	Page 6 of 71	\$ 376,831,161	\$ -	\$ 376,831,161	\$ -
3	Labor	Page 10 of 71	49,296,024	(9,294,058)	40,001,966	(1,824,866)
4	Healthcare	Page 23 of 71	6,023,664	(428,290)	5,595,374	399,650
5	401K Match	Page 24 of 71	1,096,289	(134,243)	962,046	(103,649)
6	401K Match Pensions	Page 25 of 71	3,023	-	3,023	178,575
7	Donations	Page 26 of 71	-	401,142	401,142	-
8	Computer Software	Page 27 of 71	3,739,868	(118,592)	3,621,276	5,591,668
9	Regulatory Assessments	Page 28 of 71	3,009,083	(93,768)	2,915,315	1,077,066
10	Facilities	Page 29 of 71	2,746,223	(293,966)	2,452,257	267,926
11	Uninsured Claims	Page 30 of 71	2,480,624	(76,333)	2,404,291	(701,459)
12	Insurance Premiums	Page 31 of 71	970,582	696	971,278	94,007
13	Payroll Taxes	Page 33 of 71	414,744	(32,015)	382,729	(105,751)
14	OPEB	Page 34 of 71	8,977,300	(558,792)	8,418,508	(4,876,932)
15	Pensions	Page 35 of 71	9,258,180	(699,569)	8,558,611	1,676,080
16	Postage	Page 36 of 71	2,014,865	(488)	2,014,377	83,418
17	Energy Efficiency O&M	Page 37 of 71	34,495,893	(34,495,893)	-	-
18	Environmental Response Fund	Page 38 of 71	3,078,000	-	3,078,000	-
19	Storm Fund	Page 38 of 71	-	-	-	443,103
20	Temporary 5 year Storm Fund Contribution	Page 38 of 71	-	-	-	3,000,000
21	Additional OPEX related to additional CAPEX	Page 39 of 71	-	-	-	424,454
22	Advertising	Page 40 of 71	210,849	(146,168)	64,681	-
23	Transmission O&M-Integrated Facilities Arrangement	Page 41 of 71	(52,986,986)	52,986,986	-	-
24	Transmission O&M-Wheeling Costs-NEP	Page 42 of 71	117,809,444	(117,809,444)	-	-
25	Rate Case Expense	Page 43 of 71	-	-	-	258,125
26	Consumer Advocate	Page 44 of 71	-	-	-	0
27	Additional US Foundations Support Staff	Page 45 of 71	-	-	-	120,163
28	Uncollectibles - Commodity	Page 46 of 71	-	4,792,667	4,792,667	(4,792,667)
29	Uncollectibles - Transmission	Page 46 of 71	-	1,663,600	1,663,600	(1,663,600)
30	Uncollectibles - Conservation	Page 46 of 71	-	599,271	599,271	11,343
31	Uncollectibles - Delivery	Page 46 of 71	11,314,819	(8,238,900)	3,075,919	(4,536)
32	Productivity & Efficiency Savings	Page 47 of 71	-	-	-	(2,627,184)
33	Reallocation of Service Company Costs	Page 48 of 71	-	-	-	4,514,843
34	Paperless Billing Adjustment	Page 49 of 71	-	-	-	207,038
35	Other O & M Expenses Subject to Inflation	Page 50 of 71	32,032,001	(6,563,666)	25,468,336	970,344
36	Company Share of Net Merger Synergies		3,250,000		3,250,000	
37	Total Other Operation and Maintenance Expenses		\$ 239,234,490	\$ (118,539,823)	\$ 120,694,667	\$ 2,617,158

Line Notes

36 Sum of Line 3 through Line 36

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Normalizing Adjustments to Other O & M Expenses

Test Year Amounts that are Specifically Adjusted:

	(a) Total Test Year Per Books	(b) Integrated Facilities Agreement	(c) Vegetation Management	(d) Inspection and Maintenance	(e) Storm Costs	(f) Expatriate Expenses	(g) Costs of Savings Initiatives	(h) Other	(i) Total Normalizing Adjustments	(j) Adjusted Books Year Ended December 31, 2011
1	\$ 376,831,161								\$ -	\$ 376,831,161
2										
3										
4	49,296,024	(316,868)	(232,806)	(659,488)	(7,217,809)		(843,052)	(24,034)	(9,294,058)	40,001,966
5	6,023,664	(125,960)			(302,330)				(428,290)	5,595,374
6	1,096,289	(27,940)			(106,303)				(134,243)	962,046
7	3,023								0	3,023
8	-									401,142
9	3,739,868	(37,664)	(274)		(22,236)		(\$58,259)	401,142	401,142	3,621,276
10	3,009,083	(93,768)						(159)	(118,592)	2,915,315
11	2,746,223	(19,154)							(93,768)	2,452,257
12	2,480,624	(76,333)							(293,966)	2,404,291
13	970,582	(27,615)							(76,333)	971,278
14	414,744	(8,625)							696	382,729
15	8,977,300	(227,012)			(23,390)				(32,015)	8,418,508
16	9,238,180	(226,151)			(331,780)				(558,792)	8,558,611
17	2,014,865	(488)			(473,418)				(699,569)	2,014,377
18	34,495,893						(\$37,630)	(34,458,263)	(34,495,893)	-
19	3,078,000								-	3,078,000
20									-	-
21	-	-							-	-
22	210,849	(4,871)						(141,297)	(146,168)	64,681
23	(52,986,986)	52,986,986							52,986,986	-
24	117,809,444							(117,809,444)	(117,809,444)	-
25	-								4,792,667	4,792,667
26	-								1,663,600	1,663,600
27	-								599,271	599,271
28	11,314,819								(8,238,900)	3,075,919
29	\$3,250,000								-	3,250,000
30	\$ 207,202,488	\$ 51,794,537	\$ (233,081)	\$ (659,488)	\$ (8,477,266)	\$ -	\$ (938,941)	\$ (153,461,918)	\$ (111,976,157)	\$ 95,226,331
31										
32										
33										
34	149,623	(2,950)							(2,950)	146,673
35	37,713,205	(100,820)	(4,445,582)	(194,500)	(23,483,751)	(155,456)	(\$136,385)	(\$84,807)	(28,601,302)	9,111,903
36	4,576,593	(15,236)	(469)	(155,046)	(1,586,484)		(\$11,985)	(12,788)	(1,782,007)	2,794,586
37	382,442	(38,034)		(2,112)	(24,257)		(\$1,410)	(50,874)	(116,687)	265,755
38	6,403,551	(190,911)	(7,722)	(5,734)	(773,366)	(3,201)	(\$25,630)	(52,798)	(1,059,363)	5,344,188
39	(26,659,965)	(233,774)	(4,237)	(12,130)	32,055,832	(28,790)	(\$770,251)	(83,488,559)	27,518,091	858,126
40	5,996,619	(155,311)			(104,973)		(\$2,060,973)	(79,228)	(2,400,486)	3,596,133
41	3,469,933	(3,460)	(21,101)	(100,726)	9,642		(\$17)	(\$3,300)	(118,962)	3,350,971
42		(740,496)	(4,479,111)	(470,248)	6,092,643	(187,447)	(3,006,652)	(3,772,354)	(6,563,666)	25,468,336
43										
44	\$ 239,234,490	\$ 51,054,041	\$ (4,712,192)	\$ (1,129,737)	\$ (2,384,624)	\$ (187,447)	\$ (3,945,593)	\$ (157,234,272)	\$ (118,539,823)	\$ 120,694,667

Column/Line Notes

Column (i) = Sum of Columns (b) through (h)  
Column (j) = Column (i) plus Column (a)  
30 Sum of Line 4 through Line 29  
42 Sum of Lines 34 through Line 41  
44 Line 30 + Line 42



**The Narragansett Electric Company d/b/a National Grid**  
**Revenue Deficiency Summary**  
**Test Year Ended December 31, 2011**  
**Other Normalizing Adjustments**

1	<b><u>Other Normalizing Labor Adjustments</u></b>	\$ (24,034)
2		
3	<b><u>Elimination of costs recovered outside of Base Rates :</u></b>	
4	Energy Efficiency	(34,458,263)
5	Transmission O&M-Wheeling Costs-NEP	(117,809,444)
6	Commodity Related Uncollectible Expense	4,792,667
7	Transmission Related Uncollectible Expense	1,663,600
8	Conservation Related Uncollectible Expense (Energy Efficiency)	599,271
9		<u>\$ (145,212,169)</u>
10	<b><u>Elimination of Non-recoverable costs:</u></b>	
11	Branding and Promotional non-recoverable advertising expenses	(141,297)
12	Remove NYPSC Service Company Allocation audit Costs	(50,874)
13	Non recoverable project expenses	(174,193)
14	Band A expenses and other employees expenses	(62,104)
15		<u>\$ (428,468)</u>
16	<b><u>Out of period costs:</u></b>	
17	Contractor Services	(110,106)
18	Ernst & Young Service Company Allocation Adjustment	(630,168)
19	Sutton, MA CDC	(214,440)
20	Lock Box Fees	(169,762)
21	Write Off of old work orders	(907,052)
22	DOT Billing Dispute	(400,000)
23	ISO response program	(58,606)
24	Reallocation of 2010 Collection Expenses	(80,115)
25	Service Company Tax Adjustment	(262,325)
26	Out of period Merger CTA costs	(126,497)
27	Insurance 2007 Tax Accrual	28,311
28		<u>\$ (2,930,760)</u>
29		
30	<b><u>Other:</u></b>	
31	Reclassification of Rate Case expense related to Docket 4065 to amortization expense	(343,632)
32	Reclassification of Merger CTA to amortization expense	(397,079)
33	Reclassification of Donations to O&M expenses	401,142
34	Delivery Related Uncollectible Expense	(8,238,900)
35	Remove Westborough facilities costs	(60,372)
36		<u>\$ (8,638,842)</u>
37		
38	<b>Total Other O&amp;M Normalizing Adjustments</b>	<u><u>\$ (157,234,272)</u></u>

**Line Notes**

38 From Page 8 of 71, Line 44 (h)

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
O & M Labor Summary

	(a)	(b)	(c)	(d)	(e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
1 Company Direct	\$ 23,528,661	\$ (4,292,067)	\$ 19,236,594	\$ 2,196,338	\$ 21,432,932
2 KeySpan Corporate Services	4,903,247	(472,137)	4,431,110	(1,216,893)	3,214,217
3 KeySpan Utility Services	64,782	(1,214)	63,568	(6,471)	57,097
4 National Grid USA Service Co	21,633,784	(5,659,043)	15,974,741	(2,797,840)	13,176,901
5 Other	(834,450)	1,130,403	295,954	-	295,954
6 Total	<u>\$ 49,296,024</u>	<u>\$ (9,294,058)</u>	<u>\$ 40,001,966</u>	<u>\$ (1,824,866)</u>	<u>\$ 38,177,100</u>

Line Notes

- 1(a)-5(a) From Company Books  
1(b)-5(b) From Page 13 of 71, Line 56 through Line 61  
1(c)-5(c) Column (a) + Column (b)  
1(d)-5(d) From Page 14 of 71, Line 33, Column (c) through Line 41, Column (c)  
1(e)-5(e) Column (c) + Column (d)

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
O & M Labor By Category

	(a) Company Direct	(b) KeySpan Corporate	(c) KeySpan Utility	(d) National Grid USA	(e) Other	(f) Total
<u>Test Year Books</u>						
1 Variable Pay	1,593,801	1,347,946	10,349	5,375,366	(2,294,079)	6,033,383
2 Labor - Management OT	301,395	69,939	-	1,518,840	146,683	2,036,857
3 Labor - Management	946,402	2,753,384	35,334	9,410,253	50,937	13,196,310
4 Labor - OT Union	5,743,900	157,408	-	881,162	800,903	7,583,373
5 Labor - Union	10,918,416	130,234	11,816	2,182,683	318,256	13,561,405
6 Paid Absence and Vacation	4,024,747	444,336	7,283	2,265,480	142,850	6,884,696
7 Total	23,528,661	4,903,247	64,782	21,633,784	(834,450)	49,296,024
<u>Normalizing Adjustments</u>						
10 Variable Pay	(1,002,772)	(22,551)	(175)	(2,651,876)	2,294,384	(1,382,990)
11 Labor - Management OT	(150,870)	(64,638)	-	(1,033,934)	(95,178)	(1,344,620)
12 Labor - Management	(71)	(106,837)	(685)	(756,582)	(17,996)	(882,171)
13 Labor - OT Union	(2,796,336)	(152,844)	-	(705,669)	(732,678)	(4,387,527)
14 Labor - Union	(255,760)	(81,967)	(273)	(147,921)	(227,795)	(713,716)
15 Paid Absence and Vacation	(86,257)	(43,300)	(81)	(363,062)	(90,333)	(583,033)
16 Total	(4,292,067)	(472,137)	(1,214)	(5,659,043)	1,130,403	(9,294,058)
<u>Adjusted Test Year Books</u>						
19 Variable Pay	591,029	1,325,395	10,174	2,723,490	305	4,650,393
20 Labor - Management OT	150,525	5,301	-	484,906	51,505	692,237
21 Labor - Management	946,331	2,646,547	34,649	8,653,671	32,940	12,314,139
22 Labor - OT Union	2,947,564	4,564	-	175,493	68,225	3,195,846
23 Labor - Union	10,662,656	48,267	11,543	2,034,762	90,461	12,847,689
24 Paid Absence and Vacation	3,938,490	401,036	7,202	1,902,418	52,517	6,301,663
25 Total	19,236,594	4,431,110	63,568	15,974,741	295,954	40,001,966

**Line Notes**

- 1-6 From Company Books
- 7 Sum of Line 1 through Line 6
- 10-15 From Page 13 of 71, Line 56 through Line 61
- 16 Sum of Line 10 through Line 15
- 19 Sum of Line 1 and Line 10
- 20 Sum of Line 2 and Line 11
- 21 Sum of Line 3 and Line 12
- 22 Sum of Line 4 and Line 13
- 23 Sum of Line 5 and Line 14
- 24 Sum of Line 6 and Line 15
- 25 Sum of Line 19 through Line 24

**Column Notes**

- (f) Sum of Column (a) through Column (e)

THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
R.I.P.U.C. Docket No. 4323  
Compliance Attachment 1  
Schedule MDL-3-ELEC  
Page 12 of 71

The Narragansett Electric Company d/b/a National Grid Adjustments to Operating Expenses Test Year Ended December 31, 2011 O & M Labor Allocations							
	(a) Company Direct	(b) KeySpan Corporate	(c) KeySpan Utility	(d) National Grid USA	(e) Other	(f) Total	
<b>Union Labor</b>							
Total Union & Mgmt Labor Cost	\$ 14,707,076	\$ 2,704,679	\$ 46,192	\$ 11,348,832	\$ 243,132	\$ 29,049,910	
<b>Labor Union</b>							
Labor - Union	\$ 10,662,656	\$ 48,267	\$ 11,543	\$ 2,034,762	\$ 90,461	\$ 12,847,689	
Labor - OT Union	\$ 2,947,564	\$ 4,564	\$ -	\$ 175,493	\$ 68,225	\$ 3,195,846	
<b>Total Labor Union</b>	<b>\$ 13,610,220</b>	<b>\$ 52,831</b>	<b>\$ 11,543</b>	<b>\$ 2,210,255</b>	<b>\$ 158,686</b>	<b>\$ 16,043,535</b>	
Paid Absence & Vacation	\$ 3,938,490	\$ 401,036	\$ 7,202	\$ 1,902,418	\$ 52,517	\$ 6,301,663	
Union Allocation %	92.54%	1.95%	24.99%	19.48%	65.27%		
<b>Total PAV</b>	<b>\$ 3,644,756</b>	<b>\$ 7,834</b>	<b>\$ 1,800</b>	<b>\$ 370,508</b>	<b>\$ 34,277</b>	<b>\$ 4,059,175</b>	
Variable Pay	\$ 591,029	\$ 1,325,395	\$ 10,174	\$ 2,723,490	\$ 305	\$ 4,650,393	
Union Allocation %	92.54%	1.95%	24.99%	19.48%	65.27%		
<b>Total Union Goals</b>	<b>\$ 546,950</b>	<b>\$ 25,889</b>	<b>\$ 2,542</b>	<b>\$ 530,416</b>	<b>\$ 199</b>	<b>\$ 1,105,996</b>	
Salaries and Wages	\$ 17,254,976	\$ 60,665	\$ 13,343	\$ 2,580,763	\$ 192,963	\$ 20,102,710	
DSM Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Veg Management Wages	\$ -	\$ -	\$ -	\$ -	\$ (173)	\$ (173)	
I & M Wages	\$ 413,926	\$ -	\$ -	\$ 93,834	\$ 22,066	\$ 529,826	
IFA Wages	\$ 444,046	\$ 4,227	\$ 296	\$ 540,532	\$ 24,741	\$ 1,013,842	
Union Goals	\$ 546,950	\$ 25,889	\$ 2,542	\$ 530,416	\$ 199	\$ 1,105,996	
DSM Union Goals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Veg Management Union Goals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
I & M Union Goals	\$ 22,224	\$ -	\$ -	\$ 22,377	\$ 1,165	\$ 45,766	
IFA Union Goals	\$ 38,244	\$ 819	\$ 50	\$ 117,226	\$ (2,212)	\$ 154,127	
<b>Grand Total Union</b>	<b>\$ 18,720,366</b>	<b>\$ 91,600</b>	<b>\$ 16,231</b>	<b>\$ 3,885,148</b>	<b>\$ 238,748</b>	<b>\$ 22,952,093</b>	
<b>Management Labor</b>							
Total Union & Mgmt Labor Cost	\$ 14,707,076	\$ 2,704,679	\$ 46,192	\$ 11,348,832	\$ 243,132	\$ 29,049,910	
<b>Labor Management</b>							
Labor Management OT	\$ 150,525	\$ 5,301	\$ -	\$ 484,906	\$ 51,505	\$ 692,237	
Labor Management	\$ 946,331	\$ 2,646,547	\$ 34,649	\$ 8,653,671	\$ 32,940	\$ 12,314,139	
<b>Total Labor Management</b>	<b>\$ 1,096,856</b>	<b>\$ 2,651,847</b>	<b>\$ 34,649</b>	<b>\$ 9,138,577</b>	<b>\$ 84,445</b>	<b>\$ 13,006,376</b>	
Paid Absence & Vacation	\$ 3,938,490	\$ 401,036	\$ 7,202	\$ 1,902,418	\$ 52,517	\$ 6,301,663	
Management Allocation %	7.46%	98.05%	75.01%	80.52%	34.73%		
<b>Total PAV</b>	<b>\$ 293,733</b>	<b>\$ 393,203</b>	<b>\$ 5,402</b>	<b>\$ 1,531,911</b>	<b>\$ 18,240</b>	<b>\$ 2,242,489</b>	
Variable Pay	\$ 591,029	\$ 1,325,395	\$ 10,174	\$ 2,723,490	\$ 305	\$ 4,650,393	
Management Allocation %	7.46%	98.05%	75.01%	80.52%	34.73%		
<b>Total Variable Pay</b>	<b>\$ 44,079</b>	<b>\$ 1,299,506</b>	<b>\$ 7,632</b>	<b>\$ 2,193,074</b>	<b>\$ 106</b>	<b>\$ 3,544,297</b>	
Salaries and Wages	\$ 1,390,589	\$ 3,045,050	\$ 40,051	\$ 10,670,488	\$ 102,685	\$ 15,248,865	
DSM Wages	\$ 369,128	\$ 561,024	\$ -	\$ 1,624,408	\$ -	\$ 2,554,560	
Veg Management Wages	\$ 2,153	\$ -	\$ -	\$ 230,254	\$ (121)	\$ 232,286	
I & M Wages	\$ 7,252	\$ -	\$ -	\$ 61,517	\$ -	\$ 68,769	
IFA Wages	\$ 65,229	\$ 76,743	\$ 743	\$ 1,487,486	\$ 118,186	\$ 1,748,387	
Variable Pay	\$ 44,079	\$ 1,299,506	\$ 7,632	\$ 2,193,074	\$ 106	\$ 3,544,297	
DSM Variable Pay	\$ 2,546	\$ (15,937)	\$ -	\$ 464,699	\$ -	\$ 451,308	
Veg Management Variable Pay	\$ -	\$ -	\$ -	\$ 694	\$ -	\$ 694	
I & M Variable Pay	\$ 389	\$ -	\$ -	\$ 14,683	\$ -	\$ 15,072	
IFA Variable Pay	\$ 5,618	\$ 14,872	\$ 125	\$ 322,592	\$ (10,567)	\$ 332,640	
<b>Grand Total Management</b>	<b>\$ 1,886,983</b>	<b>\$ 4,981,258</b>	<b>\$ 48,551</b>	<b>\$ 17,069,895</b>	<b>\$ 210,289</b>	<b>\$ 24,196,977</b>	
<b>Grand Total Labor</b>	<b>\$ 20,607,349</b>	<b>\$ 5,072,859</b>	<b>\$ 64,782</b>	<b>\$ 20,955,043</b>	<b>\$ 449,038</b>	<b>\$ 47,149,070</b>	
<b>Productive O &amp; M Labor</b>							
Labor - Management O & M	1,834,351	3,682,817	40,794	14,074,153			
Labor - Union O & M	18,112,948	64,892	13,639	3,215,129			
Salaries charged to Company O & M	19,947,299	3,747,710	54,433	17,289,282			
Total Management Salaries		150,898,874	7,010,687	216,689,732			
Total Union Salaries		96,082,146	2,444,906	47,186,181			
		246,981,020	9,455,593	263,875,913			
Percentage Management Charged to Company	100.00%	2.51%	0.58%	9.18%			
Percentage Union Charged to Company	100.00%	0.07%	0.56%	16.15%			
Weighted Average Percentage Charged to Total Company	100.00%	1.56%	0.58%	10.43%			
Total Management Base Year Salaries - O & M & Capital	3,140,625	3,794,184	40,792	19,895,741			
Total Union Base Year Salaries - O & M & Capital	30,874,546	65,148	13,641	7,618,931			
Total Company Base Year Salaries - O & M & Capital	34,015,171	3,859,332	54,433	27,514,672			
Total Base Year Salaries to O&M	19,947,299	3,747,710	54,433	17,289,282			
O&M Portion Total Company	58.64%	97.11%	100.00%	62.84%			
O&M Portion Union	58.67%	99.61%	99.98%	42.20%			
O&M Portion Management	58.41%	97.06%	100.00%	70.74%			
<b>Line Notes</b>	<b>Line Notes (Continued)</b>						
3 From Page 11 of 71, Sum of Lines 20 thru Line 23	34 Line 3						
7 From Page 11 of 71, Line 23	37 From Page 11 of 71, Line 20						
8 From Page 11 of 71, Line 22	38 From Page 11 of 71, Line 21						
9 Line 7 + Line 8	39 Line 37 + Line 38						
11 From Page 11 of 71, Line 24	41 Line 11						
12 Line 9 / Line 3	42 Line 39/Line 34						
13 Line 11 x Line 12	43 Line 41 x Line 42						
15 From Page 11 of 71, Line 19	45 Line 15						
Line 12	46 Line 42						
17 Line 15 x Line 16	47 Line 45 x Line 46						
19 Line 9 + Line 13	49 Line 39 + Line 43						
20-23 From Company Books	50-53 From Company Books						
24 Line 17	54 Line 47						
25-28 From Company Books	55-58 From Company Books						
30 Sum of Line 19 thru Line 28	60 Sum of Line 49 thru Line 58						
	62 Line 30 + Line 60						
	<b>Line Notes (Continued)</b>						
	66 Sum of Line 49 thru Line 53						
	67 Sum of Line 19 thru Line 23						
	68 Line 66 + Line 67						
	70 From Company Books						
	71 From Company Books						
	72 Line 70 + Line 71						
	74(b)-(d) Line 78 / Line 70						
	75(b)-(d) Line 79 / Line 71						
	76(b)-(d) Line 80 / Line 72						
	78 From Company Books						
	79 From Company Books						
	80 Line 78 + Line 79						
	82 Line 68						
	83 Line 82 / Line 80						
	85 Line 67 / Line 79						
	87 Line 66 / Line 78						

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Normalizing Adjustments to O & M Labor

	(a) Company Direct	(b) KeySpan Corporate Services	(c) KeySpan Utility Services	(d) National Grid USA Services	(e) Other	(f) <u>Total</u>
1 Reverse IFA related expense						
2 Variable Pay	(15,258)	(15,691)	(175)	(76,923)	20,963	(87,084)
3 Labor - Management OT	(1)	(937)	-	(3,091)	19	(4,010)
4 Labor - Management OT	1,572	(63,759)	(685)	(122,891)	1,489	(184,274)
5 Labor - Union OT	(1,721)	(1,575)	-	(647)	(11)	(3,954)
6 Labor - Union	12,282	(2,244)	(273)	(12,207)	(90)	(2,532)
7 Paid Absence and Vacation	(5,608)	(7,202)	(81)	(22,352)	229	(35,014)
8 Total Reverse IFA related expense	\$ (8,734)	\$ (91,408)	\$ (1,214)	\$ (238,111)	\$ 22,599	\$ (316,868)
9						
10 Remove Vegetation Management Expenses Recovered in ISR						
11 Variable Pay	-			(694)		(694)
12 Labor - Management OT	-			(4,994)	99	(4,895)
13 Labor - Management	(1,643)			(191,831)	-	(193,473)
14 Labor - OT Union						-
15 Labor - Union				-	142	142
16 Paid Absence and Vacation	(510)			(33,429)	53	(33,887)
17 Total Remove Vegetation Management Expenses Recovered in ISR	(2,153)	-	-	(230,948)	295	(232,806)
18						
19 Remove Inspection & Maintenance Expenses Recovered in ISR						
20 Variable Pay	(22,613)			(37,060)	(1,165)	(60,838)
21 Labor - Management OT	(5,872)			(52,350)	-	(58,222)
22 Labor - Management	-			(327)	-	(327)
23 Labor - OT Union	(67,125)			-	(155)	(67,280)
24 Labor - Union	(268,042)			(80,278)	(18,076)	(366,396)
25 Paid Absence and Vacation	(80,139)			(22,452)	(3,835)	(106,426)
26 Total Remove Inspection & Maintenance Expenses Recovered in ISR	\$ (443,791)	\$ -	\$ -	\$ (192,467)	\$ (23,230)	\$ (659,488)
27						
28 Remove Financial Planning Stipend						
29 Variable Pay	(5,842)			(18,192)		(24,034)
30 Labor - Management OT						-
31 Labor - Management						-
32 Labor - OT Union						-
33 Labor - Union						-
34 Paid Absence and Vacation						-
35 Total Remove Financial Planning Stipend	\$ (5,842)	\$ -	\$ -	\$ (18,192)	\$ -	\$ (24,034)
36						
37 Remove O & M Storm Expenses						
38 Variable Pay		(6,860)		(328,396)	(32,033)	(367,289)
39 Labor - Management OT	(144,997)	(63,701)		(973,499)	(95,296)	(1,277,493)
40 Labor - Management		(43,078)		(441,534)	(19,485)	(504,097)
41 Labor - OT Union	(2,727,490)	(151,269)		(705,022)	(732,512)	(4,316,293)
42 Labor - Union		(79,723)		(55,436)	(209,772)	(344,931)
43 Paid Absence and Vacation		(36,098)		(284,828)	(86,780)	(407,706)
44 Total Remove O & M Storm Expenses	\$ (2,872,487)	\$ (380,729)	\$ -	\$ (2,788,715)	\$ (1,175,878)	\$ (7,217,809)
45						
46 Remove Costs to Achieve						
47 Variable Pay	(959,060)	\$0	\$0	(\$2,190,610)	\$2,306,618	(843,052)
48 Labor - Management OT						-
49 Labor - Management						-
50 Labor - OT Union						-
51 Labor - Union						-
52 Paid Absence and Vacation						-
53 Total Remove Costs to Achieve	\$ (959,060)	\$ 0	\$ -	\$ (2,190,610)	\$ 2,306,618	\$ (843,052)
54						
55 Total						
56 Variable Pay	(1,002,772)	(22,551)	(175)	(2,651,876)	2,294,384	(1,382,990)
57 Labor - Management OT	(150,870)	(64,638)	-	(1,033,934)	(95,178)	(1,344,620)
58 Labor - Management	(71)	(106,837)	(685)	(756,582)	(17,996)	(882,171)
59 Labor - OT Union	(2,796,336)	(152,844)	-	(705,669)	(732,678)	(4,387,527)
60 Labor - Union	(255,760)	(81,967)	(273)	(147,921)	(227,795)	(713,716)
61 Paid Absence and Vacation	(86,257)	(43,300)	(81)	(363,062)	(90,333)	(583,033)
62 Total	\$ (4,292,067)	\$ (472,137)	\$ (1,214)	\$ (5,659,043)	\$ 1,130,403	\$ (9,294,058)

Line Notes

8	Sum of Line 2 through Line 7
17	Sum of Line 11 through Line 16
35	Sum of Line 29 through Line 34
44	Sum of Line 38 through Line 43
53	Sum of Line 47 through Line 52
56	Sum of Line 2 + Line 11 + Line 20 + Line 29 + Line 38 + Line 47
57	Sum of Line 3 + Line 12 + Line 21 + Line 30 + Line 39 + Line 48
58	Sum of Line 4 + Line 13 + Line 22 + Line 31 + Line 40 + Line 49
59	Sum of Line 5 + Line 14 + Line 23 + Line 32 + Line 41 + Line 50
60	Sum of Line 6 + Line 15 + Line 24 + Line 33 + Line 42 + Line 51
61	Sum of Line 7 + Line 16 + Line 25 + Line 34 + Line 43 + Line 52
62	Sum of Line 56 through Line 61

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Pro Forma Labor Adjustments Summary**

	(a)	(b)	(c)
<b>Base Pay</b>	Union	Management	Adjustment
1 Company Direct Charges	1,674,219	392,174	2,066,393
2			
3 KeySpan Corporate Services Direct	2,122	(205,757)	(203,635)
4			
5 KeySpan Utility Services Direct	91	(1,087)	(996)
6			
7 National Grid USA Service Co	(603,289)	(569,377)	(1,172,666)
8			
9 Other	-	-	-
10			
11 <b>Sub Total</b>	1,073,143	(384,047)	689,096
12			
13			
<b>Variable Pay</b>	Union Goals	Management Variable Pay	Adjustment
14			
15			
16			
17 Company Direct Charges	12,407	117,538	129,945
18			
19 KeySpan Corporate Services Direct	(24,783)	(988,475)	(1,013,258)
20			
21 KeySpan Utility Services Direct	(2,230)	(3,245)	(5,475)
22			
23 National Grid USA Service Co	(467,346)	(1,157,828)	(1,625,174)
24			
25 Other	-	-	-
26			
27 <b>Sub Total</b>	(481,952)	(2,032,010)	(2,513,962)
28			
29			
<b>Total Pay</b>	Wages Increase	Union Goals & Variable Pay	Total Adjustment
30			
31			
32			
33 Company Direct Charges	2,066,393	129,945	2,196,338
34			
35 KeySpan Corporate Services Direct	(203,635)	(1,013,258)	(1,216,893)
36			
37 KeySpan Utility Services Direct	(996)	(5,475)	(6,471)
38			
39 National Grid USA Service Co	(1,172,666)	(1,625,174)	(2,797,840)
40			
41 Other	-	-	-
42			
43 <b>Grand Total</b>	689,096	(2,513,962)	(1,824,866)

**Line Notes**

- 1(a)-9(a) From Page 15 of 71, Line 32, Column (a) through Column (e)  
1(b)-9(b) From Page 16 of 71, Line 32, Column (a) through Column (e)  
1(c)-9(c) Sum of Column (a) + Column (b)  
11(a)-11(c) Sum of Line 1 through Line 9  
17(a)-25(a) From Page 22 of 71, Line 21, Column (a) through Column (e)  
17(b)-25(b) From Page 21 of 71, Line 21, Column (a) through Column (e)  
17(c)-25(c) Sum of Column (a) + Column (b)  
33(a)-41(a) Line 1(c) through Line 9(c)  
33(b)-41(b) Line 17(c) through Line 25(c)  
33(c)-41(b) Sum of Column (a) + Column (b)

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses - Labor Adjustments  
Test Year Ended December 31, 2011  
Union Pro Forma Wage Adjustments

	(a)	(b)	(c)	(d)	(e)	(f)
	Direct	KeySpan Corporate Services	KeySpan Utility Services	National Grid USA Service Co	Other National Grid Companies	Total
1 Annual Base Union Wages- End of Year Employees	26,292,656	85,549,682	2,366,691	31,581,515		145,790,544
2 Minimum Union Staffing Vacancies	1,123,200					1,123,200
3 Total Annual Union Wages	27,415,856	85,549,682	2,366,691	31,581,515		146,913,744
4						
5 Percentage Increase	4.30%	4.40%	3.63%	4.30%		
6						
7 Total Adjusted Union Wages	28,595,286	89,316,001	2,452,695	32,939,124		153,303,106
8						
9 Percentage of Wages Charged to Company	100.00%	0.07%	0.56%	16.15%		
10						
11 Percentage of Union Wages Charged to O & M	58.67%	99.61%	99.98%	42.20%		
12						
13 Percentage of Union O & M Wages Charged to DSM	0.00%	0.00%	0.00%	0.00%		
14						
15 Percentage of Union O & M Wages Charged to Veg Management	0.00%	0.00%	0.00%	0.00%		
16						
17 Percentage of Union O & M Wages Charged to I & M	2.29%	0.00%	0.00%	2.92%		
18						
19 Percentage of Union O & M Wages Charged to IFA	2.45%	6.51%	2.17%	16.81%		
20						
21 Rate Year Base Union O & M Wages	16,776,854	62,277	13,732	2,244,900		
22 Plus: Annual OT Union Wages and Other Premium Pay in Test Year	2,947,564	4,564	-	175,493		
23 Less: DSM Wages in Rate Year	-	-	-	-		
24 Less: Veg Management Wages in Rate Year	-	-	-	-		
25 Less: I & M Wages in Rate Year	(384,190)	-	-	(65,551)		
26 Less: IFA Wages in Rate Year	(411,033)	(4,054)	(298)	(377,368)		
27						
28 Total Rate Year Union O & M Wages	18,929,195	62,787	13,434	1,977,474	192,963	21,175,853
29						
30 Test Year Wages	17,254,976	60,665	13,343	2,580,763	192,963	20,102,710
31						
32 <b>Total Union Wage Adjustment</b>	<b>\$ 1,674,219</b>	<b>\$ 2,122</b>	<b>\$ 91</b>	<b>\$ (603,289)</b>	<b>\$ -</b>	<b>\$ 1,073,143</b>
33						
34 Additions for Minimum Staffing Vacancies		19				

Line Notes

- 1(a) From Page 17 of 71, Line 6, Column (b)  
1(b) From Page 18 of 71, Line 13, Column (b)  
1(c) From Page 19 of 71, Line 8, Column (b)  
1(d) From Page 20 of 71, Line 9, Column (b)  
2 From Workpaper MDL-3, Page 10 of 10  
5(a) From Page 17 of 71, Line 6, Column (e)  
5(b) From Page 18 of 71, Line 13, Column (e)  
5(c) From Page 19 of 71, Line 8, Column (e)  
5(d) From Page 20 of 71, Line 9, Column (e)  
7 Line 3 x (1 + Line 5)  
9 From Page 12 of 71, Line 75  
11 From Page 12 of 71, Line 85  
13 From Page 12 of 71, Line 20 / Page 12 of 71, Line 67  
15 From Page 12 of 71, Line 21 / Page 12 of 71, Line 67  
17 From Page 12 of 71, Line 22 / Page 12 of 71, Line 67  
19 From Page 12 of 71, Line 23 / Page 12 of 71, Line 67  
21 Line 7 x Line 9 x Line 11  
22 From Company Books  
23 Line 7 x Line 9 x Line 11 x 13  
24 Line 7 x Line 9 x Line 11 x 15  
25 Line 7 x Line 9 x Line 11 x 17  
26 Line 7 x Line 9 x Line 11 x 19  
28 Sum of Line 21 thru Line 26  
30 From Company Books  
32 Line 28 - Line 30

Column Notes

- (f) Sum of Column (a) thru Column (e)

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses - Labor Adjustments  
Test Year Ended December 31, 2011  
Management Pro Forma Wage Adjustments

	(a)	(b)	(c)	(d)	(e)	(f)
	Direct	KeySpan Corporate Services	KeySpan Utility Services	National Grid USA Service Co	Other National Grid Companies	Total
1 Annual Base Management Wages - End of Year Employees	3,163,047	130,835,911	6,509,117	182,065,628		322,573,703
2 Vacancies	344,000	2,991,900	-	4,413,850		7,749,750
3 Total Annual Management Wages	3,507,047	133,827,811	6,509,117	186,479,478		330,323,453
4						
5 Percentage Increase	5.12%	5.12%	5.12%	5.12%		
6						
7 Total Adjusted Management Wages	3,686,607	140,679,795	6,842,384	196,027,227		347,236,013
8						
9 Percentage of Wages Charged to Company	100.00%	2.51%	0.58%	9.18%		
10						
11 Percentage of Management Wages Charged to O & M	58.41%	97.06%	100.00%	70.74%		
12						
13 Percentage of Management O & M Wages Charged to DSM	20.12%	15.23%	0.00%	11.54%		
14						
15 Percentage of Management O & M Wages Charged to Veg Management	0.12%	0.00%	0.00%	1.64%		
16						
17 Percentage of Management O & M Wages Charged to I & M	0.40%	0.00%	0.00%	0.44%		
18						
19 Percentage of Management O & M Wages Charged to IFA	3.56%	2.08%	1.82%	10.57%		
20						
21 Rate Year Base Management O & M Wages	2,153,347	3,427,250	39,686	12,729,875		
22 Plus: Annual OT Management Wages in Test Year	150,525	5,301	-	484,906		
23 Less: DSM Wages in Rate Year	(433,253)	(521,970)	-	(1,469,028)		
24 Less: Veg Management Wages in Rate Year	(2,584)	-	-	(208,770)		
25 Less: I & M Wages in Rate Year	(8,613)	-	-	(56,011)		
26 Less: IFA Wages in Rate Year	(76,659)	(71,287)	(722)	(1,345,548)		
27						
28 Rate Year Management O & M Wages	1,782,763	2,839,294	38,964	10,135,424	102,685	14,899,130
29						
30 Test Year Wages	1,390,589	3,045,050	40,051	10,670,488	102,685	15,248,865
31 Division adjustments - YE Complement & Vacancies				(34,313)		(34,313)
32 <b>Total Management Wage Adjustment</b>	<b>\$ 392,174</b>	<b>\$ (205,757)</b>	<b>\$ (1,087)</b>	<b>\$ (569,377)</b>	<b>\$ -</b>	<b>\$ (384,047)</b>
33						
34 Number of Employee Vacancies	4	32		50		

Line Notes

- 1(a) From Page 17 of 71, Line 1, Column (b)
- 1(b) From Page 18 of 71, Line 1, Column (b)
- 1(c) From Page 19 of 71, Line 1, Column (b)
- 1(d) From Page 20 of 71 Line 1, Column (b)
- 2 From Workpaper MDL-3, Page 9 of 10
- 3 Sum of Line 1 thru Line 2
- 5(a) From Page 17 of 71 Line 1, Column (c)
- 5(b) From Page 18 of 71 Line 1, Column (c)
- 5(c) From Page 19 of 71 Line 1, Column (c)
- 5(d) From Page 20 of 71 Line 1, Column (c)
- 7 Line 3 x (1 + Line 5)
- 9 From Page 12 of 71, Line 74
- 11 From Page 12 of 71, Line 87
- 13 From Page 12 of 71, Line 50 / Page 12 of 71, Line 66
- 15 From Page 12 of 71, Line 51 / Page 12 of 71, Line 66
- 17 From Page 12 of 71, Line 52 / Page 12 of 71, Line 66
- 19 From Page 12 of 71, Line 53 / Page 12 of 71, Line 66
- 21 Line 7 x Line 9 x Line 11
- 22 From Company Books
- 23 Line 7 x Line 9 x Line 11 x 13
- 24 Line 7 x Line 9 x Line 11 x 15
- 25 Line 7 x Line 9 x Line 11 x 17
- 26 Line 7 x Line 9 x Line 11 x 19
- 28 Sum of Line 21 thru Line 26
- 30 From Company Books
- 32 Line 28 - Line 30 + Line 31
- 34 From Workpaper MDL-3, Page 9 of 10

Column Notes

- (f) Sum of Column (a) thru Column (e)



**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2011**  
**Weighted Labor Adjustment Factor Company Direct**

	(a)	(b)	(c)	(d)	(e)
<b>Employee Affiliation</b>	<i>Headcount</i>	<i>Total Salaries (Current)</i>	<i>Overall Increases Historical Yr to Rate Yr</i>	<i>Effective Co%</i>	<i>Union Wage Increase</i>
1 <b>Management</b>	32	3,163,047	5.12%	100.0%	
2					
3 <b>Bargaining</b>					
4 Local 310	355	26,292,656	4.30%	100.0%	4.30%
5					
6 <b>Total Unions</b>	355	26,292,656			4.30%
7					
8 <b>Grand Total</b>	387	29,455,703			

**Line Notes**

- 1(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 1(c) From Workpaper MDL-3, Page 2 of 10
- 1(d) Line 1(b) / by line 1(b)
- 4(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 4(c) From Workpaper MDL-3, Page 2 of 10
- 4(d) Line 4(b) / by line 6(b)
- 6 Sum of Line 4
- 8 Sum of Line 1 and Line 6

**Column Notes**

- (e) Column (c) x Column (d)

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Weighted Labor Adjustment Factor KeySpan Corporate Services

	(a)	(b)	(c)	(d)	(e)
Employee Affiliation	Headcount	Total Salaries (Current)	Overall Increases Historical Yr to Rate Yr	Effective Co%	Union Wage Increase
1 <b>Management</b>	1,338	130,835,911	5.12%	100.0%	
2					
3 <b>Bargaining</b>					
4 Local 101	352	21,473,135	3.23%	25.1%	0.81%
5 Local 1049	351	21,598,574	4.92%	25.3%	1.24%
6 Local 12003	204	13,459,411	4.75%	15.7%	0.75%
7 Local 12012-04	15	1,139,499	0.85%	1.3%	0.01%
8 Local 13507	2	138,590	4.92%	0.2%	0.01%
9 Local 1381	471	26,927,514	4.92%	31.5%	1.55%
10 Local 3	7	576,972	3.23%	0.7%	0.02%
11 Local 318	3	235,986	4.32%	0.3%	0.01%
12					
13 <b>Total Unions</b>	1,405	85,549,682			4.40%
14					
15 <b>Grand Total</b>	2,743	216,385,593			

**Line Notes**

- 1(a)-(b) From Workpaper MDL-3, Page 1 of 10  
1(c) From Workpaper MDL-3, Page 3 of 10  
1(d) Line 1(b) / by line 1(b)  
4(a)-(b) From Workpaper MDL-3, Page 1 of 10  
4(c) From Workpaper MDL-3, Page 3 of 10  
4(d) Line 4(b) / by line 13(b)  
5(a)-(b) From Workpaper MDL-3, Page 1 of 10  
5(c) From Workpaper MDL-3, Page 3 of 10  
5(d) Line 5(b) / by line 13(b)  
6(a)-(b) From Workpaper MDL-3, Page 1 of 10  
6(c) From Workpaper MDL-3, Page 3 of 10  
6(d) Line 6(b) / by line 13(b)  
7(a)-(b) From Workpaper MDL-3, Page 1 of 10  
7(c) From Workpaper MDL-3, Page 3 of 10  
7(d) Line 7(b) / by line 13(b)  
8(a)-(b) From Workpaper MDL-3, Page 1 of 10  
8(c) From Workpaper MDL-3, Page 3 of 10  
8(d) Line 8(b) / by line 13(b)  
9(a)-(b) From Workpaper MDL-3, Page 1 of 10  
9(c) From Workpaper MDL-3, Page 3 of 10  
9(d) Line 9(b) / by line 13(b)  
10(a)-(b) From Workpaper MDL-3, Page 1 of 10  
10(c) From Workpaper MDL-3, Page 3 of 10  
10(d) Line 10(b) / by line 13(b)  
11(a)-(b) From Workpaper MDL-3, Page 1 of 10  
11(c) From Workpaper MDL-3, Page 3 of 10  
11(d) Line 11(b) / by line 13(b)  
13 Sum of Line 4 through Line 11  
15 Sum of Line 1 and Line 13

**Column Notes**

- (e) Column (c) x Column (d)

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Weighted Labor Adjustment Factor KeySpan Utility Services**

	(a)	(b)	(c)	(d)	(e)
<b>Employee Affiliation</b>	<i>Headcount</i>	<i>Total Salaries (Current)</i>	<i>Overall Increases Historical Yr to Rate Yr</i>	<i>Effective Co%</i>	<i>Union Wage Increase</i>
1 <b>Management</b>	69	6,509,117	5.12%	100%	
2					
3 <b>Bargaining</b>					
4 Local 101	23	1,804,509	3.23%	76.3%	2.47%
5 Local 1049	5	409,365	4.92%	17.3%	0.85%
6 Local 1381	2	152,818	4.92%	6.5%	0.32%
7					
8 <b>Total Unions</b>	30	2,366,691			3.63%
9					
10 <b>Grand Total</b>	99	8,875,808			

**Line Notes**

- 1(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 1(c) From Workpaper MDL-3, Page 4 of 10
- 1(d) Line 1(b) / by line 1(b)
- 4(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 4(c) From Workpaper MDL-3, Page 4 of 10
- 4(d) Line 4(b) / by line 8(b)
- 5(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 5(c) From Workpaper MDL-3, Page 4 of 10
- 5(d) Line 5(b) / by line 8(b)
- 6(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 6(c) From Workpaper MDL-3, Page 4 of 10
- 6(d) Line 6(b) / by line 8(b)
- 8 Sum of Line 4 through Line 6
- 10 Sum of Line 1 and Line 8

**Column Notes**

- (e) Column (c) x Column (d)

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Weighted Labor Adjustment Factor National Grid USA Service Company

	(a)	(b)	(c)	(d)	(e)
<b>Employee Affiliation</b>	<i>Headcount</i>	<i>Total Salaries (Current)</i>	<i>Overall Increases Historical Yr to Rate Yr</i>	<i>Effective Co%</i>	<i>Union Wage Increase</i>
1 <b>Management</b>	1,953	182,065,628	5.12%	100%	
2					
3 <b>Bargaining</b>					
4 Local 310,329,330	53	3,453,008	4.30%	10.9%	0.47%
5 Local 486,326	205	15,794,297	4.30%	50.0%	2.15%
6 Local 369	198	10,193,371	4.30%	32.3%	1.39%
7 Local 12431-01	32	2,140,840	4.25%	6.8%	0.29%
8					
9 <b>Total Unions</b>	488	31,581,515			4.30%
10					
11 <b>Grand Total</b>	2,441	213,647,143			

**Line Notes**

- 1(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 1(c) From Workpaper MDL-3, Page 5 of 10
- 1(d) Line 1(b) / by line 1(b)
- 4(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 4(c) From Workpaper MDL-3, Page 5 of 10
- 4(d) Line 4(b) / by line 9(b)
- 5(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 5(c) From Workpaper MDL-3, Page 5 of 10
- 5(d) Line 5(b) / by line 9(b)
- 6(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 6(c) From Workpaper MDL-3, Page 5 of 10
- 6(d) Line 6(b) / by line 9(b)
- 7(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 7(c) From Workpaper MDL-3, Page 5 of 10
- 7(d) Line 7(b) / by line 9(b)
- 9 Sum of Line 4 through Line 7
- 11 Sum of Line 1 and Line 9

**Column Notes**

- (e) Column (c) x Column (d)

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Variable Pay Adjustment

	(a)	(b)	(c)	(d)	(e)	(f)
	Direct	KeySpan Corporate Services	KeySpan Utility Services	National Grid USA Service Co	Other National Grid Companies	Total
1 Target Annual Variable Pay - End of Year Employees	328,419	15,112,734	770,429	20,569,830		36,781,412
2 Target Annual Variable Pay - Vacancies	36,613	326,875		458,739		
3 Total Target Annual Variable Pay	365,032	15,439,610	770,429	21,028,569		
4						
5 Percentage of Annual Wages Charged to Company	100.00%	2.51%	0.58%	9.18%		
6 Percentage of Management Wages Charged to O & M	58.41%	97.06%	100.00%	70.74%		
7 Percentage of Management O & M Wages Charged to DSM	20.12%	15.23%	0.00%	11.54%		
8 Percentage of Management O & M Wages Charged to Veg Management	0.00%	0.00%	0.00%	0.00%		
9 Percentage of Management O & M Wages Charged to I & M	0.12%	0.00%	0.00%	1.64%		
10 Percentage of Management O & M Wages Charged to IFA	0.00%	0.00%	0.00%	0.00%		
11						
12 Target Variable Pay Charged to O&M	213,215	376,141	4,468	1,365,581	106	1,959,511
13						
14 Test Year Variable Pay charged to O&M	44,079	1,299,506	7,632	2,193,074		
15 Less: DSM Variable Pay in Rate Year	(42,899)	(32,473)	-	(24,605)		
16 Less: Veg Management Variable Pay in Rate Year	-	-	-	-		
17 Less: I & M Variable Pay in Rate Year	(256)	-	-	(3,497)		
18 Less: IFA Variable Pay in Rate Year	-	-	-	-		
19 Total Test Year Variable Pay charged to O&M	924	1,267,033	7,632	2,164,972	106	3,440,667
20 Division Adjustment	(94,753)	(97,583)	(81)	(358,437)		(550,854)
21 Variable Pay Adjustments	\$ 117,538	\$ (988,475)	\$ (3,245)	\$ (1,157,828)	\$ -	\$ (2,032,010)

Line Notes

- 1(a)-(d) From Workpaper MDL-3, Page 6 of 10  
2(a)-(d) From Workpaper MDL-3, Page 7 of 10  
3 Sum of Line 1 thru Line 2  
5 From Page 12 of 71, Line 74  
6 From Page 12 of 71, Line 87  
7 From Page 12 of 71, Line 50 / Page 12 of 71, Line 66  
8 From Page 12 of 71, Line 51 / Page 12 of 71, Line 66  
9 From Page 12 of 71, Line 52 / Page 12 of 71, Line 66  
10 From Page 12 of 71, Line 53 / Page 12 of 71, Line 66  
12 Line 3 x Line 5 x Line 6  
14 From Company Books  
15 Line 3 x Line 5 x Line 6 x Line 7  
16 Line 3 x Line 5 x Line 6 x Line 8  
17 Line 3 x Line 5 x Line 6 x Line 9  
18 Line 3 x Line 5 x Line 6 x Line 10  
19 Sum of Line 14 thru Line 18  
21 Line 12 - Line 19 + Line 20

Column Notes

- (f) Sum of Column (a) thru Column (e)

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Union Goals Adjustment

	(a)	(b)	(c)	(d)	(e)	(f)
	Direct	KeySpan Corporate Services	KeySpan Utility Services	National Grid USA Service Co	Other National Grid Companies	Total
1 Target Annual Union Goals - End of Year Employees	959,832	1,696,105	56,893	1,152,869		3,865,699
2 Target Annual Union Goals - Minimum Union Staffing	41,003					
3 Total Target Annual Union Goals	1,000,835	1,696,105	56,893	1,152,869		
4						
5 Percentage of Annual Wages Charged to Company	100.00%	0.07%	0.56%	16.15%		
6 Percentage of Union Wages Charged to O & M	58.67%	99.61%	99.98%	42.20%		
7 Percentage of Union O & M Wages Charged to DSM	0.00%	0.00%	0.00%	0.00%		
8 Percentage of Union O & M Wages Charged to Veg Management	0.00%	0.00%	0.00%	0.00%		
9 Percentage of Union O & M Wages Charged to I & M	2.29%	0.00%	0.00%	2.92%		
10 Percentage of Union O & M Wages Charged to IFA	2.45%	6.51%	2.17%	16.81%		
11						
12 Target Union Goals Charged to O&M	587,190	1,183	319	78,572	199	667,463
13						
14 Test Year Union Goals charged to O&M	546,950	25,889	2,542	530,416		
15 Less: DSM Union Goals in Rate Year	-	-	-	-		
16 Less: Veg Management Union Goals in Rate Year	-	-	-	-		
17 Less: I & M Union Goals in Rate Year	13,447	-	-	17,146		
18 Less: IFA Union Goals in Rate Year	14,386	38,226	12,742	98,707		
19 Total Test Year Union Goals charged to O&M	574,783	64,115	15,284	646,269	199	1,300,650
20 Division Adjustment	-	38,149	12,735	100,351		151,235
21 <b>Union Goals Adjustments</b>	12,407	(24,783)	(2,230)	(467,346)	-	(481,952)

Line Notes

- 1(a)-(d) From Workpaper MDL-3, Page 8 of 10  
2(a)-(d) From Workpaper MDL-3, Page 10 of 10  
3 Sum of Line 1 through Line 2  
5 From Page 12 of 71, Line 75  
6 From Page 12 of 71, Line 85  
7 From Page 12 of 71, Line 20 / Page 12 of 71, Line 67  
8 From Page 12 of 71, Line 21 / Page 12 of 71, Line 67  
9 From Page 12 of 71, Line 22 / Page 12 of 71, Line 67  
10 From Page 12 of 71, Line 23 / Page 12 of 71, Line 67  
12 Line 3 x Line 5 x Line 6  
14 From Company Books  
15 Line 3 x Line 5 x Line 6 x Line 7  
16 Line 3 x Line 5 x Line 6 x Line 8  
17 Line 3 x Line 5 x Line 6 x Line 9  
18 Line 3 x Line 5 x Line 6 x Line 10  
19 Sum of Line 14 through Line 18  
21 Line 12 - Line 19 + Line 20

Column Notes

- (f) Sum of Column (a) through Column (e)

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Healthcare

	(a)	(b)	(c)	(d)	(e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
1 Company Direct	2,890,411	(54,324)	2,836,087	539,414	3,375,501
2 KeySpan Corporate Services	720,743	(65,039)	655,704	(119,504)	536,200
3 KeySpan Utility Services	16,036	(387)	15,649	(7,635)	8,014
4 National Grid USA Services	2,279,957	(249,030)	2,030,927	(12,625)	2,018,302
5 Other	116,517	(59,510)	57,007	-	57,007
6 Total	<u>\$ 6,023,664</u>	<u>\$ (428,290)</u>	<u>\$ 5,595,374</u>	<u>\$ 399,650</u>	<u>\$ 5,995,024</u>

	(f)	(g)	(h)	(i)	(j)
Normalizing Adjustments	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
11 Reverse IFA Related Expenses	(54,324)	(16,713)	(387)	(52,327)	(2,209)
12 Remove O & M Storm Expenses	-	(48,326)	-	(196,703)	(57,301)
13 Total	<u>\$ (54,324)</u>	<u>\$ (65,039)</u>	<u>\$ (387)</u>	<u>\$ (249,030)</u>	<u>\$ (59,510)</u>

18 Number of Vacancies - Union	-	-	-	-	-
19 Minimum Union Staffing	19	-	-	-	-
20 Total Number of Vacancies	19	-	-	-	-
21 Average Cost Per Employee - Union Medical	12,977	-	-	-	-
22 Average Cost Per Employee - Union Dental	830	-	-	-	-
23 Additional Costs for Vacancies	<u>248,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
24					
25 Number of Vacancies - Management	4	32	-	50	-
26 Average Cost Per Employee - Management - Medical	12,647	10,769	-	11,490	-
27 Average Cost Per Employee - Management -Dental	875	793	-	834	-
28 Additional Costs for Vacancies	<u>54,087</u>	<u>369,979</u>	<u>-</u>	<u>616,193</u>	<u>-</u>
29					
30 Total Additional Costs for Vacancies	<u>302,617</u>	<u>369,979</u>	<u>-</u>	<u>616,193</u>	<u>-</u>

	(k)	(l)	(m)	(n)	(o)
Healthcare Increases	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
37 RY Total Annual Medical and Dental - EOY Employees	5,609,829	35,984,785	1,419,239	31,013,026	-
38					
39 Plus Additional Cost For Vacancies	302,617	369,979	-	616,193	-
40					
41 Percentage of Labor Charged to Company	100.00%	1.56%	0.58%	10.43%	-
42					
43 Percentage of Labor Charged to O & M	58.64%	97.11%	100.00%	62.84%	-
44					
45 Rate Year Medical and Dental Expense	3,467,058	550,744	8,232	2,073,046	57,007
46					
47 Less : Amount Applicable to IFA 2.64%	<u>(91,557)</u>	<u>(14,544)</u>	<u>(217)</u>	<u>(54,744)</u>	<u>-</u>
48					
49 Total Distribution RateYear Medical and Dental Expense	3,375,501	536,200	8,014	2,018,302	57,007
50					
51 Adjusted Test Year Healthcare Expense	<u>2,836,087</u>	<u>655,704</u>	<u>15,649</u>	<u>2,030,927</u>	<u>57,007</u>
52					
53 Total Healthcare Expense Adjustment	<u>\$ 539,414</u>	<u>\$ (119,504)</u>	<u>\$ (7,635)</u>	<u>\$ (12,625)</u>	<u>\$ -</u>
54					

Line Notes

1(a)-5(a)	From Company books	37(k) - 37 (n)	From Workpaper MDL-5 Page 2 Line 1(a) - Line (d)
6	Sum of Line 1 through line 5	39	Line 30
11(f)-11(j)	From Page 8 of 71, Line 5(b)	41	From Page 12 of 71, Line 76
12(f)-12(j)	From Page 8 of 71, Line 5(e)	43	From Page 12 of 71, Line 83
19	From Page 15 of 71, Line 34(a)	45	(Line 37 + Line 39) * Line 41 * Line 43
21	From Workpaper MDL-5 Page 2 Line 25(a)	47	Line 45 * 2.64% (Workpaper MDL-1 Page 2 Line 73)
22	From Workpaper MDL-5 Page 2 Line 26(a)	49	Line 45 + Line 47
23	(Line 21+ Line 22) * Line 20	51(k) - (o)	Line 1(c) through Line 5(c)
25	From Page 16 of 71, Line 34 (a)	53	Line 49 - Line 51
26	From Workpaper MDL-5 Page 2 Line 30		
27	From Workpaper MDL-5 Page 2 Line 31		
28	(Line 26 + Line 27) * Line 25		
30	Line 28 + Line 23		

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
401K Match

	(a)	(b)	(a) + (b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustments	(c) + (d) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Company Direct	185,415	1,158	186,573	22,224	208,797
2 KeySpan Corporate Services	102,690	(7,553)	95,137	(24,885)	70,252
3 KeySpan Utility Services	1,761	(33)	1,728	(520)	1,208
4 National Grid USA Services	743,383	(103,396)	639,987	(100,468)	539,519
5 Other	63,040	(24,420)	38,620	-	38,620
6 Total	<u>\$ 1,096,289</u>	<u>\$ (134,243)</u>	<u>\$ 962,046</u>	<u>\$ (103,649)</u>	<u>\$ 858,397</u>

	(f) Company Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Other
10 Normalizing Adjustments					
11 Reverse IFA Related Expenses	1,158	(1,784)	(33)	(26,248)	(1,033)
12 Remove O & M Storm Expenses	-	(5,769)	-	(77,148)	(23,387)
13 Total	<u>1,158</u>	<u>(7,553)</u>	<u>(33)</u>	<u>(103,396)</u>	<u>(24,420)</u>

	(k) Adjusted Test Year Labor Cost	(l) Adjusted Test Year 401K Match	(m) Average Expense Per Labor Dollar
16 Adjustment for Vacancies			
20 Company Direct Charges	19,236,594	186,573	0.97%
21 KeySpan Corporate Services	4,431,110	95,137	2.15%
22 KeySpan Utility Services	63,568	1,728	2.72%
23 National Grid USA Services	15,974,741	639,987	4.01%
24 Other	295,954	38,620	N/A
25 Total	<u>\$ 40,001,966</u>	<u>\$ 962,046</u>	

	(n) Rate Year Labor Cost	(o) Adjusted Test Year Labor Costs	(p) Difference	(q) Average Expense Per Labor Dollar	(r) Rate Year 401K Match
27 December 2011					
31 Company Direct Charges	21,527,685	19,236,594	2,291,091	0.97%	22,224
32 KeySpan Corporate Services	3,273,651	4,431,110	(1,157,459)	2.15%	(24,885)
33 KeySpan Utility Services	44,443	63,568	(19,125)	2.72%	(520)
34 National Grid USA Services	13,469,300	15,974,741	(2,505,441)	4.01%	(100,468)
35 Other	295,954	295,954	0	N/A	-
36 Total	<u>\$ 38,611,032</u>	<u>\$ 40,001,966</u>	<u>\$ (1,390,933)</u>		<u>\$ (103,649)</u>

Line Notes

- 1-5 (a) From Company books  
1-5 (b) Line 13  
1-5 (d) Column (r)  
6 Sum of Line 1 through Line 5  
11(f)-11(j) From Page 8 of 71, Line 6(e)  
12(f)-12(j) From Page 8 of 71, Line 6(e)  
13 Sum of Line 11 through Line 12  
20(k)-24(k) From Page 10 of 71, Column (c)  
20(m)-24(m) Column (l) / Column (k)  
25 Sum of Line 20 through Line 24  
31(n)-35(n) From Page 10 of 71, Column (e)  
31(o)-35(o) Line 20(k) through Line 24(k)  
31(p)-35(p) Column (n) - Column (o)  
31(q)-35(q) Line 20(m) through Line 24(m)  
31(r)-35(r) Column (p) x Column (q)  
36 Sum of Line 31 through Line 35



The Narragansett Electric Company d/b/a National Grid  
Adjustments To Rate Base  
Test Year Ended December 31, 2011  
401K Pension Replacement Plan

	(a)	(b)	(a)+(b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustments	(c) + (d) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Company Direct	-	-	-	28,515	28,515
2 KeySpan Corporate Services	325	-	325	32,696	33,021
3 KeySpan Utility Services	4	-	4	297	301
4 National Grid USA Services	2,694	-	2,694	117,067	119,761
5 Other	-	-	-	-	-
6 Total	<u>\$ 3,023</u>	<u>\$ -</u>	<u>\$ 3,023</u>	<u>\$ 178,575</u>	<u>\$ 181,598</u>
	(f) Company Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Total
12 Current Employees in Plan	-	13	1	21	35
14 Average Benefit per Employee	7,163	6,858	10,662	7,342	32,025
15 Number of Vacancies	4	32	-	50	-
18 Rate Year Contributions for Vacancies	<u>28,652</u>	<u>219,456</u>	<u>-</u>	<u>367,100</u>	<u>615,208</u>
20 Estimated New Hires 1/1/12 to 1/31/13	2	117	3	142	264
21 Estimated New Hires 2/1/13 to 1/31/14	1	54	2	66	123
22 Total Estimated New Hires	<u>3</u>	<u>171</u>	<u>5</u>	<u>208</u>	<u>387</u>
24 Rate Year Contributions for New Hires	<u>21,489</u>	<u>1,172,718</u>	<u>53,310</u>	<u>1,527,136</u>	<u>2,774,653</u>
26 Percentage of Management Wages Charged to Company	100.00%	2.51%	0.58%	9.18%	
28 Percentage of Management Wages Charged to O & M	58.41%	97.06%	100.00%	70.74%	
30 Rate Year Benefit Charged to Company O & M Vacancies	16,736	5,346	-	23,839	45,921
32 Less : Amount Applicable to IFA for Vacancies	2.64% (442)	(141)	-	(630)	(1,213)
34 Rate Year Benefit for Vacancies	<u>16,294</u>	<u>5,205</u>	<u>-</u>	<u>23,209</u>	<u>44,708</u>
36 Rate Year Benefit Charged to Company O & M New Hires	12,552	28,570	309	99,171	140,602
38 Less : Amount Applicable to IFA for New Hires	2.64% (331)	(754)	(8)	(2,619)	(3,712)
40 Rate Year Benefit for New Hires	<u>12,221</u>	<u>27,816</u>	<u>301</u>	<u>96,552</u>	<u>136,890</u>
42 Total 401K Pension Replacement Benefit for Rate Year	<u>28,515</u>	<u>33,021</u>	<u>301</u>	<u>119,761</u>	<u>181,598</u>
44 Test Year 401K Pension Replacement Benefit	-	325	4	2,694	3,023
46 Total Management 401K Adjustment	<u>\$ 28,515</u>	<u>\$ 32,696</u>	<u>\$ 297</u>	<u>\$ 117,067</u>	<u>\$ 178,575</u>

Line Notes

1(a)-5(a)	From Company books	32	Line 30 x Line 32(k)
1(d)-5(d)	Line 46	32(k)	From Workpaper MDL-1 Page 2 Line 73
6	Sum of Line 1 through Line 5	34	Line 30 + Line 32(f) through (j)
12-14	From Company books	36	Line 24 x Line 26 x Line 28
16	From Page 16 of 71, Line 34	38	Line 36 x Line 38(k)
18	Line 14 x Line 16	40	Line 36 + Line 38
20	From Workpaper MDL-4, Column (f)	42	Line 34 + Line 40
21	From Workpaper MDL-4, Column (g)	44	From Line 1(a) through Line 5(a)
22	Sum of Line 20 through Line 21	46	Line 42 - Line 44
24	Line 14 x Line 22		
26	From Page 12 of 71, Line 74		
28	From Page 12 of 71, Line 87		
30	Line 18 x Line 26 x Line 28		

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Donations

	(a)	(b)	(a) + (b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustment	(c) + (e) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Company Direct	-	444,811	444,811	-	444,811
2 KeySpan Corporate Services	-	(34,032)	(34,032)	-	(34,032)
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	-	(9,637)	(9,637)	-	(9,637)
5 Other	-	-	-	-	-
6 Total	<u>\$ -</u>	<u>\$ 401,142</u>	<u>\$ 401,142</u>	<u>\$ -</u>	<u>\$ 401,142</u>
7					
8					
9					
10					
11	(f) Company Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Other
12	Reclassify Donations to O & M 362,454		-		-
13	Removal of Non Jurisdictional Costs	(34,032)		(9,637)	
14	Additional Test Year Donations 82,357				
15	Total 444,811	(34,032)	-	(9,637)	-

Line Notes

- 1(b)-5(b) Line 15  
6 From Workpaper MDL-6  
12(f)-14(j) From Page 8 of 71 Line 8  
15 Sum of Line 12 through Line 14

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Computer Software Expenses**

	(a)	(b)	(a) + (b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustment	(c) + (e) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Company Direct	\$15,696	(\$22,165)	(\$6,469)	\$0	(\$6,469)
2 KeySpan Corporate Services	\$56,949	(\$2,091)	\$54,858	\$0	\$54,858
3 KeySpan Utility Services	\$0	\$0	\$0	\$0	\$0
4 National Grid USA Services	\$3,666,551	(\$94,336)	\$3,572,215	\$5,591,668	\$9,163,883
5 Other	\$672	\$0	\$672	\$0	\$672
6 Total	<u>\$3,739,868</u>	<u>(\$118,592)</u>	<u>\$3,621,276</u>	<u>\$5,591,668</u>	<u>\$9,212,944</u>

	(f) Company Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Other
15 Normalizing Adjustments					
16 Reverse IFA Related Expenses	\$71	(\$895)	\$0	(\$36,840)	\$0
17 Vegetation Management expenses				(\$274)	
18 Remove O & M Storm expenses	(\$22,236)	\$0	\$0	\$0	\$0
19 Remove ProCard Charges - Hart				(\$159)	
20 Remove Costs to Achieve	\$0	(\$1,196)	\$0	(\$57,063)	\$0
21 Total	<u>(\$22,165)</u>	<u>(\$2,091)</u>	<u>\$0</u>	<u>(\$94,336)</u>	<u>\$0</u>

	(k) Adjusted Books Year Ended December 31, 2011	(l) Inflation Adjustment	(m)=(k)+(l) Rate Year Adjusted
29 Purchased software	\$1,887,234	\$71,904	\$1,959,137
35 Software Rents:			
36 IT Software Rents - existing projects	\$1,734,042	\$240,640	\$1,974,682
37 IT Software Rents - other new projects	\$0	\$2,802,336	\$2,802,336
38 IT Software Rents - US Foundations Project		\$2,626,506	\$2,626,506
40 Sub-total	<u>\$1,734,042</u>	<u>\$5,669,482</u>	<u>\$7,403,524</u>
41 Less : Amount Applicable to IFA	(q)		
42 2.64%		(\$149,718)	(\$149,718)
43 Total Software Rents	<u>\$1,734,042</u>	<u>\$5,519,765</u>	<u>\$7,253,806</u>
45 Total Computer Software	<u><u>\$3,621,276</u></u>	<u><u>\$5,591,668</u></u>	<u><u>\$9,212,944</u></u>

**Line Notes**

1-5 (a)	From Company books	36(p)-38(p)	Per Workpaper MDL-7, Page 10, Lines 198 through 200
1-5 (b)	Line 21	40	Sum of Lines 36 through 38
1-5 (d)	Line 45(o)	42(n)	From Company books
16(f)-20(j)	From Page 8 of 71, Line 9(i)	42(o)	Line 40(o) x 42(q)
21	Sum of Line 16 through Line 20	42(p)	Line 42(n) + Line 42(o)
29(k)	From Company books	42(q)	Per Workpaper MDL-1, Page 2 Line 57
29(l)	Col (k) times 3.81% inflation rate per Page 50 of 71	43	Line 40 + Line 42
36(n)-38(n)	From Company books	45	Line 29 + Line 43
36(o)-38(o)	Column (p) - Column (n)		

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Regulatory Assessments

	(a)	(b)	(a) + (b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustment	(c) + (e) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Company Direct	3,009,083	(93,768)	2,915,315	1,077,066	3,992,381
2 KeySpan Corporate Services	-	-	-	-	-
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	-	-	-	-	-
5 Other	-	-	-	-	-
6 Total	<u>\$ 3,009,083</u>	<u>\$ (93,768)</u>	<u>\$ 2,915,315</u>	<u>\$ 1,077,066</u>	<u>\$ 3,992,381</u>

	(f) Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Other
14 Normalizing Adjustments					
16 Reverse IFA Related Expenses	(93,768)	-	-	-	-
17 Total	(93,768)	-	-	-	-

	(f) Company Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Other
20 Proforma Adjustments					
22 Regulatory Assessments for FY2012 pre-paid (Net of IFA)	1,077,066	-	-	-	-
24	<u>1,077,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Line Notes

- 1(a)-5(a) From Company books  
1(b) From line 16(f)  
1(d) From line 22(f)  
6 Sum of line 1 through line 5  
16 From Page 8 of 71, Line 10  
17 Line 16  
22 From Company books  
24 Line 22

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Facilities

	(a)	(b)	(a) + (b) (c)	(d)	(c) + (e) (e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustment	Rate Year Adjusted
1 Company Direct	122,082	(192)	121,890	13,317	135,208
2 KeySpan Corporate Services	195,785	-	195,785	21,391	217,176
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	1,796,359	(80,888)	1,715,471	187,427	1,902,898
5 Other	631,997	(212,886)	419,111	45,791	464,902
6 Total	\$ 2,746,223	\$ (293,966)	\$ 2,452,257	\$ 267,926	\$ 2,720,183

	(f) Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Other
16 Reverse IFA Related Expenses	(192)	-	-	(20,516)	1,554
17 Out of period adjustment - Sutton CDC allocation					(214,440)
18 Remove costs related to Westborough facility sold during test year				(60,372)	
19 Total	\$ (192)	\$ -	\$ -	\$ (80,888)	\$ (212,886)

	Total Test Year Per Books	Normalizing Adjustments	Adjusted Books Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
24 Direct costs					
25 Lincoln, RI	\$ 35,897		35,897	1,368	37,264
26 Middletown, RI	9,640		9,640	367	10,007
27 All other Facilities	-		-	-	-
28 Gas, Water & Electric Utilities	77,116		77,116	2,938	80,055
29 Less : Amount Applicable to IFA		(192)	(192)		(192)
30 Subtotal-Direct Facilities	\$ 122,653	\$ (192)	\$ 122,461	\$ 4,673	\$ 127,134

	Total Test Year Per Books	Normalizing Adjustments	Adjusted Books Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
34 Indirect costs					
35 Reservoir Woods	\$ 663,354		\$ 663,354	\$ 25,274	\$ 688,628
36 Reservoir Woods Leasehold Improvements	147,423		147,423	141,153	288,576
37 Sutton, MA CDC	650,782	(214,440)	436,343	16,625	452,968
38 Northborough Call Center	397,090		397,090	58,634	455,724
39 Syracuse, NY	342,924		342,924	13,065	355,990
40 Metrotech, NY	136,790		136,790	5,212	142,001
41 Worcester, MA	116,766		116,766	4,449	121,215
42 Millbury, MA Training Center	69,839		69,839	2,661	72,500
43 Westborough, MA	60,372	(60,372)	-	-	-
44 Hicksville, NY	31,577		31,577	1,203	32,780
45 Melrose St, Providence	11,564		11,564	441	12,005
46 Melville, NY	13,210		13,210	503	13,713
47 Washington, D.C.	8,922		8,922	340	9,262
48 All other Facilities	18,252		18,252	695	18,947
49 Gas, Water & Electric Utilities	(45,295)		(45,295)	(1,726)	(47,021)
50 Less: Test Year IFA		(18,962)	(18,962)		(18,962)
51 Subtotal-Indirect Facilities	\$ 2,623,570	\$ (293,774)	\$ 2,329,796	\$ 268,529	\$ 2,598,325
52 Less : Amount Applicable to IFA	2.64%			(5,276)	(5,276)
53 TOTAL Facilities	\$ 2,746,223	\$ (293,966)	\$ 2,452,257	\$ 267,926	\$ 2,720,183

Line Notes

- 1-5(a) From Company books  
1-5(b) Line 19  
1-5(d) Line 53 Column (i) x (Line 1 Column (c) / Line 6 Column (c) )  
16(f)-18(j) From Page 8 of 71, Line 11  
19 Sum of Line 16 thru Line 18  
29(g) Line 16(f)  
25-29(h) Column (f) + Column (g)  
25-28(i) Column (h) x Page 50 Line 40 Column (c)  
37(g) Line 17(j)  
43(g) Line 18(i)  
50(g) Line 16 Column (i) + Column (j)  
35,37,39-49(i) Column (h) x Page 50 Line 40 Column (c)  
36(j) Workpaper MDL-9  
38(j) Workpaper MDL-9  
52 (-2.64% x Line 36(i) ) + (-2.64% x Line 38(i) )  
53 Line 30 + Line 51 + Line 52

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Uninsured Claims

	(a)	(b)	(c)	(d)	(e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
1 Company Direct	2,035,516	(63,493)	1,972,023	(269,191)	1,702,832
2 KeySpan Corporate Services	-	-	-	-	-
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	445,139	(12,840)	432,299	(432,299)	-
5 Other	(30)	-	(30)	30	-
6 Total	<u>\$ 2,480,624</u>	<u>\$ (76,333)</u>	<u>\$ 2,404,291</u>	<u>\$ (701,459)</u>	<u>\$ 1,702,832</u>

	(f)	(g)	(h)	(i)	(j)
	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
11 Normalizing Adjustments	(63,493)	-	-	(12,840)	-
12 Reverse IFA Related Expenses	(63,493)	-	-	(12,840)	-
13 Total	<u>(63,493)</u>	<u>-</u>	<u>-</u>	<u>(12,840)</u>	<u>-</u>

		(k)	(l)	(m)	
		General & Auto Liability	Workers Comp.	Total	
18	Actual Claims Paid, Years ending	12/31/2007	2,787,696	548,410	3,336,105
19		12/31/2008	3,606,969	796,535	4,403,504
20		12/31/2009	886,162	850,541	1,736,703
21		12/31/2010	646,016	911,108	1,557,124
22		12/31/2011	1,534,883	794,316	2,329,199
23					
24	5 Year Average				2,672,527
25					
26	Add: Administrative Fees paid to third party claims administrator				59,972
27	Total				2,732,499
28					
29	Test Year Uninsured Claims				2,404,291
30					
31	Adjustment for Uninsured Claims Before IFA				328,208
32					
33	Less : Amount Applicable to IFA			2.64%	(8,667)
34	Division Adjustment				(1,021,000)
35	Adjustment for Uninsured Claims After IFA				\$ (701,459)

Line Notes

- 1(a)-5(a) From Company books  
1(b)-5(b) Line 12(f) through (j)  
6(d) Line 35  
12 From Page 8 of 71, Line 12(b)  
18-22 From Company books  
24 Line 18(m) through Line 22(m) / 5  
26 From Company books  
27 Line 24 + Line 26  
29 Line 6(c)  
31 Line 27 - Line 29  
33 Line 31 x Line 33(m)  
35 Line 33 + Line 35 + Line 34

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Insurance Premiums

	(a)	(b)	(c)	(d)	(e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustment	Rate Year Adjusted
1 Company Direct	-	-	-	-	-
2 KeySpan Corporate Services	-	-	-	-	-
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	970,582	696	971,278	94,007	1,065,285
5 Other	-	-	-	-	-
6 Total	<u>\$ 970,582</u>	<u>\$ 696</u>	<u>\$ 971,278</u>	<u>\$ 94,007</u>	<u>\$ 1,065,285</u>
7					
8					
9					
10					
11					
12					
13					
14					
15 Normalizing Adjustments	<u>Company Direct</u>	<u>KeySpan Corporate</u>	<u>KeySpan Utility</u>	<u>National Grid USA</u>	<u>Other</u>
16 Reverse IFA related expenses	-	-	-	(27,615)	-
17 Reverse Credit for 2007 tax accrual	-	-	-	28,311	-
18 Total	-	-	-	696	-

Line Notes

- 1(a)-5(a) From Company books  
1(b)-5(b) Line 18  
4(d) From Page 32 of 71, Line 44  
6 Sum of Line 1 through Line 5  
16 From Page 8 of 71, Line 13(b)  
17 From Company books  
18 Sum of Line 16 through Line 17

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Insurance Premium Details

				(a) Current Premium	(b) Allocated %	(a) x (b) (c) Annualized Expense
Line of Coverage	Policy Period	Policy Number	Carrier			
1 Aviation	4/1/11-3/31/12	10045246	Global Aerospace	\$ 153,740	8.439%	\$ 12,974
2						
3 Business Travel Accident	1/1/12-12/31/12	GTP9132752	AIG Life Ins Co	67,500	4.320%	2,916
4						
5 Excess Liability	4/1/11-3/31/12	X5686A1A-11	AEGIS	5,775,000	4.983%	287,768
6	4/1/11-3/31/12	XCP G22582930A	ACE	716,708	4.983%	35,714
7	4/1/11-3/31/12		Total	6,491,708		323,482
8						
9 Employment Practices &	11/30/11-10/31/12	01-357-16-65	EPLI - Nat Union Fire Ins (Chartis)	215,000	5.672%	12,195
10 Fiduciary Liability	11/30/11-10/31/12	01-374-18-83	Fiduciary - Nat Union Fire Ins (Chartis)	132,386	5.672%	7,509
11	11/30/11-10/31/12	FX5040711P	Fiduciary - AEGIS	269,525	5.672%	15,287
12	11/30/11-10/31/12	272034-11FL	Fiduciary - EIM	223,725	5.672%	12,690
13	11/30/11-10/31/12	6800-2140	Fiduciary - Chubb	72,500	5.672%	4,112
14			Total	913,136		51,793
15						
16 Fidelity Bond (Crime)	11/30/11-10/31/12	01-374-20-08	Nat Union Fire Ins (Chartis)	85,939	5.672%	4,874
17	11/30/11-10/31/12	CRP-554-40-90-09	Great American Ins Co	29,790	5.672%	1,690
18			Total	115,729		6,564
19						
20 Surety Bonds	1/1/12-12/31/12	Bond # 104240446	Travelers	68,367	4.320%	2,953
21						
22 Workers' Compensation - Excess	7/1/11-6/30/12	EW7-621-004536-511	Liberty Mutual	1,408,185	5.672%	79,872
23						
24 Directors & Officers	12/1/11-11/30/12	Various	Various	2,165,914	4.983%	107,928
25						
26 Public (Excess) Liability	4/1/11-3/31/12	Various	NGICL	3,642,319	4.983%	181,497
27						
28 Property	4/1/11-3/31/12	NG/PD/BI/11/001	NGICL	2,543,020	9.303%	236,577
29						
30 Business Interruption	4/1/11-3/31/12	NG/PD/BI/11/001	NGICL	246,101	9.310%	22,912
31						
32 Property Terrorism	4/1/11-3/31/12	NG/TE/11/017	NGICL	250,000	9.299%	23,248
33						
34 Tax on Insurance Premiums						14,423
35						
36			<b>Grand Total Insurance Premiums</b>			<b>\$ 1,067,139</b>
37						
38 Test Year Insurance Premium Expense						<u>970,582</u>
39						
40 Proforma Insurance Premium Adjustment Before IFA						<u>96,557</u>
41						
42 Less : Amount Applicable to IFA					2.64%	<u>(2,550)</u>
43						
44 Proforma Insurance Premium Adjustment After IFA						<u>\$ 94,007</u>

**Line Notes**

- 34(c) Insurance premium tax payments are for Federal Excise Tax (FET) owed on insurance premiums paid to certain insurance policies issued by foreign insurers, unless the insurer has obtained an FET exemption.
- 36(c) Sum of Line 1(c) through Line 34(c)
- 38 From Page 31 of 71, Line 6(a)
- 40 Line 36 - Line 38
- 42 Line 40(c) x Line 42(b)
- 44 Line 40 + Line 42

**Column Notes**

- (a) From Company Books



The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Payroll Taxes

Payroll Taxes Charged to O&M Accounts

	(a)	(b)	(a)+(b) (c)	(d)	(c)+(d) (e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
1 Direct	(21,369)	(284)	(21,653)	(2,572)	(24,225)
2 KeySpan Corporate Services	394,724	(31,713)	363,011	(94,796)	268,215
3 KeySpan Utility Services	7,239	(156)	7,083	(2,131)	4,952
4 National Grid USA Services	39,769	-	39,769	(6,252)	33,517
5 Other	(5,619)	138	(5,481)	-	(5,481)
6 Total	\$ 414,744	\$ (32,015)	\$ 382,729	\$ (105,751)	\$ 276,978

	(f)	(g)	(h)	(i)	(j)
	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
11 Reverse IFA Related Expenses	(284)	(8,323)	(156)	-	138
12 Remove O & M Storm Expenses		(23,390)			
13 Total	(284)	(31,713)	(156)	-	138

	(k)	(l)	(m)	(n)	(o)
	Adjusted Test Year Labor Cost	Adjusted Test Year Total Payroll Tax Costs	Average Expense Per Labor Dollar	O & M % of Test Year Payroll Tax Cost	Non O & M % of Test Year Payroll Tax Cost
20 Company Direct Charges	19,236,594	1,713,486	8.91%	-1.26%	101.26%
21 KeySpan Corporate Services	4,431,110	363,011	8.19%	100.00%	0.00%
22 KeySpan Utility Services	63,568	7,083	11.14%	100.00%	0.00%
23 National Grid USA Services	15,974,741	2,064,899	12.93%	1.93%	98.07%
24 Other	295,954	82,504	27.88%	-6.64%	106.64%
25 Total	\$ 40,001,966	\$ 4,230,983			

	(p)	(q)	(r)	(s)	(t)
	Rate Year Labor Cost	Adjusted Test Year Labor Costs	Labor Cost Difference	Average Expense Per Labor Dollar	O & M Rate Year Payroll Tax Costs
31 Company Direct Charges	21,527,685	19,236,594	2,291,091	8.91%	(2,572)
32 KeySpan Corporate Services	3,273,651	4,431,110	(1,157,459)	8.19%	(94,796)
33 KeySpan Utility Services	44,443	63,568	(19,125)	11.14%	(2,131)
34 National Grid USA Services	13,469,300	15,974,741	(2,505,441)	12.93%	(6,252)
35 Other	295,954	295,954	0	27.88%	-
36 Total	\$ 38,611,033	\$ 40,001,966	\$ (1,390,933)		\$ (105,751)

Payroll Taxes Charged to Taxes Other Than Income

	(u)	(v)	(u) + (v) (w)	(x)	(w) + (x) (y)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
45 Direct	1,735,139	-	1,735,139	190,406	1,925,545
46 KeySpan Corporate Services	-	-	-	-	-
47 KeySpan Utility Services	-	-	-	-	-
48 National Grid USA Services	2,189,465	(164,335)	2,025,130	(330,232)	1,694,898
49 Other	130,589	(42,604)	87,985	(1,246)	86,739
50 Total	\$ 4,055,193	\$ (206,939)	\$ 3,848,254	\$ (141,071)	\$ 3,707,183

	(z)	(aa)	(bb)	(cc)	(dd)
	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
54 Remove Storm Expenses				(164,335)	(42,604)
55 Total	\$ -	\$ -	\$ -	\$ (164,335)	\$ (42,604)

	(ee)	(ff)	(gg)	(hh)	(ii)
	Labor Cost Difference	Average Expense Per Labor Dollar	Rate Year Payroll Tax Costs	Rate Year Consumer Advocates	Rate Year Add'l USEF Staff
60 December 2011					
62 Company Direct	2,291,091	8.91%	206,708	8,261	
63 KeySpan Corporate Services	(1,157,459)	8.19%	-		
64 KeySpan Utility Services	(19,125)	11.14%	-		
65 National Grid USA Services	(2,505,441)	12.93%	(317,701)		16,137
66 Other	0	27.88%	-		
67 Division adjustment			(54,477)		
68 Total	(1,390,933)		(165,470)	8,261	16,137

Line Notes

1-5(a)	From Company books	31-35(i)	Column (r) x Column (s) x Column (n)
1-5(b)	Line 13	45-49(u)	From Company books
1-5(d)	Column (t)	45-49(v)	Line 55
6	Sum of Line 1 through Line 5	45-49(w)	Column (u) + Column(v)
11(f)-12(j)	From Page 8 of 71, Line 14	45-49(x)	Column(gg) + Column(hh) + Column(ii)
13	Sum of Line 11 through Line 12	45-49(y)	Column (w) + Column (x)
20-24(k)	From Page 10 of 71, Column (c)	50	Sum of Line 45 through Line 49
20-24(l)	Line 1 through Line 5(c) + Line 45 through Line 49(w)	54(z)	From Company books
20-24(m)	Column (l) / Column (k)	55	Line 54
20-24(n)	Column (c) / Column (l)	62-66(ee)	Column (r)
20-24(o)	Column (w) / Column (l)	62-64(ff)	Column (m)
31-35(p)	From Page 10 of 71, Column (e)	65-69(gg)	Column (ee) x Column (ff) x Column (o)
31-35(q)	Column (k)	62 (hh)	From Page 44 of 71, Line 40
31-35(r)	Column (p) - Column (q)	65(ii)	From Page 45 of 71, Line 48
31-35(s)	Column (m)	68	Sum of Line 62 through Line 67

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Other Post-Employment Benefits (OPEB)

	(a)	(b)	(a)+(b) (c)	(d)	(c)+(d) (e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
1 Direct	5,784,833	(157,022)	5,627,811	(3,814,536)	1,813,275
2 KeySpan Corporate Services	648,760	(55,678)	593,082	40,563	633,645
3 KeySpan Utility Services	18,584	(451)	18,133	4,031	22,164
4 National Grid USA Services	2,347,407	(249,084)	2,098,323	(1,106,989)	991,334
5 Other	177,716	(96,558)	81,158	-	81,158
6 Total	\$ 8,977,300	\$ (558,792)	\$ 8,418,508	\$ (4,876,932)	\$ 3,541,576

	(f)	(g)	(h)	(i)	(j)
	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
10 Normalizing Adjustments	(157,022)	(12,896)	(451)	(53,494)	(3,149)
11 Reverse IFA related expenses		(42,782)		(195,590)	(93,409)
12 Remove O & M Storm Expenses					
13 Total	(157,022)	(55,678)	(451)	(249,084)	(96,558)

	(k)	(l)	(m)	(n)	(o)	(p)
	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other	Total
18 Total Company Test Year OPEB Costs to O&M	5,627,811	593,082	18,133	2,098,323	81,158	8,418,508
20 Rate Year OPEB Total Cost	3,092,216	41,827,049	3,821,419	15,125,146		
22 Percentage Charged to Company- Total	100.00%	1.56%	0.58%	10.43%		
23 O & M Percentage Charged to Company Labor	58.64%	97.11%	100.00%	62.84%		
24 Total Company Rate Year FAS 106 Costs to O&M	1,813,275	633,645	22,164	991,334	81,158	3,541,576
25 Adjustment for OPEB Expense	\$ (3,814,536)	\$ 40,563	\$ 4,031	\$ (1,106,989)	\$ -	\$ (4,876,932)

	FY 2013	FY 2014
<b>Company Direct</b>		
FAS 106 Cost per Hewitt	6,236,816	5,128,582
Fair Value Amortization	522,697	(2,769,826)
Total	6,759,513	2,358,756
		<b>12 Mos End Jan 2014</b>
<b>Company Direct Total OPEB Cost</b>		3,092,216

	FY 2013	FY 2014
<b>KeySpan Corporate Services</b>		
FAS 106 Cost per Hewitt	42,468,583	41,698,742
Fair Value Amortization	-	-
Total	42,468,583	41,698,742
		<b>12 Mos End Jan 2014</b>
<b>KeySpan Corporate Services Total OPEB Cost</b>		41,827,049

	FY 2013	FY 2014
<b>KeySpan Utility Services</b>		
FAS 106 Cost per Hewitt	3,923,722	3,800,958
Fair Value Amortization	-	-
Total	3,923,722	3,800,958
		<b>12 Mos End Jan 2014</b>
<b>KeySpan Utility Services Total OPEB Cost</b>		3,821,419

	FY 2013	FY 2014
<b>National Grid Service Company</b>		
FAS 106 Cost per Hewitt	19,108,749	16,407,890
Fair Value Amortization	359,379	(2,151,340)
Total	19,468,128	14,256,550
		<b>12 Mos End Jan 2014</b>
<b>National Grid Service Company Total OPEB Cost</b>		15,125,146

Line Notes

1-5 (a)	From Company books	25	Line 24 - Line 19
1-5 (b)	Line 13	30-31	From Workpaper MDL-26 Pages 45 and 61
1-5 (d)	Line 25	32	Line 30 + Line 31
6	Sum of Line 1 through Line 5	36	Line 32(k) / 12 x 2 months + Line 32(l) / 12 x 10 months
11(f)-(j)	From Page 8 of 71, Line 15	41-42	From Workpaper MDL-26 Page 212
13	Sum of Line 11 through Line 12	43	Line 41 + Line 42
19(k)-(o)	Lines 1 through 5(c)	47	Line 43(k) / 12 x 2 months + Line 43(l) / 12 x 10 months
21(k)	Line 36	52-53	From Workpaper MDL-26 Page 212
21(l)	Line 47	54	Line 52 + Line 53
21(m)	Line 58	58	Line 54(k) / 12 x 2 months + Line 54(l) / 12 x 10 months
21(n)	Line 69	63-64	From Workpaper MDL-26 Pages 47, 63 and 110
22	From Page 12 of 71, Line 76	65	Line 63 + Line 64
23	From Page 12 of 71, Line 83	69	Line 65(k) / 12 x 2 months + Line 65(l) / 12 x 10 months
24	Line 21 x Line 22 x Line 23		

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Pensions

	(a)	(b)	(c) (a)+(b) Adjusted Test Year Ended December 31, 2011	(d)	(e) (c)+(d) Rate Year Adjusted	
	Total Test Year Per Books	Normalizing Adjustments		Pro Forma Adjustments		
1 Direct	5,018,355	(131,434)	4,886,921	1,724,262	6,611,183	
2 KeySpan Corporate Services	884,902	(69,461)	815,441	63,110	878,551	
3 KeySpan Utility Services	23,905	(528)	23,377	5,297	28,674	
4 National Grid USA Services	3,148,652	(382,351)	2,766,301	(116,589)	2,649,712	
5 Other	182,366	(115,795)	66,571	-	66,571	
6 Total	\$ 9,258,180	\$ (699,569)	\$ 8,558,611	\$ 1,676,080	\$ 10,234,691	
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Line Notes

1-5 (a)	From Company books	21	From Page 12 of 71, Line 76	44	From Workpaper MDL-26 Page 143
1-5 (b)	Line 13	22	From Page 12 of 71, Line 83	46	Line 44 + Line 45
1-5 (d)	Line 28	23	Line 20 x Line 21 x Line 22	50	Line 46(k) x 2/12 + Line 46(l) x 10/12
6	Sum of Line 1 through Line 5	25	From Page 25 of 71 Line 46	55	From Workpaper MDL-26 Page 143
11(f)-(12(j))	From Page 8 of 71, Line 16	26	Sum of Line 23 through Line 25	57	Line 55 + Line 56
13	Line 11 + Line 12	28	Line 26 - Line 18	58	Line 57(k) x 2/12 + Line 57(l) x 10/12
18	Line 1 through Line 5 Column (c)	33	From Workpaper MDL-26 Pages 29 and 77	66	From Workpaper MDL-26 Pages 31, 79 and 104
20(k)	Line 39	34	From Workpaper MDL-26 Pages 4 and 5	67	From Workpaper MDL-26 Pages 6 and 7
20(l)	Line 50	35	Line 33 + Line 34	68	Line 66 + Line 67
20(m)	Line 61	39	Line 35(k) x 2/12 + Line 35(l) x 10/12	72	Line 68(k) x 2/12 + Line 68(l) x 10/12
20(n)	Line 72				

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Postage

	(a)	(b)	(a)+(b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustments	(c)+(d) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Company Direct	-	-	-	-	-
2 KeySpan Corporate Services	558	(14)	544		544
3 KeySpan Utility Services	-	-	-		-
4 National Grid USA Services	2,019,210	(474)	2,018,736	83,418	2,102,154
5 Other	(4,903)		(4,903)		(4,903)
6 Total	<u>\$ 2,014,865</u>	<u>\$ (488)</u>	<u>\$ 2,014,377</u>	<u>\$ 83,418</u>	<u>\$ 2,097,795</u>

	(f) Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Other
10 Normalizing Adjustments					
11 Reverse IFA Related Expenses	-	(14)	-	(474)	-
12 Total	-	(14)	-	(474)	-

16 Postage Expense for the twelve months ended 12/31/11	2,014,377
17 Average Monthly Expense	167,865
19 Postage Expense prior to April 17 increase	598,774
21 Test Year Postage percentage increase (after April 17, 2011 Increase)	1.70%
23 Increased Postage Expense prior to April 17	608,953
25 Postage from April 18, 2011 through Dec 31, 2011	1,415,654
27 Normalized Postage Expense	2,024,607
29 Postage Increase Effective January 22, 2012	2.10%
31 GDP CPI estimated for 12/31/2012	228
33 GDP CPI estimated for 12/31/2013	233
34 Postage Rate Increase effective January 23, 2013	2.02%
35 Portion of Rate Year in effect	100.00%
37 Rate year postage increase	4.12%
39 Rate Year Postage Expense	2,108,025
41 Rate Year Adjustment for Postage Expense	<u>83,418</u>

Line Notes

- 1(a)-5(a) From Company financials  
16 From Line 6 Column (c )  
18 Line 16 / 12  
20 Line 18 x 3.567 months  
22 Per USPS Notice at Workpaper MDL-11  
24 Line 20 x (1+Line22)  
26 Line 18 x 8.433 months  
28 Line 24 + Line 26  
30 Per USPS Notice, Workpaper MDL-11  
34 Line 33 /Line 32-1  
37 (Line 30+ Line 34) xLine 36  
39 Line 28 x (1+Line 37)  
41 Line 39 - Line 28

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Energy Efficiency O&M

	(a)	(b)	(a)+(b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustment	(c)+(d) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Company Direct	30,148,944	(30,148,944)	-	-	-
2 KeySpan Corporate Services	546,119	(546,119)	-	-	-
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	3,114,788	(3,114,788)	-	-	-
5 Other	686,042	(686,042)	-	-	-
6 Total	<u>\$ 34,495,893</u>	<u>\$ (34,495,893)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
7					
8					
9					
10	(f)	(g)	(h)	(i)	(j)
11 Normalizing Adjustments	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
12 Remove Costs to Achieve	-	-	-	(37,630)	-
13 Energy Efficiency Recoverable Expenses	(30,148,944)	(546,119)	-	(3,077,158)	(686,042)
14 Total	<u>\$ (30,148,944)</u>	<u>\$ (546,119)</u>	<u>\$ -</u>	<u>\$ (3,114,788)</u>	<u>\$ (686,042)</u>

Line Notes

- 1(a)-5(a) From Company books  
1(b)-5(b) Line 14  
6 Sum of Line 1 through Line 5  
12 From Page 8 of 71, Line 18(g)  
13 From Page 8 of 71, Line 18(h)  
14 Line 12 + Line 13

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Environmental Response and Storm Fund Recovery

**Environmental Response Fund**

	(a)	(b)	(c) + (b) (c) Adjusted Test Year Ended December 31, 2011	(d)	(c) + (d) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments		Pro Forma Adjustment	
1 Company Direct	3,078,000	-	3,078,000	-	3,078,000
2 KeySpan Corporate Services	-	-	-	-	-
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	-	-	-	-	-
5 Other	-	-	-	-	-
6 Total	<u>\$ 3,078,000</u>	<u>\$ -</u>	<u>\$ 3,078,000</u>	<u>\$ -</u>	<u>\$ 3,078,000</u>

	(f) Company Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Other
13 Normalizing Adjustments					
14 Reverse IFA Related Expenses		-	-	-	-
18 Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Storm Recovery Fund**

	(k)	(l)	(k) + (l) (m) Adjusted Test Year Ended December 31, 2011	(n)	(m) + (n) (o) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments		Pro Forma Adjustment	
26 Company Direct	-	-	-	443,103	443,103
27 KeySpan Corporate Services	-	-	-	-	-
28 KeySpan Utility Services	-	-	-	-	-
29 National Grid USA Services	-	-	-	-	-
30 Other	-	-	-	-	-
31 Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 443,103</u>	<u>\$ 443,103</u>

	(p) Company Direct	(q) KeySpan Corporate	(r) KeySpan Utility	(s) National Grid USA	(t) Other
38 Pro Forma Adjustments					
39 Storm Fund Recovery	1,041,000				
40 Storm Recovery Adjustment	2,400,000				
41 Division Adjustment - Storm allowance	759,000				
42 Division Adjustment - Non-deferrable Storms	(1,356,897)				
43 Division Adjustment - Storm Recovery Adj	(2,400,000)				
44 Total	<u>\$ 443,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
45 Temporary 5 Year Storm Fund Contribution	<u>\$ 3,000,000</u>				

**Line Notes**

- 1(a)-5(a) From Company books  
6 Sum of Line 1 through Line 5  
26(k) From Company books  
26(n) Line 44  
39 Storm Fund Contribution level that was suspended in Docket No. 4065  
40 Proposed temporary Storm Recovery Adjustment (SRA)  
44 Sum of Lines 39 through 43

**The Narragansett Electric Company d/b/a National Grid  
Adjustments To Operating Expenses  
Test Year Ended December 31, 2011  
Additional OPEX charges related to New Capital Work**

	(a)	(b)	(a) - (b) (c)	(d)	(c) x (d) (e)
	Rate Year Capital Spending	Test Year Capital Spending	Difference	%	Pro Forma Adjustment
1 Company Direct	56,540,000	48,613,686	7,926,314	10.71%	848,908
2 KeySpan Corporate Services					-
3 KeySpan Utility Services					-
4 National Grid USA Services					-
5 Other					-
6 Division Adjustment					(424,454)
7 Total	<u>\$ 56,540,000</u>	<u>\$ 48,613,686</u>	<u>\$ 7,926,314</u>		<u>\$ 424,454</u>

**Line Notes**

- 1(a) FY 2013 Capital Spending per Docket No 4307 Electric ISR FY 2013 Proposal Section 2 Page 5 of 33  
Rate year assumes same level of spending as FY 2013  
1(b) From Company books  
1(d) Workpaper MDL-12, Line 12(d)

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Advertising

	(a)	(b)	(a)+(b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustment	(c)+(d) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Company Direct	-	-	-	-	-
2 KeySpan Corporate Services	208,009	(143,328)	64,681	-	64,681
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	2,840	(2,840)	-	-	-
5 Other	-	-	-	-	-
6 Total	<u>210,849</u>	<u>(146,168)</u>	<u>64,681</u>	<u>-</u>	<u>64,681</u>
7					
8					
9					
10					
11	(f) Company Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Other
12					
13	-	(4,772)	-	(99)	-
14		(138,556)		(2,741)	
15	-	(143,328)	-	(2,840)	-
16					
17					
18	(f) Company Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Other
19		(521,453)			
20		521,453			
21	-	-	-	-	-

Line Notes

- 1(a)-5(a) From Company books  
1(b)-5(b) Line 15  
2(d) Line 21  
6 Sum of Line 1 through Line 5  
13 From Page 8 of 71, Line 22(b)  
14 From Workpaper MDL-13 ELEC Page 1, Line 10 minus Line 12  
15 Sum of Line 13 through Line 14  
20 From Workpaper MDL-13 ELEC Page 1, Line 14  
21 Line 19 + Line 20



The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Transmission O&M - Integrated Facilities Arrangement

	(a)	(b)	(a) + (b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustment	(e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Company Direct	1,269,305	(1,269,305)	-	-	-
2 KeySpan Corporate Services	9,935	(9,935)	-	-	-
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	4,271,615	(4,271,615)	-	-	-
5 Other	(58,537,841)	58,537,841	-	-	-
6 Total	<u>\$ (52,986,986)</u>	<u>\$52,986,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	(f) Company Direct	(g) KeySpan Corporate Services	(h) KeySpan Utility Services	(i) National Grid USA Services	(k) Other	Total
10 Normalizing Adjustments						
11 Elimination of the reimbursement from NEP related to IFA	(1,269,305)	(9,935)	-	(4,271,615)	58,537,841	52,986,986
12 Reverse A&G related IFA Expenses						
13 Labor	(8,734)	(91,408)	(1,214)	(238,111)	22,599	(316,868)
14 Health & Hospitalization	(54,324)	(16,713)	(387)	(52,327)	(2,209)	(125,960)
15 Group Life Insurance	-	-	-	-	-	-
16 401K Match	1,158	(1,784)	(33)	(26,248)	(1,033)	(27,940)
17 Donations						
18 Computer Software Purchase	71	(895)	-	(36,840)	-	(37,664)
19 Regulatory Assessments	(93,768)	-	-	-	-	(93,768)
20 Lease - Non-Real Estate	(1,630)	(4,855)	(292)	(5,601)	(25,656)	(38,034)
21 Facilities	(192)	-	-	(20,516)	1,554	(19,154)
22 Uninsured Claims	(63,493)	-	-	(12,840)	-	(76,333)
23 Insurance	-	-	-	(27,615)	-	(27,615)
24 Payroll Taxes	(284)	(8,323)	(156)	-	138	(8,625)
25 PBOP's	(157,022)	(12,896)	(451)	(53,494)	(3,149)	(227,012)
26 Pensions	(131,434)	(17,251)	(528)	(73,907)	(3,031)	(226,151)
27 Postage	-	(14)	-	(474)	-	(488)
28 Residual O&M Expenses Subject to IFA	(298,926)	(89,245)	(600)	(311,037)	(7,525)	(707,333)
29 Total A&G	<u>(808,578)</u>	<u>(243,384)</u>	<u>(3,661)</u>	<u>(859,010)</u>	<u>(18,312)</u>	<u>(1,932,945)</u>
30 Total Integrated Facilities Agreement	<u>\$ (2,077,883)</u>	<u>\$ (253,319)</u>	<u>\$ (3,661)</u>	<u>\$ (5,130,625)</u>	<u>\$ 58,519,529</u>	<u>\$ 51,054,041</u>

Line Notes

- 1(a)-5(a) From Company books  
1(b)-5(b) Line 17  
17-35 From Page 8 of 71, Column (b)  
36 Sum of Line 20 through Line 35  
38 Line 17 + Line 36

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Transmission O&M Wheeling Costs NEP

	(a)	(b)	(c)	(d)	(e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustment	Rate Year Adjusted
1 Company Direct	94,286,161	(94,286,161)	-	-	-
2 KeySpan Corporate Services	-	-	-	-	-
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	-	-	-	-	-
5 Other	23,523,283	(23,523,283)	-	-	-
6 Total	<u>\$ 117,809,444</u>	<u>\$ (117,809,444)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
7					
8					
9					
10					
11					
12 Normalizing Adjustments	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
13 Remove Wheeling Costs	(94,286,161)	-	-	-	(23,523,283)
14 Total	<u>\$ (94,286,161)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,523,283)</u>
15					

Line Notes

- 1(a)-5(a) From Company books  
1(b)-5(b) Line 14  
13 From Page 8 of 71, Line 24(h)

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2011**  
**Rate Case Expense**

1	Total Rate Case Expenses	\$	774,375
2			
3	Number of years to be Amortized		<u>3</u>
4			
5		\$	<u>258,125</u>
6			
7	<b>Third Party Expenses:</b>		
8	Keegan and Werlin, LLP		
9	Legal Fees	\$	250,000
10	Expenses		<u>32,500</u>
11	Total	\$	282,500
12			
13	Hinkley Allen		
14	Legal Fees	\$	100,000
15	Expenses		<u>-</u>
16	Total	\$	100,000
17			
18	HSG Group, Inc.	\$	62,000
19			
20	Concentric Energy Advisors		62,875
21			
22	Consultant Costs of the RI Division		175,000
23			
24	AON Hewitt Associates		52,000
25			
26	Towers Watson		25,000
27			
28	WarRoom Document Solutions		10,000
29			
30	A-1 Court Reports, Inc.		<u>5,000</u>
31			
32	Total Rate Case Expense	\$	<u>774,375</u>

**Line Notes**

- 1 Line 32  
5 Line 1 / Line 3

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Consumer Advocate

	(a)	(b)	(c)	(d)	(e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Proforma Adjustment	Rate Year Adjusted
1 Company Direct	-	-	-	0	0
2 KeySpan Corporate Services	-	-	-	-	-
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	-	-	-	-	-
5 Other	-	-	-	-	-
6 Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 0</u>
7					
8					
9					
10		Percentages/			
11	Percentages	Amount	Amount	Amount	
12	(a)	(b)	(c)	(d)	
13					
14 Additional Customer Assistance Advocate Personnel	2 Positions at Narragansett Electric Co. Band E average		\$ 185,487		
15					
16 Allocation to Electric business	50%		\$ 92,744		
17					
18 Pension and Benefits, Rate Year Expense amount to NECO O&M:					
19 Variable Pay	0.99%	\$ 213,215			
20 Payroll Tax	8.91%	1,917,622			
21 Medical and Dental Insurance	15.68%	3,375,501			
22 Pension	30.71%	6,611,183			
23 OPEB	8.42%	1,813,275			
24 Other Employee Related Benefits & Expenses	18.23%	3,925,134			
25 401K Match	0.97%	208,797			
26 Total Benefits	84.28%	\$ 18,064,727			
27					
28 NECO Employee Salaries and Wages to O&M		\$ 21,432,932			
29					
30 Payroll Taxes, Pension and Benefits Cost as % of Base Salaries & Wages		83.91%			
31					
32 Pension and Benefits for Consumer Advocate Personnel		75.01%	\$ 69,564		
33					
34 Rate Year O&M Costs of Consumer Advocate Personnel			\$ 162,307		
35					
36 Less : Amount Applicable to IFA	2.64%		\$ (4,286)		
37 Division Adjustment			\$ (158,021)		
38 Total Distribution Rate Year O&M Costs of Consumer Advocate Personnel			<u>\$ 0</u>		
39					
40 Rate Year Payroll Taxes (to Page 33 of 71)		8.91%		\$ 8,261	
41					
42					
43 Total Rate Year Costs of Consumer Advocate Personnel				\$ 8,261	

Line Notes

Col (d)	From Line 38	26	Sum of Lines 19 through 25
14	From Workpaper MDL-14	28(b)	From Page 10 of 71, Line 1(e)
16(c)	Line 14 * Line 16(a)	30	Equals Line 26(a)
19(a)-25(a)	Line 19(b) through 25(b) each divided by Line 28(b)	32(b)	Line 26(a) - Line 20(a)
19(b)	From Page 21 of 71, Line 12	32(c)	Line 16(c) * Line 32(b)
20(b)	From Page 33 of 71, Line 1(e)+Line 31(e)+Line 45(w)+Line 62(gg), (hh)	34	Line 16(c) + Line 32(c)
21(b)	From Page 23 of 71, Line 1(e)	36(a)	From Workpaper MDL-1, Page 2 Line 73
22(b)	From Page 35 of 71, Line 1(e)	36(c)	Line 34 * -Line 36(a)
23(b)	From Page 34 of 71, Line 1(e)	38	Line 34 + Line 36 + Line 37
24(b)	Equals the adjusted test year from Company books times the inflation rate of 3.81% per Page 50 of 71	40(b)	Equals Line 20(a)
		40(d)	Line 16(c) * Line 40(b)
25(b)	From Page 24 of 71, Line 1(e)	43	Line 38 + Line 40(d)

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Additional US Foundations Support Staff

	(a)	(b)	(c)	(d)	(e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Proforma Adjustments	Rate Year Adjusted
1 Company Direct	\$ -	\$ -	\$ -	\$ -	\$ -
2 KeySpan Corporate Services	-	-	-	-	-
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	-	-	-	120,163	120,163
5 Other	-	-	-	-	-
6 Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,163</u>	<u>\$ 120,163</u>
7					
8					
9					
10	No. of Employees	Rate Year Average Salary	Amount		
11 Description	(f)	(g)	(h)		
12					
13 Additional US Foundations Personnel:					
14 Band D	2	\$107,379	\$ 214,758		
15 Band E	24	\$82,317	1,975,601		
16 Total	<u>26</u>		<u>\$ 2,190,359</u>		
17					
18 Percentage charged to NGUSA Service Company O&M			100%		
19 Percentage allocated to Company O&M			5.70%		
20					
21 Total Additional USFP Support Staff payroll charged to Company O&M			\$ 124,850		
22					
23					
24					
25	Percentages	Percentages/ Amount	Amount		
26 Description	(i)	(j)	(k)		
27					
28 Pension and Benefits, Rate Year Expense amounts to NGUSA Service Company O&M:					
29 Variable Pay	10.1%	\$ 1,365,581			
30 Payroll Tax	12.9%	1,740,946			
31 Medical and Dental insurance	15.0%	2,018,302			
32 Pension	19.7%	2,649,712			
33 OPEB	7.4%	991,334			
34 Other Employee Related Benefits & Expenses	35.4%	4,773,634			
35 401K Match	4.0%	539,519			
36 401K Pension Replacement Program	0.9%	119,761			
37 Total Benefits	<u>105.4%</u>	<u>\$ 14,198,790</u>			
38					
39 NGUSA Service Company Employee Salaries and Wages to O&M		\$ 13,176,901			
40					
41 Payroll Taxes, Pension and Benefits Cost as % of Base Salaries & Wages		105.4%			
42					
43 Pension and Benefits for Additional USFP Support Staff		92.5%	\$ 115,475		
44 Division Adjustment				(120,163)	
45 Rate Year O&M Costs of Additional USFP Support Staff				<u>\$ 120,163</u>	
46					
47					
48 Rate Year Payroll Taxes (to Page 33)		12.9%		<u>\$ 16,137</u>	
49					
50					
51 Total Rate Year Costs of Additional USFP Support Staff				\$ 136,300	

Line Notes

Col (d)	Equals Line 45	34(j)	Equals the adjusted test year from Company books times the inflation rate of 3.81% per Page 50 of 71
Col (f)	From the testimony of Company witness Maureen P. Heaphy at Page 9.		
Col (g)	Per Workpaper MDL-14	35(j)	Per Page 24 of 71, Line 4(e)
Col (h)	Column (f) * Column (g)	36(j)	Per Page 25 of 71, Line 4(e)
18	Assumes all labor will be charged to O&M as responsibilities relate to user training & support.	37	Sum of Lines 29 through 36
19	Rate Year three-point general allocator, from Schedule MDL-2, Page 36 Line 7(d)	39	Per Page 10 of 71, Line 4(e)
21	Line 16 * Line 18 * Line 19	41	Equals Line 37(i)
29(i)-36(i)	Lines 29(j) through 36(j) each divided by Line 39	43(j)	Line 37(i) - Line 30(i)
29(j)	Per Page 21 of 71, Line 12(d)	43(k)	Line 21(h) * Line 43(j)
30(j)	Per Page 33 of 71, Line 4(c)+Line 34(t)+Line 48(w)+Line 65(gg)	45	Line 21(h) + Line 43(k) + Line 44
31(j)	Per Page 23 of 71, Line 4(e)	48(j)	Equals Line 30(i)
32(j)	Per Page 35 of 71, Line 4(e)	48(l)	Line 21(h) * Line 48(j)
33(j)	Per Page 34 of 71, Line 4(e)	51	Line 45 + Line 48(l)

The Narragansett Electric Company d/b/a National Grid  
Adjustments To Operating Expenses  
Test Year Ended December 31, 2011  
Five Year Average of Uncollectibles Summary

		Total Revenue		
		(a)	(b)	(c)
Description		Total Revenue	Net Write-Offs	% of Write-Offs Distribution Revenue
1	Year:			
2	CY 2011	\$802,881,950	\$10,618,527	1.32%
3	CY 2010	\$879,874,473	\$10,698,705	1.22%
4	CY 2009	\$906,112,250	\$13,701,691	1.51%
5	CY 2008	\$1,150,295,839	\$12,412,851	1.08%
6	CY 2007	\$942,059,186	\$11,000,164	1.17%
7	Total	\$4,681,223,698	\$58,431,939	1.25%
8				
9	Five Year Weighted Average Of			
10	Net Write-Offs as a % of Total Revenues			1.25%
11				
12			(d)	(e) (f) (g) (h) (i)
13			Base Rate	GET & Other
14			Distribution Revenue	Revenues
15	Test Year Normalized Revenues:			Conservation
16	Test Year Revenues	\$246,674,971		Revenue
17	Add: Normalizing Adjustments	(\$601,465)		Transmission
18				Revenue
19	Total Adjusted Test Year Revenue	\$246,073,505		Commodity
20				Revenue
21	Three Year Weighted Average Of Net Write-Offs	1.25%		Total
22				Revenues
23	Adjusted Test Year Bad Debt Expense	\$3,075,919		
24	Less: Test Year Bad Debt Expense	\$6,240,507		
25				
26	Test Year Normalization Adjustment for Bad Debt Expense	(\$3,164,588)		
27				
28	Total Adjusted Test Year Revenue	\$246,073,505		
29	Add: Pro Forma Adjustments	(\$362,914)		
30	Total Rate Year Revenue	\$245,710,591		
31				
32				
33				
34	Three Year Weighted Average Of Net Write-Offs	1.25%		
35				
36	Rate Year Allowable Bad Debt Expenses	\$ 3,071,382		
37	Adjusted Test Year Bad Debt Expense	\$ 3,075,919		
38				
39				
40	Total Pro Forma Bad Debt Expense Adjustment	(4,536)		
41				
42	Total Adjustment	\$ (3,169,124)		

Line Notes

2-6	Per Company's response to Commission 2-25-ELEC/GAS	26	Line 24 - Line 23
7(a)	Sum of Lines 3(a) - 5(a)	28	Equals Line 19
7(b)	Sum of Lines 3(b) - 5(b)	29	Per Page 4 of 71 Column (d)
Col (c)	Column (b) / Column (a)	30	Line 28 + Line 29
16	Per Page 4 of 71 Column (a)	34	Equals Line 21
17	Per Page 4 of 71 Column (b)	36	Line 34 * Line 30
19	Line 16 + Line 17	37	Equals Line 23
21	Equals Line 10	40	Line 37 - Line 36
23	Line 19 * Line 21	42	Line 26 + Line 40
24	Per Company books		

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Productivity and Efficiency Savings**

	(a)	(b)	(c)	(d)	(e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Proforma Adjustment	Rate Year Adjusted
1 Company Direct	\$ -	\$ -	\$ -	\$ -	\$ -
2 KeySpan Corporate Services (Discovery adj)	-	-	-	(36,347)	(36,347)
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	-	-	-	(2,590,836)	(2,590,836)
5 Other	-	-	-	-	-
6 Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,627,184)</u>	<u>\$ (2,627,184)</u>

**Line Notes**

2 & 4 Per Workpaper MDL-15, Pages 1 & 11

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Reallocation of Service Company Charges**

	(a)	(b)	(c)	(d)	(e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
1 Company Direct	-	-	-	-	-
2 KeySpan Corporate Services	-	-	-	-	-
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	-	-	-	4,514,843	4,514,843
5 Other	-	-	-	-	-
6 Total	-	-	-	\$4,514,843	\$4,514,843
7					
8					
9		(f)	(g)	(h)	(i)
10		Test Year	Test Year	\$ Change	% Change
11		Reallocated	Reallocated		
12 Total Direct & Allocated charges originating from Service Companies		\$ 93,287,673	\$ 98,538,835	\$ 5,251,162	5.6%
13					
14		Test Year	Test Year	\$ Change	% Change
15		Reallocated	Reallocated		
16 Total Allocated charges originating from Service Companies		\$44,485,666	\$49,736,828	\$5,251,162	11.8%
17					
18					
19				(j)	
20 Test Year reallocation adjustment				\$5,251,162	
21					
22 Less: Rate Year Labor & related benefits adjustments	(k)	(l)	(m)		
23 originating from Service Companies	Pro Forma	% change	Reallocation		
24	Adjustments		Adjustment		
25 Labor	\$ (3,682,025)	5.6%	\$ (207,261)		
26 Healthcare	(139,764)	5.6%	(7,867)		
27 401K Match	(125,873)	5.6%	(7,085)		
28 401K Pension Replacement Plan	150,060	5.6%	8,447		
29 Payroll Taxes	(404,743)	5.6%	(22,783)		
30 OPEB	(1,062,396)	5.6%	(59,802)		
31 Pensions	(48,182)	5.6%	(2,712)		
32 Total				\$ (299,064)	
33					
34 Less: Test Year adjustments originating from	(n)	(o)	(p)		
35 Service Companies	Normalizing	% change	Reallocation		
36	Adjustments		Adjustment		
37 Costs to Achieve Productivity & Efficiency savings	\$ (5,107,997)	11.8%	\$ (602,956)		
38 Total				\$ (602,956)	
39					
40 Reallocation adjustment net of normalization & pro forma adjustments				\$ 4,349,141	
41					
42 Inflation	3.81%			\$ 165,702	
43					
44 Total Rate Year Reallocation Adjustment				\$ 4,514,843	

**Line Notes**

4	Equals Line 44	28	Per Page 25 of 71 Lines 2(d) through 4(d)
12(f)	Per Schedule MDL-2, Page 2 Col (c) + (d)	29	Per Page 33 of 71 Lines 2(d) through 4(d) plus Lines 46(x) through 48(x)
12(g)	Per Schedule MDL-2, Page 3 Col (c) + (d)	30	Per Page 34 of 71 Lines 2(d) through 4(d)
16(f)	Per Schedule MDL-2, Page 2 Col (d)	31	Per Page 35 of 71 Lines 2(d) through 4(d)
16(g)	Per Schedule MDL-2, Page 3 Col (d)	32	Sum of Lines 25(m) through 31(m)
Col (h)	Equals Col (g) - Col (f)	37	From Company books
Col (i)	Equals Col (h) / Col (f)	38	Equals Line 37(p)
20	Equals Column (h)	40	Sum of Lines 20(j) through 38(j)
25	Per Page 10 of 71 Lines 2(d) through 4(d)	42	Line 40(j) times 3.81% inflation rate per Page 50 of 71
26	Per Page 23 of 71 Lines 2(d) through 4(d)	44	Line 40 + Line 42
27	Per Page 24 of 71 Lines 2(d) through 4(d)		



**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Paperless Billing Adjustment**

	(a)	(b)	(c)
	<b># of Paperless Bill Customers</b>	<b>Cost Per Paper Bill</b>	<b>COS Adjustment for Paperless Billing Savings</b>
1 January 2011	42,127	\$ 0.3232	\$ 13,614
2 February 2011	44,321	\$ 0.3243	\$ 14,373
3 February 2011	46,601	\$ 0.3261	\$ 15,195
4 February 2011	48,312	\$ 0.3297	\$ 15,929
5 May 2011	50,209	\$ 0.3222	\$ 16,178
6 June 2011	51,757	\$ 0.3294	\$ 17,049
7 July 2011	53,511	\$ 0.3170	\$ 16,962
8 August 2011	55,741	\$ 0.3398	\$ 18,940
9 September 2011	58,212	\$ 0.3190	\$ 18,569
10 October 2011	58,475	\$ 0.3289	\$ 19,234
11 November 2011	58,848	\$ 0.3425	\$ 20,156
12 December 2011	62,015	\$ 0.3360	\$ 20,839
13			
14 <b>Total</b>	<b>630,129</b>	<b>\$ 0.3277</b>	<b>\$ 207,038</b>

**Column Notes**

- (a) From Workpaper MDL-16, Page 1 of 1, Line 14
- (b) From Workpaper MDL-16, Page 1 of 1, Line 16
- (c) From Workpaper MDL-16, Page 1 of 1, Line 17

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Inflation Adjustment

Description	(a)	(b)	(c)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Books Year Ended December 31, 2011
<b>Total Test Year Operations and Maintenance Expense</b>	\$ 616,065,651	\$ (118,539,823)	\$ 497,525,828
<b>Less Purchased Power</b>	376,831,161	-	376,831,161
<b>Total Test Year Operations and Maintenance Expense to be Adjusted</b>	\$ 239,234,490	\$ (118,539,823)	\$ 120,694,667
<u>Test Year Amounts that are Specifically Adjusted:</u>			
Labor - Page 10 of 71	\$ 49,296,024	\$ (9,294,058)	\$ 40,001,966
Healthcare - Page 23 of 71	6,023,664	(428,290)	5,595,374
401K - Page 24 of 71	1,096,289	(134,243)	962,046
401K Pensions - Page 25 of 71	3,023	-	3,023
Donations - Page 26 of 71	-	401,142	401,142
Computer Software - Page 27 of 71	3,739,868	(118,592)	3,621,276
Regulatory Assessment Fees - Page 28 of 71	3,009,083	(93,768)	2,915,315
Facilities - Page 29 of 71	2,746,223	(293,966)	2,452,257
Insurance Claims- Page 30 of 71	2,480,624	(76,333)	2,404,291
Insurance Premiums - Page 31 of 71	970,582	696	971,278
Payroll Taxes - Page 33 of 71	414,744	(32,015)	382,729
OPEB - Page 34 of 71	8,977,300	(558,792)	8,418,508
Pensions - Page 35 of 71	9,258,180	(699,569)	8,558,611
Postage - Page 36 of 71	2,014,865	(488)	2,014,377
Energy Efficiency - Page 37 of 71	34,495,893	(34,495,893)	-
Environmental Response Fund - Page 38 of 71	3,078,000	-	3,078,000
Storm Fund - Page 38 of 71	-	-	-
Additional OPEX related to additional CAPEX - Page 39 of 71	-	-	-
Advertising - Page 40 of 71	210,849	(146,168)	64,681
Transmission O&M - Integrated Facilities - Page 41 of 71	(52,986,986)	52,986,986	-
Transmission O&M Wheeling Costs NEP - Page 42 of 71	117,809,444	(117,809,444)	-
Uncollectibles - Commodity- Page 46 of 71	3,632,954	1,159,713	4,792,667
Uncollectibles - Transmission- Page 46 of 71	1,116,199	547,401	1,663,600
Uncollectibles - Conservation- Page 46 of 71	\$325,159	274,112	599,271
Uncollectibles - Delivery- Page 46 of 71	6,240,507	(3,164,588)	3,075,919
Company Share of Net Merger Synergies	3,250,000		3,250,000
<b>O&amp;M Expenses Specifically Adjusted</b>	\$ 207,202,488	\$ (111,976,157)	\$ 95,226,331
<b>Residual O&amp;M Expenses Subject to Inflation</b>	\$ 32,032,001	\$ (6,563,666)	\$ 25,468,336
<b>Inflation Factor %</b>			3.81%
<b>Total Inflation Adjustment</b>			<b>\$ 970,344</b>
<u>Calculation of Inflation Rate:</u>			
	GDPPI	CPI	
Index - Midpoint of Test Year June 2011	113.1	224.5	
Index - Midpoint of Rate Year June 2013	117.3	233.3	
Increase in Index From Midpoint Of The Test Year To The Midpoint of Rate Year			
<b>Inflation Factor %</b>	<b>3.72%</b>	<b>3.90%</b>	<b>3.81%</b>
Source: Blue Chip Consensus	1.86%	1.95%	

Line Notes

1	From Page 7 of 71, Line 1 + Line 37	40	Line 53(c)
3	From Page 7 of 71, Line 1	42	Line 38 x Line 40
5	Line 1 - Line 3	47	NIPA: Chain-Type Price Index - GDP, (Index, 2005=100, SA) Q2 2009 from Blue Chip Consensus
9-33	From Page 7 of 71, Line 3 through Line 34	49	NIPA: Chain-Type Price Index - GDP, (Index, 2005=100, SA) Q2 2011 from Blue Chip Consensus
34	From Page 7 of 71, Line 36		
36	Sum of Line 9 through Line 34		
38	Line 5 - Line 36	53	Line 49 / Line 47

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Interest on Customer Deposits**  
**Test Year Ended December 31, 2011**  
**Interest on Customer Deposits**

1	Customer Deposit Balance at December 31, 2011	5,784,669
2		
3	Interest Rate to be Applied in Rate Year	<u>2.78%</u>
4		
5	<b>Adjustment</b>	<b><u><u>160,814</u></u></b>

**Line Notes**

- 1 From Company books
- 3 From Workpaper MDL-17
- 5 Line 1 x Line 3

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

Line No.	Description	Source Factor Or Function (a)	Amount (b)
1	Total Company Rate Year Distribution Depreciation Expense	Line 58	\$ 44,985,990
2	Test Year Depreciation Expense	Per Company books	48,428,228
3	Less : Test Year IFA related Depreciation Expense	Workpaper MDL-1 Page 1 Line 9	(6,402,081)
4	Less: Reserve for write off of old work orders		(127,452)
5	Adjusted Total Company Test Year Distribution Depreciation Expense	Sum of Line 2 through Line 4	41,898,695
6	<b>Depreciation Expense Adjustment</b>	Line 1 - Line 5	\$ 3,087,296
7			
8			<b>Per Book</b>
9	<b><u>Test Year Depreciation Expense 12 Months Ended 12/31/12:</u></b>		<b><u>Amount</u></b>
10	Total Distribution Utility Plant 12/31/11	From Page 64 of 71 Line 1(e)	\$ 1,264,385,192
11	Less Non Depreciable Plant	Workpaper MDL-19-ELEC Page 1, Line 49(g)	(14,110,472)
12	Depreciable Utility Plant 12/31/11	Line 10 + Line 11	1,250,274,720
13			
14	Plus: Added Plant 12 Mos Ended 12/31/12	From Page 53 of 71 Line 13(c)	57,688,785
15	Less: Retired Plant 12 Months Ended 12/31/12	Line 14 x Retirement rate	(10,060,924)
16	Depreciable Utility Plant 12/31/12	Line 12 + Line 14 + Line 15	1,297,902,581
17			
18	Average Depreciable Plant for Year Ended 12/31/12	(Line 12 + Line 16)/2	\$ 1,274,088,650
19			
20	Composite Book Rate %	As approved per R.I.P.U.C Docket No 4065	3.40%
21			
22	Book Depreciation Reserve 12/31/11	From Page 64 of 71 Line 5(e)	554,328,227
23	Plus: Book Depreciation Expense	Line 18 x Line 20	43,319,014
24	Less: Net Cost of Removal/(Salvage)	Workpaper MDL-19-ELEC Page 2, Line 9(c)	(7,158,482)
25	Less: Retired Plant	Line 15	(10,060,924)
26	Book Depreciation Reserve 12/31/12	Sum of Line 22 through Line 25	580,427,835
27			
28	<b><u>Depreciation Expense for January 31, 2013</u></b>		
	Total Utility Plant 12/31/12		1,312,013,053
	Less Non Depreciable Plant		(14,110,472)
29	Depreciable Utility Plant 12/31/12	Line 16	1,297,902,581
30			
31	Plus: Plant Added in January 2013	From Page 53 of 71 Line 13(d)	4,532,675
32	Less: Plant Retired in January 2013	Line 31 x Retirement rate	(790,499)
33	Depreciable Utility Plant 1/31/2013	Sum of Line 29 through Line 32	1,301,644,758
34			
35	Average Depreciable Plant for Year Ended 1/31/13	(Line 29 + Line 33)/2	\$ 1,299,773,669
36			
37	Composite Book Rate %	As approved per R.I.P.U.C Docket No 4065	3.40%
38			
39	Book Depreciation Reserve 12/31/12	Line 26	580,427,835
40	Plus: Book Depreciation Expense January 31, 2013	Line 35 x Line 37	3,682,692
41	Less: Net Cost of Removal/(Salvage)	Workpaper MDL-19-ELEC Page 2, Line 9(d)	(589,583)
42	Less: Retired Plant	Line 32	(790,499)
43	Book Depreciation Reserve 1/31/13	Sum of Line 39 through Line 42	582,730,445
44			
45	<b><u>Rate Year Depreciation Expense 12 Months Ended 1/31/14:</u></b>		
	Total Utility Plant 1/31/13		1,315,755,230
	Less Non-Depreciable Plant		(14,110,472)
46	Depreciable Utility Plant 1/31/13	Line 33	1,301,644,758
47			
48	Plus: Added Plant Twelve Months Ended 1/31/14	From Page 53 of 71 Line 13(e)	52,016,980
49	Less: Depreciable Retired Plant	Line 48 x Retirement rate	(9,071,761)
50			
51	Depreciable Utility Plant 1/31/14	Sum of Line 46 through Line 49	1,344,589,976
52			
53	Average Depreciable Plant for Rate Year Ended 1/31/14	(Line 46 + Line 51)/2	\$ 1,323,117,367
54			
55	Composite Book Rate %	As approved per R.I.P.U.C Docket No 4065	3.40%
56			
57	Book Depreciation Reserve 1/31/13	Line 43	582,730,445
58	Plus: Book Depreciation Expense	Line 53 x Line 55	44,985,990
59	Less: Net Cost of Removal/(Salvage)	Workpaper MDL-19-ELEC Page 2, Line 9(e)	(7,075,000)
60	Less: Retired Plant	Line 49	(9,071,761)
61	Book Depreciation Reserve 1/31/14	Sum of Line 57 through Line 60	\$ 611,569,674

1/ Assumes 17.44% based on 2011 retirements as a percent of capital additions  
Workpaper MDL-19-ELEC, Page 3 Line 2(g)

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Rate Base  
Analysis of Test Year Through Rate Year Capital Investment

	(a)	(b)	(c)	(d)	(e)
	January -March 2012	April -December 2012	CY 2012	January 2013	Rate Year February 1, 2013 - January 31, 2014
Line					
No.	<b>Distribution</b>				
1	FY 2012 Approved ISR	16,631,200	16,631,200		
2	FY 2013 Approved ISR		38,524,755	4,280,528	8,561,057
3	FY 2014 Assumed FY 2013 ISR Level Amount				42,805,284
4	Total Distribution	16,631,200	38,524,755	4,280,528	51,366,341
5					
6					
7	Property Services	140,000	3,125,000	335,000	2,500,000
8	Fleet/Inventory Mgmt	0	275,000	-	0
9	Total General	140,000	3,400,000	335,000	2,500,000
10	Amount Applicable to Transmission	2.64% (3,697)	(89,786)	(93,483)	(66,019)
11	Amount Applicable to Distribution	136,303	3,310,214	326,153	2,433,981
12	Settlement Adjustment		(913,687)	(74,006)	(1,783,342)
13	<b>Distribution and General</b>	<b>\$ 16,767,503</b>	<b>\$ 41,834,969</b>	<b>\$ 4,532,675</b>	<b>\$ 52,016,980</b>

Line Notes

1(a)	FY 2012 Approved ISR per R.I.P.U.C.Docket 4218	48,802,200
	Less YTD Actuals thru December 2011	(32,171,000)
	Remaining FY 2012 ISR	16,631,200
2(b)	FY 2013 Approved ISR per R.I.P.U.C Docket 4307	51,366,341
	April - December 2012	75%
		38,524,755
2(d)	FY 2013 Approved ISR per R.I.P.U.C Docket 4307	51,366,341
	Janury 2013	8.33%
		4,280,528
3(d)	FY 2013 Approved ISR per R.I.P.U.C Docket 4307	51,366,341
	February - March 2013	16.67%
		8,561,057
3(e)	FY 2014 Assumed FY 2013 approved ISR Level	51,366,341
	April 2013 - January 2014	83.33%
		42,805,284

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Total Amortization

	(a)	(b)	(a) + (b) (c)	(d)	(c ) + (d) (e)
Line No.	Total Test Year Per Books	Normalizing Adjustments	Adjusted Books Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
1	Amortization - Regulatory Debits	526,921	740,711	(924,000)	343,632
2	Total Amortization - Regulatory Debits	\$ 526,921	\$ 740,711	\$ (924,000)	\$ 343,632
3					
4	Amortization of Loss on Reaquired Debt	583,758	(117,627)	(80,022)	386,109
5	Total Amortization of Loss on Reaquired Debt	\$ 583,758	\$ (117,627)	\$ (80,022)	\$ 386,109
6					
7	Amortization of Investment Tax Credits	(493,479)	99,455	394,024	-
8	Total Amortization of Investment Tax Credits	\$ (493,479)	\$ 99,455	\$ 394,024	\$ -
9					
10	Total Amortization	\$ 617,200	\$ 722,539	\$ (609,998)	\$ 729,741
11					
12					
13					
14	Normalizing Adjustments				
15	Loss on Reacquired Debt Reverse IFA related expenses		(117,627)		
16	Investment Tax Credits Reverse IFA related expenses		99,455		
17	Reclassify Amortization of Merger CTA per R.I.P.U.C Docket 4065		397,079		
18	Reclassify Amortization of Rate Case Expense per R.I.P.U.C. Docket 4065		343,632		
19	Total	\$	722,539		

Line Notes

- 1(a) From Company books
- 1(b) Line 17 + Line 18
- 1(d) From Page 55 of 71, Line 11
- 2 Line 1
- 4(a) From Company books
- 4(b) Line 15
- 4(d) From Page 56 of 71, Line 7
- 5 Line 4
- 7(a) From Company books
- 7(b) Line 16
- 7(d) Line 7(c) x -1
- 8 Line 7
- 10 Sum of Lines 2, 5, and 8
- 15 From Page 56 of 71, Line 2
- 16 From Page 57 of 71, Line 2
- 17 From Page 55 of 71, Line 4
- 18 From Page 55 of 71, Line 5

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Regulatory Amortization**

	<u>Description</u>	<u>Annual Expense</u>
1	Test Year Amortization of Regulatory Debits	\$ 526,921
2		
3	Normalization Adjustments:	
4	Reclassify Amortization of Merger CTA per R.I.P.U.C. Docket 4065	397,079
5	Reclassify Amortization of Rate Case Expense per R.I.P.U.C. Docket 4065	343,632
6	Total Normalizing Adjustments	<u>\$ 740,711</u>
7		
8	Adjusted Test Year Amortization Amount	\$ 1,267,632
9		
10	Proforma Adjustments:	
11	Remove amortization of Merger CTA	<u>(924,000)</u>
12		
13	<b>Rate Year Adjusted Regulatory Amortization</b>	<b><u>\$ 343,632</u></b>

**Line Notes**

- 1-5 From Company books
- 6 Line 4 + Line 5
- 8 Line 1 + Line 6
- 11 Line 1 + Line 4
- 13 Line 8 + Line 11

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2011**  
**Amortization of Loss on Reacquired Debt**

	<b><u>Description</u></b>	<b><u>Annual Expense</u></b>
1	Test Year Loss Reacquired Debt	\$ 583,758
2	Less: IFA Related Expenses	(117,627)
3	Test Year Loss Reacquired Debt	<u>\$ 466,131</u>
4		
5	Rate Year Adjusted Loss Reacquired Debt	<u>386,109</u>
6		
7	Rate Year Adjustment for Loss Reacquired Debt	<u><u>\$ (80,022)</u></u>

**Line Notes**

- 1 From Company books
- 2 Workpaper MDL-1 Page 1 Line 18
- 3 Line 1 + Line 2
- 5 Workpaper MDL-20 Page 1 Line 7
- 7 Line 5 - Line 3



**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2011**  
**Amortization of Investment Tax Credits**

	<u>Description</u>		<u>Annual Expense</u>
1	Test Year Investment Tax Credits	\$	(493,479)
2	Less: Related IFA Expenses		99,455
3	Test Year Investment Tax Credits	\$	(394,024)
4			
5	Rate Year Investment Tax Credits	\$	(380,513)
6	Less: Related IFA Expenses		76,703
7			
8	Rate Year Investment Tax Credits Adjustment	\$	(303,810)

**Line Notes**

- 1 From Company books
- 2 Workpaper MDL-1, Page 1, Line 20
- 3 Line 1 + Line 2
- 5 Workpaper MDL- 18 Line 14
- 6 Line 5 times -20.16% from Workpaper MDL-1, Page 3 Line 33
- 8 Line 5 + Line 6

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Taxes Other than Income Taxes

Line No.		(a) Total Test Year Per Books	(b) Normalizing Adjustments	(a) + (b) (c) Adjusted Books Year Ended December 31, 2011	(d) Pro Forma Adjustments	(c) + (d) (e) Rate Year Adjusted
1	Property Taxes	30,090,801	(5,549,384)	24,541,417	6,085,240	30,626,657
2	Total Property Taxes	\$ 30,090,801	\$ (5,549,384)	\$ 24,541,417	\$ 6,085,240	\$ 30,626,657
3						
4	Other Taxes	1,229,764		1,229,764		1,229,764
5	Total Other Taxes	\$ 1,229,764	\$ -	\$ 1,229,764	\$ -	\$ 1,229,764
6						
7	Payroll Taxes	4,055,193	(206,939)	3,848,254	(141,071)	3,707,183
8	Total Payroll Taxes	\$ 4,055,193	\$ (206,939)	\$ 3,848,254	\$ (141,071)	\$ 3,707,183
9						
10	Total Taxes Other than Income Taxes	\$ 35,375,758	\$ (5,756,323)	\$ 29,619,434	\$ 5,944,169	\$ 35,563,603
11						
12	Gross Receipts Tax	30,674,656	(30,674,656)	-	-	-
13	Total Gross Receipts Tax	\$ 30,674,656	\$ (30,674,656)	\$ -	\$ -	\$ -
14						
15						
16						
17						
18						
19						
20	Normalizing Adjustments					
21	Property Taxes Reverse IFA related expenses		(5,549,384)			
22	Reverse amortization of Providence property tax settlement		0			
23	Total		\$ (5,549,384)			
24						

Line Notes

- 1(a) From Company books  
1(b) Line 21  
1(d) From Page 59 of 71, Line 17(c)  
2 Line 1  
4(a) From Company books  
5 Line 4  
7 From Page 33 of 71, Line 50  
8 Line 7  
10 Sum of Lines 2, 5, and 8  
12(a) From Company books  
12(b) Line 12(a) x -1  
13 Line 12  
21(b) Workpaper MDL-1, Page 1 Line 14

The Narragansett Electric Company d/b/a National Grid  
Adjustments To Taxes Other Than Income  
Test Year Ended December 31, 2011  
Property Tax Expense

Line No.	Description	(a) Amount	(b) Amount	(c) Amount
1	Property Tax Expense for Calendar Year 2011			\$ 30,090,801
2	Less: IFA Related Expenses			5,549,384
3	Less: Amortization of the Providence Tax Settlement			883,333
4	Adjusted Test Year Property Tax Expense			\$ 23,658,084
5				
6	Three Year Average Percentage Increase in Property Taxes			11.6%
7				
8	Property Tax Expense for Calendar Year 2012	\$	26,399,618	
9	Property Tax Expense for Calendar Year 2013	\$	29,458,846	
10	Property Tax Expense for Calendar Year 2014	\$	32,872,581	
11				
12	<b>Property Tax Expense for Rate Year</b>	<b>\$</b>	<b>29,743,324</b>	
13				
14				
15				
16				
17	<b>Total Property Tax Adjustment</b>			<b>\$ 6,085,240</b>
18				
19				
20				
21				
22				
23				
24				
25				
26	Three Year Average Property Tax Expense Growth Rate:	<u>Year</u>	<u>Property Taxes</u>	<u>Percentage Inc/(Dec)</u>
27				
28		2011	\$ 23,658,084	18.5%
29		2010	\$ 19,962,667	7.2%
30		2009	\$ 18,625,667	9.1%
31		2008	\$ 17,076,089	

Line Notes

1 & 3	Per Company books as of 12/31/2011
2	Per Workpaper MDL-1, Page 1 Line 14
4	Sum of Lines 1 - 3
6	Sum of Column (c) Lines 28 through 30 / 3
8	Line 4 x (1 + Line 6)
9	Line 8 x (1 + Line 6)
10	Line 9 x (1 + Line 6)
12	(Line 9 / 12) x 11) + (Line 10 / 12)
14	Line 12 - Line 4
Col (b) 28	Equals Line 4
Col (b) 29-31	Per Company books less annual amortization of the Providence tax settlement of \$883,333 which expires December 2012.
Col (c) 28	(Col (b) Line 28 - Col (b) Line 29) / Col (b) Line 29
Col (c) 29	(Col (b) Line 29 - Col (b) Line 30) / Col (b) Line 30
Col (c) 30	(Col (b) Line 30 - Col (b) Line 31) / Col (b) Line 31

**The Narragansett Electric Company d/b/a National Grid  
Computation of Federal Income  
Test Year Ended December 31, 2011  
Income Tax Schedule**

	(a)	(b) Test Year Adjusted Books	(c) Adjusted Rate Year	(d) Proposed Rate Increase	(c) + (d) (e) After Rate Increase
1 Operating Income Before					
2 Taxes per Page 1 of 71, Line 19		\$ 45,470,369	\$ 34,270,930	\$ 20,694,129	\$ 54,965,059
3					
4 Less:					
5					
6 Interest Costs	2.49%	13,245,214	13,987,288		13,987,288
7					
8					
9 Taxable Income		<u>\$ 32,225,155</u>	<u>\$ 20,283,642</u>	<u>\$ 20,694,129</u>	<u>\$ 40,977,771</u>
10					
11 Federal Tax	35.00%	\$ 11,278,804	\$ 7,099,275	\$ 7,242,945	\$ 14,342,220
12					
13 Deferred income tax deficiency from Docket 4065			650,000		650,000
14					
15 Amortization of Investment Tax Credits		<u>(394,024)</u>	<u>(303,810)</u>	<u>-</u>	<u>(303,810)</u>
16					
17 Net Federal Income Tax		<u>\$ 10,884,780</u>	<u>\$ 7,445,465</u>	<u>\$ 7,242,945</u>	<u>\$ 14,688,410</u>

**Line Notes**

- 2(b)-(e) Income Taxes per Page 1 of 71, Line 19
- 6(a) From Page 61 of 71, Line 1(e) + Line 3(e)
- 6(b) From Page 63 of 71, Line 24(a) x Line 6(a)
- 6(c)-(e) From Page 63 of 71, Line 24(c) x Line 6(a)
- 9 Line 2 - Line 6
- 11 Line 9 x Line 11, Column (a)
- 13 Deferred income tax deficiency from Docket 4065
- 15(b) From Page 57 of 71, Line 3
- 15(c) From Page 57 of 71, Line 8
- 15(d) Sum of Line 15 Column (c) thru Column (d)
- 17 Sum of Line 11 thru Line 15

**The Narragansett Electric Company d/b/a National Grid**  
**Capital Structure Summary**  
**Test Year Ended December 31, 2011**

		(a)	(b)	(c)	(d)	(e)
		<u>Capital Structure</u>	<u>Cost Rate</u>	<u>Weighted Return</u>	<u>Taxes</u>	<u>Pre-tax Return</u>
1	Short Term Debt	0.76%	0.79%	0.01%		0.01%
2						
3	Long Term Debt	49.95%	4.96%	2.48%		2.48%
4						
5	Preferred Stock	0.15%	4.50%	0.01%		0.01%
6						
7	Common Equity	49.14%	9.50%	4.67%	2.51%	7.18%
8						
9	<b>Total Capitalization</b>	<u>100.00%</u>		<u>7.17%</u>	<u>2.51%</u>	<u>9.68%</u>

**Line Notes**

Per Settlement Agreement

The Narragansett Electric Company d/b/a National Grid  
Long Term Debt Summary  
Test Year Ended December 31, 2011  
Weighted Average Cost of Debt

**Panel A: Long-term debt**

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Interest Rate	Maturity Date	Amount Outstanding in \$000	Annual Interest Expense in \$000	Annual Amortization of DD&E in \$000	Total Expense in \$000	Cost of Debt
Unsecured notes:							
1 Senior Note	4.534%	March 15, 2020	\$250,000	\$11,335	664.6	\$11,999.6	4.80%
2 Senior Note	5.638%	March 15, 2040	300,000	16,914	279.3	17,193.3	5.73%
3 Subtotal							<b>5.31%</b>
4							
5 First mortgage bonds <sup>1</sup>							
6 FMB Series N	9.630%	May 30, 2020	10,000	963	4.1	967.1	9.67%
7 FMB Series O	8.460%	September 30, 2022	12,500	1,058	4.3	1,061.8	8.49%
8 FMB Series P	8.090%	September 30, 2022	6,875	556	3.5	559.6	8.14%
9 FMB Series R	7.500%	December 15, 2025	10,500	788	4.1	791.6	7.54%
10 FMB Series S	6.820%	April 1, 2018	14,464	986	7.0	993.5	6.87%
11 Subtotal							<b>8.05%</b>
12							
13 30-Year Senior Notes	4.170%	November 1, 2042	250,000	10,425	75.0	10,500.0	4.20%
14							
15 Total			<u>\$854,339</u>	<u>\$43,025</u>	<u>\$1,042</u>	<u>\$44,066</u>	<u>5.16%</u>
16							
17 <b>Panel B: Weighted Average Cost of Debt by Segment</b>							
18							
19							
20 <b>Electric Operations</b>	73%		627,031	30,312	799	31,111	4.96%
21 <b>Gas Operations</b>	27%		227,308	12,712	243	12,956	5.70%
22 Total			<u>\$854,339</u>	<u>\$43,025</u>	<u>\$1,042</u>	<u>\$44,066</u>	<u>5.16%</u>

<sup>1</sup> Backed entirely by gas assets. This debt was assumed by the Narragansett Electric Company when National Grid purchased the gas assets of the New England Gas Company from the Southern Union Company and merged them into Narragansett Electric.

**Line Notes**

Per Settlement Agreement

**The Narragansett Electric Company d/b/a National Grid**  
**Test Year Ended December 31, 2011**  
**Distribution Rate Base Calculation**

Line No.	Description	(a) Test Year End 12/31/11 5 Quarter Average	(b) Adjustments	(c) Rate Year End 1/31/14 5 Quarter Average
1	Utility Plant In Service	\$ 1,247,903,880	\$ 89,323,959	\$ 1,337,227,839
2				
3	Property Held for Future Use	-	-	-
4	Less: Contribution in Aid of Construction	102,772	-	102,772
5	Less: Accumulated Depreciation	540,145,787	57,004,273	597,150,059
6				
7	Net Plant	<u>\$ 707,655,322</u>	<u>\$ 32,319,686</u>	<u>\$ 739,975,008</u>
8				
9	Materials and Supplies	\$ 4,555,793	\$ 801,396	\$ 5,357,189
10	Prepayments	569,604	943,948	1,513,552
11	Loss on Reacquired Debt	4,006,550	(941,884)	3,064,666
12	Cash Working Capital	4,975,475	-	4,975,475
13	Unamortized Interest Rate Lock \$550M	4,472,609	\$ (770,273)	3,702,336
14	Unamortized Debt Issuance Costs \$550M	1,653,382	\$ (204,991)	1,448,391
15	Unamortized Debt Issuance Costs \$250M	-	\$ 1,069,878	1,069,878
16	Subtotal	<u>\$ 20,233,413</u>	<u>\$ 898,073</u>	<u>\$ 21,131,486</u>
17				
18	Accumulated Deferred FIT	\$ 184,704,379	\$ 1,477,424	\$ 186,181,803
19	Accumulated Deferred FIT -Loss on Reacquired Debt	\$ 1,402,293	\$ (329,659)	\$ 1,072,633
20	Customer Deposits	4,938,152	2,267,847	7,206,000
21	Division Adj - Injuries & Damages Reserve	4,907,597	\$ -	4,907,597
22	Subtotal	<u>\$ 195,952,420</u>	<u>\$ 3,415,612</u>	<u>\$ 199,368,032</u>
23				
24	Rate Base	<u><u>\$ 531,936,315</u></u>	<u><u>\$ 29,802,147</u></u>	<u><u>\$ 561,738,462</u></u>

**Column / Line Notes**

- (a) Column (a) From Page 64 of 71 Column (f)
- (b) Column (b) = Column (c) - Column (a)
- 1 (c) From Page 67 of 71 Line 28
- 4(c) From Page 69 of 71 Line 21 Col (a)
- 5(c) From Page 68 of 71 Line 30
- 7 Line 1 - Line 4 - Line 5
- 9(c) From Page 69 of 71 Line 21 Col (b)
- 10(c) From Page 69 of 71 Line 21 Col (c)
- 11(c) From Page 69 of 71 Line 21 Col (d)
- 12(c) From Page 71 of 71 Line 38
- 13 Settlement Adjustment - From Page 69 of 71 Line 21 Col (f)
- 14 Settlement Adjustment - From Page 69 of 71 Line 21 Col (g)
- 15 Settlement Adjustment - From Page 69 of 71 Line 21 Col (h)
- 16 Sum of Line 9 through Line 15
- 18(c) From Page 70 of 71 Line 25
- 19(c) Settlement Adjustment - Line 11 \* 35%
- 20(c) From Page 69 of 71 Line 21 Col (e)
- 21(c) Per Settlement Agreement
- 22 Sum of Line 18 through Line 21
- 24 Line 7 + Line 16 - Line 22

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

Line No.	Description	(a) December 2010	(b) March 2011	(c) June 2011	(d) September 2011	(e) December 2011	(f) 5 Quarter Average
1	Utility Plant in Service	\$ 1,233,654,208	\$ 1,238,179,889	\$ 1,246,262,436	\$ 1,257,037,677	\$ 1,264,385,192	\$ 1,247,903,880
2							
3	Property Held for Future Use	-	-	-	-	-	-
4	Less: Contribution in Aid of Construction	102,772	102,772	102,772	102,772	102,772	102,772
5	Less: Accumulated Depreciation	525,488,329	533,094,728	539,579,943	548,237,706	554,328,227	540,145,787
6							
7	Net Plant in Service	\$ 708,063,108	\$ 704,982,389	\$ 706,579,721	\$ 708,697,199	\$ 709,954,193	\$ 707,655,322
8							
9	Plus:						
10	Materials and Supplies	\$ 3,935,988	\$ 4,191,741	\$ 4,362,396	\$ 4,952,801	\$ 5,336,036	\$ 4,555,793
11	Prepayments	(52,775)	789,414	(103,125)	700,954	1,513,552	569,604
12	Loss on Reacquired Debt	4,195,952	4,153,340	4,034,799	3,902,355	3,746,306	4,006,550
13	Cash Working Capital	4,975,475	4,975,475	4,975,475	4,975,475	4,975,475	4,975,475
14	Unamortized Interest Rate Lock \$550M	4,657,474	4,565,042	4,472,609	4,380,177	4,287,745	4,472,609
15	Unamortized Debt Issuance Costs \$550M	1,706,690	1,676,757	1,652,289	1,627,821	1,603,354	1,653,382
16	Subtotal	\$ 19,418,804	\$ 20,351,769	\$ 19,394,443	\$ 20,539,584	\$ 21,462,468	\$ 20,233,413
17							
18	Less:						
19	Accumulated Deferred FIT	\$ 172,828,049	\$ 181,042,337	\$ 188,652,758	\$ 192,314,243	\$ 188,684,507	\$ 184,704,379
20	Accumulated Deferred FIT - Loss on Reacquired Debt	1,468,583	1,453,669	1,412,180	1,365,824	1,311,207	\$ 1,402,293
21	Customer Deposits	3,409,639	4,254,110	5,517,422	5,724,922	5,784,669	4,938,152
22	Division Adj - Injuries & damages reserve	4,730,520	4,780,819	4,685,011	5,041,896	5,299,736	4,907,597
23	Subtotal	\$ 182,436,791	\$ 191,530,935	\$ 200,267,371	\$ 204,446,885	\$ 201,080,120	\$ 195,952,420
24							
25	Rate Base	\$ 545,045,121	\$ 533,803,222	\$ 525,706,793	\$ 524,789,898	\$ 530,336,541	\$ 531,936,315

**Column/Line Notes**

Column (a) = Column (a) from Page 66 of 71 minus Column (a) from Page 65 of 71  
Column (b) = Column (b) from Page 66 of 71 minus Column (b) from Page 65 of 71  
Column (c) = Column (c) from Page 66 of 71 minus Column (c) from Page 65 of 71  
Column (d) = Column (d) from Page 66 of 71 minus Column (d) from Page 65 of 71  
Column (e) = Column (e) from Page 66 of 71 minus Column (e) from Page 65 of 71  
14-15 Per Settlement Agreement  
20 Line 12 \* 35%  
22 Per Settlement Agreement  
25 Line 7 + Line 16 - Line 23



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

Line No.	Description	(a) December 2010	(b) March 2011	(c) June 2011	(d) September 2011	(e) December 2011	(f) 5 Quarter Average
1	Utility Plant in Service	\$ 291,737,455	\$ 293,039,027	\$ 296,780,648	\$ 302,882,774	\$ 324,533,645	\$ 301,794,710
2	Property Held for Future Use	\$ 12,735,777	\$ 12,735,777	\$ 12,735,777	\$ 12,735,777	\$ 12,735,777	\$ 12,735,777
3	Less: Contribution in Aid of Construction						
4	Less: Accumulated Depreciation	\$ 83,108,433	\$ 83,683,819	\$ 83,366,722	\$ 82,110,822	\$ 83,558,648	\$ 83,165,689
5							
6							
7	Net Plant in Service	\$ 221,364,799	\$ 222,090,985	\$ 226,149,702	\$ 233,507,729	\$ 253,710,774	\$ 231,364,798
8							
9	Plus:						
10	Materials and Supplies	\$ 1,060,303	\$ 1,034,658	\$ 1,076,818	\$ 1,246,919	\$ 1,418,965	\$ 1,167,533
11	Prepayments	52,775	260,446	103,125	305,597	536,775	\$ 251,744
12	Loss on Reacquired Debt	1,130,333	1,025,180	995,954	982,458	996,222	\$ 1,026,029
13	Cash Working Capital	445,066	1,209,277	1,383,206	2,994,268	(1,551,535)	\$ 896,056
14	Unamortized Interest Rate Lock \$550M	2,882,423	2,825,218	2,768,014	2,710,809	2,653,605	\$ 1,537,785
15	Unamortized Debt Issuance Costs \$550M	1,056,238	1,037,713	1,022,571	1,007,428	992,285	\$ 568,471
16	Subtotal	\$ 6,627,139	\$ 7,392,492	\$ 7,349,688	\$ 9,247,480	\$ 5,046,316	\$ 5,447,618
17							
18	Less:						
19	Accumulated Deferred FIT	\$ 32,971,221	\$ 32,617,308	\$ 36,162,005	\$ 40,863,875	\$ 38,883,235	\$ 36,299,529
20	Accumulated Deferred FIT - Loss on Reacquired Debt	\$ 395,617	\$ 358,813	\$ 348,584	\$ 343,860	\$ 348,678	\$ 359,110
21	Customer Deposits	-	-	-	-	-	-
22	Injuries & damages reserve	1,194,480	1,207,181	1,182,989	1,273,104	1,338,210	\$ 1,239,193
23	Subtotal	\$ 34,561,318	\$ 34,183,302	\$ 37,693,578	\$ 42,480,840	\$ 40,570,123	\$ 37,897,832
24							
25	Rate Base	\$ 193,430,620	\$ 195,300,176	\$ 195,805,813	\$ 200,274,369	\$ 218,186,968	\$ 198,914,584

Column/Line Notes

- 1 From Workpaper MDL-1 Page 3 Line 8
- 3 From Workpaper MDL-1 Page 3 Line 10
- 5 From Workpaper MDL-1 Page 3 Line 17
- 10 From Workpaper MDL-1 Page 3 Line 21
- 11 From Workpaper MDL-1 Page 3 Line 23
- 12 From Workpaper MDL-1 Page 3 Line 25
- 13 From Workpaper MDL-1 Page 3 Line 29
- 14 Per Settlement Agreement
- 15 Per Settlement Agreement
- 18 From Workpaper MDL-1 Page 3 Line 27
- 20 Line 12 \* 35%
- 22 Per Settlement Agreement
- 23 Line 7 + Line 16 - Line 23

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

Line No.	Description	(a) December 2010	(b) March 2011	(c) June 2011	(d) September 2011	(e) December 2011	(f) 5 Quarter Average
1	Utility Plant in Service	\$ 1,525,391,663	\$ 1,531,218,916	\$ 1,543,043,084	\$ 1,559,920,450	\$ 1,588,918,837	\$ 1,549,698,590
2							
3	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	608,596,762	616,778,547	622,946,665	630,348,528	637,886,875	623,311,475
6							
7	Net Plant in Service	\$ 929,427,907	\$ 927,073,374	\$ 932,729,424	\$ 942,204,928	\$ 963,664,967	\$ 926,284,343
8							
9	Plus:						
10	Materials and Supplies	\$ 4,996,291	\$ 5,226,399	\$ 5,439,215	\$ 6,199,721	\$ 6,755,001	\$ 5,723,325
11	Prepayments	-	1,049,860	-	1,006,551	2,050,327	821,348
12	Loss on Reacquired Debt	5,326,285	5,178,519	5,030,753	4,884,814	4,742,527	5,032,580
13	Cash Working Capital	5,420,541	6,184,752	6,358,681	7,969,743	3,423,940	5,871,531
14	Unamortized Interest Rate Lock \$550M	7,539,897	7,390,260	7,240,623	7,090,986	6,941,350	4,022,568
15	Unamortized Debt Issuance Costs \$550M	2,762,928	2,714,470	2,674,860	2,635,249	2,595,639	1,487,016
16	Subtotal	\$ 26,045,942	\$ 27,744,261	\$ 26,744,132	\$ 29,787,064	\$ 26,508,784	\$ 22,958,369
17							
18	Less:						
19	Accumulated Deferred FIT	\$ 205,799,270	\$ 213,659,646	\$ 224,814,763	\$ 233,178,118	\$ 227,567,743	\$ 221,003,908
20	Accumulated Deferred FIT - Loss on Reacquired Debt	\$ 1,864,200	\$ 1,812,482	\$ 1,760,764	\$ 1,709,685	\$ 1,659,885	\$ 1,761,403
21	Customer Deposits	3,409,639	4,254,110	5,517,422	5,724,922	5,784,669	4,938,152
22	Injuries & Damages Reserve	5,925,000	5,988,000	5,868,000	6,315,000	6,637,946	6,146,789
23	Subtotal	\$ 216,998,109	\$ 225,714,237	\$ 237,960,948	\$ 246,927,724	\$ 241,650,243	\$ 233,850,252
24							
25	Rate Base	\$ 738,475,740	\$ 729,103,398	\$ 721,512,607	\$ 725,064,267	\$ 748,523,508	\$ 715,392,459

Line Notes

Column (a) - (e)	From Company books
14-15	Per Settlement Agreement
20	Line 12 * 35%
22	Per Settlement Agreement
23	Line 7 + Line 16 - Line 23

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

Line No.	Description	Period	Distribution Plant In Service
1	Balance @ December 31, 2011		\$ 1,264,385,192
2			
3	Plus: Plant Additions 12 Months Ended 12/31/12		57,688,785
4	Less: Plant Retirements 12 Months Ended 12/31/12		(10,060,924)
5	Net Increase		\$ 47,627,861
6			
7	Balance @ December 31, 2012		1,312,013,053
8			
9	Plus: Plant Additions for January 1/31/13		4,532,675
10	Less: Plant Retirements January 1/31/13		(790,499)
11	Net Increase		\$ 3,742,177
12			
13	Balance as of	1/31/13 1/	1,315,755,230
14			
15		2/28/13 1/	\$ 1,319,333,998
16		3/31/13 1/	1,322,912,766
17		4/30/13 1/	1,326,491,534
18		5/30/13 1/	1,330,070,303
19		6/30/13 1/	1,333,649,071
20		7/31/13 1/	1,337,227,839
21		8/31/13 1/	1,340,806,607
22		9/30/13 1/	1,344,385,375
23		10/31/13 1/	1,347,964,144
24		11/30/13 1/	1,351,542,912
25		12/31/13 1/	1,355,121,680
26		1/31/14 1/	1,358,700,448
27			
28	Rate Year Plant in Service - 5 Quarter Average		\$ 1,337,227,839
29			
30	1/ Adjustment Detail:		
31	Plant Detail 12 Months Ended 1/31/14		
32	Plant Additions 12 Months Ended 1/31/14		\$ 52,016,980
33	Plant Retirements 12 Months Ended 1/31/14		(9,071,761)
34	Net Increase / (Decrease)		\$ 42,945,218
35			
36	Monthly Increase / (Decrease)		\$ 3,578,768

**Line Notes**

1	From Page 64 of 71 Line 1(e)
3	From Page 52 of 71 Line 14
4	From Page 52 of 71 Line 15
5	Line 3 + Line 4
7	Line 1 + Line 5
9	From Page 52 of 71 Line 31
10	From Page 52 of 71 Line 32
11	Line 9 + Line 10
13	Line 7 + Line 11
15-26	Prior month balance + Line 36
28	Average of Lines 13, 17, 20, 23 and 26
32	From Page 52 of 71 Line 48
33	From Page 52 of 71 Line 49
34	Line 32 + Line 33
36	Line 34 / 12

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

Line No.	Description	Period	Accumulated Depreciation
1	Balance @ December 31, 2011		\$ 554,328,227
2			
3	Depreciation Expense 1/1/12 - 12/31/12		43,319,014
4	Less: Net Cost of Removal / (Salvage)		(7,158,482)
5	Less: Retirements		(10,060,924)
6	Net Increase		\$ 26,099,608
7			
8	Balance @ December 31, 2012		580,427,835
9			
10	Depreciation Expense 1/1/13 - 1/31/13		3,682,692
11	Less: Net Cost of Removal / (Salvage)		(589,583)
12	Less: Retirements		(790,499)
13	Net Increase / (Decrease)		\$ 2,302,610
14			
15	Balance as of:	1/31/13	582,730,445
16			
17		2/28/13 1/	\$ 585,133,714
18		3/31/13 1/	587,536,983
19		4/30/13 1/	589,940,252
20		5/30/13 1/	592,343,521
21		6/30/13 1/	594,746,790
22		7/31/13 1/	597,150,059
23		8/31/13 1/	599,553,329
24		9/30/13 1/	601,956,598
25		10/31/13 1/	604,359,867
26		11/30/13 1/	606,763,136
27		12/31/13 1/	609,166,405
28		1/31/14 1/	611,569,674
29			
30	Rate Year Accumulated Depreciation - Five Quarter Average		\$ 597,150,059
31			
32	1/ Rate Year Ended 1/31/14 Depreciation Reserve Detail:		
33	Depreciation Expense		\$ 44,985,990
34	Net Cost of Removal / (Salvage)		(7,075,000)
35	Less: Retirements		(9,071,761)
36	Net Increase / (Decrease)		\$ 28,839,229
37			
38	Monthly Increase / (Decrease)		\$ 2,403,269

**Line Notes**

1	From Page 52 of 71 Line 22	17-29	Prior month balance + Line 38
3	From Page 52 of 71 Line 23	30	Average of Lines 15, 19, 22, 25 and 28
4	From Page 52 of 71 Line 24	33	From Page 52 of 71 Line 58
5	From Page 52 of 71 Line 25	34	From Page 52 of 71 Line 59
6	Line 3 + Line 4 + Line 5	35	From Page 52 of 71 Line 60
8	Line 1 + Line 6	36	Line 33 + Line 34 + Line 35
10	From Page 52 of 71 Line 40	38	Line 36 / 12
11	From Page 52 of 71 Line 41		
12	From Page 52 of 71 Line 42		
13	Line 10 + Line 11 + Line 12		
15	Line 8 + Line 13		

The Narragansett Electric Company d/b/a National Grid  
Rate Base Adjustments  
Other Rate Base Adjustments

Line No.	Description	Period	(a) CIAC	(b) Materials and Supplies	(c) Prepayments	(d) Loss on Reacquired Debt	(e) Customer Deposits	(f) Unamort Lock	(g) \$550M Unamort Issuance Costs	(h) \$250M Unamort Issuance Costs
1	Distribution Only Balance @ December 31, 2011		\$ 102,772	\$ 5,336,036	\$ 1,513,552	\$ 3,746,306	\$ 5,784,669	\$ 4,287,745	\$ 1,603,354	\$ -
2										
3	Total 2012 Increase/(Decrease)		- 1/	13,502 2/	- 1/	(443,434) 2/	907,232 2/	(369,732)	(97,871)	1,091,154
4										
5	Distribution Only Balance @ December 31, 2012		\$ 102,772	\$ 5,349,538	\$ 1,513,552	\$ 3,302,871	\$ 6,691,901	\$ 3,918,013	\$ 1,505,482	\$ 1,091,154
6										
7		1/31/13	102,772	5,350,663	1,513,552	3,267,378	6,767,504	3,887,202	1,497,326	1,088,114
8		2/28/13	102,772	5,351,788	1,513,552	3,231,885	6,843,107	3,856,391	1,489,170	1,085,075
9		3/31/13	102,772	5,352,913	1,513,552	3,196,392	6,918,710	3,825,580	1,481,014	1,082,035
10		4/30/13	102,772	5,354,038	1,513,552	3,160,899	6,994,312	3,794,769	1,472,859	1,078,996
11		5/31/13	102,772	5,355,163	1,513,552	3,125,406	7,069,915	3,763,958	1,464,703	1,075,957
12		6/30/13	102,772	5,356,289	1,513,552	3,089,913	7,145,518	3,733,147	1,456,547	1,072,917
13		7/31/13	102,772	5,357,414	1,513,552	3,054,420	7,221,120	3,702,336	1,448,391	1,069,878
14		8/31/13	102,772	5,358,539	1,513,552	3,018,927	7,296,723	3,671,525	1,440,235	1,066,838
15		9/30/13	102,772	5,359,664	1,513,552	2,985,396	7,372,326	3,640,714	1,432,079	1,063,799
16		10/31/13	102,772	5,360,789	1,513,552	2,959,364	7,447,928	3,609,903	1,423,923	1,060,759
17		11/30/13	102,772	5,361,914	1,513,552	2,933,333	7,523,531	3,579,092	1,415,767	1,057,720
18		12/31/13	102,772	5,361,914	1,513,552	2,907,301	7,523,531	3,548,281	1,407,611	1,054,681
19		1/31/14	102,772	5,363,039	1,513,552	2,881,269	7,599,134	3,517,470	1,399,455	1,051,641
20										
21	Rate Year Amounts - Five Quarter Average		\$ 102,772	\$ 5,357,189	\$ 1,513,552	\$ 3,064,666	\$ 7,206,000	\$ 3,702,336	\$ 1,448,391	\$ 1,069,878
22										
23	Changes:									
24	Total 2012 Increase/(Decrease)		\$ - 1/	\$ 16,910 2/	\$ - 1/		3/ \$ 907,232 2/	\$ (369,732) 2/	\$ (97,871) 2/	\$ (36,473)
25										
26	Percentage Applicable to IFA		0.00%	20.16%	20.16%	20.16%	0.00%	0.00%	0.00%	0.00%
27										
28	Less Amount Applicable to IFA		-	(3,409)	-	-	-	-	-	-
29										
30	Total 2012 Distribution Only Increase/(Decrease)		-	13,502	-	-	907,232	(369,732)	(97,871)	(36,473)
31										
32	Monthly Change		\$ -	\$ 1,125	\$ -	\$ -	\$ 75,603	\$ (30,811)	\$ (8,156)	\$ (3,039)

- 1/ Assumes no change in 2011 balance  
2/ Adjustment based on average annual change for the prior 3 years  
3/ Workpaper MDL-20-ELEC Page 2 Line 14(h)

Line Notes

1(a)	From Page 64 of 71 Line 4(e)	24	Workpaper MDL-21-ELEC Page 1 Line 9
1 (b)	From Page 64 of 71 Line 10(e)	26	Workpaper MDL-21-ELEC Page 1 Line 11
1 (c)	From Page 64 of 71 Line 11(e)	28	Line 26 x [- Line 24]
1 (d)	From Page 64 of 71 Line 12(e)	30	Line 24 + Line 28
1 (e)	From Page 64 of 71 Line 21(e)	32	Line 30 / 12 Months
3	Footnotes 1/ and 2/ above		
5	Line 1 + Line 3		
7 to 19	Prior Month Balance + Monthly change at Line 32		
21	Average of Lines 7, 10, 13, 16 and 19		

Column Note

(f)-(h) Per Settlement Agreement

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

Line No.	Description	Period or Amount	Amount	Amount	Accumulated Deferred Income Tax
1	Balance as of December 31, 2011				\$ 188,684,507
2					
3	Adjustment for Repairs Safe Harbor as of 3/31/12				(7,403,074) 1/
4	Increase / (Decrease) 12 Months Ended 12/31/12				<u>5,546,827</u>
5					
6	Balance as of December 31, 2012				186,828,261
7					
8	Increase / (Decrease) 1 Months Ended 1/31/13				521,151 2/
9					
10	Balance as of:	1/31/13			187,349,412
11					
12		2/28/13			187,185,419 3/
13		3/31/13			187,021,427 3/
14		4/30/13			186,857,434 3/
15		5/30/13			186,693,442 3/
16		6/30/13			186,529,449 3/
17		7/31/13			186,365,457 3/
18		8/31/13			186,201,464 3/
19		9/30/13			186,037,471 3/
20		10/31/13			185,873,479 3/
21		11/30/13			185,709,486 3/
22		12/31/13			185,545,494 3/
23		1/31/14			185,381,501 3/
24	Settlement Adjustment				<u>(183,654)</u>
25	Rate Year Accumulated Deferred Income Tax - Five Quarter Average				<u>\$ 186,181,803</u>
26					
27					
28	1/ <u>12 Months Ended 12/31/12:</u>	<u>Book</u>	<u>Tax</u>	<u>Difference</u>	
29		(a)	(b)	(c)	
30	Depreciation	\$ 43,331,838	\$ 59,179,916	\$ 15,848,078	
31	Income Tax Rate			35.00%	
32	Annual Change to Accumulated Deferred Taxes			<u>\$ 5,546,827</u>	
33					
34	Adjustment for Repairs Safe Harbor as of March 31, 2012			\$ (21,151,640)	
35	Income Tax Rate			35.00%	
36	Decrease to Accumulated Deferred Taxes			<u>\$ (7,403,074)</u>	
37					
38	2/ <u>1 Months Ended 1/31/13:</u>				
39					
40	Depreciation	\$ 3,684,916	\$ 5,173,919	\$ 1,489,003	
41	Income Tax Rate			35%	
42	Annual Change to Accumulated Deferred Taxes			<u>\$ 521,151</u>	
43					
44	3/ <u>12 Months Ended 1/31/14:</u>				
45					
46	Depreciation	\$ 45,038,745	\$ 39,416,143	\$ (5,622,602)	
47	Income Tax Rate			35.00%	
48	Annual Change to Accumulated Deferred Taxes			<u>\$ (1,967,911)</u>	
49					
50	Monthly Change to Accumulated Deferred Taxes			<u>\$ (163,993)</u>	

Line Notes

1	From Page 64 of 71 Line 19(e)	40(a)	From Page 52 of 71 Line 40
3	Line 36	40(b)	Workpaper MDL-22-ELEC Page 1, Line 11(b)
4	Line 32	40(c)	Line 40(a) - Line 40(b)
6	Sum of Line 1 thru Line 4	42	Line 40(c) x Line 41
8	Line 42	46(a)	From Page 52 of 71 Line 58
10	Line 6 + Line 8	46(b)	Workpaper MDL-22-ELEC Page 1, Line 11(c)
12-23	Prior Month Balance + Monthly change at Line 50	46(c)	Line 46(a) - Line 46(b)
25	Average of Lines 10, 14, 17, 20 and 23 plus Line 24	48	Line 46(c) x Line 47
30(a)	From Page 52 of 71 Line 23	50	Line 48 / 12
30(b)	Workpaper MDL-22-ELEC Page 1, Line 11(a)		
30(c)	Line 30(a) - Line 30(b)		
32	Line 30(c) x Line 31		
34	From Tax Department		
36	Line 34(c) x Line 35		

The Narragansett Electric Company d/b/a National Grid  
Rate Base Adjustments  
Test Year Ended December 31, 2011  
Working Capital

	<u>Description</u>		(a) <u>Lead/Lag</u> <u>Factor</u>	(b) <u>Rate Year</u> <u>Expense</u>	(c) <u>Rate Year</u> <u>Working Capital</u>
	<u>Working Capital Components</u>				
1	Operation & Maintenance Expense		5.41%	110,104,548	5,959,824
2					
3	Transmission		-0.23%		-
4					
5	Federal Income Tax		4.81%	17,071,671	821,147
6					
7	<u>Taxes Other than Income Taxes</u>				
8					
9	Municipal Taxes		-20.47%	30,626,657	(6,269,277)
10					
11	Sales and Use Tax		5.83%	15,547,443	906,416
12					
13	Gross Receipts Tax Distribution only	34.78%	29.39%	11,884,731	3,492,922
14					
15	<u>Payroll Taxes - Company Portion</u>				
16					
17	Federal Unemployment		-15.84%	6,490	(1,028)
18					
19	State Unemployment		-3.45%	59,802	(2,063)
20					
21	FICA Expense	Weekly	10.52%	894,458	94,097
22	FICA Expense	Monthly	10.43%	136,557	14,243
23					
24	<u>Payroll Taxes and Other Withholding</u>				
25					
26	FICA and Federal Withholding	Weekly	-0.42%	2,705,883	(11,365)
27	FICA and Federal Withholding	Monthly	-0.49%	482,860	(2,366)
28					
29	State Income Tax Withholding	Weekly	-0.42%	507,591	(2,132)
30	State Income Tax Withholding	Monthly	-0.49%	95,645	(469)
31					
32	Temporary Disability Ins.	Weekly	-11.68%	86,708	(10,127)
33	Temporary Disability Ins.	Monthly	-15.21%	15,429	(2,347)
34					
35	Incentive Thrift	Weekly	-1.07%	914,486	(9,782)
36	Incentive Thrift	Monthly	-1.77%	125,509	(2,218)
37					
38	<b>TOTAL</b>			<b>\$191,266,468</b>	<b>\$4,975,475</b>

Line Notes

1-36(a)	From Schedule MDL-4-ELEC, Page 1
1(b)	From Page 1 of 71, Line 7(g) - Lines 11(b), 35(b) and 36(b)
5(b)	From Page 60 of 71, Line 17(e)
9(b)	From Page 58 of 71, Line 2(e)
11(b)	From Company books
13(b)	From Page 1 of 71, Line 1(g) x 4% x 38.74%
17(b)-33(b)	From Page 58 of 71, Line 5(e) + Line 8(e) prorated based on test year spending
35(b)-36(b)	From Page 7 of 71, Line 5 + Line 6 prorated based on test year spending
38	Sum of Line 1 thru Line 36





THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
R.I.P.U.C. Docket No. 4323

## Compliance Attachment 2

Clean and Marked-To Show Versions of Proposed Retail Delivery Service Tariffs,  
Terms and Conditions for Distribution Service and Proposed Tariff Provisions  
(Schedule JAL-7)

Included in Book 3



THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
R.I.P.U.C. Docket No. 4323

### Compliance Attachment 3

Electric Allocated Cost of Service Study and Rate Design

Included in Book 2



Compliance Attachment 4

Illustrative Electric Pension/OPEB Tracker Mechanism  
(Schedule MDL-5)

**The Narragansett Electric Company  
d/b/a National Grid  
Pension Costs  
Regulatory Reconciliation - Pension / OPEB Adjustment Mechanism  
Illustrative Example**

Line No.		Year <u>1</u> (a)	Year <u>2</u> (b)	Year <u>3</u> (c)
1	Rate Allowance:			
2	Narragansett Electric Pension Cost Allowance	\$6,611,183		
3	Service Company Allocated Pension Cost Allowance	3,623,508		
4	Total Pension Costs in Base Rates	<u>\$10,234,691</u>		
5				
6	Expense Reconciliation:			
7	Current Year actual Pension Expense Direct	\$6,611,183	\$6,623,183	\$6,773,183
8	Current Year actual Service Company Allocated Pension Expense	<u>\$3,623,508</u>	<u>\$3,623,508</u>	<u>\$3,623,508</u>
9		\$10,234,691	\$10,246,691	\$10,396,691
10				
11	Rate Allowance	\$10,234,691	\$10,234,691	\$10,234,691
12				
13	Current Year PAM Reconciliation	\$0	\$12,000	\$162,000

**Line Notes:**

- 2 O&M Rate Allowance per this proceeding
- 3 O&M Rate Allowance per this proceeding
- 4 Line 2 + Line 3
- 7 Illustrative actual pension expense direct
- 8 Illustrative actual service company allocated pension expense
- 9 Line 7 + Line 8
- 11 From Line 4
- 13 Line 9 - Line 11

**The Narragansett Electric Company  
d/b/a National Grid  
OPEB Costs  
Regulatory Reconciliation - Pension / OPEB Adjustment Mechanism  
Illustrative Example**

Line No.		Year <u>1</u> (a)	Year <u>2</u> (b)	Year <u>3</u> (c)
1	Rate Allowance:			
2	Narragansett Electric OPEB Cost Allowance	\$1,813,275		
3	Service Company Allocated OPEB Cost Allowance	1,728,301		
4	Total OPEB Costs in Base Rates	<u>\$3,541,576</u>		
5				
6	Expense Reconciliation:			
7	Current Year actual OPEB Expense Direct	\$1,813,275	\$1,825,275	\$1,975,275
8	Current Year actual Service Company Allocated OPEB Expense	<u>\$1,728,301</u>	<u>\$1,728,301</u>	<u>\$1,728,301</u>
9		\$3,541,576	\$3,553,576	\$3,703,576
10				
11	Rate Allowance	\$3,541,576	\$3,541,576	\$3,541,576
12				
13	Current Year PAM Reconciliation	\$0	\$12,000	\$162,000

**Line Notes:**

- 2 O&M Rate Allowance per this proceeding
- 3 O&M Rate Allowance per this proceeding
- 4 Line 2 + Line 3
- 7 Illustrative actual OPEB expense direct
- 8 Illustrative actual service company allocated OPEB expense
- 9 Line 7 + Line 8
- 11 From Line 4
- 13 Line 9 - Line 11

**The Narragansett Electric Company  
d/b/a National Grid  
Pension Costs  
Regulatory Reconciliation - Pension / OPEB Adjustment Mechanism  
Illustrative Example**

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Mar-2012	Jun-2012	Sep-2012	Dec-2012	Mar-2013	
<b>Customer Funding</b>							
1 Base Rate Recovery:							
2 Direct	\$6,611,183	-	-	-	-	\$1,101,864	
3 Servco	\$3,623,508	-	-	-	-	\$603,918	
4							
5 PAM Surcharge Recovery:		-	-	-	-	-	
6							
7 Pension Capitalized Amount:							
8 Direct	\$2,875,224	-	-	-	-	\$479,204	
9 Servco	\$17,298,165	-	-	-	-	\$2,883,027	
10							
11 Total Customer Funding:		-	-	-	-	\$5,068,013	
12							
<b>Company Contributions</b>							
13 Pension		-	-	-	-	-	
14							
15 Service Company Allocated Costs		-	-	-	-	\$3,486,945	
16						3,486,945	
17							
18 Under/(Over) Funding		-	-	-	-	\$1,581,068	
19							
20 Cumulative Under/(Over) Funding		-	-	-	-	\$1,581,068	
21							
22 Five Quarter Average							\$316,214
23							
24 Base for Carrying Charge ( greater of line 22 or zero)							\$316,214
25 Pre-tax WACC							9.68%
26 Carrying Charge							<u>\$30,609</u>
27							
28							
29 <b>Customer Funding</b>		Mar-2013	Jun-2013	Sep-2013	Dec-2013	Mar-2014	
30 Base Rate Recovery:							
31 Direct		\$1,101,864	\$1,652,796	\$1,652,796	\$1,652,796	\$1,652,796	
32 Servco		\$603,918	\$905,877	\$905,877	\$905,877	\$905,877	
33							
34 PAM Surcharge Recovery:	\$31,000				\$7,750	\$7,750	
35							
36 Pension Capitalized Amount:							
37 Direct		\$479,204	\$718,806	\$718,806	\$718,806	\$718,806	
38 Servco		\$2,883,027	\$4,324,541	\$4,324,541	\$4,324,541	\$4,324,541	
39							
40 Total Customer Funding:		\$5,068,013	\$7,602,020	\$7,602,020	\$7,609,770	\$7,609,770	
41							
42							
43 <b>Company Contributions</b>							
44 Pension		-	\$3,581,068	\$1,000,000	\$3,000,000	\$3,400,000	
45							
46 Service Company Allocated Costs		\$3,486,945	\$5,230,418	\$5,230,418	\$5,230,418	\$5,230,418	
47		\$3,486,945	\$8,811,486	\$6,230,418	\$8,230,418	\$8,630,418	
48							
49 Under/(Over) Funding		\$1,581,068	(\$1,209,466)	\$1,371,602	(\$620,648)	(\$1,020,648)	
50							
51 Cumulative Under/(Over) Funding		\$1,581,068	\$371,602	\$1,743,204	\$1,122,555	\$101,907	
52							
53 Five Quarter Average							\$1,420,001
54							
54 Base for Carrying Charge ( greater of line 53 or zero)							\$1,420,001
55 Pre-tax WACC							9.68%
56 Carrying Charge							<u>\$137,456</u>
57							



**The Narragansett Electric Company**  
**d/b/a National Grid**  
**Pension Costs (continued)**  
**Regulatory Reconciliation - Pension / OPEB Adjustment Mechanism**  
**Illustrative Example**

58							
59	Customer Funding		Mar-2014	Jun-2014	Sep-2014	Dec-2014	Mar-2015
60	Base Rate Recovery:						
61	Direct		\$1,652,796	\$1,652,796	\$1,652,796	\$1,652,796	\$1,652,796
62	Servco		\$905,877	\$4,324,541	\$4,324,541	\$4,324,541	\$4,324,541
63							
64	PAM Surcharge Recovery:	\$138,000	\$7,750	\$7,750	\$7,750	\$34,500	\$34,500
65							
66	Pension Capitalized Amount:						
67	Direct		\$718,806	\$718,806	\$718,806	\$718,806	\$718,806
68	Servco		\$4,324,541	\$4,324,541	\$4,324,541	\$4,324,541	\$4,324,541
69							
70	Total Customer Funding:		\$7,609,770	\$11,028,434	\$11,028,434	\$11,055,184	\$11,055,184
71							
72							
73	Company Contributions						
74	Pension		3,400,000	\$9,672,814	-	-	-
75							
76	Service Company Allocated Costs		\$5,230,418	\$8,649,082	\$8,649,082	\$8,649,082	\$8,649,082
77			8,630,418	18,321,897	8,649,082	8,649,082	8,649,082
78							
79	Under/(Over) Funding		(\$1,020,648)	(\$7,293,463)	\$2,379,352	\$2,406,102	\$2,406,102
80							
81	Cumulative Under/(Over) Funding		\$101,907	(\$7,191,555)	(\$4,812,204)	(\$2,406,102)	\$0
82	Five Quarter Average						(\$1,417,930)
83							
84	Base for Carrying Charge ( greater of line 84 or zero)						0
85	Pre-tax WACC						9.68%
86	Carrying Charge						0

**Line Notes**

2(f)	Line 2(a) /12 x 2 Months	31-40(b)	Line 2(f) through 11(f)	64(e)-(f)	Line 64(a) / 4 quarters
3(f)	Line 3(a) /12 x 2 Months	34(e)	Line 34(a) / 4 quarters	74-82(b)	Line 44(f) through 51(f)
8(f)	Line 8(a) /12 x 2 Months	44-51(b)	Line 14(f) through 21(f)	79(c)-(f)	Line 70 - Line 77
9(f)	Line 9(a) /12 x 2 Months	49(c)-(f)	Line 40 - Line 47	81(c)	Line 79(c) + Line 81(b)
16(f)	Line 3(f) + Line 9(f)	51(c)	Line 49(c) + Line 51(b)	82(g)	Sum of Line 81(b) through (f) /5
19(f)	Line 11(f) - Line 17(f)	52(g)	Sum of Line 51(b) through (f) / 5	86(g)	Line 84(g) x Line 85(g)
22(f)	Sum of Line 21(b) through 21(f) / 5	56(g)	Line 54(g) x Line 55(g)		
26(g)	Line 24(g) x Line 25(g)	61-70(b)	Line 31(f) through 40(f)		

**The Narragansett Electric Company  
d/b/a National Grid  
OPEB Costs  
Regulatory Reconciliation - Pension / OPEB Adjustment Mechanism  
Illustrative Example**

	(a)	(b) Mar-2012	(c) Jun-2012	(d) Sep-2012	(e) Dec-2012	(f) Mar-2013	(g)
<b>Customer Funding</b>							
1 Base Rate Recovery:							
2 Direct	\$1,813,275	-	-	-	-	\$302,213	
3 Servco	\$1,728,301	-	-	-	-	\$288,050	
4							
5 PAM Surcharge Recovery:		-	-	-	-	-	
6							
7 OPEB Capitalized Amount:							
8 Direct	\$1,267,809	-	-	-	-	\$211,301	
9 Servco	\$6,851,115	-	-	-	-	\$1,141,853	
10							
11 Total Customer Funding:		-	-	-	-	\$1,943,417	
12							
<b>Company Contributions</b>							
13 OPEB		-	-	-	-	-	
14							
15 Service Company Allocated Costs		-	-	-	-	\$1,429,903	
16						1,429,903	
17							
18							
19 Under/(Over) Funding		-	-	-	-	\$513,514	
20							
21 Cumulative Funding Under/(Over) Funding		-	-	-	-	\$513,514	
22 Five Quarter Average							\$102,703
23							
24 Base for Carrying Charge ( greater of line 22 or zero)							\$102,703
25 Pre-tax WACC							9.68%
26 Carrying Charge							\$9,942
27							
28							
<b>Customer Funding</b>		Mar-2013	Jun-2013	Sep-2013	Dec-2013	Mar-2014	
29							
30 Base Rate Recovery:							
31 Direct		\$302,213	\$453,319	\$453,319	\$453,319	\$453,319	
32 Servco		\$288,050	\$432,075	\$432,075	\$432,075	\$432,075	
33							
34 PAM Surcharge Recovery:	\$10,000				\$2,500	\$2,500	
35							
36 OPEB Capitalized Amount:							
37 Direct		\$211,301	\$316,952	\$316,952	\$316,952	\$316,952	
38 Servco		\$1,141,853	\$1,712,779	\$1,712,779	\$1,712,779	\$1,712,779	
39							
40 Total Customer Funding:		\$1,943,417	\$2,915,125	\$2,915,125	\$2,917,625	\$2,917,625	
41							
42							
<b>Company Contributions</b>							
43 OPEB		-	\$613,514	\$500,000	\$1,000,000	\$500,000	
44							
45 Service Company Allocated Costs		\$1,429,903	\$2,144,854	\$2,144,854	\$2,144,854	\$2,144,854	
46		\$1,429,903	\$2,758,368	\$2,644,854	\$3,144,854	\$2,644,854	
47							
48 Under/(Over) Funding		\$513,514	\$156,757	\$270,271	(\$227,229)	\$272,771	
49							
50 Cumulative Funding Under/(Over) Funding		\$513,514	\$670,271	\$940,542	\$713,313	\$986,084	
51							
52 Five Quarter Average							\$956,416
53							
54 Base for Carrying Charge ( greater of line 53 or zero)							\$956,416
55 Pre-tax WACC							9.68%
56 Carrying Charge							\$92,581
57							

**The Narragansett Electric Company  
d/b/a National Grid  
OPEB Costs (continued)  
Regulatory Reconciliation - Pension / OPEB Adjustment Mechanism  
Illustrative Example**

58							
59	<b>Customer Funding</b>		Mar-2014	Jun-2014	Sep-2014	Dec-2014	Mar-2015
60	Base Rate Recovery:						
61	Direct		\$453,319	\$453,319	\$453,319	\$453,319	\$453,319
62	Servco		\$432,075	\$1,712,779	\$1,712,779	\$1,712,779	\$1,712,779
63							
64	PAM Surcharge Recovery:	\$93,000	\$2,500	\$2,500	\$2,500	\$23,250	\$23,250
65							
66	OPEB Capitalized Amount:						
67	Direct		\$316,952	\$316,952	\$316,952	\$316,952	\$316,952
68	Servco		\$1,712,779	\$1,712,779	\$1,712,779	\$1,712,779	\$1,712,779
69							
70	Total Customer Funding:		\$2,917,625	\$4,198,329	\$4,198,329	\$4,219,079	\$4,219,079
71							
72							
73	<b>Company Contributions</b>						
74	OPEB		500,000	\$4,118,667	-	-	-
75							
76	Service Company Allocated Costs		\$2,144,854	\$3,425,558	\$3,425,558	\$3,425,558	\$3,425,558
77			2,644,854	7,544,225	3,425,558	3,425,558	3,425,558
78							
79	Under/(Over) Funding		\$272,771	(\$3,345,896)	\$772,771	\$793,521	\$793,521
80							
81	Cumulative Funding Under/(Over) Funding		\$986,084	(\$2,359,813)	(\$1,587,042)	(\$793,521)	\$0
82	Five Quarter Average						(\$274,746)
83							
84	Base for Carrying Charge ( greater of line 84 or zero)						0
85	Pre-tax WACC						9.68%
86	Carrying Charge						0

**Line Notes**

2(f)	Line 2(a) /12 x 2 Months	31-40(b)	Line 2(f) through 11(f)	64(e)-(f)	Line 64(a) / 4 quarters
3(f)	Line 3(a) /12 x 2 Months	34(e)	Line 34(a) / 4 quarters	74-82(b)	Line 44(f) through 51(f)
8(f)	Line 8(a) /12 x 2 Months	44-51(b)	Line 14(f) through 21(f)	79(c)-(f)	Line 70 - Line 77
9(f)	Line 9(a) /12 x 2 Months	49(c)-(f)	Line 40 - Line 47	81(c)	Line 79(c) + Line 81(b)
16(f)	Line 3(f) + Line 9(f)	51(c)	Line 49(c) + Line 51(b)	82(g)	Sum of Line 81(b) through (f) /5
19(f)	Line 11(f) - Line 17(f)	52(g)	Sum of Line 51(b) through (f) / 5	86(g)	Line 84(g) x Line 85(g)
22(f)	Sum of Line 21(b) through 21(f) / 5	56(g)	Line 54(g) x Line 55(g)		
26(g)	Line 24(g) x Line 25(g)	61-70(b)	Line 31(f) through 40(f)		



Compliance Attachment 5

Illustrative ISR Property Tax Recovery Calculation

**National Grid - RI Electric  
d/b/a National Grid  
Illustrative ISR Property Tax Recovery Calculation**

<u>Line</u>		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	<b>Effective tax Rate Calculation</b>	<b><u>RY End</u></b>	<b><u>ISR Additions</u></b>	<b><u>Non-ISR Add's</u></b>	<b><u>Total Add's</u></b>	<b><u>Bk Depr (1)</u></b>	<b><u>Retirements</u></b>	<b><u>COR</u></b>	<b><u>End of Yr 1</u></b>
1	Plant In Service	\$1,358,700	\$55,000	\$2,000	\$57,000		(\$9,400)		\$1,406,300
2									
3	Accumulated Depr	\$611,570				\$45,039	(\$9,400)	(\$7,200)	\$640,009
4									
5	Net Plant	\$747,130							\$766,291
6									
7	Property Tax Expense	\$29,743							\$31,993
8									
9	Effective Prop tax Rate	3.98%							4.18%
10									
11									
12		<b><u>Yr 2 Beg</u></b>	<b><u>ISR Additions</u></b>	<b><u>Non-ISR Add's</u></b>	<b><u>Total Add's</u></b>	<b><u>Bk Depr (1)</u></b>	<b><u>Retirements</u></b>	<b><u>COR</u></b>	<b><u>End of Yr 2</u></b>
13									
14	Plant In Service	\$1,406,300	\$60,000	\$2,200	\$62,200		(\$9,500)		\$1,459,000
15									
16	Accumulated Depr	\$640,009				\$45,039	(\$9,500)	(\$7,400)	\$668,148
17									
18	Net Plant	\$766,291							\$790,852
19									
20	Property Tax Expense	\$31,993							\$34,618
21									
22	Effective Prop tax Rate	4.18%							4.38%
23									
24									
25		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
26	<b>Property Tax Recovery Calculation</b>								
27		<b><u>ISR YR 1</u></b>				<b><u>ISR YR 2</u></b>			
28									
29	ISR Additions		\$55,000				\$60,000		
30	Rate Year Book Depr		(\$45,039)				(\$45,039)		
31	COR - ISR YR		<u>\$7,200</u>				<u>\$7,400</u>		
32									
33	Net Plant Additions		\$17,161				\$22,361		
34									
35	RY Effective Tax Rate		<u>3.98%</u>				<u>3.98%</u>		
36	Year 1 ISR Property Tax Recovery			\$683				\$890	
37	Year 2 ISR Property Tax Recovery							\$609	
38									
39	ISR Year Effective Tax Rate	4.18%				4.38%			
40	RY Effective Tax Rate	3.98%	0.19%			3.98%	0.40%		
41									
42	RY Net Plant	\$747,130				\$747,130			
43	ISR Yr 1 Net Adds	\$17,161				\$15,291			
44	ISR Yr 2 Net Adds		<u>\$764,291</u>			<u>\$22,361</u>	<u>\$784,782</u>		
45				<u>\$1,483</u>				<u>\$3,110</u>	
46									
47	Total ISR Property Tax Recovery			<u>\$2,166</u>				<u>\$4,609</u>	
48									
49	Incremental ISR Property Tax Recovery			<u>\$2,166</u>				<u>\$2,443</u>	

**Line Notes**

- 1 Col (a) per Rate Year cost of service, Col (b), (c), (d) and (f) per Actual ISR filing Col (e) equals Base Rate depreciation expense allowance  
3 Col (a) per Rate Year cost of service, (e) equals Base Rate depreciation expense allowance Col (h) Col (b), (c), (d) and (f) per Actual ISR filing  
7 Col (a) Base Rate property tax expense allowance  
36 Line 33 times Line 35  
37 Col (g) equals Line 43, Col (e) Times Rate Year effective Property Tax Rate Line 9 Col (a) - (15,291 X 3.97%)  
43 Col (e) equals Line 33, Col (b) less ISR Yr 1 additions, Line 29, Col (b) times composite book depreciation rate of 3.4% - (17,161 - 55,000 X 3.4%)  
45 Line 40 times Line 44

**National Grid - RI Gas  
d/b/a National Grid  
Illustrative ISR Property Tax Recovery Calculation**

<u>Line</u>		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	<b><u>Effective tax Rate Calculation</u></b>	<b><u>RY End</u></b>	<b><u>ISR Additions</u></b>	<b><u>Non-ISR Add's</u></b>	<b><u>Total Add's</u></b>	<b><u>Bk Depr (1)</u></b>	<b><u>Retirements</u></b>	<b><u>COR</u></b>	<b><u>End of Yr 1</u></b>
1	Plant In Service	\$805,721	\$65,000	\$13,000	\$78,000		(\$5,350)		\$878,371
2									
3	Accumulated Depr	\$347,664				\$28,130	(\$5,350)	(\$4,700)	\$365,744
4									
5	Net Plant	\$458,057							\$512,627
6									
7	Property Tax Expense	\$13,995							\$16,362
8									
9	Effective Prop tax Rate	3.06%							3.19%
10									
11									
12		<b><u>Yr 2 Beg</u></b>	<b><u>ISR Additions</u></b>	<b><u>Non-ISR Add's</u></b>	<b><u>Total Add's</u></b>	<b><u>Bk Depr (1)</u></b>	<b><u>Retirements</u></b>	<b><u>COR</u></b>	<b><u>End of Yr 2</u></b>
13									
14	Plant In Service	\$878,371	\$70,000	\$13,500	\$83,500		(\$5,500)		\$956,371
15									
16	Accumulated Depr	\$365,744				\$28,130	(\$5,500)	(\$4,900)	\$383,474
17									
18	Net Plant	\$512,627							\$572,897
19									
20	Property Tax Expense	\$16,362							\$19,104
21									
22	Effective Prop tax Rate	3.19%							3.33%
23									
24									
25		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
26	<b>Property Tax Recovery Calculation</b>								
27		<b><u>ISR YR 1</u></b>				<b><u>ISR YR 2</u></b>			
28									
29	ISR Additions		\$65,000				\$70,000		
30	Rate Year Book Depr		(\$28,130)				(\$28,130)		
31	COR - ISR YR		<u>\$4,700</u>				<u>\$4,900</u>		
32									
33	Net Plant Additions		\$41,570				\$46,770		
34									
35	RY Effective Tax Rate		<u>3.06%</u>				<u>3.06%</u>		
36	Year 1 ISR Property Tax Recovery			\$1,270				\$1,429	
37	Year 2 ISR Property Tax Recovery							\$1,203	
38									
39	ISR Year Effective Tax Rate	3.19%				3.33%			
40	RY Effective Tax Rate	3.06%	0.14%			3.06%	0.28%		
41									
42	RY Net Plant	\$458,057				\$458,057			
43	ISR Yr 1 Net Adds	\$41,570				\$39,373			
44	ISR Yr 2 Net Adds		<u>\$499,627</u>			<u>\$46,770</u>	<u>\$544,200</u>		
45				<u>\$682</u>				<u>\$1,520</u>	
46									
47	Total ISR Property Tax Recovery			<u>\$1,952</u>				<u>\$4,152</u>	
48									
49	Incremental ISR Property Tax Recovery			<u>\$1,952</u>				<u>\$2,200</u>	

**Line Notes**

- 1 Col (a) per Rate Year cost of service, Col (b), (c), (d) and (f) per Actual ISR filing Col (e) equals Base Rate depreciation expense allowance  
3 Col (a) per Rate Year cost of service, (e) equals Base Rate depreciation expense allowance Col (h) Col (b), (c), (d) and (f) per Actual ISR filing  
7 Col (a) Base Rate property tax expense allowance  
36 Line 33 times Line 35  
37 Col (g) equals Line 43, Col (e) Times Rate Year effective Property Tax Rate Line 9 Col (a) - (39,373 X 3.08%)  
43 Col (e) equals Line 33, Col (b) less ISR Yr 1 additions, Line 29, Col (b) times composite book depreciation rate of 3.4% - (41,570 - 65,000 X 3.38%)  
45 Line 40 times Line 44





THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
R.I.P.U.C. Docket No. 4323

Compliance Attachment 6

Narragansett Gas Cost of Service  
(Schedule MDL-3-GAS)

**The Narragansett Electric Company d/b/a National Grid**  
**Test Year Ended December 31, 2011**

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**The Narragansett Electric Company d/b/a National Grid**  
**Test Year Ended December 31, 2011**

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**The Narragansett Electric Company d/b/a National Grid  
Revenue Deficiency Summary  
Test Year Ended December 31, 2011**

	(a) Test Year Books	(b) Normalizing Adjustments	(a) + (b) (c) Adjusted Test Year Books	(d) Pro Forma Adjustments	(c) + (d) (e) Rate Year Adjusted	(f) Proposed Rate Increase	(e) + (f) (g) After Rate Increase
1 Revenues	\$438,798,143	(\$87,186,600)	\$351,611,543	\$3,787,064	\$355,398,607	\$10,898,619	\$366,297,226
2							
3 Cost of Gas	\$257,195,602	(\$57,664,271)	\$199,531,331	\$0	\$199,531,331		\$199,531,331
4							
5 Margin	\$181,602,541	(\$29,522,329)	\$152,080,212	\$3,787,064	\$155,867,277	\$10,898,619	\$166,765,895
6							
7 Operation & Maintenance Expense	\$109,200,887	(\$16,662,644)	\$92,538,244	(\$9,350,866)	\$83,187,378	\$359,104	\$83,546,482
8							
9 Depreciation & Amortization - Plant	\$22,015,861	(\$190,627)	\$21,825,234	\$6,301,991	\$28,127,225		\$28,127,225
10							
11 Amortization of Other Assets	\$3,046,486	(\$1,362,507)	\$1,683,979	\$0	\$1,683,979		\$1,683,979
12							
13 Gross Receipts Tax	\$11,282,572	(\$11,282,572)	\$0	\$0	\$0		\$0
14							
15 Taxes Other Than Income	\$14,053,812	(\$2,573)	\$14,051,239	\$2,115,159	\$16,166,398		\$16,166,398
16							
17 Interest on Customers Deposits	\$0	\$0	\$0	\$127,506	\$127,506		\$127,506
18							
19 Operating Income Before Income Taxes	\$22,002,923	(\$21,406)	\$21,981,517	\$4,593,274	\$26,574,791	\$10,539,515	\$37,114,306
20							
21 Income Taxes			\$4,365,316	\$961,474	\$5,326,790	\$3,688,830	\$9,015,620
22							
23 Operating Income After Income Taxes			\$17,616,201	\$3,631,800	\$21,248,001	\$6,850,684	\$28,098,685
24							
25 Rate Base			\$308,108,981		\$372,661,602		\$372,661,602
26							
27 Rate Of Return			5.72%		5.70%		7.54%
28							
29 Cost of Capital			7.54%				7.54%
30							
31 Difference			1.82%				0.00%

**Line Notes**

- 1(a)-1(e) From Page 4 of 65 Line 51  
1(f) From Page 2 of 65, Line 11  
3 From Page 6 of 65 Line 5  
5 Line 1 - Line 3  
7(a)-(e) From Page 6 of 65 Line 7  
7(f) From Page 6 of 65 Line 8  
9 From Page 6 of 65 Line 13 + Line 14  
11 From Page 6 of 65 Line 15  
13 From Page 6 of 65 Line 16  
15 From Page 6 of 65 Line 17  
17 From Page 6 of 65 Line 19  
19 Line 5 - Sum of Line 7 thru Line 17  
21(c) From Page 55 of 65 Line 17(a)  
21(d) Line 21(e) - Line 21(c)  
21(e) From Page 55 of 65, Line 17(b)  
21(f) Line 23(g) - Line 23(e)  
21(g) From Page 55 of 65, Line 17(d)  
23 Line 19 - Line 21  
25 From Page 58 of 65 Line 31  
27 Line 23 / Line 25  
29 From Capital Structure Line 9(c)  
31 Line 29 - Line 27

**The Narragansett Electric Company d/b/a National Grid  
Revenue Requirement Calculation  
Test Year Ended December 31, 2011**

	<b><u>Revenue Requirement Calculation</u></b>	
1	Rate Base	\$372,661,602
2	Rate of Return	5.70%
3	Required Return	7.54%
4		
5	Required Operating Income	\$28,098,685
6	Operating Income After Taxes	\$21,248,001
7	Shortfall/(Excess)	<u>\$6,850,684</u>
8		
9	Gross up Factor for Taxes	1.5890
10		
11	<b>Revenue/(Excess) Requirement</b>	<b><u><u>\$10,898,619</u></u></b>
12		
13		
14	Gross Up Factor Calculation	100.00%
15	Uncollectibles	<u>-3.18%</u>
16		96.82%
17	Federal Income Taxes @ 35%	<u>-33.89%</u>
18	Net	62.93%
19	Gross Up Factor	1.5890

**Line Notes**

1	From Page 58 of 65 line 27(c)
2	From Page 1 of 65 line 27(e)
3	From Page 56 of 65, Line 9(c)
5	Line 1 x Line 3
6	From Page 1 of 65 line 23(e)
7	Line 5 - Line 6
9	Line 19
11	Line 7 x Line 9; excludes the impact of debt issuance adjustments on uncollectibles.
15	From Page 45 of 65 line 9(c)
16	Line 14 - Line 15
17	35% (Federal Income Tax Rate) x line 16
18	Line 16 - Line 17
19	Line 14 / Line 18

The Narragansett Electric Company d/b/a National Grid  
Revenue Deficiency Summary- Recovery by Component  
Test Year Ended December 31, 2011

(a)=sum (b)-(i)		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
		Total	Firm Tariff Rates	Base Revenues NF Margin	Gas Lighting & Special Contract	Late Payment & Other Fees	GCR Collections	Company Use	GCR LNG O & M	ISR	DAC
Revenues		\$355,398,607	\$139,089,245	\$1,800,000	\$201,837	\$2,914,240	\$199,531,330	\$0	\$1,048,720	\$6,924,425	\$3,888,810
Cost of Gas		\$199,531,331					\$199,531,330				
Margin		\$155,867,277	\$139,089,245	\$1,800,000	\$201,837	\$2,914,240	\$0	\$0	\$1,048,720	\$6,924,425	\$3,888,810
Operation & Maintenance Expense		\$83,546,482	\$82,121,544					\$276,662	\$1,148,276		
Depreciation		\$28,127,225	\$28,127,225								
Amortization		\$1,683,979	\$1,683,979								
Taxes Other Than Income		\$16,166,398	\$16,166,398								
Interest on Customers Deposits		\$127,506	\$127,506								
Income Taxes		\$9,015,620	\$9,015,620								
Rate Base		\$372,661,602	\$372,661,602								
Cost of Capital		7.54%									
Return on Rate Base		\$28,098,685	\$28,098,685								
Total Revenue Requirement		\$166,765,894	\$165,340,957	\$0	\$0	\$0	\$0	\$276,662	\$1,148,276	\$0	\$0
Reallocation/Adjustments											
Special Contracts		\$0	(\$201,837)		\$201,837						
Late Payment Charges & Other Fees		\$0	(\$2,914,240)			\$2,914,240					
NF Margin		\$0	(\$1,800,000)	\$1,800,000							
Sub-total Reallocation/Adjustments		\$0	(\$4,916,077)	\$1,800,000	\$201,837	\$2,914,240					
<b>Final Rate Year Revenues</b>		<b>\$166,765,894</b>	<b>\$160,424,880</b>	<b>\$1,800,000</b>	<b>\$201,837</b>	<b>\$2,914,240</b>	<b>\$0</b>	<b>\$276,662</b>	<b>\$1,148,276</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Rate Increase</b>		<b>\$10,898,618</b>	<b>\$21,335,635</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$276,662</b>	<b>\$99,556</b>	<b>(\$6,924,425)</b>	<b>(\$3,888,810)</b>

Line Notes		Uncollectible expense Final Rate Year Revenues	Firm Tariff \$160,424,880	Revenue Deficiency \$10,898,618	Unadjusted Revenues \$149,526,262
1(b) From Page 4 of 65, Sum of Line 4(e), Line 13(e), Line 15(e), Line 16(e), Line 8(e), Line 25(e), Line 24(e) and Line 23(d)					
1(c) From Page 4 of 65, Line 5(e)	11(b) From Page 6 of 65, Line 15(e)				
1(d) From Page 4 of 65, Sum of Line 37(e), Line 38(e), and Line 39(e)	13(b) From Page 6 of 65, Line 17(e)				
1(e) From Page 4 of 65, Sum of Line 42(e), Line 43(e), Line 46(e), and Line 47(e)	15(b) From Page 6 of 65, Line 19(e)				
1(f) From Page 4 of 65, Sum of Line 1(e), and Line 21(e)	17(b) From Page 6 of 65, Line 18(e)				
1(h) From Page 4 of 65, Line 23(e)	19(b) From Page 58 of 65, Line 31(c)				
1(i) From Page 4 of 65, Line 31(e)	20(b) From Page 56 of 65, Line 9(e)				
1(j) From Page 4 of 65, Line 33(e)	21(b) Line 19 x Line 20				
3(f) From Page 6 of 65, Line 5(e)	23 Sum of Line 7 thru Line 17 + Line 21				
5 Line 1 - Line 3	27-31 From Company books				
7(b)-7(i) From Company books	33 Sum of Line 23 thru Line 31				
9(b) From Page 6 of 65, Line 13(e) + Line 14(e)	35 Line 33 - Line 5				
		Uncollectible expense as calculated	\$ 5,101,511	\$ 346,576	\$ 4,754,935
		Uncollectible expense per COS	\$ 5,114,039	\$ 359,104	\$ 4,754,935
		variance	\$12,528	\$12,528	\$0
		(k) From Page 4 of 65, Line 4(e), Line 13(e), Line 15(e), Line 31(e), Line 43(e), Line 23(d)			

The Narragansett Electric Company d/b/a National Grid  
Operating Revenue Summary  
Test Year Ended December 31, 2011

	(a)	(b)	(a) + (b) (c)	(d)	(c) + (d) (e)
	Test Year Books	Normalizing Adjustments	Adjusted Test Year Books	Pro Forma Adjustments	Rate Year Adjusted
<b>Firm Revenues:</b>					
1 Gas Cost Recovery (not including unbilled)	\$221,472,648	\$0	\$221,472,648	\$0	\$221,472,648
2 DAC Revenues	\$4,073,830	\$0	\$4,073,830	\$0	\$4,073,830
3 Energy Efficiency Revenues	\$7,932,760	\$0	\$7,932,760	\$0	\$7,932,760
4 Delivery- Base Revenues	\$134,233,623	\$38,277	\$134,271,900	(\$1,355,772)	\$132,916,128
5 Interruptible Firm	\$3,513,358	(\$3,513,358)	\$0	\$1,800,000	\$1,800,000
6 Off System Sales	\$54,883,515	(\$54,883,515)	\$0	\$0	\$0
7 Unbilled Revenues & Cost	(\$3,441,157)	\$3,441,157	\$0	\$0	\$0
8 Division Adjustment				\$2,403,000	\$2,403,000
9 <b>Total Firm Revenues</b>	<u>\$422,668,577</u>	<u>(\$54,917,439)</u>	<u>\$367,751,138</u>	<u>\$2,847,228</u>	<u>\$370,598,366</u>
<b>Other Operating Revenues:</b>					
13 LIAP in Base Rates	\$1,784,964	\$0	\$1,784,964	\$0	\$1,784,964
14 Energy Efficiency-Weatherization Program in Base Rates	\$0	\$0	\$0	\$0	\$0
15 Advanced Gas Technologies in Base Rates	\$299,255	\$0	\$299,255	\$0	\$299,255
16 Environmental Cost Recovery in Base Rates	\$1,309,680	\$0	\$1,309,680	\$0	\$1,309,680
18 Gross Receipts Tax Revenues	\$11,149,139	(\$11,149,139)	\$0	\$0	\$0
20 GCR		\$0	\$0	\$0	\$0
21 GCR Deferral	(\$10,281,008)	(\$11,660,310)	(\$21,941,318)	\$0	(\$21,941,318)
22 Bad Debt	\$5,449,212	\$1,452,749	\$6,901,961	(\$6,901,961)	\$0
23 LNG O&M	\$1,048,720	\$0	\$1,048,720	\$99,556	\$1,148,276
24 Company Use	\$0	\$0	\$0	\$276,662	\$276,662
25 EE Deferral	\$4,258,138	(\$12,190,898)	(\$7,932,760)	\$0	(\$7,932,760)
26 EE Bad Debt	\$0	\$265,747	\$265,747	(\$265,747)	\$0
28 DAC Deferral	(\$3,732,597)	(\$341,233)	(\$4,073,830)	\$0	(\$4,073,830)
29 DAC B/D	\$0	\$235,639	\$235,639	(\$235,639)	\$0
31 Capital Tracker/ARP/ISR	\$1,644,936	(\$1,395,556)	\$249,380	\$6,675,045	\$6,924,425
33 Weather	(\$1,872,000)	\$1,872,000	\$0	\$0	\$0
35 FT-1 & FT-2 Pool Aggregation Charge	\$38,111	(\$38,111)	\$0	\$0	\$0
37 Dominion Virginia Power	\$49,470	\$132,613	\$182,083	\$0	\$182,083
38 Gas Lights	\$19,303	\$0	\$19,303	\$0	\$19,303
39 Other Revenues	\$27,102	(\$26,651)	\$451	\$0	\$451
42 Account 493661 - Rental Expense	\$298,279	\$6,899	\$305,178	\$0	\$305,178
43 Revenue Decoupling Adjustment	\$2,596,890	\$0	\$2,596,890	\$1,291,920	\$3,888,810
44 Other Revenue Adjustment	\$1,200,833	(\$1,200,833)	\$0	\$0	\$0
45 Algonquin LNG Displacement Agreement	\$841,139	\$0	\$841,139	\$0	\$841,139
46 Customer Arrearage (Account 419010)	\$0	\$807,755	\$807,755	\$0	\$807,755
47 AFUDC - Equity/Debt	\$0	\$960,168	\$960,168	\$0	\$960,168
49 <b>Total Other Operating Revenues</b>	<u>\$16,129,566</u>	<u>(\$32,269,161)</u>	<u>(\$16,139,595)</u>	<u>\$939,836</u>	<u>(\$15,199,759)</u>
51 <b>Total Operating Revenues</b>	<u>\$438,798,143</u>	<u>(\$87,186,600)</u>	<u>\$351,611,543</u>	<u>\$3,787,064</u>	<u>\$355,398,607</u>

Column Notes

- (a) From Company books
- (b) From Page 5 of 65, Column (a)
- (d) From Page 5 of 65, Column (b)

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Gas Operating Revenues  
Test Year Ended December 31, 2011**

	(a) Normalizing Adjustments	(b) Pro Forma Adjustments
<b>Firm Revenues:</b>		
1 Gas Cost Recovery (not including unbilled)	\$0	\$0
2 DAC Revenues	\$0	\$0
3 Energy Efficiency Revenues	\$0	\$0
4 Delivery- Base Revenues	\$38,277	(\$1,355,772)
5 Interruptable Firm	(\$3,513,358)	\$1,512,209
6 Off System Sales	(\$54,883,515)	\$0
7 Unbilled Revenues & Cost	\$3,441,157	\$0
8 Division Adjustment for Interruptible Firm		\$287,791
9 <b>Adjustments to Firm Revenues</b>	<b>(\$54,917,439)</b>	<b>\$444,228</b>
10		
11		
<b>Other Operating Revenues:</b>		
12 LIAP in Base Rates	\$0	\$0
13 Energy Efficiency-Weatherization Program in Base Rates	\$0	\$0
14 Advanced Gas Technologies in Base Rates	\$0	\$0
15 Environmental Cost Recovery in Base Rates	\$0	\$0
16		
17		
18 Gross Receipts Tax Revenues	(\$11,149,139)	\$0
19		
20 GCR	\$0	\$0
21 GCR Deferral	(\$11,660,310)	\$0
22 Bad Debt	\$1,452,749	(\$6,901,961)
23 LNG O&M	\$0	\$99,556
24 Company Use		\$276,662
25 EE Deferral	(\$12,190,898)	\$0
26 EE Bad Debt	\$265,747	(\$265,747)
27		
28 DAC Deferral	(\$341,233)	\$0
29 DAC B/D	\$235,639	(\$235,639)
30		
31 Capital Tracker/ARP/ISR	(\$1,395,556)	\$6,675,045
32		
33 Weather	\$1,872,000	\$0
34		
35 FT-1 & FT-2 Pool Aggregation Charge	(\$38,111)	\$0
36		
37 Dominion Virginia Power	\$132,613	\$0
38 Gas Lights	\$0	\$0
39 Other Revenues	(\$26,651)	\$0
40		
41		
42 Account 493661 - Rental Expense	\$6,899	\$0
43 Revenue Decoupling Adjustment	\$0	\$1,291,920
44 Other Revenue Adjustment	(\$1,200,833)	\$0
45 Algonquin LNG Displacement Agreement	\$0	\$0
46 Customer Arrearage (Account 419010)	\$807,755	\$0
47 AFUDC - Equity/Debt	\$960,168	\$0
48		
49 <b>Adjustments to Other Operating Revenues</b>	<b>(\$32,269,161)</b>	<b>\$939,836</b>
50		
51 <b>Total Revenue Adjustments</b>	<b>(\$87,186,600)</b>	<b>\$1,384,064</b>

**Line Notes**

From Company books



**The Narragansett Electric Company d/b/a National Grid  
Cost of Service Summary  
Test Year Ended December 31, 2011**

	(a)	(b)	(a) + (b) (c)	(d)	(c) +(d) (e)
	Test Year Books	Normalizing Adjustments	Adjusted Test Year Books	Pro Forma Adjustments	Adjusted Rate Year Books
1 Cost of Gas-Retail	\$198,096,970	\$1,434,361	\$199,531,331	\$0	\$199,531,331
2					
3 -Optimization & Other Off System Sales	\$59,098,632	(\$59,098,632)	\$0	\$0	\$0
4					
5 Total Cost of Gas	\$257,195,602	(\$57,664,271)	\$199,531,331	\$0	\$199,531,331
6					
7 Other Operation and Maintenance Expenses	\$109,200,887	(\$16,662,644)	\$92,538,244	(\$9,350,866)	\$83,187,378
8 Uncollectibles on Proposed Rate Increase				\$359,104	\$359,104
9					
10 Total Operation & Maintenance Expenses	\$109,200,887	(\$16,662,644)	\$92,538,244	(\$8,991,762)	\$83,546,482
11					
12					
13 Depreciation Expense	\$20,770,785	(190,627)	\$20,580,158	\$ 6,301,991	\$26,882,149
14 Amortization of Utility Plant	\$1,245,076	\$0	\$1,245,076	\$0	\$1,245,076
15 Amortization of Other Assets	\$3,046,486	(\$1,362,507)	\$1,683,979	\$0	\$1,683,979
16 Gross Receipts Tax	\$11,282,572	(\$11,282,572)	\$0	\$0	\$0
17 Taxes Other Than Income	\$14,053,812	(\$2,573)	\$14,051,239	\$2,115,159	\$16,166,398
18 Federal & Deferred Income Tax			\$4,365,316	\$4,650,304	\$9,015,620
19 Interest on Customer Deposits			\$0	\$127,506	\$127,506
20 Operating Income After Taxes			\$17,616,201	\$10,482,484	\$28,098,685
21					
22					
23 Total Cost of Service			\$351,611,543	\$14,685,682	\$366,297,225

**Line Notes**

1(a)-3(b)	From Company books
5	Line 1 + Line 3
7	From Page 7 of 65, Line 34
8	From Page 1 of 65, Line 7(f)
10	Line 8 + Line 9
13(a)	From Company books
13(b)	From Page 50 of 65, Line 3
13(d)	From Page 50 of 65, Line 5
14(a)	From Company books
15	From Page 52 of 65, Line 10
16	From Page 53 of 65, Line 5
17	From Page 53 of 65 Line 2 + Line 8
18(a)	From Page 55 of 65, Line 17(a)
18(b)	Line 18(e) - Line 18(c)
18(c)	From Page 55 of 65, Line 17(d)
19	From Page 49 of 65, Line 5
20(a)	From Page 1 of 65, Line 23(c)
20(b)	Line 20(e) - Line 20(c)
20(c)	From Page 1 of 65, Line 23(g)
23	Line 5 + Line 10 + the Sum of Line 13 thru Line 20

**The Narragansett Electric Company d/b/a National Grid  
Summary of Operating Expenses by Component  
Test Year Ended December 31, 2011**

		(a)	(b)	(a) + (b) (c)	(d)	(c) + (d) (e)	
		Total Test Year	Normalizing	Adjusted Test	Pro Forma	Rate Year	
	Reference	Per Books	Adjustments	Year Ended December 31, 2011	Adjustments	Adjusted	
<u>Operation &amp; Maintenance Expenses</u>							
1	Gas Cost	Page 6 of 65	\$257,195,602	(\$57,664,271)	\$199,531,331	\$0	\$199,531,331
2							
3	Labor	Page 10 of 65	\$37,509,062	(\$1,505,434)	\$36,003,627	(\$4,475,001)	\$31,528,626
4	Healthcare	Page 23 of 65	\$4,834,351	(\$81,151)	\$4,753,200	\$11,578	\$4,764,778
5	401K Match	Page 24 of 65	\$728,561	(\$6,982)	\$721,579	(\$94,792)	\$626,787
6	401K Pension Replacement Plan	Page 25 of 65	\$1,823	\$0	\$1,823	\$110,181	\$112,004
7	Donations	Page 26 of 65	\$0	\$235,086	\$235,086	\$0	\$235,086
8	Computer Software Purchases	Page 27 of 65	\$1,218,721	(\$56,966)	\$1,161,756	\$1,804,095	\$2,965,851
9	Regulatory Assessments	Page 28 of 65	\$1,468,122	\$0	\$1,468,122	(\$87,372)	\$1,380,750
10	Facilities	Page 29 of 65	\$2,736,138	(\$104,590)	\$2,631,548	\$237,620	\$2,869,169
11	Facilities Consolidation Savings	Page 30 of 65	\$0	\$0	\$0	(\$438,870)	(\$438,870)
12	Claims	Page 31 of 65	\$395,202	\$0	\$395,202	\$160,069	\$555,271
13	Insurance Premiums	Page 32 of 65	\$620,945	\$21,171	\$642,116	\$284	\$642,400
14	Payroll Taxes	Page 34 of 65	\$550,730	(\$42,963)	\$507,767	(\$90,355)	\$417,412
15	OPEB's	Page 35 of 65	\$5,297,250	(\$858,213)	\$4,439,037	(\$116,233)	\$4,322,804
16	Pensions	Page 36 of 65	\$7,141,101	(\$2,282,261)	\$4,858,840	\$2,821,012	\$7,679,852
17	Postage	Page 37 of 65	\$1,353,157	(\$32)	\$1,353,126	\$56,035	\$1,409,161
18	Energy Efficiency Expense	Page 38 of 65	\$4,526,468	(\$4,526,468)	\$0	\$0	\$0
19	GCR-Related Operation & Maintenance	Page 39 of 65	\$673,761	\$0	\$673,761	(\$427,330)	\$246,431
20	LIAP Expense	Page 40 of 65	\$1,663,666	(\$78,666)	\$1,585,000	\$0	\$1,585,000
21	Weatherization Expense	Page 40 of 65	\$267,629	(\$67,629)	\$200,000	\$0	\$200,000
22	Rate Case Expense	Page 41 of 65	\$0	\$0	\$0	\$275,458	\$275,458
23	Consumer Advocate	Page 42 of 65	-	-	-	-	\$0
24	Additional US Foundations Support Staff	Page 43 of 65	-	-	-	46,063	\$46,063
25	Advertising	Page 44 of 65	\$373,987	(\$300,810)	\$73,177	\$0	\$73,177
26	Uncollectibles - Commodity	Page 45 of 65	\$0	\$5,355,163	\$5,355,163	(\$5,355,163)	\$0
27	Uncollectibles - DAC	Page 45 of 65	\$0	\$2,809	\$2,809	(\$2,809)	\$0
28	Uncollectibles - Energy Efficiency	Page 45 of 65	\$0	\$299,896	\$299,896	(\$299,896)	\$0
29	Uncollectibles - Distribution	Page 45 of 65	\$10,533,193	(\$7,142,484)	\$3,390,709	\$1,364,226	\$4,754,935
30	Productivity & Efficiency Savings	Page 46 of 65	\$0	\$0	\$0	(\$1,134,002)	(\$1,134,002)
31	Reallocation of Service Company Charges	Page 47 of 65	\$0	\$0	\$0	(\$4,452,323)	(\$4,452,323)
32	Other O & M Expenses	Page 48 of 65	\$24,857,020	(\$5,522,121)	\$19,334,899	\$736,660	\$20,071,558
33	Company Share of Net Merger Synergies		\$2,450,000		\$2,450,000	\$0	\$2,450,000
34	Total Other Operation and Maintenance Expenses		\$109,200,887	(\$16,662,644)	\$92,538,244	(\$9,350,866)	\$83,187,378

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Normalizing Adjustments to Other O & M Expenses

	(a) Total Test Year Per Books	(b) Costs of Savings Initiatives	(c) Donations	(d) Westerly Event	(e) Expatriate Expenses	(f) Other	(g) Total Normalizing Adjustments	(h) Adjusted Test Year Ended December 31, 2011
1 Gas Cost	\$198,096,970	\$0	\$0	\$0	\$0	(\$57,664,271)	\$0	\$0
2								
3								
4 Labor - Page 10 of 65	\$37,509,062	(\$572,671)		(\$918,790)		(\$13,973)	(\$1,505,434)	\$36,003,627
5 Healthcare - Page 23 of 65	\$4,834,351			(\$81,151)			(\$81,151)	\$4,753,200
6 401K - Page 24 of 65	\$728,561			(\$6,982)			(\$6,982)	\$721,579
7 401K Pension Replacement Plan - Page 25 of 65	\$1,823						\$0	\$1,823
8 Donations - Page 26 of 65	\$0		\$235,086				\$235,086	\$235,086
9 Computer Software Purchases - Page 27 of 65	\$1,218,721	(\$56,725)				(\$241)	(\$56,966)	\$1,161,756
10 Regulatory Assessments - Page 28 of 65	\$1,468,122						\$0	\$1,468,122
11 Facilities - Page 29 of 65	\$2,736,138					(\$104,590)	(\$104,590)	\$2,631,548
12 Claims - Page 31 of 65	\$395,202						\$0	\$395,202
13 Insurance Premiums - Page 32 of 65	\$620,945					21,171	\$21,171	\$642,116
14 Payroll Taxes - Page 34 of 65	\$550,730			(\$42,963)		(\$32)	(\$42,963)	\$507,767
15 Postage - Page 37 of 65	\$1,353,157						(\$32)	\$1,353,126
16 GCR - Page 39 of 65	\$673,761						\$0	\$673,761
17 OPEB's - Page 35 of 65	\$5,297,250			(\$120,918)		(\$737,295)	(\$858,213)	\$4,439,037
18 Pensions - Page 36 of 65	\$7,141,101			(\$119,119)		(\$2,163,142)	(\$2,282,261)	\$4,858,840
19 LIAP Expense - Page 40 of 65	\$1,663,666					(\$78,666)	(\$78,666)	\$1,585,000
20 Weatherization Expense - Page 40 of 65	\$267,629					(\$67,629)	(\$67,629)	\$200,000
21 Energy Efficiency - Page 38 of 65	\$4,526,468					(\$4,526,468)	(\$4,526,468)	\$0
22 Rate Case Expense - Page 41 of 65	\$0						\$0	\$0
23 Advertising	\$373,987					(\$300,810)	(\$300,810)	\$73,177
24 Uncollectibles - Commodity - Page 45 of 65	\$0					\$5,355,163	\$5,355,163	\$5,355,163
25 Uncollectibles - DAC - Page 45 of 65	\$0					\$2,809	\$2,809	\$2,809
26 Uncollectibles - Energy Efficiency - Page 45 of 65	\$0					\$299,896	\$299,896	\$299,896
25 Uncollectibles - Distribution - Page 45 of 65	\$10,533,193					\$299,896	\$299,896	\$3,390,709
26 Productivity & Efficiency - Page 46 of 65	\$0					(\$7,142,484)	(\$7,142,484)	\$0
27 Company Share of Net Merger Synergies	\$2,450,000						\$0	\$2,450,000
28 Subtotal	\$84,343,867	(\$629,396)	\$235,086	(\$1,289,923)	\$0	(\$9,456,290)	(\$11,140,523)	\$73,203,345
29								
30 Residual O & M Expense Normalizing Adjustments								
31 Other	\$4,510,301	(\$670,066)		(\$754,600)	(\$21,247)	(\$635,874)	(\$2,081,788)	\$2,428,514
32 Contractor Services	\$7,035,899	(\$109,747)		(\$184,800)	(\$19,388)	(\$127,187)	(\$441,122)	\$6,594,777
33 Incentive Programs	\$1,212,628					(\$1,212,628)	(\$1,212,628)	\$0
34 Materials & Supplies	\$3,207,489	(\$108)				(\$67,343)	(\$67,343)	\$3,140,147
35 Lease - Non Real Estate	\$165,991	(\$65)				(\$29,221)	(\$29,286)	\$136,705
36 Payments to Governments	\$82,195						\$0	\$82,195
37 Purchased Services	\$3,490,610	(\$1,398,005)				(\$77,891)	(\$1,475,896)	\$2,014,714
38 Transportation	\$2,807,107			(\$28,922)	(\$1,121)	(\$1,121)	(\$30,043)	\$2,777,064
39 Other Employee Related Benefits & Expenses	\$2,344,800	(\$24,646)		(\$41,738)	(\$50,987)	(\$66,645)	(\$184,016)	\$2,160,784
40 Production and Storage Offset	\$0						\$0	\$0
41							\$0	\$0
42							\$0	\$0
43 Residual O & M Expense Normalizing Adjustments	\$24,857,020	(\$2,202,637)	\$0	(\$1,010,061)	(\$91,622)	(\$2,217,802)	(\$5,522,121)	\$19,334,899
44								
45 Total Normalizing Adjustments	\$109,200,887	(\$2,832,033)	\$235,086	(\$2,299,983)	(\$91,622)	(\$1,674,091)	(\$16,662,644)	\$92,538,244

Test Year Amounts that are Specifically Adjusted:

**The Narragansett Electric Company d/b/a National Grid**  
**Revenue Deficiency Summary**  
**Test Year Ended December 31, 2011**  
**Other Normalizing Adjustments**

1	<b><u>Other Normalizing Labor Adjustments</u></b>	(\$13,973)
2		
3	<b><u>Elimination of costs recovered outside of Base Rates</u></b>	
4	Commodity Related Uncollectible Expense	\$5,355,163
5	DAC Related Uncollectible Expense	\$2,809
6	Energy Efficiency Uncollectible Expense	\$299,896
7	Energy Efficiency	(\$4,526,468)
8	Remove OPEB Deferral Amortization Collected in DAC	(\$737,295)
9	Remove Pension Deferral Amortization Collected in DAC	(\$2,163,142)
10		<u>(\$1,769,037)</u>
11		
12	<b><u>Elimination of Non-recoverable costs:</u></b>	
13	Branding and Promotional Non-Recoverable Advertising Expenses	(\$300,810)
14	Remove Incentive Programs	(\$1,212,628)
15	Remove NYPSC Service Company Allocation Audit Costs	(29,221)
16	Non recoverable project Expense	(\$159,501)
17	Band A Expenses and other employee expenses	(\$45,852)
18		<u>(\$1,748,012)</u>
19		
20	<b><u>Out of period costs:</u></b>	
21	Contractor Services	(\$77,266)
22	Materials & Supplies	(\$59,406)
23	Ernst & Young Service Company Allocation Adjustment	\$343,088
24	Lock Box Fees	(\$262,479)
25	Write Off of old work orders	(\$718,345)
26	Service Co Tax Adjustment	(\$19,559)
27	Insurance 2007 Tax Accrual	\$21,171
28		<u>(\$772,796)</u>
29		
30	<b><u>Other:</u></b>	
31	Distribution Uncollectible Expense	(\$7,142,484)
32	Digsafe Fees	\$23,094
33	Remove Weybosset St. facilities costs	(\$85,911)
34	Remove Westborough facilities costs	(\$18,679)
35	Adjust LIAP to Rate Allowance	(\$78,666)
36	Adjust Weatherization to Rate Allowance	(\$67,629)
37		<u>(\$7,370,274)</u>
38		
39	<b>Total Other O&amp;M Normalizing Adjustments</b>	<b><u>(\$11,674,091)</u></b>

**Line Notes**

39 From Page 8 of 65, Line 45(f)

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
O & M Labor Summary**

	(a)	(b)	(a) + (b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustments	(c) +(d) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Company Direct	\$18,266,648	(\$1,114,684)	\$17,151,964	(\$1,193,183)	\$15,958,781
2 KeySpan Corporate Services	\$7,032,035	(\$607,812)	\$6,424,223	(\$1,147,552)	\$5,276,671
3 KeySpan Utility Services	\$70,488	\$0	\$70,488	(\$4,548)	\$65,940
4 National Grid USA Services	\$12,456,710	(\$1,376,769)	\$11,079,941	(\$2,129,718)	\$8,950,224
5 Other	(\$316,819)	\$1,593,830	\$1,277,011	\$0	\$1,277,011
6 Total	<u>\$37,509,062</u>	<u>(\$1,505,434)</u>	<u>\$36,003,627</u>	<u>(\$4,475,001)</u>	<u>\$31,528,626</u>

**Line Notes**

- 1(a)-5(a) From Page 11 of 65, Line 7  
1(b)-5(b) From Page 13 of 65, Line 35  
1(d)-5(d) From Page 14 of 65, Line 33, Column (c) thru Line 41,Column (c)  
6 Sum of Line 1 thru Line 5

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
O & M Labor by Category

	(a)	(b)	(c)	(d)	(e)	(a)+(b)+(c)+(d)+(e)
	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other	Total
<u>Test Year Books</u>						
1 Variable Pay	\$1,497,907	\$1,385,134	\$8,777	\$2,950,348	(\$1,570,731)	\$4,271,435
2 Labor - Management - OT	\$57,228	\$88,400	\$0	\$126,865	\$0	\$272,493
3 Labor - Management	\$1,240,490	\$4,149,793	\$39,245	\$5,235,138	\$106,681	\$10,771,347
4 Labor - OT Union	\$2,981,221	\$421,355	\$153	\$417,516	\$130,524	\$3,950,769
5 Labor - Union	\$9,983,263	\$344,141	\$14,182	\$2,515,395	\$813,787	\$13,670,768
6 Paid Absence and Vacation	\$2,506,539	\$643,212	\$8,131	\$1,211,447	\$202,921	\$4,572,250
7 Total	\$18,266,648	\$7,032,035	\$70,488	\$12,456,710	(\$316,819)	\$37,509,062
<u>Normalizing Adjustments</u>						
10 Variable Pay	(\$833,179)	(\$1,000)	\$0	(\$1,376,769)	\$1,622,290	(\$588,657)
11 Labor - Management - OT	\$0	(\$30,535)	\$0	\$0	\$0	(\$30,535)
12 Labor - Management	\$0	(\$9,370)	\$0	\$0	\$0	(\$9,370)
13 Labor - OT Union	(\$281,505)	(\$388,116)	\$0	\$0	(\$16,680)	(\$686,301)
14 Labor - Union	\$0	(\$118,769)	\$0	\$0	(\$8,074)	(\$126,843)
15 Paid Absence and Vacation	\$0	(\$60,021)	\$0	\$0	(\$3,706)	(\$63,727)
16 Total	(\$1,114,684)	(\$607,812)	\$0	(\$1,376,769)	\$1,593,830	(\$1,505,434)
<u>Adjusted Test Year Books</u>						
19 Variable Pay	\$664,728	\$1,384,134	\$8,777	\$1,573,579	\$51,559	\$3,682,778
20 Labor - Management - OT	\$57,228	\$57,865	\$0	\$126,865	\$0	\$241,958
21 Labor - Management	\$1,240,490	\$4,140,423	\$39,245	\$5,235,138	\$106,681	\$10,761,977
22 Labor - OT Union	\$2,699,716	\$33,239	\$153	\$417,516	\$113,843	\$3,264,468
23 Labor - Union	\$9,983,263	\$225,372	\$14,182	\$2,515,395	\$805,712	\$13,543,925
24 Paid Absence and Vacation	\$2,506,539	\$583,190	\$8,131	\$1,211,447	\$199,215	\$4,508,523
25 Total	\$17,151,964	\$6,424,223	\$70,488	\$11,079,941	\$1,277,011	\$36,003,627

Line Notes

- 1-6 From Company Books
- 7 Sum of Line 1 thru Line 6
- 10-15 From Page 13 of 65, Line 29 thru Line 34
- 16 Sum of Line 10 thru Line 15
- 19 Sum of Line 1 and Line 10
- 20 Sum of Line 2 and Line 11
- 21 Sum of Line 3 and Line 12
- 22 Sum of Line 4 and Line 13
- 23 Sum of Line 5 and Line 14
- 24 Sum of Line 6 and Line 15
- 25 Sum of Line 20 thru Line 24

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
O & M Labor Allocations

	(a) Company Direct	(b) KeySpan Corporate	(c) KeySpan Utility	(d) National Grid USA	(e) Other	(a)+(b)+(c)+(d)+(e) (f) Total
<b>Union Labor</b>						
Total Union & Mgmt Labor Cost	\$13,980,697	\$4,456,899	\$53,580	\$8,294,915	\$1,026,237	\$27,812,327
<b>Labor Union</b>						
Labor - Union	\$9,983,263	\$225,372	\$14,182	\$2,515,395	\$805,712	\$13,543,925
Labor - OT Union	\$2,699,716	\$33,239	\$153	\$417,516	\$113,843	\$3,264,468
<b>Total Labor Union</b>	<b>\$12,682,979</b>	<b>\$258,611</b>	<b>\$14,335</b>	<b>\$2,932,912</b>	<b>\$919,556</b>	<b>\$16,808,392</b>
Paid Absence & Vacation	\$2,506,539	\$583,190	\$8,131	\$1,211,447	\$199,215	\$4,508,523
Union Allocation %	91%	6%	27%	35%	90%	
<b>Total PAV</b>	<b>\$2,273,877</b>	<b>\$33,840</b>	<b>\$2,175</b>	<b>\$428,343</b>	<b>\$178,506</b>	<b>\$2,916,741</b>
Variable Pay	\$664,728	\$1,384,134	\$8,777	\$1,573,579	\$51,559	\$3,682,778
Union Allocation %	91%	6%	27%	35%	90%	
<b>Total Union Goals</b>	<b>\$603,027</b>	<b>\$80,314</b>	<b>\$2,348</b>	<b>\$556,385</b>	<b>\$46,199</b>	<b>\$1,288,273</b>
Salaries and Wages	\$14,956,856	\$292,451	\$16,510	\$3,361,255	\$1,098,062	\$19,725,133
Union Goals	\$603,027	\$80,314	\$2,348	\$556,385	\$46,199	\$1,288,273
<b>Grand Total Union</b>	<b>\$15,559,883</b>	<b>\$372,765</b>	<b>\$18,858</b>	<b>\$3,917,640</b>	<b>\$1,144,261</b>	<b>\$21,013,406</b>
<b>Management Labor</b>						
Total Union & Mgmt Labor Cost	\$13,980,697	\$4,456,899	\$53,580	\$8,294,915	\$1,026,237	\$27,812,327
<b>Labor Management</b>						
Labor Management	\$1,240,490	\$4,140,423	\$39,245	\$5,235,138	\$106,681	\$10,761,977
Labor - Management - OT	\$57,228	\$57,865	\$0	\$126,865	\$0	\$241,958
<b>Total Labor Management</b>	<b>\$1,297,718</b>	<b>\$4,198,288</b>	<b>\$39,245</b>	<b>\$5,362,003</b>	<b>\$106,681</b>	<b>\$11,003,935</b>
Paid Absence & Vacation	\$2,506,539	\$583,190	\$8,131	\$1,211,447	\$199,215	\$4,508,523
Management Allocation %	9%	94%	73%	65%	10%	
<b>Total PAV</b>	<b>\$232,662</b>	<b>\$549,351</b>	<b>\$5,956</b>	<b>\$783,104</b>	<b>\$20,709</b>	<b>\$1,591,782</b>
Variable Pay	\$664,728	\$1,384,134	\$8,777	\$1,573,579	\$51,559	\$3,682,778
Management Allocation %	9%	94%	73%	65%	10%	
<b>Total PAV</b>	<b>\$61,701</b>	<b>\$1,303,820</b>	<b>\$6,429</b>	<b>\$1,017,194</b>	<b>\$5,360</b>	<b>\$2,394,504</b>
Salaries and Wages	\$1,530,380	\$4,747,639	\$45,201	\$6,145,107	\$127,390	\$12,595,717
DSM Wages	(\$5,778)	\$165,599	\$0	\$460,612		
Variable Pay	\$61,701	\$1,303,820	\$6,429	\$1,017,194	\$5,360	\$2,394,504
<b>Grand Total Management</b>	<b>\$1,586,303</b>	<b>\$6,217,058</b>	<b>\$51,630</b>	<b>\$7,622,913</b>	<b>\$132,750</b>	<b>\$14,990,221</b>
<b>Grand Total Labor</b>	<b>\$17,146,186</b>	<b>\$6,589,823</b>	<b>\$70,488</b>	<b>\$11,540,553</b>	<b>\$1,277,011</b>	<b>\$36,624,061</b>
<b>Productive O &amp; M Labor</b>						
Labor - Management O & M	\$1,524,602	\$4,913,238	\$45,201	\$6,605,719		
Labor - Union O & M	\$14,956,856	\$292,451	\$16,510	\$3,361,255		
Salaries charged to Company O & M	\$16,481,458	\$5,205,689	\$61,711	\$9,966,974		
Total Management Salaries		\$150,982,141	\$7,010,687	\$218,024,918		
Total Union Salaries		\$95,765,937	\$2,444,906	\$49,747,674		
		\$246,748,078	\$9,455,593	\$267,772,593		
Percentage Management Charged to Company	100.00%	3.52%	0.64%	4.19%		
Percentage Union Charged to Company	100.00%	0.35%	0.68%	8.49%		
Weighted Average Percentage Charged to Total Company	100.00%	2.29%	0.65%	4.99%		
Total Management Base Year Salaries - O & M & Capital	\$2,426,965	\$5,319,965	\$45,200	\$9,133,171		
Total Union Base Year Salaries - O & M & Capital	\$27,975,160	\$330,843	\$16,511	\$4,223,614		
Total Company Base Year Salaries - O & M & Capital	\$30,402,125	\$5,650,808	\$61,711	\$13,356,786		
Total Base Year Salaries to O&M	\$16,481,458	\$5,205,689	\$61,711	\$9,966,974		
O&M Portion Total Company	54.21%	92.12%	100.00%	74.62%		
O&M Portion Union	53.46%	88.40%	100.00%	79.58%		
O&M Portion Management	62.82%	92.35%	100.00%	72.33%		

Line Notes

3 From Page 11 of 65, Sum of Lines 20 thru Line 23  
6 From Page 11 of 65, Line 23  
7 From Page 11 of 65, Line 22  
8 Line 6 + Line 7  
10 From Page 11 of 65, Line 24  
11 Line 8 / Line 3  
12 Line 10 x Line 11  
14 From Page 11 of 65, Line 19  
15 Line 11  
16 Line 14 x Line 15  
18 Line 8 + Line 12  
19 Line 16  
21 Line 18 + Line 19  
25 Line 3  
29 From Page 11 of 65, Line 21

Line Notes (Continued)

30 From Page 11 of 65, Line 20  
31 Line 29 + Line 30  
33 Line 10  
34 Line 31 / Line 25  
35 Line 33 x Line 34  
37 Line 14  
38 Line 34  
39 Line 37 x Line 38  
41 Line 31 + Line 35  
42 From Company Books  
43 Line 39  
45 Sum of Line 41 thru Line 43  
47 Line 21 + Line 45  
51 Line 41 + Line 42

Line Notes (Continued)

52 Line 18  
53 Line 51 + Line 52  
55 From Company Books  
56 From Company Books  
57 Line 55 + Line 56  
59(b)-(d) Line 63 / Line 55  
60(b)-(d) Line 64 / Line 56  
61(b)-(d) Line 65 / Line 57  
63-64 From Company Books  
65 Line 63 + Line 64  
67 Line 53  
68 Line 67 / Line 65  
70 Line 52 / Line 64  
72 Line 51 / Line 63

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Normalizing Adjustments to O & M Labor

	(a) Company Direct	(b) KeySpan Corporate Services	(c) KeySpan Utility Services	(d) National Grid USA Services	(e) Other	(a)+(b)+(c)+(d)+(e) (f) Total
1 Remove Costs for Westerly Event						
2 Variable Pay	\$ -	\$ (1,000)	\$ -	\$ -	\$ (1,013)	\$ (2,013)
3 Labor - Management - OT		(30,535)				(30,535)
4 Labor - Management		(9,370)				(9,370)
5 Labor - OT Union	(281,505)	(388,116)			(16,680)	(686,301)
6 Labor - Union		(118,769)			(8,074)	(126,843)
7 Paid Absence and Vacation		(60,021)			(3,706)	(63,727)
8 Total Remove Costs for Westerly Event	\$ (281,505)	\$ (607,812)	\$ -	\$ -	\$ (29,473)	\$ (918,790)
9						
10 Remove Financial Planning Stipend						
11 Variable Pay	\$ -	\$ -	\$ -	\$ (13,973)	\$ -	\$ (13,973)
12 Labor - Management - OT						-
13 Labor - Management						-
14 Labor - OT Union						-
15 Labor - Union						-
16 Paid Absence and Vacation						-
17 Total Remove Financial Planning Stipend	\$ -	\$ -	\$ -	\$ (13,973)	\$ -	\$ (13,973)
18						
19 Remove Costs to Achieve						
20 Variable Pay	\$ (833,179)	\$ 0	\$ -	\$ (1,362,796)	\$ 1,623,304	\$ (572,671)
21 Labor - Management - OT						-
22 Labor - Management						-
23 Labor - OT Union						-
24 Labor - Union						-
25 Paid Absence and Vacation						-
26 Total Remove Costs to Achieve	\$ (833,179)	\$ 0	\$ -	\$ (1,362,796)	\$ 1,623,304	\$ (572,671)
27						
28 Total						
29 Variable Pay	\$ (833,179)	\$ (1,000)	\$ -	\$ (1,376,769)	\$ 1,622,290	\$ (588,657)
30 Labor - Management - OT	-	(30,535)	-	-	-	(30,535)
31 Labor - Management	-	(9,370)	-	-	-	(9,370)
32 Labor - OT Union	(281,505)	(388,116)	-	-	(16,680)	(686,301)
33 Labor - Union	-	(118,769)	-	-	(8,074)	(126,843)
34 Paid Absence and Vacation	-	(60,021)	-	-	(3,706)	(63,727)
35 Total	\$ (1,114,684)	\$ (607,812)	\$ -	\$ (1,376,769)	\$ 1,593,830	\$ (1,505,434)

Line Notes

- 2-7 From Page 8 of 65, Line 4(d)  
8 Sum of Line 2 thru Line 7  
11-16 From Page 8 of 65, Line 4(f)  
17 Sum of Line 11 thru Line 16  
20-25 From Page 8 of 65, Line 4(b)  
26 Sum of Line 20 thru Line 25  
29 Sum of Line 2 + Line 11 + Line 20  
30 Sum of Line 3 + Line 12 + Line 21  
31 Sum of Line 4 + Line 13 + Line 22  
32 Sum of Line 5 + Line 14 + Line 23  
33 Sum of Line 6 + Line 15 + Line 24  
34 Sum of Line 7 + Line 16 + Line 25  
35 Sum of Line 29 thru Line 34



The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Pro Forma Labor Adjustments Summary

	(a)	(b)	(c)
<b>Base Pay</b>	Union	Management	Adjustment
1 Company Direct Charges	\$ (862,549)	\$ (180,229)	\$ (1,042,778)
2			
3 KeySpan Corporate Services Direct	17,132	(270,782)	(253,650)
4			
5 KeySpan Utility Services Direct	321	(1,410)	(1,089)
6			
7 National Grid USA Service Co	(718,258)	(508,649)	(1,226,908)
8			
9 Other	-	-	-
10			
11 <b>Sub Total</b>	<b>\$ (1,563,354)</b>	<b>\$ (961,070)</b>	<b>\$ (2,524,424)</b>
12			
13			
<b>Variable Pay</b>	Union Goals	Management Variable Pay	Adjustment
14			
15			
16			
17 Company Direct Charges	\$ (203,402)	\$ 52,997	\$ (150,405)
18			
19 KeySpan Corporate Services Direct	(75,066)	(818,836)	(893,902)
20			
21 KeySpan Utility Services Direct	(1,961)	(1,498)	(3,459)
22			
23 National Grid USA Service Co	(478,493)	(424,317)	(902,810)
24			
25 Other	-	-	-
26			
27 <b>Sub Total</b>	<b>\$ (758,923)</b>	<b>\$ (1,191,654)</b>	<b>\$ (1,950,577)</b>
28			
29			
<b>Total Pay</b>	Wages Increase	Union Goals & Variable Pay	Total Adjustment
30			
31			
32			
33 Company Direct Charges	\$ (1,042,778)	\$ (150,405)	\$ (1,193,183)
34			
35 KeySpan Corporate Services Direct	(253,650)	(893,902)	(1,147,552)
36			
37 KeySpan Utility Services Direct	(1,089)	(3,459)	(4,548)
38			
39 National Grid USA Service Co	(1,226,908)	(902,810)	(2,129,718)
40			
41 Other	-	-	-
42			
43 <b>Grand Total</b>	<b>\$ (2,524,424)</b>	<b>\$ (1,950,577)</b>	<b>\$ (4,475,001)</b>

**Line Notes**

- 1(a)-9(a) From Page 15 of 65, Line 18, Column (a) thru Column (e)  
1(b)-9(b) From Page 16 of 65, Line 28, Column (a) thru Column (e)  
1(c)-9(c) Sum of Column (a) + Column (b)  
11(a)-11(c) Sum of Line 1 thru Line 9  
17(a)-25(a) From Page 22 of 65 line 10, Column (a) thru Column (e)  
17(b)-25(b) From Page 21 of 65 line 18, Column (a) thru Column (e)  
17(c)-17(c) Sum of Column (a) + Column (b)  
33(a)-41(a) Line 1(c) thru Line 9(c)  
33(b)-41(b) Line 17(c) thru Line 25(c)  
33(c)-41(c) Sum of Column (a) + Column (b)

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses - Labor Adjustments  
Test Year Ended December 31, 2011  
Union Pro Forma Wage Adjustments

	(a)	(b)	(c)	(d)	(e)	(a)+(b)+(c)+(d)+(e) (f)
	Direct	KeySpan Corporate Services	KeySpan Utility Services	National Grid USA Service Co	Other National Grid Companies	Total
1 Annual Base Union Wages- End of Year Employees	\$ 20,434,498	\$ 85,549,682	\$ 2,366,691	\$ 31,581,515		\$ 139,932,387
2						
3 Percentage Increase	4.31%	4.40%	3.63%	4.30%		
4						
5 Total Adjusted Union Wages	\$ 21,314,237	\$ 89,315,978	\$ 2,452,695	\$ 32,939,124		\$ 146,022,034
6						
7 Percentage of Wages Charged to Company	100.00%	0.35%	0.68%	8.49%		
8						
9 Percentage of Union Wages Charged to O & M	53.46%	88.40%	100.00%	79.58%		
10						
11 Rate Year Base Union O & M Wages	\$ 11,394,591	\$ 276,344	\$ 16,678	\$ 2,225,480		
12 Annual OT Union Wages and Other Premium Pay in Test Year	\$ 2,699,716	\$ 33,239	\$ 153	\$ 417,516		
13						
14 Rate Year Union O & M Wages	\$ 14,094,307	\$ 309,583	\$ 16,831	\$ 2,642,996	\$ 1,098,062	\$ 18,161,779
15						
16 Test Year Wages	\$ 14,956,856	\$ 292,451	\$ 16,510	\$ 3,361,255	\$ 1,098,062	\$ 19,725,133
17						
18 <b>Total Union Wage Adjustment</b>	\$ (862,549)	\$ 17,132	\$ 321	\$ (718,258)	\$ -	\$ (1,563,354)

Line Notes

- 1(a) From Page 17 of 65 Line 8, Column (b)  
1(b) From Page 18 of 65 Line 13, Column (b)  
1(c) From Page 19 of 65 Line 8, Column (b)  
1(d) From Page 20 of 65 Line 9, Column (b)  
3(a) From Page 17 of 65 Line 8, Column (e)  
3(b) From Page 18 of 65 Line 13, Column (e)  
3(c) From Page 19 of 65 Line 8, Column (e)  
3(d) From Page 20 of 65 Line 9, Column (e)  
5 Line 1 x Line 3  
7 From Page 12 of 65, Line 60  
9 From Page 12 of 65, Line 70  
11 Line 5 x Line 7 x Line 9  
12 From Page 12 of 65, Line 7  
14 Line 11 + Line 12  
16 From Page 12 of 65, Line 18  
18 Line 14 - Line 16

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses - Labor Adjustments  
Test Year Ended December 31, 2011  
Management Pro Forma Wage Adjustments

	(a)	(b)	(c)	(d)	(e)	(a)+(b)+(c)+(d)+(e) (f)
	Direct	KeySpan Corporate Services	KeySpan Utility Services	National Grid USA Service Co	Other National Grid Companies	Total
1 Annual Base Management Wages - End of Year Employees	\$ 1,950,482	\$ 130,835,911	\$ 6,509,117	\$ 182,065,628		\$ 321,361,138
2 Vacancies	-	2,991,900	-	4,413,850		7,405,750
3						
4 Annual Base Management Wages - End of Year Employees	\$ 1,950,482	\$ 133,827,811	\$ 6,509,117	\$ 186,479,478		\$ 328,766,888
5						
6 Percentage Increase	5.12%	5.12%	5.12%	5.12%		
7						
8 Total Adjusted Management Wages	\$ 2,050,347	\$ 140,679,795	\$ 6,842,384	\$ 196,027,227		\$ 345,599,753
9						
10 Percentage of Wages Charged to Company	100.00%	3.52%	0.64%	4.19%		
11						
12 Percentage of Management Wages Charged to O & M	62.82%	92.35%	100.00%	72.33%		
13						
14 Percentage of Management O & M Wages Charged to DSM	-0.38%	3.37%	0.00%	6.97%		
15						
16 Rate Year Base Management O&M Wages	\$ 1,288,028	\$ 4,573,106	\$ 43,791	\$ 5,940,854		
17 Plus: Annual OT Management Wages in Test Year	\$ 57,228	\$ 57,865	\$ -	\$ 126,865		
18 Less: DSM Wages in Rate Year	\$ 4,895	\$ (154,114)	\$ -	\$ (414,078)		
19						
20 Total Rate Year Management O&M Wages	\$ 1,350,151	\$ 4,476,857	\$ 43,791	\$ 5,653,641	\$ 127,390	\$ 11,651,830
21						
22 Test Year Wages	\$ 1,530,380	\$ 4,747,639	\$ 45,201	\$ 6,145,107	\$ 127,390	\$ 12,595,717
23						
24 Division Adjustment 8-7 change in year end compliment				\$ (4,904)		\$ (4,904)
25						
26 Division Adjustment Comm 3-22 change to vacancies				\$ (12,279)		\$ (12,279)
27						
28 <b>Total Management Wage Adjustment</b>	\$ (180,229)	\$ (270,782)	\$ (1,410)	\$ (508,649)	\$ -	\$ (961,070)
29						
30 Number of Employee Vacancies	-	32	-	50		

Line Notes

- 1(a) From Page 17 of 65 Line 1, Column (b)  
1(b) From Page 18 of 65 Line 1, Column (b)  
1(c) From Page 19 of 65 Line 1, Column (b)  
1(d) From Page 20 of 65 Line 1, Column (b)  
2 From Workpaper MDL-3, Page 9 of 10  
4 Line 1 + Line 2  
6(a) From Page 17 of 65 Line 1, Column (c)  
6(b) From Page 18 of 65 Line 1, Column (c)  
6(c) From Page 19 of 65 Line 1, Column (c)  
6(d) From Page 20 of 65 Line 1, Column (c)  
8 Line 4 x Line 6  
10 From Page 12 of 65, Line 59  
12 From Page 12 of 65, Line 72  
14 From Page 12 of 65, Line 42 / Page 12 of 65, Line 51  
16 Line 8 x Line 10 x Line 12  
17 From Page 12 of 65, Line 30  
18 - Line 14 x Line 16  
20 Sum of Line 16 thru Line 18  
22 From Page 12 of 65, Line 41  
24 Line 20 - Line 22  
26 From Workpaper MDL-3, Page 9 of 10

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Weighted Labor Adjustment Factor Company Direct**

	(a)	(b)	(c)	(d)	(c) x (d) (e)
<b>Employee Affiliation</b>	<i>Headcount</i>	<i>Total Salaries (Current)</i>	<i>Overall Increases Historical Yr to Rate Yr</i>	<i>Effective Co%</i>	<i>Union Wage Increase</i>
1 <b>Management</b>	25	\$ 1,950,482	5.12%	100.0%	
2					
3 <b>Bargaining</b>					
4 310	3	219,606	4.30%	1.1%	0.05%
5 310C	54	3,846,419	4.58%	18.8%	0.86%
6 12431-01	238	16,368,473	4.24%	80.1%	3.40%
7					
8 <b>Total Unions</b>	295	\$ 20,434,498			4.31%
9					
10 <b>Grand Total</b>	320	\$ 22,384,981			

**Line Notes**

- 1(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 1(c) From Workpaper MDL-3, Page 2 of 10
- 1(d) Line 1(b) / by line 1(b)
- 4(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 4(c) From Workpaper MDL-3, Page 2 of 10
- 4(d) Line 4(b) / by line 8 (b)
- 5(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 5(c) From Workpaper MDL-3, Page 2 of 10
- 5(d) Line 5(b) / by line 8 (b)
- 6(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 6(c) From Workpaper MDL-3, Page 2 of 10
- 6(d) Line 6(b) / by line 8 (b)
- 8 Sum of Line 4 thru Line 6
- 10 Line 1 + Line 8

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Weighted Labor Adjustment Factor KeySpan Corporate Services

	(a)	(b)	(c)	(d)	(c) x (d) (e)
Employee Affiliation	Headcount	Total Salaries (Current)	Overall Increases Historical Yr to Rate Yr	Effective Co%	Union Wage Increase
1 Management	1,338	\$ 130,835,911	5.12%	100.0%	
2					
3 Bargaining					
4 Local 101	352	21,473,135	3.23%	25.1%	0.81%
5 Local 1049	351	21,598,574	4.92%	25.3%	1.24%
6 Local 12003	204	13,459,411	4.75%	15.7%	0.75%
7 Local 12012-04	15	1,139,499	0.85%	1.3%	0.01%
8 Local 13507	2	138,590	4.90%	0.2%	0.01%
9 Local 1381	471	26,927,514	4.92%	31.5%	1.55%
10 Local 3	7	576,972	3.23%	0.7%	0.02%
11 Local 318	3	235,986	4.32%	0.3%	0.01%
12					
13 Total Unions	1,405	85,549,682			4.40%
14					
15 Grand Total	2,743	216,385,593			

Line Notes

- 1(a)-(b) From Workpaper MDL-3, Page 1 of 10  
1(c) From Workpaper MDL-3, Page 3 of 10  
1(d) Line 1(b) / by line 1(b)  
4(a)-(b) From Workpaper MDL-3, Page 1 of 10  
4(c) From Workpaper MDL-3, Page 3 of 10  
4(d) Line 4(b) / by line 13(b)  
5(a)-(b) From Workpaper MDL-3, Page 1 of 10  
5(c) From Workpaper MDL-3, Page 3 of 10  
5(d) Line 5(b) / by line 13(b)  
6(a)-(b) From Workpaper MDL-3, Page 1 of 10  
6(c) From Workpaper MDL-3, Page 3 of 10  
6(d) Line 6(b) / by line 13(b)  
7(a)-(b) From Workpaper MDL-3, Page 1 of 10  
7(c) From Workpaper MDL-3, Page 3 of 10  
7(d) Line 7(b) / by line 13(b)  
8(a)-(b) From Workpaper MDL-3, Page 1 of 10  
8(c) From Workpaper MDL-3, Page 3 of 10  
8(d) Line 8(b) / by line 13(b)  
9(a)-(b) From Workpaper MDL-3, Page 1 of 10  
9(c) From Workpaper MDL-3, Page 3 of 10  
9(d) Line 9(b) / by line 13(b)  
10(a)-(b) From Workpaper MDL-3, Page 1 of 10  
10(c) From Workpaper MDL-3, Page 3 of 10  
10(d) Line 10(b) / by line 13(b)  
11(a)-(b) From Workpaper MDL-3, Page 1 of 10  
11(c) From Workpaper MDL-3, Page 3 of 10  
11(d) Line 11(b) / by line 13(b)  
13 Sum of Line 4 thru Line 11  
15 Line 1 + Line 13

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Weighted Labor Adjustment Factor KeySpan Utility Services**

	(a)	(b)	(c)	(d)	(c) x (d) (e)
<b>Employee Affiliation</b>	<i>Headcount</i>	<i>Total Salaries (Current)</i>	<i>Overall Increases Historical Yr to Rate Yr</i>	<i>Effective Co%</i>	<i>Union Wage Increase</i>
1 <b>Management</b>	69	\$ 6,509,117	5.12%	100%	
2					
3 <b>Bargaining</b>					
4 Local 101	23	1,804,509	3.23%	76.3%	2.47%
5 Local 1049	5	409,365	4.92%	17.3%	0.85%
6 Local 1381	2	152,818	4.92%	6.5%	0.32%
7					
8 <b>Total Unions</b>	30	\$ 2,366,691			3.63%
9					
10 <b>Grand Total</b>	99	\$ 8,875,808			

**Line Notes**

- 1(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 1(c) From Workpaper MDL-3, Page 4 of 10
- 1(d) Line 1(b) / by line 1(b)
- 4(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 4(c) From Workpaper MDL-3, Page 4 of 10
- 4(d) Line 4(b) / by line 8(b)
- 5(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 5(c) From Workpaper MDL-3, Page 4 of 10
- 5(d) Line 5(b) / by line 8(b)
- 6(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 6(c) From Workpaper MDL-3, Page 4 of 10
- 6(d) Line 6(b) / by line 8(b)
- 8 Sum of Line 4 thru Line 6
- 10 Line 1 + Line 8

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2011**  
**Weighted Labor Adjustment Factor National Grid USA Service Company**

	(a)	(b)	(c)	(d)	(c) x (d) (e)
<b>Employee Affiliation</b>	<i>Headcount</i>	<i>Total Salaries (Current)</i>	<i>Overall Increases Historical Yr to Rate Yr</i>	<i>Effective Co%</i>	<i>Union Wage Increase</i>
1 <b>Management</b>	1,953	\$ 182,065,628	5.12%	100%	
2					
3 <b>Bargaining</b>					
4 Local 310,329,330	53	3,453,008	4.30%	10.9%	0.47%
5 Local 486,326	205	15,794,297	4.30%	50.0%	2.15%
6 Local 369	198	10,193,371	4.30%	32.3%	1.39%
7 Local 12431-01	32	2,140,840	4.25%	6.8%	0.29%
8					
9 <b>Total Unions</b>	488	\$ 31,581,515			4.30%
10					
11 <b>Grand Total</b>	2,441	\$ 213,647,143			

**Line Notes**

- 1(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 1(c) From Workpaper MDL-3, Page 5 of 10
- 1(d) Line 1(b) / by line 1(b)
- 4(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 4(c) From Workpaper MDL-3, Page 5 of 10
- 4(d) Line 4(b) / by line 9(b)
- 5(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 5(c) From Workpaper MDL-3, Page 5 of 10
- 5(d) Line 5(b) / by line 9(b)
- 6(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 6(c) From Workpaper MDL-3, Page 5 of 10
- 6(d) Line 6(b) / by line 9(b)
- 7(a)-(b) From Workpaper MDL-3, Page 1 of 10
- 7(c) From Workpaper MDL-3, Page 5 of 10
- 7(d) Line 7(b) / by line 9(b)
- 9 Sum of Line 4 thru Line 7
- 11 Line 1 + Line 9

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Variable Pay Adjustment

	(a)	(b)	(c)	(d)	(e)	(a)+(b)+(c)+(d)+(e) (f)
	Direct	KeySpan Corporate Services	KeySpan Utility Services	National Grid USA Service Co	Other National Grid Companies	Total
1 Target Annual Variable Pay - End of Year Employees	\$ 181,891	\$ 15,112,734	\$ 770,429	\$ 20,569,830		\$36,634,884
2 Target Annual Variable Pay - Vacancies	-	326,875	-	458,739		
3 Total Target Annual Variable Pay	\$ 181,891	\$ 15,439,610	\$ 770,429	\$ 21,028,569		
4						
5 Percentage of Annual Wages Charged to Company	100.00%	3.52%	0.64%	4.19%		
6 Percentage of Management Wages Charged to O & M	62.82%	92.35%	100.00%	72.33%		
7 Percentage of Management O & M Wages Charged to DSM	-0.38%	3.37%	0.00%	6.97%		
8						
9 Target Variable Pay Charged to O&M	\$ 114,264	\$ 501,898	\$ 4,931	\$ 637,297	\$ 5,360	\$ 1,263,750
10						
11 Test Year Variable Pay charged to O&M	\$ 61,701	\$ 1,303,820	\$ 6,429	\$ 1,017,194	\$ 5,360	\$ 2,394,504
12 Less: DSM Variable Pay in Rate Year	\$ 234	\$ (43,939)	\$ -	\$ (70,898)	\$ -	\$ (114,603)
13 Test Year Variable Pay charged to O&M	\$ 61,935	\$ 1,259,881	\$ 6,429	\$ 946,296	\$ 5,360	\$ 2,279,901
14						
15 Division Adjustment for DSM	\$ 668	\$ (60,853)	\$ -	\$ (115,318)		\$ (175,503)
16						
17						
18 Variable Pay Adjustments	\$ 52,997	\$ (818,836)	\$ (1,498)	\$ (424,317)	\$ -	\$ (1,191,654)
	\$ 668	\$ (60,853)	\$ -	\$ (115,318)		

Line Notes

- 1(a)-(d) From Workpaper MDL-3, Page 6 of 10  
2(a)-(d) From Workpaper MDL-3, Page 7 of 10  
3 Sum of Line 1 thru Line 2  
5 From Page 12 of 65, Line 59  
6 From Page 12 of 65, Line 72  
7 From Page 12 of 65, Line 42 / Page 12 of 65, Line 51  
9 Line 3 x Line 5 x Line 6  
11 From Page 12 of 65, Line 43  
12 -Line 7 x Line 11  
13 Sum of Line 11 thru Line 12  
15 Line 9 - Line 13



The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Union Goals Adjustment

		(a)	(c)	(d)	(b)	(c)	(a)+(b)+(c)+(d)+(e) (f)
		Direct	KeySpan Corporate Services	KeySpan Utility Services	National Grid USA Service Co	Other National Grid Companies	Total
1	Target Annual Union Goals - End of Year Employees	\$ 747,521	\$ 1,696,105	\$ 56,893	\$ 1,152,869		\$ 3,653,388
2							
3	Percentage of Annual Union Wages Charged to O & M	100.00%	0.35%	0.68%	8.49%		
4	Percentage of Wages Charged to Company	53.46%	88.40%	100.00%	79.58%		
5							
6	Target Union Goals Charged to O&M	\$ 399,625	\$ 5,248	\$ 387	\$ 77,892	\$ 46,199	\$ 529,350
7							
8	Test Year Union Goals charged to O&M	\$ 603,027	\$ 80,314	\$ 2,348	\$ 556,385	\$ 46,199	\$ 1,288,273
9							
10	<b>Union Goals Adjustments</b>	\$ (203,402)	\$ (75,066)	\$ (1,961)	\$ (478,493)	\$ -	\$ (758,923)

**Line Notes**

- 1(a)-(d) From Workpaper MDL-3, Page 8 of 10  
3 From Page 12 of 65, Line 60  
4 From Page 12 of 65, Line 70  
6 Line 1 x Line 3 x Line 4  
8 From Page 12 of 65, Line 19  
10 Line 6 - Line 8

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Healthcare

	(a)	(b)	(a) + (b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustments	(c) +(d) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1	Company Direct	\$2,725,509	\$0	(\$44,608)	\$2,680,901
2	KeySpan Corporate Services	\$936,149	(\$79,045)	(\$90,183)	\$766,921
3	KeySpan Utility Services	\$17,131	\$0	(\$7,906)	\$9,225
4	National Grid USA Services	\$1,023,451	\$0	\$154,275	\$1,177,726
5	Other	\$132,111	(\$2,106)	\$0	\$130,005
6	Total	\$4,834,351	(\$81,151)	\$11,578	\$4,764,778

	(f) Company Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Other
10	Normalizing Adjustments				
11	Remove Costs for Westerly Event	(\$79,045)			(\$2,106)
12	Total	\$0	\$0	\$0	(\$2,106)

17	Number of Vacancies - Union	0	0	0	0
18	Average Cost Per Employee - Union Medical				
19	Average Cost Per Employee - Union Dental				
20	Additional Costs for Vacancies	\$0	\$0	\$0	\$0
21					
22	Number of Vacancies - Management	0	32	0	50
23	Average Cost Per Employee - Management - Medical		\$10,769		\$11,490
24	Average Cost Per Employee - Management -Dental		\$793		\$834
25	Additional Costs for Vacancies	\$0	\$369,979	\$0	\$616,193
26					
27	Total Additional Costs for Vacancies	\$0	\$369,979	\$0	\$616,193

	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
31	Healthcare Increases				
32	(k)	(l)	(m)	(n)	(o)
33	Rate Year Total Annual Medical and Dental - End of Year Employees	\$4,945,399	\$35,984,785	\$1,419,239	\$31,013,026
34					
35	Plus Additional Cost For Vacancies	\$0	\$369,979	\$0	\$616,193
36					
37	Percentage of Salaries Charged to Company	100.00%	2.29%	0.65%	4.99%
38					
39	Percentage of Labor Charged to O & M	54.21%	92.12%	100.00%	74.62%
40					
41	Rate Year Medical and Dental Expense	\$2,680,901	\$766,921	\$9,225	\$1,177,726
42					\$130,005
43	Adjusted Test Year Healthcare Expense	\$2,725,509	\$857,104	\$17,131	\$1,023,451
44					\$130,005
45	Total Healthcare Expense Adjustment	(\$44,608)	(\$90,183)	(\$7,906)	\$154,275
					\$0

Line Notes

1(a)-5(a)	From Company books	25	(Line 23 + Line 24) x Line 22
1(b)-5(b)	Line 12	27	Line 20 + Line 25
1(d)-5(d)	Line 45	33(k) - 33(n)	From Workpaper MDL-5 Page 1, Line 1(a) -Line (d)
6	Sum of Line 1 through line 5	35	Line 27
11(f)-11(j)	From Page 8 of 65, Line 5(d)	37	From Page 12 of 65, Line 61
12	Line 11	39	From Page 12 of 65, Line 68
22	From Page 16 of 65, Line 30	41	(Line 33 + Line 35) x Line 37 x Line 39
23	From Workpaper MDL-5 Page 1, Line 28(b)	43(k) - 43(o)	Line 1(c) through Line 5(c)
24	From Workpaper MDL-5 Page 1, Line 29(b)	45	Line 41 - Line 43

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2011**  
**401K Match**

	(a)	(b)	(a) + (b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro-Forma Adjustments	(c) + (d) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Company Direct	165,297	-	165,297	(11,461)	153,836
2 KeySpan Corporate Services	130,743	(6,201)	124,542	(21,082)	103,460
3 KeySpan Utility Services	2,106	-	2,106	(136)	1,970
4 National Grid USA Services	344,894	-	344,894	(62,113)	282,781
5 Other	85,521	(780)	84,741	-	84,741
6 Total	\$728,561	(\$6,982)	\$721,579	(\$94,792)	\$626,787

	(f) Company Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Other
10 Normalizing Adjustments					
11 Remove Costs for Westerly Event		(6,201)			(780)
12 Total	\$0	(\$6,201)	\$0	\$0	(\$780)

	(k) Adjusted Test Year Labor Cost	(l) Adjusted Test Year 401K Match	(m) Average Expense Per Labor Dollar
17 Adjustment for Vacancies			
19 Company Direct Charges	\$ 17,151,964	\$ 165,297	0.96%
20 KeySpan Corporate Services	6,424,223	124,542	1.94%
21 KeySpan Utility Services	70,488	2,106	2.99%
22 National Grid USA Services	11,079,941	344,894	3.11%
23 Other	1,277,011	84,741	6.64%
24 Total	\$ 36,003,627	\$ 721,579	

	(n) Rate Year Labor Cost	(o) Adjusted Test Year Labor Costs	(p) Difference	(q) Average Expense Per Labor Dollar	(r) Rate Year 401K Match
27 December 2011					
30 Company Direct Charges	\$ 15,958,113	\$ 17,151,964	\$ (1,193,851)	0.96%	(11,461)
31 KeySpan Corporate Services	5,337,524	6,424,223	(1,086,699)	1.94%	(21,082)
32 KeySpan Utility Services	65,940	70,488	(4,548)	2.99%	(136)
33 National Grid USA Services	9,082,725	11,079,941	(1,997,217)	3.11%	(62,113)
34 Other	1,277,011	1,277,011	-	6.64%	-
35 Total	\$ 31,721,312	\$ 36,003,627	\$ (4,282,315)		\$ (94,792)

**Line Notes**

- 1-5 (a) From Company books  
1-5 (b) Line 12  
1-5 (d) Column (r)  
6 Sum of Line 1 thru Line 5  
11(f)-12(j) From Page 8 of 65, Line 9(a)  
12 Sum of Line 10 thru Line 11  
19(k)-23(k) From Page 10 of 65, Column (c)  
19(m)-23(m) Column (l) / Column (k)  
24 Sum of Line 19 thru Line 23  
30(n)-34(n) From Page 10 of 65, Column (e)  
30(o)-34(o) Line 19(k) thru Line 23(k)  
30(p)-34(p) Column (n) - Column (o)  
30(q)-34(q) Line 19(m) thru Line 23(m)  
30(r)-34(r) Column (p) x Column (q)  
35 Sum of Line 30 thru Line 34

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
401K Pension Replacement Plan

	(a)	(b)	(a) + (b) (c)	(d)	(c) + (d) (e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro-Forma Adjustments	Rate Year Adjusted
1 Company Direct	-	-	-	9,000	9,000
2 KeySpan Corporate Services	493	-	493	44,763	45,256
3 KeySpan Utility Services	4	-	4	337	341
4 National Grid USA Services	1,326	-	1,326	56,081	57,407
5 Other	-	-	-	-	-
6 Total	<u>\$ 1,823</u>	<u>\$ -</u>	<u>\$ 1,823</u>	<u>\$ 110,181</u>	<u>\$ 112,004</u>
	(f)	(g)	(h)	(i)	(j)
	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Total
12 Current Employees in Plan	-	13	1	21	35
14 Average Benefit per Employee	\$ 7,163	\$ 6,858	\$ 10,662	\$ 7,342	\$ 32,025
16 Number of Vacancies	-	32	-	50	82
18 Rate Year Contributions for Vacancies	<u>\$ -</u>	<u>\$ 219,456</u>	<u>\$ -</u>	<u>\$ 367,100</u>	<u>\$ 586,556</u>
20 Estimated New Hires 1/1/12 to 1/31/13	1	117	3	142	263
21 Estimated New Hires 2/1/13 to 1/31/14	<u>1</u>	<u>54</u>	<u>2</u>	<u>66</u>	<u>123</u>
22 Total Estimated New Hires	2	171	5	208	386
24 Rate Year Contributions for New Hires	<u>\$ 14,326</u>	<u>\$ 1,172,718</u>	<u>\$ 53,310</u>	<u>\$ 1,527,136</u>	<u>\$ 2,767,490</u>
26 Percentage of Management Wages Charged to Company	100.00%	3.52%	0.64%	4.19%	
28 Percentage of Management Wages Charged to O & M	62.82%	92.35%	100.00%	72.33%	
30 Rate Year Benefit Charged to Company O & M Vacancies	<u>\$ -</u>	<u>\$ 7,134</u>	<u>\$ -</u>	<u>\$ 11,125</u>	<u>\$ 18,259</u>
32 Rate Year Benefit Charged to Company O & M New Hires	<u>\$ 9,000</u>	<u>\$ 38,122</u>	<u>\$ 341</u>	<u>\$ 46,282</u>	<u>\$ 93,745</u>
34 Total 401K Pension Replacement Benefit for Rate Year	<u>\$ 9,000</u>	<u>\$ 45,256</u>	<u>\$ 341</u>	<u>\$ 57,407</u>	<u>\$ 112,004</u>
36 Test Year 401K Pension Replacement Benefit	\$ -	\$ 493	\$ 4	\$ 1,326	\$ 1,823
38 Total Management 401K Adjustment	\$ 9,000	\$ 44,763	\$ 337	\$ 56,081	\$ 110,181

Line Notes

1(a)-5(a)	From Company books	32	Line 24 x Line 26 x Line 28
1(d)-5(d)	Line 38	34	Line 30 + Line 32
6	Sum of Line 1 thru Line 5	36	From Line 1(a) thru Line 5(a)
12-14	Company books	38	Line 34 + Line 36
16	From Page 16 of 65, Line 30		
18	Line 14 x Line 16		
20	Workpaper MDL-4-GAS, Column (f)		
21	Workpaper MDL-4-GAS, Column (g)		
22	Sum of Line 20 thru Line 21		
24	Line 14 x Line 22		
26	From Page 12 of 65, Line 59		
28	From Page 12 of 65, Line 72		
30	Line 18 x Line 26 x Line 28		

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Donations**

	(a)	(b)	(a) + (b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustment	(c) + (d) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Company Direct	\$0	\$262,436	\$262,436	\$0	\$262,436
2 KeySpan Corporate Services	\$0	(\$19,697)	(\$19,697)	\$0	(\$19,697)
3 KeySpan Utility Services	\$0	\$0	\$0	\$0	\$0
4 National Grid USA Services	\$0	(\$5,153)	(\$5,153)	\$0	(\$5,153)
5 Other	\$0	(\$2,500)	(\$2,500)	\$0	(\$2,500)
6 Total	<u>\$0</u>	<u>\$235,086</u>	<u>\$235,086</u>	<u>\$0</u>	<u>\$235,086</u>
7					
8					
9					
10	(f)	(g)	(h)	(i)	(j)
11 Normalizing Adjustments	<u>Company Direct</u>	<u>KeySpan Corporate</u>	<u>KeySpan Utility</u>	<u>National Grid USA</u>	<u>Other</u>
12 Reclassify Donations to O & M	\$212,284				
13 Non Jurisdictional donations		(\$19,697)		(\$5,153)	(\$2,500)
14 Additional test year donations	\$50,152				
15					
16 Total	<u>\$262,436</u>	<u>(\$19,697)</u>	<u>\$0</u>	<u>(\$5,153)</u>	<u>(\$2,500)</u>

**Line Notes**

- 1-5(b) Line 16  
6 Workpaper MDL-6 Page 1 of 1  
12(f)-14(j) From Page 8 of 65, Line 8  
16 Sum of Line 12 thru Line 14

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2011**  
**Computer Software Expenses**

	(a)	(b)	(a) + (b) (c)	(d)	(c) + (d) (e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Books Year Ended December 31, 2011	Pro Forma Adjustment	Rate Year Adjusted
1 Company Direct	26,387	(2,912)	23,475	-	23,475
2 KeySpan Corporate Services	41,303	-	41,303	-	41,303
3 KeySpan Utility Services	1,305	-	1,305	-	1,305
4 National Grid USA Services	1,001,368	(36,452)	964,916	1,804,095	2,769,011
5 Other	148,358	(17,601)	130,757	-	130,757
6 Total	<u>\$ 1,218,721</u>	<u>\$ (56,966)</u>	<u>\$ 1,161,756</u>	<u>\$ 1,804,095</u>	<u>\$ 2,965,851</u>

	(f)	(g)	(h)	(i)	(j)
	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
14 Normalizing Adjustments					
15 Remove ProCard Charges - Hart				(110)	
16 Remove Project Expense				(131)	
17 Remove Costs to Achieve	(2,912)	-	-	(36,211)	(17,601)
18 Total	<u>\$ (2,912)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,452)</u>	<u>\$ (17,601)</u>

	(k)	(l)	(m) = (k) + (l)
	Adjusted Books Year Ended December 31, 2011	Inflation Adjustment	Rate Year Adjusted
26 Purchased software	\$ 1,071,794	\$ 40,835	\$ 1,112,629
	(n)	(o) = (p) - (n)	(p)
	Adjusted Books Year Ended December 31, 2011	Pro Forma Adjustment	Rate Year Adjusted
34 IT Software Rents - existing projects	89,961	3,990	93,952
35 IT Software Rents - other new projects	-	666,939	666,939
36 IT Software Rents - US Foundations project	-	1,092,331	1,092,331
37 Total	<u>\$ 1,161,756</u>	<u>\$ 1,804,095</u>	<u>\$ 2,965,851</u>

**Line Notes**

- 1-5 (a) From Company books  
1-5 (b) Line 19  
4(d) Line 40(l)  
6 Sum of Line 1 thru Line 5  
16(f)-18(j) From Page 8 of 65, Line 9  
19 Sum of Line 16 thru Line 18  
Col (k) & (n) From Col (c)  
Col (l) Col (k) times 3.81% inflation rate from Page 48 of 65  
Col(p) From Workpaper MDL-7, Page 10 Lines 198 through 200  
40 Sum of Line 27 through Line 38

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Regulatory Assessments**

	(a)	(b)	(a) + (b) (c)	(d)	(c) + (d) (e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustment	Rate Year Adjusted
1 Company Direct	\$1,468,122	\$0	\$1,468,122	(\$87,372)	\$1,380,750
2 KeySpan Corporate Services	\$0	\$0	\$0		\$0
3 KeySpan Utility Services	\$0	\$0	\$0		\$0
4 National Grid USA Services	\$0	\$0	\$0		\$0
5 Other	\$0	\$0	\$0		\$0
6 Total	\$1,468,122	\$0	\$1,468,122	(\$87,372)	\$1,380,750

	(f)	(g)	(h)	(i)	(j)
Normalizing Adjustments	Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
17 Total	\$0	\$0	\$0	\$0	\$0

	(f)	(g)	(h)	(i)	(j)
Proforma Adjustments	Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
21 Adjustment to current year expense	(\$87,372)				
22 Total	(\$87,372)	\$0	\$0	\$0	\$0

**Line Notes**

- 1(a)-5(a) From Company books  
1(d) From Exhibit NG-MDL-8-GAS  
6 Sum of line 1 through line 5

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Facilities**

	(a)	(b)	(a) + (b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustments	(c) +(d) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Company Direct	\$1,060,526	(\$85,911)	\$974,615	\$26,592	\$1,001,207
2 KeySpan Corporate Services	\$228,869	\$0	\$228,869	\$8,564	\$237,433
3 KeySpan Utility Services	\$10,037	\$0	\$10,037	\$0	\$10,037
4 National Grid USA Services	\$1,069,846	(\$18,679)	\$1,051,167	\$95,786	\$1,146,952
5 Other	\$366,860	\$0	\$366,860	\$106,679	\$473,539
6 Total	<u>\$2,736,138</u>	<u>(\$104,590)</u>	<u>\$2,631,548</u>	<u>\$237,620</u>	<u>\$2,869,168</u>
7					
8					
9					
10					
11 <u>Direct costs</u>	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
12 Cumberland, RI	\$226,555	\$0	\$226,555	\$8,632	\$235,186
13 Dexter St., Providence	\$274,824	\$0	\$274,824	\$10,471	\$285,295
14 Allens Ave., Providence	\$137,794	\$0	\$137,794	\$5,250	\$143,044
15 Weybosset St., Providence	\$83,974	(\$83,974)	\$0	\$0	\$0
16 All other Facilities	\$7,742	\$0	\$7,742	\$295	\$8,036
17 Company Use Gas	\$276,662	\$0	\$276,662	\$0	\$276,662
18 Gas, Water & Electric Utilities	\$52,976	(\$1,936)	\$51,039	\$1,945	\$52,984
19 Subtotal-Direct Facilities	<u>\$1,060,526</u>	<u>(\$85,911)</u>	<u>\$974,616</u>	<u>\$26,592</u>	<u>\$1,001,208</u>
20					
21					
22					
23					
24 <u>Indirect costs</u>	Total Test Year Per Books	Normalizing Adjustments	Adjusted Books Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
25 Reservoir Woods	\$306,240		\$306,240	\$11,668	\$317,908
26 Reservoir Woods Leasehold Improvements	\$73,922		\$73,922	\$70,660	\$144,582
27 Sutton, MA CDC	\$354,328		\$354,328	\$13,500	\$367,828
28 Northboro Call Center	\$344,443		\$344,443	\$93,179	\$437,622
29 Syracuse, NY	\$271,594		\$271,594	\$10,348	\$281,942
30 Metrotech, NY	\$184,604		\$184,604	\$7,033	\$191,637
31 Worcester, MA	\$0		\$0	\$0	\$0
32 Millbury, MA Training Center			\$0	\$0	\$0
33 Westborough, MA	\$18,679	(\$18,679)	\$0	\$0	\$0
34 Hicksville, NY	\$28,426		\$28,426	\$1,083	\$29,509
35 Melrose St, Providence	\$60,309		\$60,309	\$2,298	\$62,607
36 Melville, NY	\$11,745		\$11,745	\$447	\$12,192
37 Washington, D.C.	\$6,924		\$6,924	\$264	\$7,188
38 Middletown, RI	\$500	\$0	\$500	\$19	\$519
39 All other Facilities	\$13,897		\$13,897	\$529	\$14,426
40 Gas, Water & Electric Utilities					\$0
41 Subtotal-Indirect Facilities	<u>\$1,675,611</u>	<u>(\$18,679)</u>	<u>\$1,656,932</u>	<u>\$211,028</u>	<u>\$1,867,961</u>
42					
43 TOTAL Facilities	<u>\$2,736,138</u>	<u>(\$104,590)</u>	<u>\$2,631,548</u>	<u>\$237,620</u>	<u>\$2,869,168</u>

**Line Notes**

- 1-5(a) From Company books
- 1(b) Line 19(b)
- 4(b) Line 41(b)
- 1(d) Line 19(d)
- 2(d) Sum of Lines 30, 34 and 36 Column (d)
- 4(d) Sum of Lines 25, 26, 29, 35, 37, 38 and 39 Column (d)
- 5(d) Line 27(d) + Line 28(d)
- 6 Sum of Line 1 thru Line 5
- 12-18(b) From Page 8 of 65, Line 11 Column (f)
- 12-18(d) Line 12-18(c) x Page 48 of 65 Line 52 Column (c)
- 25-40(b) From Page 8 of 65, Line 11 Column (f)
- 25,27,29-39(d) Column (c) x Page 48 of 65, Line 52 Column (c)
- 26(e) From Workpaper MDL-9 Page 1 of 2
- 28(e) From Workpaper MDL-9 Page 2 of 2



**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2011**  
**Facilities Consolidation Savings**

		<u>Rate Year</u>
1	Estimated Cumberland Operating Cost savings	(\$260,000)
2	Estimated Dexter Operating Cost savings	(\$310,000)
3	Estimated Annual Cumberland Lease Revenue	(\$182,000)
4	<b>Total Estimated Operating Cost Savings</b>	<b>(\$752,000)</b>
5		
6	Estimated Lincoln Incremental Operating Costs	\$50,000
7	Estimated Allens Incremental Operating Costs	\$200,000
8	Estimated Incremental Property Tax on Renovations	\$63,130
9	<b>Total Estimated Incremental Operating Costs</b>	<b>\$313,130</b>
10		
11		
12	<b>Total Net Facilities Consolidation Savings</b>	<b>(\$438,870)</b>

**Line Notes**

- 1-2 Per Workpaper MDL-10
- 8 \$2,140,000 incremental capital renovations at Dexter, Allens & Lincoln times 2.95% effective property tax rate per Gas ISR filing Docket No. 4306
- 12 Line 4 + Line 9

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2011**  
**Uninsured Claims**

	(a)	(b)	(a) + (b) (c)	(d)	(c) + (d) (e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
1 Company Direct	\$174,019	\$0	\$174,019	\$604,499	\$778,518
2 KeySpan Corporate Services	\$0	\$0	\$0		\$0
3 KeySpan Utility Services	\$0	\$0	\$0		\$0
4 National Grid USA Services	\$220,934	\$0	\$220,934	(\$220,934)	\$0
5 Other	\$249	\$0	\$249	(\$249)	\$0
6 Division Settlement Adjustment			\$0	(\$223,247)	(\$223,247)
7 Total	<u>\$395,202</u>	<u>\$0</u>	<u>\$395,202</u>	<u>\$160,069</u>	<u>\$555,271</u>
8					
9					
10					
11					
12		(f)	(g)	(h)	
13		General & Auto Liability	Workers Comp.	Total	
14					
15 Actual Claims Paid, Years ending	12/31/2007	\$482,298	\$312,918	\$795,216	
16	12/31/2008	\$390,668	\$373,689	\$764,357	
17	12/31/2009	\$260,195	\$282,409	\$542,604	
18	12/31/2010	\$392,748	\$462,704	\$855,452	
19	12/31/2011	\$377,695	\$404,548	\$782,243	
20					
21 Average					\$747,974
22					
23 Add: Administrative Fees paid to third party claims administrator					\$30,544
24 Total					<u>\$778,518</u>
25					
26 Test Year					<u>\$395,202</u>
27 Adjustment for Uninsured Claims					<u>\$383,316</u>

**Line Notes**

- 1(a)-5(a) From Company books  
6(d) Line 27  
14-18 From Company books  
24 Line 15(h) thru Line 19(h) / 5  
22 From Company books  
23 Line 21 + Line 23  
25 Line 7(c)  
26 Line 24 - Line 26

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2011**  
**Insurance Premiums**

	(a)	(b)	(a) + (b) (c)	(d)	(c) + (d) (e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustment	Rate Year Adjusted
1 Company Direct	\$0	\$0	\$0		\$0
2 KeySpan Corporate Services	\$0	\$0	\$0		\$0
3 KeySpan Utility Services	\$0	\$0	\$0		\$0
4 National Grid USA Services	\$620,945	\$21,171	\$642,116	284	\$642,400
5 Other	\$0	\$0	\$0		\$0
6 Total	<u>\$620,945</u>	<u>\$21,171</u>	<u>\$642,116</u>	<u>\$284</u>	<u>\$642,400</u>
7					
8					
9					
10 Normalizing Adjustments	<u>Company Direct</u>	<u>KeySpan Corporate</u>	<u>KeySpan Utility</u>	<u>National Grid USA</u>	<u>Other</u>
11 Reverse Credit for 2007 tax accrual				21,171	
12 Total	-	-	-	21,171	-

**Line Notes**

- 1(a)-5(a) From Company books  
1(b)-5(b) Line 12  
4(d) From Page 33 of 65, Line 40  
6 Sum of Line 1 through 5  
11 From Company books

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Insurance Premium Details

Line of Coverage	Policy Period	Policy Number	Carrier	(a) Current Premium	(b) Allocated %	(a) x (b) (c) Annualized Expense
1 Aviation	4/1/11-3/31/12	10045246	Global Aerospace	\$153,740	5.578%	\$8,576
2						
3 Business Travel Accident	1/1/12-12/31/12	GTP9132752	AIG Life Ins Co	\$67,500	3.884%	\$2,622
4						
5 Excess Liability	4/1/11-3/31/12	X5686A1A-11	AEGIS	\$5,775,000	3.463%	\$199,988
6	4/1/11-3/31/12	XCP G22582930A	ACE	<u>\$716,708</u>	3.463%	<u>\$24,820</u>
7			Total	\$6,491,708		\$224,808
8						
9 Employment Practices &	11/30/11-10/31/12	01-357-16-65	EPLI - Nat Union Fire Ins (Chartis)	\$215,000	3.785%	\$8,138
10 Fiduciary Liability	11/30/11-10/31/12	01-374-18-83	Fiduciary - Nat Union Fire Ins (Chartis)	\$132,386	3.785%	\$5,011
11	11/30/11-10/31/12	FX5040711P	Fiduciary - AEGIS	\$269,525	3.785%	\$10,202
12	11/30/11-10/31/12	272034-11FL	Fiduciary - EIM	\$223,725	3.785%	\$8,468
13	11/30/11-10/31/12	6800-2140	Fiduciary - Chubb	<u>\$72,500</u>	3.785%	<u>\$2,744</u>
14			Total	\$913,136		\$34,563
15						
16 Fidelity Bond (Crime)	11/30/11-10/31/12	01-374-20-08	Nat Union Fire Ins (Chartis)	\$85,939	5.672%	\$4,874
17	11/30/11-10/31/12	CRP-554-40-90-09	Great American Ins Co	<u>\$29,790</u>	5.672%	<u>\$1,690</u>
18			Total	\$115,729		\$6,564
19						
20 Surety Bonds	1/1/12-12/31/12	Bond # 104240446	Travelers	\$68,367	3.884%	\$2,655
21						
22 Workers' Compensation - Excess	7/1/11-6/30/12	EW7-621-004536-511	Liberty Mutual	\$1,408,185	3.785%	\$53,300
23						
24 Directors & Officers	12/1/11-11/30/12	Various	Various	\$2,165,914	3.463%	\$75,006
25						
26 Public (Excess) Liability	4/1/11-3/31/12	Various	NGICL	\$3,642,319	3.463%	\$126,134
27						
28 Property	4/1/11-3/31/12	NG/PD/BI/11/001	NGICL	\$2,543,020	3.317%	\$84,352
29						
30 Business Interruption	4/1/11-3/31/12	NG/PD/BI/11/001	NGICL	\$246,101	3.320%	\$8,171
31						
32 Property Terrorism	4/1/11-3/31/12	NG/TE/11/017	NGICL	\$250,000	3.316%	\$8,290
33						
34 Tax on Insurance Premiums						\$10,014
35						
36						<u>\$642,400</u>
37						
38 Test Year Insurance Premium Expense						<u>\$642,116</u>
39						
40 Proforma Insurance Premium Adjustment						<u><u>\$284</u></u>

Line Notes

34(c) Insurance premium tax payments are for Federal Excise Tax (FET) owed on insurance premiums paid to certain insurance carriers. FET may be imposed on insurance policies issued by foreign insurers unless the insurer has obtained an FET exemption.

36(c) Sum of Line 1(c) thru Line 34(c)

38 From Page 32 of 65, Line 6(c)

40 Line 36 - Line 38

Column Notes

(a) From Company books

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Payroll Taxes

Payroll Taxes Charged to O&M Accounts

	(a)	(b)	(a)+(b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustments	(c)+(d) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Direct	(\$28,366)	\$0	(\$28,366)	\$1,979	(\$26,387)
2 KeySpan Corporate Services	\$528,105	(\$42,963)	\$485,142	(\$82,046)	\$403,096
3 KeySpan Utility Services	\$8,102	\$0	\$8,102	(\$523)	\$7,579
4 National Grid USA Services	\$29,218	\$0	\$29,218	(\$5,257)	\$23,961
5 Other	\$13,671	\$0	\$13,671	\$0	\$13,671
6 Total	\$550,730	(\$42,963)	\$507,767	(\$90,355)	\$421,920

	(f) Company Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Other
10 Normalizing Adjustments					
11 Remove Costs for Westerly Event		(\$42,963)			
12 Total	\$0	(\$42,963)	\$0	\$0	\$0

	(k) Adjusted Test Year Labor Cost	(l) Adjusted Test Year Total Payroll Tax Costs	(m) Average Expense Per Labor Dollar	(n) O & M % of Test Year Payroll Tax Cost	(o) Non O & M % of Test Year Payroll Tax Cost
17 Percentage Calculations					
19 Company Direct Charges	\$17,151,964	\$1,562,586	9.11%	-1.82%	101.82%
20 KeySpan Corporate Services	\$6,424,223	\$485,142	7.55%	100.00%	0.00%
21 KeySpan Utility Services	\$70,488	\$8,102	11.49%	100.00%	0.00%
22 National Grid USA Services	\$11,079,941	\$535,641	4.83%	5.45%	94.55%
23 Other	\$1,277,011	\$309,326	24.22%	4.42%	95.58%
24 Total	\$36,003,627	\$2,900,797			

	(p) Rate Year Labor Cost	(q) Adjusted Test Year Labor Costs	(r) Labor Cost Difference	(s) Average Expense Per Labor Dollar	(t) O & M Rate Year Payroll Tax Costs
27 Pro Forma Adjustments					
30 Company Direct Charges	\$15,958,113	\$17,151,964	(\$1,193,851)	9.11%	\$1,979
31 KeySpan Corporate Services	\$5,337,524	\$6,424,223	(\$1,086,699)	7.55%	(\$82,046)
32 KeySpan Utility Services	\$65,940	\$70,488	(\$4,548)	11.49%	(\$523)
33 National Grid USA Services	\$9,082,725	\$11,079,941	(\$1,997,217)	4.83%	(\$5,257)
34 Other	\$1,277,011	\$1,277,011	\$0	24.22%	\$0
35 Total	\$31,721,312	\$36,003,627	(\$4,282,315)		(\$85,847)

Payroll Taxes Charged to Taxes Other Than Income

	(u) Total Test Year Per Books	(v) Normalizing Adjustments	(w) Adj Test Year Ended December 31, 2011	(x) Pro Forma Adjustments	(y) Rate Year Adjusted
43 Direct	\$1,590,952	\$0	\$1,590,952	(\$122,382)	\$1,468,570
44 KeySpan Corporate Services	\$0	\$0	\$0	\$0	\$0
45 KeySpan Utility Services	\$0	\$0	\$0	\$0	\$0
46 National Grid USA Services	\$506,423	\$0	\$506,423	(\$95,168)	\$411,255
47 Other	\$298,228	(\$2,573)	\$295,655	(\$3,734)	\$291,921
48 Total	\$2,395,603	(\$2,573)	\$2,393,030	(\$221,284)	\$2,171,746

	(z) Company Direct	(aa) KeySpan Corporate	(bb) KeySpan Utility	(cc) National Grid USA	(dd) Other
52 Normalizing Adjustments					
53 Remove Costs for Westerly Event					(\$2,573)
54 Total	\$0	\$0	\$0	\$0	(\$2,573)

	(ee) Labor Cost Difference	(ff) Average Expense Per Labor Dollar	(gg) Rate Year Payroll Tax Costs	(hh) Rate Year Consumer Advocates	(ii) Rate Year USFP Support
57 Pro Forma Adjustments					
60 Company Direct	(\$1,193,851)	9.11%	(\$110,739)	\$8,449	\$0
61 KeySpan Corporate Services	(\$1,086,699)	7.55%	\$0	\$0	\$0
62 KeySpan Utility Services	(\$4,548)	11.49%	\$0	\$0	\$0
63 National Grid USA Services	(\$1,997,217)	4.83%	(\$91,208)	\$0	\$2,436
64 Other	\$0	24.22%	\$0	\$0	\$0
65 Division Adjustment			(\$30,222)		
66 Total	(\$4,282,315)		(\$232,169)	\$8,449	\$2,436

Line Notes

1-5(a)	From Company books	30-34(i)	Column (r) x Column (s) x Column (n)
1-5(b)	Line 12	43-47(u)	From Company books
1-5(d)	Column (t)	43-47(v)	Line 55
6	Sum of Line 1 thru Line 5	43-47(w)	Column (u) + Column(v)
11	From Page 8 of 65, Line 14	43-47(x)	Column(gg) + Column(hh) + Column(ii)
12	Line 11	43-47(y)	Column Adj Test Year Ended + Column Pro Forma
19-23(k)	From Page 10 of 65, Column (c)	50	Sum of Line 43 thru Line 47
19-23(l)	Line 1 thru Line 5(c) + Line 43 thru Line 47(w)	54(z)	From Company books
19-23(m)	Column (l) / Column (k)	55	Line 54
19-23(n)	Column (c) / Column (l)	60-64(ee)	Column (r)
19-23(o)	Column (w) / Column (l)	60-64(ff)	Column (m)
30-34(p)	From Page 10 of 65, Column (e)	60-64(gg)	Column (ee) x Column (ff) x Column (o)
30-34(q)	Column (k)	60(hh)	From Page 42 of 65, Line 50
30-34(r)	Column (p) - Column (q)	63(ii)	From Page 43 of 65, Line 47
30-34(s)	Column (m)	65	Sum of Line 60 thru Line 64

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Other Post-Employment Benefits (OPEB)

	(a)	(b)	(a) + (b) (c)	(d)	(c) + (d) (e)	
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted	
1 Direct	\$2,924,397	(\$737,295)	\$2,187,102	\$283,263	\$2,470,365	
2 KeySpan Corporate Services	\$878,702	(\$113,482)	\$765,220	\$117,142	\$882,362	
3 KeySpan Utility Services	\$22,292	\$0	\$22,292	\$2,547	\$24,839	
4 National Grid USA Services	\$1,082,376	\$0	\$1,082,376	(\$519,185)	\$563,191	
5 Other	\$389,483	(\$7,435)	\$382,048	\$0	\$382,048	
6 Total	\$5,297,250	(\$858,213)	\$4,439,037	(\$116,233)	\$4,322,804	
7						
8						
9						
10 Normalizing Adjustments	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other	
11 Remove Costs for Westerly Event		(\$113,482)				
12 Remove Deferral Amortization Collected in DAC	(\$737,295)				(\$7,435)	
13 Total	(\$737,295)	(\$113,482)	\$0	\$0	(\$7,435)	
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	(q)	(r)
	FY 2013	FY 2014
<b>Company Direct</b>		
FAS 106 Cost per Hewitt	\$2,984,329	\$2,723,891
Fair Value Amortization	\$1,789,730	\$1,789,730
Total	\$4,774,059	\$4,513,621
		<b>12 Mos End Jan 2014</b>
<b>Company Direct Total OPEB Cost</b>		\$4,557,027
	FY 2013	FY 2014
<b>KeySpan Corporate Services</b>		
FAS 106 Cost per Hewitt	\$42,468,583	\$41,698,742
Fair Value Amortization	\$0	\$0
Total	\$42,468,583	\$41,698,742
		<b>12 Mos End Jan 2014</b>
<b>KeySpan Corporate Services Total OPEB Cost</b>		\$41,827,049
	FY 2013	FY 2014
<b>KeySpan Utility Services</b>		
FAS 106 Cost per Hewitt	\$3,923,722	\$3,800,958
Fair Value Amortization	\$0	\$0
Total	\$3,923,722	\$3,800,958
		<b>12 Mos End Jan 2014</b>
<b>KeySpan Utility Services Total OPEB Cost</b>		\$3,821,419
	FY 2013	FY 2014
<b>National Grid Service Company</b>		
FAS 106 Cost per Hewitt	\$19,108,749	\$16,407,890
Fair Value Amortization	\$359,379	(\$2,151,340)
Total	\$19,468,128	\$14,256,550
		<b>12 Mos End Jan 2014</b>
<b>National Grid Service Company Total OPEB Cost</b>		\$15,125,146

Line Notes

- 1-5 (a) From Company books  
1-5 (b) Line 13  
1-5 (d) Line 25  
6 Sum of Line 1 thru Line 5  
11(f)-12(j) From Page 8 of 65, Line 17  
13 Line 11 + Line 12  
19 Line 1 thru Line 5 Column (c)  
21(k) Line 36  
21(l) Line 47  
21(m) Line 58  
21(n) Line 69  
22 From Page 12 of 65, Line 61  
23 From Page 12 of 65, Line 68  
24 Line 21 x Line 23 x Line 24  
25 Line 24 - Line 19  
30 Per Workpaper MDL-26 Page 48 and Page 64  
31 Per Workpaper MDL-26 Page 8  
32 Line 30 + Line 31  
36 Line 32(q) x 2/12 + Line 32(r) x 10/12  
41 Per Workpaper MDL-26 Page 212  
43 Line 41 + Line 42  
47 Line 43(q) x 2/12 + Line 43(r) x 10/12  
52 Per Workpaper MDL-26 Page 212  
54 Line 52 + Line 53  
58 Line 54(q) x 2/12 + Line 54(r) x 10/12  
63 Per Workpaper MDL-26 Page 47, 63 and 110  
64 Per Workpaper MDL-26 Page 6 and 7  
65 Line 63 + Line 64  
69 Line 65(q) x 2/12 + Line 65(r) x 10/12

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Pensions

	(a)	(b)	(c) + (b) (c) Adjusted Test Year Ended December 31, 2011	(d)	(c) + (d) (e)	
	Total Test Year Per Books	Normalizing Adjustments		Pro Forma Adjustments	Rate Year Adjusted	
1 Direct	\$4,230,977	(\$2,163,142)	\$2,067,835	2,634,489	\$4,702,324	
2 KeySpan Corporate Services	\$1,176,391	(\$114,282)	\$1,062,109	154,767	\$1,216,876	
3 KeySpan Utility Services	\$26,842	\$0	\$26,842	5,289	\$32,131	
4 National Grid USA Services	\$1,476,317	\$0	\$1,476,317	26,467	\$1,502,784	
5 Other	\$230,574	(\$4,837)	\$225,737	\$0	\$225,737	
6 Total	\$7,141,101	(\$2,282,261)	\$4,858,840	2,821,012	\$7,679,852	
7						
8						
9						
10 Normalizing Adjustments	(f) Company Direct	(g) KeySpan Corporate	(h) KeySpan Utility	(i) National Grid USA	(j) Other	
11 Remove Costs for Westerly Event		(\$114,282)			(\$4,837)	
12 Remove Deferral Amortization Collected in DAC	(\$2,163,142)					
13 Total	(\$2,163,142)	(\$114,282)	\$0	\$0	(\$4,837)	
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Line Notes

1-5 (a)	From Company books	21	From Page 12 of 65, Line 61	44	Per Workpaper MDL-26 Page 143
1-5 (b)	Line 13	22	From Page 12 of 65, Line 68	46	Line 44 + Line 45
1-5 (d)	Line 27	23	Line 21 x Line 23 x Line 24	50	Line 46(q) x 2/12 + Line 46(r) x 10/12
6	Sum of Line 1 thru Line 5	24	From Page 25 of 65, Line 38	55	Per Workpaper MDL-26 Page 143
11(f)-12(j)	From Page 8 of 65, Line 18	25	Line 23 + Line 24	57	Line 55 + Line 56
13	Line 11 + Line 12	27	Line 25 - Line 18	58	Line 57(q) x 2/12 + Line 57(r) x 10/12
18	Line 1 thru Line 5 Column (c)	33	Per Workpaper MDL-26 Page 32	66	Per Workpaper MDL-26 Page 31
20(k)	Line 39	34	Per Workpaper MDL-26 Page 8	67	Per Workpaper MDL-26 Page 6 and 7
20(l)	Line 50	35	Line 33 + Line 34	68	Line 66 + Line 67
20(m)	Line 61	39	Line 35(q) x 2/12 + Line 35(r) x 10/12	72	Line 68(q) x 2/12 + Line 68(r) x 10/12
20(n)	Line 72				

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Postage**

	(a)	(b)	(a) + (b) (c)	(d)	(c) +(d) (e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustments	Rate Year Adjusted
1 Company Direct	\$1,226,258	\$0	\$1,226,258	\$56,035	\$1,282,293
2 KeySpan Corporate Services	\$19,110	(\$32)	\$19,078		\$19,078
3 KeySpan Utility Services	\$0	\$0	\$0		\$0
4 National Grid USA Services	\$7,790	\$0	\$7,790		\$7,790
5 Other	\$100,000	\$0	\$100,000		\$100,000
6 Total	<u>\$1,353,157</u>	<u>(\$32)</u>	<u>\$1,353,126</u>	<u>\$56,035</u>	<u>\$1,409,161</u>

	(f)	(g)	(h)	(i)	(j)
	Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
10 Normalizing Adjustments					
11 Remove Project expense		(\$32)			
12 Total	<u>\$0</u>	<u>(\$32)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

16 Postage Expense for the twelve months ended 12/31/11	\$1,353,126
17	
18 Average Monthly Expense	\$112,760
19	
20 Postage Expense prior to April 17 increase	\$402,217
21	
22 Test Year Postage percentage increase (after April 17, 2011 Increase)	1.7%
23	
24 Increased Postage Expense prior to April 17	\$409,054
25	
26 Postage from April 18, 2011 through Dec 31, 2011	\$950,943
27	
28 Normalized Postage Expense	\$1,359,997
29	
30 Postage Increase Effective January 22, 2012	2.10%
31	
32 GDP CPI estimated for 12/31/2012	228
33 GDP CPI estimated for 12/31/2013	233
34 Postage Rate Increase effective January 23, 2013	2.02%
35	
36 Portion of Rate Year in effect	100%
37 Rate year postage increase	4.12%
38	
39 Rate Year Postage Expense	\$1,416,032
40	
41 Rate Year Adjustment for Postage Expense	\$56,035

**Line Notes**

- 1(a)-5(a) From Company books  
5(a) Postage paid by Narragansett Electric Co. on behalf of Narragansett gas operations.  
6 Sum of Line 1 thru Line 5  
11(g) From Page 8 of 65 Line 15  
12 From Line 11  
16 From Line 6 Column (c )  
18 Line 16 / 12  
20 Line 18 x 3.567 months  
22 Per USPS Notice, Workpaper MDL-11  
24 Line 20 x (1 + Line 22)  
26 Line 18 x 8.433 months  
28 Line 24 + Line 26  
30 Per USPS Notice, Workpaper MDL-11  
34 Line 33 / Line 32-1  
37 (Line 30 + Line 37) x Line 36  
39 Line 28 x (1+Line 37)  
41 Line 39 - Line 28



**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Energy Efficiency Expense**

	(a)	(b)	(a) + (b) (c)	(d)	(c) + (d) (e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustment	Rate Year Adjusted
1 Company Direct	\$3,275,029	(\$3,275,029)	\$0	\$0	\$0
2 KeySpan Corporate Services	\$163,151	(\$163,151)	\$0	\$0	\$0
3 KeySpan Utility Services	\$0	\$0	\$0	\$0	\$0
4 National Grid USA Services	\$806,806	(\$806,806)	\$0	\$0	\$0
5 Other	\$281,482	(\$281,482)	\$0	\$0	\$0
6 Total	<u>\$4,526,468</u>	<u>(\$4,526,468)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
7					
8					
9					
10	(f)	(g)	(h)	(i)	(j)
11 Normalizing Adjustments	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
12 Remove Energy Efficiency Expense	<u>(\$3,275,029)</u>	<u>(\$163,151)</u>	<u>\$0</u>	<u>(\$806,806)</u>	<u>(\$281,482)</u>
13 Total	<u>(\$3,275,029)</u>	<u>(\$163,151)</u>	<u>\$0</u>	<u>(\$806,806)</u>	<u>(\$281,482)</u>

**Line Notes**

- 1(a)-5(a) From Company books  
1(b)-5(b) Line 13  
6 Sum of Line 1 thru Line 5  
12 From Page 8 of 65, Line 21(f)  
14 Line 12

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2011**  
**GCR-Related Operation & Maintenance**

	(a)	(b)	(a) x (b) (c)	(a) + (c) (d)
	Test Year	Increase %	Pro Forma Adjustments	Rate Year
1 Labor - Union	\$663,140	4.31%	\$28,549	\$691,689
2 Labor - Management	\$10,719	5.12%	\$549	\$11,268
3				
4				
5 Contractor Services	\$586,165	3.81%	\$22,333	\$608,498
6 Lease - Non Real Estate	\$5,188	3.81%	\$198	\$5,386
7 Materials & Supplies	\$51,801	3.81%	\$1,974	\$53,775
8 Other	\$7,870	3.81%	\$300	\$8,170
9 Other Employee Benefits and Expenses	\$5,443	3.81%	\$207	\$5,650
10 Transportation	\$17,294	3.81%	\$659	\$17,953
11				
12 Division Adjustment 9-2 for Spectra Pipeline Charge			(\$453,000)	(\$453,000)
13				
14 Total O & M Expense	<u>\$1,347,620</u>		<u>(\$398,232)</u>	<u>\$949,388</u>
15				
16 GCR without Labor	<u>\$673,761</u>		<u>(\$427,330)</u>	<u>\$246,431</u>

**Line Notes**

- 1-10(a) From Company books
- 1(b) From Page 15 of 65, Line 3(a)
- 2(b) From Page 16 of 65, Line 6(a)
- 5-10(b) From Page 48 of 65, Line 39(c)
- 12 Sum of Line 1 thru Line 10
- 14 Sum of Line 5 thru Line 13

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2011**  
**LIAP and Weatherization Expense**

	(a)	(b)	(a)+(b) (c)	(d)	(c)+(d) (e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustment	Rate Year Adjusted
<b>LIAP</b>					
1 Company Direct	\$1,663,666	(\$78,666)	\$1,585,000		\$1,585,000
2 KeySpan Corporate Services	\$0	\$0	\$0		\$0
3 KeySpan Utility Services	\$0	\$0	\$0		\$0
4 National Grid USA Services	\$0	\$0	\$0		\$0
5 Other	\$0	\$0	\$0		\$0
6 Total	<u>\$1,663,666</u>	<u>(\$78,666)</u>	<u>\$1,585,000</u>	<u>\$0</u>	<u>\$1,585,000</u>

	(f)	(g)	(h)	(i)	(j)
	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
10 Normalizing Adjustments- LIAP					
11 Adjust to Rate Allowance	<u>(\$78,666)</u>				
12 Total - LIAP	<u>(\$78,666)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

	(k)	(l)	(a)+(b) (m)	(n)	(c)+(d) (o)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustment	Rate Year Adjusted
<b>Weatherization</b>					
20 Company Direct	\$267,629	(\$67,629)	\$200,000		\$200,000
21 KeySpan Corporate Services	\$0	\$0	\$0		\$0
22 KeySpan Utility Services	\$0	\$0	\$0		\$0
23 National Grid USA Services	\$0	\$0	\$0		\$0
24 Other	\$0	\$0	\$0		\$0
25 Total	<u>\$267,629</u>	<u>(\$67,629)</u>	<u>\$200,000</u>	<u>\$0</u>	<u>\$200,000</u>

	(p)	(q)	(r)	(s)	(t)
	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
29 Normalizing Adjustments- Weatherization					
30 Adjust to Rate Allowance	<u>(\$67,629)</u>				
31 Total Weatherization	<u>(\$67,629)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Line Notes**

- 1-5(a) From Company books  
1-5 (b) Line 12  
6 Sum of Line 1 thru Line 5  
11 From Page 8 of 65, Line 19  
12 Line 11  
20-24(a) From Company books  
20-24(b) Line 31  
25 Sum of Line 20 thru Line 24  
30 From Page 8 of 65, Line 20  
31 Line 30

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2011**  
**Rate Case Expense**

(a)

		<u><b>Initial Total</b></u>
1	Total Rate Case Expenses	\$ 826,375
2		
3	Number of years to be Amortized	<u>3</u>
4		
5	<b>Annualized Rate Case Amortization Expense Adjustment</b>	<u><b>\$ 275,458</b></u>
6		
7	<b>Third Party Expenses:</b>	
8	Keegan and Werlin, LLP	
9	Legal Fees	\$ 250,000
10	Expenses	<u>32,500</u>
11	Total	282,500
12		
13	Hinkley Allen	
14	Legal Fees	100,000
15	Expenses	-
16	Total	<u>100,000</u>
17		
18	Management Applications Consulting	166,000
19		
20	Concentric Energy Advisors	62,875
21		
22	Consultant Cost of RI Division	175,000
23		
24	AON Hewitt Associates	-
25		
26	Towers Watson	25,000
27		
28	WarRoom Document Solutions	10,000
29		
30	A-1 Court Reports, Inc.	<u>5,000</u>
31		
32	Total Rate Case Expense	<u><b>\$ 826,375</b></u>

**Line Notes**

- 1 Line 32  
5 Line 1 / 3

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Consumer Advocate**

	(a)	(b)	(c)	(d)	(e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Proforma Adjustment	Rate Year Adjusted
1 Company Direct	\$0	\$0	\$0	\$0	\$0
2 KeySpan Corporate Services	\$0	\$0	\$0	\$0	\$0
3 KeySpan Utility Services	\$0	\$0	\$0	\$0	\$0
4 National Grid USA Services	\$0	\$0	\$0	\$0	\$0
5 Other	\$0	\$0	\$0	\$0	\$0
6 <b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Adjustment Deleted

	(f)	(g)	(h)	(i)	(j)
Normalizing Adjustments	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
Total	-	-	-	-	-

Description	Percentages (a)	Percentages/ Amount (b)	Amount (c)	Amount (d)
Additional Consumer Advocate Personnel	2 Positions at average Band E -	Company Direct	\$185,487	
Allocation to Gas business	50%		\$92,744	
Pension and Benefits, Rate Year Expense amount to Company Direct O&M:				
Payroll Tax	9.11%	\$1,453,826		
Medical and Dental insurance	16.80%	\$2,680,901		
Pension	29.47%	\$4,702,324		
OPEB	15.48%	\$2,470,365		
Other Employee Related Benefits & Expenses	5.83%	\$930,959		
401K Match	0.96%	\$153,836		
401K Pension Replacement Program	0.06%	\$9,000		
<b>Total Benefits</b>	<b>77.71%</b>	<b>\$12,392,211</b>		
Company Direct Employee Salaries and Wages to O&M		\$15,958,781		
Payroll Taxes, Pension and Benefits Cost as % of Base Salaries & Wages		77.65%		
Pension and Benefits for Consumer Advocate Personnel		68.54%	\$63,571	
Rate Year O&M costs of Consumer Advocate Personnel				<u>\$156,314</u>
Rate Year Payroll Taxes (to Page 34 of 65)		9.11%		<u>\$8,449</u>
<b>Total Rate Year Costs of Consumer Advocate Personnel</b>				<b>\$164,763</b>

**Line Notes**

1(d)	Line 47	37(b)	From Page 24 of 65, Line 1(e)
6	Sum of Line 1 thru Line 5	38(b)	From Page 25 of 65, Line 1(e)
27	From Workpaper MDL-14	39	Sum of Lines 32 thru 38
29(c)	Line 27(c) x Line 29(a)	41	From Page 10 of 65, Line 1(e)
32(a)-38(a)	Line 32(b) thru 38(b) each divided by Line 39(b)	43	Line 39 / Line 41
32(b)	From Page 34 of 65, Lines 1(e), 30(t), 43(w) and 60(gg)	45(a)	Line 43 - Line 50(b)
33(b)	From Page 23 of 65, Line 1(e)	45(c)	Line 45(b) x Line 29(c)
34(b)	From Page 36 of 65, Line 1(e)	47	Line 45(c) + Line 29(c)
35(b)	From Page 35 of 65, Line 1(e)	50(c)	Line 50(b) + Line 47(c)
36(b)	From Company books times inflation rate of 3.81% at Page 48 of 65	53	Line 47 + Line 50

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Additional US Foundations Support Staff**

	(a)	(b)	(c)	(d)	(e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 31, 2011	Proforma Adjustment	Rate Year Adjusted
1 Company Direct	\$0	\$0	\$0	\$0	\$0
2 KeySpan Corporate Services	\$0	\$0	\$0	\$0	\$0
3 KeySpan Utility Services	\$0	\$0	\$0	\$0	\$0
4 National Grid USA Services	\$0	\$0	\$0	\$0	\$0
5 Other	\$0	\$0	\$0	\$0	\$0
6 Division Settlement 50%				\$46,063	\$46,063
7 Total	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$46,063</u>	<u>\$46,063</u>
8					
9					
10	(k)	(l)	(m)		
11 Description	No. of Employees	Rate Year Average Salary	Amount		
12					
13 Additional US Foundations Personnel:					
14 Band D	2	\$107,379	\$214,758		
15 Band E	24	\$82,317	\$1,975,601		
16 Total	<u>26</u>		<u>\$2,190,359</u>		
17					
18 Percentage charged to NGUSA Service Co O&M			100%		
19 Percentage allocated to Company O&M			2.30%		
20					
21 Total Additional USFP Support Staff Payroll Charged to Company O&M			\$50,378		
22					
23	(n)	(o)	(p)	(q)	
24 Description	Percentages	Percentages/ Amount	Amount	Amount	
25					
26					
27 Pension and Benefits, Rate Year Expense amounts to NGUSA Service Company O&M:					
28 Variable Pay	17.32%	\$1,573,579			
29 Payroll Tax	4.84%	\$439,176			
30 Medical and Dental insurance	12.97%	\$1,177,726			
31 Pension	16.55%	\$1,502,784			
32 OPEB	6.20%	\$563,191			
33 Other Employee Related Benefits & Expenses	26.09%	\$2,369,301			
34 401K Match	3.11%	\$282,781			
35 401K Pension Replacement Program	0.63%	\$57,407			
36 Total Benefits	<u>87.70%</u>	<u>\$7,965,945</u>			
37					
38 NGUSA Service Co Employee Salaries and Wages to O&M		\$8,950,224			
39					
40 Payroll Taxes, Pension and Benefits Cost as % of Base Salaries & Wages		87.70%			
41					
42 Pension and Benefits for Consumer Advocate Personnel		82.87%	\$41,748		
43					
44 Rate Year O&M costs of Consumer Advocate Personnel				\$ 92,126	
45 Deleted per Division Adjustment					
46					
47 Rate Year Payroll Taxes (to Page 33)		4.84%		\$ 2,436	
48					
49					
50 Total Rate Year costs of additional US Foundations support staff				\$ 94,562	

**Line Notes**

- 4 Line 44  
13(k) -15(k) Per testimony of Company Witness Maureen P. Heaphy.  
13(l) -14(l) From Workpaper MDL-14  
13(m) Line 14(k) x Line 14(l)  
14(m) Line 15(k) x Line 15(l)  
15 Line 14 + Line 15  
17 Assumes 100% of labor will be charged to O&M as these positions relate to user training and support.  
18 Company allocation based on the Rate Year three-point general allocator, per Schedule MDL-2 Page X Line X  
20 Line 16 x Line 18 x Line 19  
27(n)-34(n) Lines 28(o) thru Line 35(o) each divided by Line 38(o)  
27(o) From Page 11 of 65 Line 21(d)  
28(o) From Page 34 of 65 Line 4(c) + Line 34(t) + Line 47(w) + Line 65(gg)  
29(o) From Page 23 of 65 Line 4(e)  
30(o) From Page 36 of 65 Line 4(e)  
31(o) From Page 35 of 65 Line 4(e)  
32(o) From Company books times inflation rate of 3.81% at Page 48 of 65  
33(o) From Page 24 of 65 Line 4(e)  
34(o) From Page 25 of 65 Line 21(d)  
35 Sum of Line 28(o) thru Line 35(o)  
37 From Page 10 of 65, Line 4(e)  
39 Line 36(o) / Line 38(o)  
41(o) Line 40(o) - Line 29(n)  
41(p) Line 21(m) x Line 42(o)  
43 Line 21(m) + Line 42(m)  
46(o) Line 29(n)  
46(q) Line 21(m) x Line 47(o)  
49 Line 44 + Line 47(q)

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Advertising**

	(a)	(b)	(a) + (b) (c) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustment	(c) + (d) (e) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments			
1 Company Direct	\$0	\$0	\$0	\$0	\$0
2 KeySpan Corporate Services	\$372,087	(\$298,910)	\$73,177	\$0	\$73,177
3 KeySpan Utility Services	\$0	\$0	\$0	\$0	\$0
4 National Grid USA Services	\$1,900	(\$1,900)	\$0	\$0	\$0
5 Other	\$0	\$0	\$0	\$0	\$0
6 Total	\$373,987	(\$300,810)	\$73,177	\$0	\$73,177

	(f)	(g)	(h)	(i)	(j)
Normalizing Adjustments	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
13 Remove Promotional/Branding Advertising		(\$298,910)		(\$1,900)	
14 Total	\$0	(\$298,910)	\$0	(\$1,900)	\$0

	(f)	(g)	(h)	(i)	(j)
Proforma Adjustments	Company Direct	KeySpan Corporate	KeySpan Utility	National Grid USA	Other
18 Deleted per Division Adjustment					
19 Incremental Educational/Instructional Advertising					
20 Total	\$0	\$0	\$0	\$0	\$0

**Line Notes**

- 1-5(a) From Company books  
1-5(b) Line 14  
1-5(d) Line 20  
6 Sum of Line 1 thru Line 5  
13 From Page 8 of 65 Line 23  
13 Workpaper MDL-13 GAS Page 1, Line 11(b)  
14 Line 13  
19 Workpaper MDL-13 GAS Page 1, Line 11(d)  
20 Line 19

The Narragansett Electric Company d/b/a National Grid  
Adjustments To Operating Expenses  
Test Year Ended December 31, 2011  
Five Year Average of Uncollectibles Summary

	(a) Distribution Revenue	(b) Net Write-Offs	(c) % of Write-Offs Distribution Revenue					
1 Year:								
2								
3 CY 2011	\$378,977,027	\$11,623,740	3.07%					
4 CY 2010	\$401,863,767	\$15,515,379	3.86%					
5 CY 2009	\$447,952,657	\$19,431,198	4.34%					
6 CY 2008	\$455,289,104	\$12,526,203	2.75%					
7 CY 2007	\$470,604,106	\$9,331,763	1.98%					
8								
9 Total	\$2,154,686,661	\$68,428,283	3.18%					
10								
11								
12								
13 <b>Five Year Average Net Write-Off Rate</b>			<b>3.18%</b>	Settlement Adjustment				(i) = Sum of
14								(d) through (h)
15				(d)	(e)	(f)	(g)	(h)
16				Distribution Base Rate	GRT	Gas Revenue	DAC Revenue	EE Revenue
17				Revenue				
18 Total Test Year Adjusted Revenue	\$138,466,302	\$11,149,139	\$217,689,572					
19								
20 Current Allowed Average Write-Off Rate	2.46%	0.00%	2.46%					
21								
22 Bad Debt Expense at Current Average Write off Rate Applied to Test Year Revenue	\$3,390,709	\$0	\$5,355,163	\$2,809	\$299,896	\$9,048,577		
23 Less: Test Year Bad Debt Expense	\$4,779,294	\$0	\$5,449,212	\$109,541	\$195,146	\$10,533,193		
24								
25 <b>Test Year Normalization Adjustment for Bad Debt Expense</b>	<b>(\$1,388,585)</b>	\$0	(\$94,049)	(\$106,732)	\$104,750	(\$1,484,616)		
26								
27 Total Rate Year Revenue	\$149,526,262	\$0	\$200,956,268	(\$0)	\$0	\$350,482,530		
28								
29 Five Year Average Net Write-Off Rate	3.18%	0.00%	3.18%					
30								
31 <b>Rate Year Allowable Bad Debt Expenses</b>	<b>\$4,754,935</b>	\$0	\$6,390,409	(\$0)	\$0	\$11,145,344		
32 Bad Debt Expense at Current Average Write off Rate Applied to Test Year Revenue	\$3,390,709	\$0	\$5,355,163	\$2,809	\$299,896	\$9,048,577		
33								
34 <b>Total Pro Forma Bad Debt Expense Adjustment</b>	<b>\$1,364,226</b>	\$0	\$1,035,246	(\$2,809)	(\$299,896)	\$2,096,767		
35								
36 <b>Total Adjustment</b>	<b>(\$24,359)</b>	\$0	\$941,197	(\$109,541)	(\$195,146)	\$612,151		

Line Notes

- 3-7 Per Company's response to Commission 2-25-ELEC/GAS.  
9 Cols (a) & (b) = Sum of Lines 3 through 5. Col (c) = Col (b) / Col (a)  
13 Line 9(c)  
18(d) From Page 4 of 65, Sum of Lines 4, 7, 8, 13, 15, 16, 31, 35, and 43 Column (a)  
18(e) From Page 4 of 65, Line 18(a)  
18(f) From Page 4 of 65, Sum of Lines 1, 21, 22, 23, and 24 Column(a)  
18(g) From Page 4 of 65, Sum of Lines 2, 28, 29, and 33 Column (a)  
18(h) From Page 4 of 65, Sum of Lines 3, 25, and 26 Column (a)  
20 From Commission Order at Docket No. 3943, Appendix A Page 1 of 2, Line 11



**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Productivity & Efficiency Savings**

	(a)	(b)	(c)	(d)	(e)	(f)
	Company	KeySpan	KeySpan	National		Total Rate Year
	Direct	Corporate	Utility	Grid USA	Other	
	Services	Services	Services	Services		
1 Non-labor productivity & efficiency savings	(\$50,000)	(\$15,761)		(\$1,068,241)		(\$1,134,002)
2						\$0
3						\$0
4						\$0
5 Total	(\$50,000)	(\$15,761)	\$0	(\$1,068,241)	\$0	(\$1,134,002)

**Line Notes**

1 From Workpaper MDL-15, Pages 1 & 11

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Reallocation of Service Company Charges

	(a)	(b)	(a) + (b) (c)	(d)	(c) + (d) (e)
	Total Test Year Per Books	Normalizing Adjustments	Adjusted Test Year Ended December 2011	Pro Forma Adjustments	Rate Year Adjusted
1 Company Direct	\$ -	\$ -	\$ -	\$ -	\$ -
2 KeySpan Corporate Services	-	-	-	-	-
3 KeySpan Utility Services	-	-	-	-	-
4 National Grid USA Services	-	-	-	(4,452,323)	(4,452,323)
5 Other	-	-	-	-	-
6 Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,452,323)</u>	<u>\$ (4,452,323)</u>
7					
8					
9		(f)	(g)	(h)	(i)
10		Test Year	Test Year		
11		Test Year	Reallocated	\$ Change	% Change
12 Total Direct & Allocated charges originating from Service Companies		\$ 47,374,888	\$ 42,009,885	\$ (5,365,003)	-11.3%
13					
14					
15		Test Year	Test Year	\$ Change	% Change
16 Total Allocated charges originating from Service Companies		\$ 25,816,393	\$ 20,451,390	\$ (5,365,003)	-20.8%
17					
18					
19					(j)
20 Test Year reallocation adjustment					\$ (5,365,003)
21					
22 Less: Rate Year Labor & related benefits adjustments		(k)	(l)	(k) x (l) (m)	
23 originating from Service Companies		Pro Forma	% change	Reallocation	
24		Adjustments		Adjustment	
25 Labor		(\$3,088,464)	-11.3%	\$ 349,755	
26 Healthcare		\$56,186	-11.3%	\$ (6,363)	
27 401K Match		(\$83,331)	-11.3%	\$ 9,437	
28 401K Pension Replacement Plan		101,181	-11.3%	\$ (11,458)	
29 Payroll Taxes		(\$176,598)	-11.3%	\$ 19,999	
30 OPEB		(\$399,496)	-11.3%	\$ 45,241	
31 Pensions		\$186,523	-11.3%	\$ (21,123)	
32 Total					\$ 385,488
33					
34 Less: Test Year adjustments originating from		(n)	(o)	(p)	
35 Service Companies		Normalizing	% change	Reallocation	
36		Adjustments		Adjustment	
37 Costs to Achieve Productivity & Efficiency savings		(\$3,323,163)	-20.8%	\$ 690,599.18	
38 Total					\$ 690,599
39					
40 Reallocation adjustment net of normalization & pro forma adjustments					\$ (4,288,916)
41					
42 Inflation		3.81%			\$ (163,408)
43					
44 Total Rate Year Reallocation Adjustment					<u>\$ (4,452,323)</u>

Line Notes

4 Line 44	29 From Page 34 of 65 Lines 2(d) through 4(d) plus Lines 44(x) through 46(x)
12 From Schedule MDL-2, Page X of X, Line X	30 From Page 35 of 65 Lines 2(d) through 4(d)
16 From Schedule MDL-2, Page X of X, Line X	31 From Page 36 of 65 Lines 2(d) through 4(d)
20 Line 12(h)	32 Sum of Lines 25(m) through 31(m)
25 From Page 10 of 65 Lines 2(d) through 4(d)	37 Per Company books
26 From Page 23 of 65 Lines 2(d) through 4(d)	38 Line 37(p)
27 From Page 24 of 65 Lines 2(d) through 4(d)	40 Sum of Lines 20(j) through 38(j)
28 From Page 25 of 65 Lines 2(d) through 4(d)	42 Line 40(j) times 3.81% inflation rate from Page 48 of 65
	44 Line 40 + Line 42

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Inflation Adjustment

	(a) Total Test Year Per Books	(b) Normalizing Adjustments	(c) Adjusted Test Year Ended December 31, 2011
1 Total Test Year Operations and Maintenance Expense	\$366,396,489	(\$74,326,915)	\$292,069,574
2			
3 Less Gas Cost Expense	\$257,195,602	(\$57,664,271)	\$199,531,331
4			
5 Total Test Year Operations and Maintenance Expense to be Adjusted	\$109,200,887	(\$16,662,644)	\$92,538,244
6			
7 <u>Test Year Amounts that are Specifically Adjusted:</u>			
8			
9 Labor - Page 10 of 65	\$37,509,062	(\$1,505,434)	\$36,003,627
10 Healthcare - Page 23 of 65	\$4,834,351	(\$81,151)	\$4,753,200
11 401K - Page 24 of 65	\$728,561	(\$6,982)	\$721,579
12 401K Pension Replacement Plan - Page 25 of 65	\$1,823	\$0	\$1,823
13 Donations - Page 26 of 65	\$0	\$235,086	\$235,086
14 Computer Software Purchases - Page 27 of 65	\$1,218,721	(\$56,966)	\$1,161,756
15 Regulatory Assessments - Page 28 of 65	\$1,468,122	\$0	\$1,468,122
16 Facilities - Page 29 of 65	\$2,736,138	(\$104,590)	\$2,631,548
17 Claims - Page 31 of 65	\$395,202	\$0	\$395,202
18 Insurance Premiums - Page 32 of 65	\$620,945	\$21,171	\$642,116
19 Payroll Taxes - Page 34 of 65	\$550,730	(\$42,963)	\$507,767
20 OPEB's - Page 35 of 65	\$5,297,250	(\$858,213)	\$4,439,037
21 Pensions - Page 36 of 65	\$7,141,101	(\$2,282,261)	\$4,858,840
22 Postage - Page 37 of 65	\$1,353,157	(\$32)	\$1,353,126
23 Energy Efficiency - Page 38 of 65	\$4,526,468	(\$4,526,468)	\$0
24 GCR - Page 39 of 65	\$673,761	\$0	\$673,761
25 LIAP Expense - Page 40 of 65	\$1,663,666	(\$78,666)	\$1,585,000
26 Weatherization Expense - Page 40 of 65	\$267,629	(\$67,629)	\$200,000
27 Rate Case Expense - Page 41 of 65	\$0	\$0	\$0
28 Customer Advocate - Page 42 of 65	\$0	\$0	\$0
29 Advertising - Page 44 of 65	373,987	(300,810)	73,177
30 Uncollectibles - Commodity - Page 45 of 65	\$0	\$5,355,163	\$5,355,163
31 Uncollectibles - DAC - Page 45 of 65	\$0	\$2,809	\$2,809
32 Uncollectibles - Energy Efficiency - Page 45 of 65	\$0	\$299,896	\$299,896
31 Uncollectibles - Distribution - Page 45 of 65	\$10,533,193	(\$7,142,484)	\$3,390,709
32 Productivity & Efficiency - Page 46 of 65	\$0	\$0	\$0
33 Company Share of Net Merger Synergies	\$2,450,000	\$0	\$2,450,000
34			
35 O&M Expenses Specifically Adjusted	\$84,343,867	(\$11,140,523)	\$73,203,345
36			
37 Residual O&M Expenses Subject to Inflation	\$24,857,020	(\$5,522,121)	\$19,334,899
38			
39 Inflation Factor %			3.81%
40			
41 Total Inflation Adjustment			\$736,660
42			
43			
44 <u>Calculation of Inflation Rate:</u>			
45			
46 Index - Midpoint of Test Year June 2011	GDPIP 113.1	CPI 224.5	
47			
48 Index - Midpoint of Rate Year June 2013	117.3	233.3	
49			
50 Increase in Index From Midpoint Of The Test Year			
51 To The Midpoint of Rate Year			
52 Inflation Factor %	3.72%	3.90%	3.81%
53			
54 Source: Blue Chip Consensus	1.86%	1.95%	

Line Notes

1	From Page 7 of 65, Line 1 + Line 34	39 Line 52(c)
3	From Page 7 of 65, Line 1	41 Line 37 x Line 39
5	Line 1 - Line 3	46 NIPA: Chain-Type Price Index - GDP, (Index,
9-32	From Page 7 of 65, Line 3 thru Line 31	2005=100, SA) Q2 2009 from Blue Chip Consensus

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments to Interest on Customer Deposits**  
**Test Year Ended December 31, 2011**  
**Interest on Customer Deposits**

1	Customer Deposit Balance at December 31, 2011	\$4,586,538
2		
3	Interest Rate to be Applied in Rate Year	<u>2.78%</u>
4		
5	<b>Adjustment</b>	<b><u><u>\$127,506</u></u></b>

**Line Notes**

1	From Company books
3	From Workpaper MDL-17
5	Line 1 x Line 3

The Narragansett Electric Company d/b/a National Grid  
Test Year Ended December 31, 2011  
Depreciation and Amortization Expense

Line No	Description	Source or Function	Amount
1	Total Company Rate Year Depreciation and Amortization Expense	Sum of Line 72 through Line 74	\$ 28,127,225
2	Total Company Test Year Depreciation and Amortization Expense	From Company books	22,015,861
3	Less: Reserve for write off of old work orders	From Company books	(190,627)
4	Adjusted Total Company Test Year Depreciation Expense	Line 2 + Line 3	21,825,234
5	<b>Depreciation Expense Adjustment</b>	Line 1 - Line 4	<u>\$ 6,301,991</u>
6			
7			
8	<b><u>Test Year Depreciation Expense 12 Months Ended 12/31/11</u></b>		<b><u>Per Book Amount</u></b>
9	Total Utility Plant 12/31/11	From Page 59 of 65, Line 1(e)	\$ 680,565,745
10	Less: Non Depreciable Plant	Workpaper MDL-19 GAS Page 2, Line 73(b)	(1,749,407)
11	Less: Intangible Plant	Workpaper MDL-19 GAS Page 1, Line 3(c)	(28,649,542)
12	Depreciable Utility Plant 12/31/11		<u>\$ 650,166,796</u>
13			
14	Plus: Added Plant 12 Mos Ended 12/31/12	From Page 51 of 65, Line 12(c)	\$ 59,825,753
15	Less: CSS System included in Added Plant 12 Mos Ended 12/31/12	From Page 51 of 65, Line 9(a)	(1,140,000)
16	Less: Added Non Depreciable Plant 12 Mos Ended 12/31/12		-
17	Less: Retired Plant 12 Months Ended 12/31/12	1/ Line 14 x Retirement Rate	(4,594,618)
18	Depreciable Utility Plant 12/31/12	Sum of Line 12 through Line 17	<u>\$ 704,257,931</u>
19			
20	Average Depreciable Plant for Year ended 12/31/12	(Line 12 + Line 18) / 2	<u>\$ 677,212,364</u>
21			
22	Composite Book Rate %	As Approved in R.I.P.U.C. Docket No. 3943	3.38%
23			
24	Book Depreciation Reserve 12/31/11	From Page 59 of 65, Line 3(e)	\$ 314,350,902
25	Plus: Book Depreciation Expense	Line 20 x Line 22	22,889,778
26	Plus: Amortization of Intangible Plant	2/ From Company books	1,170,250
27	Plus: Amortization of CSS System	3/ CSS cost / 8 x 10.5 / 12	1,590,580
28	Less: Net Cost of Removal / (Salvage)	Workpaper MDL-19 GAS Page 3, Line 9(c)	(7,200,792)
29	Less: Retired Plant	Line 17	(4,594,618)
30	Book Depreciation Reserve 12/31/12	Sum of Line 24 through Line 29	<u>\$ 328,206,100</u>
31			
32	<b><u>Depreciation Expense for January 31, 2013</u></b>		
33	Total Utility Plant 12/31/12	Line 9 + Line 14 + Line 17	\$ 735,796,880
34	Less: Non Depreciable Plant	Line 10	(1,749,407)
35	Less: Intangible Plant	Line 11	(28,649,542)
36	Less: CSS System	Line 15	(1,140,000)
37	Depreciable Utility Plant 12/31/12	Sum of Line 33 through Line 36	<u>\$ 704,257,931</u>
38			
39	Plus: Plant Added in January 2013	From Page 51 of 65, Line 12(d)	\$ 6,050,896
40	Less: Plant Retired in January 2013	Line 39 x Retirement Rate	(464,709)
41	Depreciable Utility Plant 1/31/2013	Sum of Line 37 through Line 40	<u>\$ 709,844,118</u>
42			
43	Average Depreciable Plant for the Month Ended 1/31/13	(Line 37 + Line 41) / 2	<u>\$ 707,051,025</u>
44			
45	Composite Book Rate %	Line 22	3.38%
46			
47	Book Depreciation Reserve 12/31/12	Line 30	\$ 328,206,100
48	Plus: Book Depreciation Expense January 31, 2013	(Line 43 x Line 45) / 12	1,991,527
49	Plus: Amortization of Intangible Plant	2/ From Company's books	97,521
50	Plus: Amortization of CSS System	3/ CSS cost / 96 months	151,484
51	Less: Net Cost of Removal/(Salvage)	Workpaper MDL-19 GAS Page 3, Line 9(d)	(391,783)
52	Less: Retired Plant	Line 40	(464,709)
53	Book Depreciation Reserve 1/31/13	Sum of Line 47 through Line 52	<u>\$ 329,590,140</u>
54			
55	<b><u>Rate Year Depreciation Expense 12 Months Ended 1/31/14</u></b>		
56	Total Utility Plant 1/31/13	Line 33 + Line 39 + Line 40	\$ 741,383,067
57	Less: Non-Depreciable Plant		-
58	Less: Intangible Plant	Line 35	(28,649,542)
59	Less: CSS System	Line 36	(1,140,000)
60	Depreciable Utility Plant 1/31/13	Sum of Line 56 thru Line 59	<u>\$ 711,593,525</u>
61			
62	Plus: Added Plant Twelve Months Ended 1/31/14	From Page 51 of 65, Line 12(e)	\$ 69,689,954
63	Less: Added Non Depreciable Plant Twelve Months Ended 1/31/14		-
64	Less: Depreciable Retired Plant	Line 62 x Retirement Rate	(5,352,188)
65	Depreciable Utility Plant 1/31/14	Sum of Line 60 through Line 64	<u>\$ 775,931,290</u>
66			
67	Average Depreciable Plant for Rate Year Ended 1/31/14	(Line 60 + Line 65) / 2	<u>\$ 743,762,408</u>
68			
69	Composite Book Rate %	Line 22	3.38%
70			
71	Book Depreciation Reserve 1/31/13	Line 53	\$ 329,590,140
72	Plus: Book Depreciation Expense	Line 67 x Line 69	25,139,169
73	Plus: Amortization of Intangible Plant	2/ From Company books	1,170,250
74	Plus: Amortization of CSS System	3/ CSS Cost / 8 years	1,817,805
75	Less: Net Cost of Removal / (Salvage)	Workpaper MDL-19 GAS Page 3, Line 9(e)	(4,701,396)
76	Less: Retired Plant	Line 64	(5,352,188)
77	Book Depreciation Reserve 1/31/14	Sum of Line 71 through Line 76	<u>\$ 347,663,780</u>

1/ Assumes 7.68% based on 2011 retirements as a percent of capital spend - Workpaper MDL-19 GAS Page 4 Line 1(c)

2/ Month of December amortization - 97,521 \* 12 months

3/ CSS cost = \$14,542,442

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Rate Base  
Analysis of Test Year Through Rate Year Capital Investment

	(a)	(b)	(c)	(d)	(e)
	January -March 2012	April -December 2012	CY 2012	January 2013	Rate Year February 2013 - January 2014
<b><u>Distribution</u></b>					
1 FY 2012 Approved ISR	\$3,013,241		\$3,013,241		
2 FY 2013 Approved ISR CY Amount		42,888,143	\$42,888,143	4,765,349	9,530,699
3 FY 2014 Assumed FY 2013 ISR Level CY Amount					47,653,493
4 Growth	1,631,949	10,015,899	11,647,848	1,112,878	12,177,485
5 Total Distribution	\$ 1,631,949	\$ 10,015,899	\$ 57,549,233	\$ 5,878,227	\$ 69,361,677
<b><u>General Plant</u></b>					
8 Property Services	20,000	1,000,000	1,020,000	150,000	200,000
9 IS	1,140,000	116,520	1,256,520	22,669	128,277
10 Total General	\$ 1,160,000	\$ 1,116,520	\$ 2,276,520	\$ 172,669	\$ 328,277
12 <b>Distribution and General</b>	\$ 2,791,949	\$ 11,132,419	\$ 59,825,753	\$ 6,050,896	\$ 69,689,954

Line Notes

1(a)	FY 2012 Approved ISR R.I.P.U.C. Docket 4219 Less YTD Actuals thru December 2011 Remaining FY 2012 ISR	\$47,660,716 (\$44,647,475) \$3,013,241	4(b)	FY 2013 Growth April - December 2012	\$13,354,532 75% \$10,015,899
2(b)	FY 2013 Approved ISR R.I.P.U.C. Docket 4306 April - December 2012	\$57,184,191 75% \$42,888,143	4(d)	FY 2013 Growth January 2013	\$13,354,532 8.33% \$1,112,878
2(d)	FY 2013 Approved ISR R.I.P.U.C. Docket 4306 January 2013	\$57,184,191 8.33% \$4,765,349	4(e)	FY 2013 Growth February - March 2013	\$13,354,532 16.67% 2,225,755
3(e)	FY 2013 Approved ISR R.I.P.U.C. Docket 4306 February - March 2013	\$57,184,191 16.67% \$9,530,699	4(e)	FY 2014 Growth April 2013 - January 2014	\$11,942,076 83.33% \$9,951,730
3(e)	FY 2014 Assumed FY 2013 approved ISR Level April 2013 - January 2014	\$57,184,191 83.33% \$47,653,493		Rate Year Distribution for the 12 months ended 1/31/2014	12,177,485

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Amortization of Other Assets**

	(a) Total Test Year Per Books	(b) Normalizing Adjustments	(c)=(a)+(b) Adjusted Test Year Ended December 31, 2011	(d) Pro Forma Adjustments	(e)=(c)+(d) Rate Year Adjusted
1 Y2K and CIS Legacy System Amortization	\$373,979	\$0	\$373,979	\$0	\$373,979
2 Total Y2K and CIS Legacy System Amortization	\$373,979	\$0	\$373,979	\$0	\$373,979
3					
4 Environmental Cost Amortization	\$754,143	\$555,857	\$1,310,000	\$0	\$1,310,000
5 Total Environmental Cost Amortization	\$754,143	\$555,857	\$1,310,000	\$0	\$1,310,000
6					
7 Regulatory Amortization	\$1,918,364	(\$1,918,364)	\$0	\$0	\$0
8 Total Regulatory Amortization	\$1,918,364	(\$1,918,364)	\$0	\$0	\$0
9					
10 Total Amortization of Other Assets	\$3,046,486	(\$1,362,507)	\$1,683,979	\$0	\$1,683,979
11					
12					
13 <b>Normalizing Adjustments</b>					
14					
15					
16 Adjust Environmental cost amortization to rate allowance		\$555,857			
17 Remove amortization of NEG & Keyspan merger costs to achieve		(\$1,543,796)			
18 Remove rate case expense amortization related to R.I.P.U.C. Docket No. 3943		(\$374,568)			
19 Total		(\$1,362,507)			

**Line Notes**

1(a)	From Company books
2	Line 1
4(a)	From Company books
4(b)	Line 16
5	Line 4
7(a)	From Company books
7(b)	Line 17 + Line 18
8	Line 7
10	Sum of Lines 2, 5, and 8
16-18	From Company books
19	Sum of Line 16 thru Line 18

**The Narragansett Electric Company d/b/a National Grid  
Adjustments to Operating Expenses  
Test Year Ended December 31, 2011  
Taxes Other than Income Taxes**

			(a) + (b) Adjusted Test Year Ended December 31, 2011	Pro Forma Adjustments	(c) + (d) Rate Year Adjusted
	Total Test Year Per Books	Normalizing Adjustments	(c)	(d)	(e)
	(a)	(b)			
1	Property Taxes	\$11,658,209	\$0	\$11,658,209	\$2,336,443
2	Total Property Taxes	\$11,658,209	\$0	\$11,658,209	\$2,336,443
3					
4	Gross Receipts Tax	\$11,282,572	(\$11,282,572)	\$0	\$0
5	Total Gross Receipts Tax	\$11,282,572	(\$11,282,572)	\$0	\$0
6					
7	Payroll Taxes	\$2,395,603	(\$2,573)	\$2,393,030	(\$221,284)
8	Total Payroll Taxes	\$2,395,603	(\$2,573)	\$2,393,030	(\$221,284)
9					
10	Total Taxes Other than Income Taxes	\$25,336,384	(\$11,285,145)	\$14,051,239	\$2,115,159

**Line Notes**

- 1(a) From Company books
- 1(d) From Page 54 of 65 Line 12 Column (c)
- 2 Line 1
- 4(a) From Company books
- 4(b) Line 4(a) x -1
- 5 Line 4
- 7 From Page 34 of 65 Line 48
- 8 Line 7
- 10 Sum of Lines 2, 5, and 8



**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments To Taxes Other Than Income**  
**Test Year Ended December 31, 2011**  
**Property Tax Expense**

<u>Line No.</u>	<u>Description</u>	(a)	(b) <u>Amount</u>	(c) <u>Amount</u>
1	Property Tax Expense for Calendar Year 2011			\$ 11,658,209
2				
3	Three Year Average Percentage Increase in Property Taxes			9.1%
4				
5				
6	Property Tax Expense for Calendar Year 2012		\$ 12,724,709	
7	Property Tax Expense for Calendar Year 2013		\$ 13,888,773	
8	Property Tax Expense for Calendar Year 2014		\$ 15,159,326	
9				
10	Property Tax Expense for the Rate Year		\$ 13,994,652	
11				
12	<b>Total Property Tax Adjustment</b>			<b><u>\$ 2,336,443</u></b>
13				
14				
15				
16	Three Year Average Property Tax Expense Growth Rate:	<u>Calendar Year</u>	<u>Property Taxes</u>	<u>Percentage Inc/(Dec)</u>
17				
18		2011	\$ 11,658,000	18.0%
19		2010	\$ 9,878,000	4.9%
20		2009	\$ 9,414,000	4.5%
21		2008	\$ 9,009,000	

**Line Notes**

1	From Company books at 12/31/2011
3	Sum of Column (c) Lines 18 through 20 / 3
6	Line 1 x (1 + Line 3)
7	Line 6 x (1 + Line 3)
8	Line 7 x (1 + Line 3)
10	(Line 7 / 12 x 11) + (Line 8 / 12)
12	Line 10 - Line 1
18(b)	Line 1
19-21(b)	From Company books
18(c)	(Col (b) Line 18 - Col (b) Line 19) / Col (b) Line 19
19(c)	(Col (b) Line 19 - Col (b) Line 20) / Col (b) Line 20
20(c)	(Col (b) Line 20 - Col (b) Line 21) / Col (b) Line 21

**The Narragansett Electric Company d/b/a National Grid  
Computation of Federal Income Tax  
Test Year Ended December 31, 2011  
Income Tax Schedule**

		(a) Total Test Year Per Books	(b) Adjusted Rate Year	(c) Proposed Rate Increase	(d) After Rate Increase
1	Operating Income Before				
2	Taxes per Page 1 of 65, Line 19	\$21,981,517	\$26,574,791	\$10,539,515	\$37,114,306
3					
4	Less:				
5					
6	Interest Costs	2.86% \$8,811,917	\$10,658,122		\$10,658,122
7	Equity AFUDC	\$707,779	\$707,779		\$707,779
8	AFUDC Amortization	(\$10,511)	(\$10,511)		(\$10,511)
9					
10					
11	Taxable Income	\$12,472,332	\$15,219,401	\$10,539,515	\$25,758,916
12					
13	Federal Tax	35% \$4,365,316	\$5,326,790	\$3,688,830	\$9,015,620
14					
15					
16					
17	Net Federal Income Tax	\$4,365,316	\$5,326,790	\$3,688,830	\$9,015,620

**Line Notes**

- 2(b)-(e) Income Taxes per Page 1 of 65 Line 19  
6(a) From Page 56 of 65, Line 1(e) + Line 3(e)  
6(b) From Page 58 of 65, Line 28(a)  
6(c)-(d) From Page 58 of 65, Line 31(c)  
9 Line 2 + Line 6  
11 Line 11 x Line 13, Column  
15 Line 13 + Line 15

**The Narragansett Electric Company d/b/a National Grid**  
**Pro Forma Income Statement**  
**Capital Structure Summary**

	(a) Capital Structure	(b) Cost Rate	(c) Weighted Return	(d) Taxes	(e) Pre-tax Return
1 Short Term Debt	0.76%	0.80%	0.01%		0.01%
2					
3 Long Term Debt	49.95%	5.70%	2.85%		2.85%
4					
5 Preferred Stock	0.15%	4.50%	0.01%		0.01%
6					
7 Common Equity	49.14%	9.50%	4.67%	2.51%	7.18%
8					
9 Total Capitalization	100.00%		7.54%	2.51%	10.05%

**Line Notes**

Per Settlement Agreement

**The Narragansett Electric Company d/b/a National Grid**  
**Long Term Debt Summary**  
**Test Year Ended December 31, 2011**  
**Weighted Average Cost of Debt**

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
<b><u>Panel A: Long-term debt</u></b>							
	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Amount Outstanding</b>	<b>Annual Interest Expense</b>	<b>Annual Amortization of DD&amp;E</b>	<b>Total Expense</b>	<b>Cost of Debt</b>
			in \$000	in \$000	in \$000	in \$000	
1 Unsecured notes:							
2 Senior Note	4.534%	March 15, 2020	\$250,000	\$11,335	664.6	\$11,999.6	4.80%
3 Senior Note	5.638%	March 15, 2040	300,000	16,914	279.3	17,193.3	5.73%
4 Subtotal							<b>5.31%</b>
5							
6 First mortgage bonds <sup>1</sup>							
7 FMB Series N	9.630%	May 30, 2020	10,000	963	4.1	967.1	9.67%
8 FMB Series O	8.460%	September 30, 2022	12,500	1,058	4.3	1,061.8	8.49%
9 FMB Series P	8.090%	September 30, 2022	6,875	556	3.5	559.6	8.14%
10 FMB Series R	7.500%	December 15, 2025	10,500	788	4.1	791.6	7.54%
11 FMB Series S	6.820%	April 1, 2018	14,464	986	7.0	993.5	6.87%
12 Subtotal							<b>8.05%</b>
13							
14 30-Year Senior Notes	4.170%	November 1, 2042	250,000	10,425	75.0	10,500.0	4.20%
15							
16 Total			<u>\$854,339</u>	<u>\$43,025</u>	<u>\$1,042</u>	<u>\$44,066</u>	<u>5.16%</u>
17							
18 <b><u>Panel B: Weighted Average Cost of Debt by Segment</u></b>							
19							
20 <b>Electric Operations</b>	73%		627,031	30,312	799	31,111	4.96%
21 <b>Gas Operations</b>	27%		227,308	12,712	243	12,956	5.70%
22							
23 Total			<u>\$854,339</u>	<u>\$43,025</u>	<u>\$1,042</u>	<u>\$44,066</u>	<u>5.16%</u>

<sup>1</sup> Backed entirely by gas assets. This debt was assumed by the Narragansett Electric Company when National Grid purchased the gas assets of the New England Gas Company from the Southern Union Company and merged them into Narragansett Electric.

**Line Notes**

Per Settlement Agreement

**The Narragansett Electric Company d/b/a National Grid**  
**Rate Base Summary**  
**Test Year Ended December 31, 2011**  
**Rate Base Calculation**

<u>Description</u>	<u>(a)</u> <u>Test Year Books</u>	<u>(b)</u> <u>Adjustments</u>	<u>(c)</u> <u>Rate Year</u>
<u>Additions:</u>			
1 Gas Plant In Service	\$666,333,220	\$107,218,729	\$773,551,949
2 CWIP	\$45,978,033	\$20,092,116	\$66,070,148
3 Less: Accumulated Depreciation	\$310,353,578	\$28,273,384	\$338,626,962
4 Less: Contribution in Aid of Construction	\$4,871,246	\$713,198	\$5,584,444
5			
6 Net Plant	\$397,086,429	\$98,324,262	\$495,410,691
7			
8 Materials and Supplies	\$2,749,036	\$508,399	\$3,257,435
9 Prepaid Expenses, Excluding Taxes	\$180,036	(\$180,036)	\$0
10 Deferred Y2K	\$900,000	(\$496,000)	\$404,000
11 Cash Working Capital	\$8,974,216	\$0	\$8,974,216
12 Unamortized Interest Lock expense \$550M	\$1,958,492	(\$337,288)	\$1,621,204
13 Unamortized Debt Issuance \$550M	\$723,992	(\$89,763)	\$634,229
14 Unamortized Debt Issuance FMB	\$229,986	(\$47,760)	\$182,226
15 Unamortized Debt Issuance \$250M	\$0	\$468,484	\$468,484
16 Total Additions	\$15,715,758	(\$173,964)	\$15,541,794
17			
18			
19 <u>Deductions:</u>			
20 Accumulated Deferred FIT	\$72,876,224	\$35,128,097	\$108,004,321
21 Merger Hold Harmless Adjustment	\$27,053,832	(\$1,578,145)	\$25,475,687
22 Injuries and Damages Reserve	\$190,000	\$0	\$190,000
23 Customer Deposits	\$4,573,150	\$47,726	\$4,620,876
24			
25			
26 Total Deductions	\$104,693,206	\$33,597,678	\$138,290,884
27			
28 Rate Base	\$308,108,981	\$64,552,620	\$372,661,602
29			
30			
31 Total Rate Base			\$372,661,602

**Column/Line Notes**

Column (a)	From Page 59 of 65, Column (f)	12	From Page 62 of 65, Line 21(g)
Column (b)	Column (c) - Column (a)	13	From Page 62 of 65, Line 21(h)
1(c)	From Page 60 of 65, Line 29	14	From Page 62 of 65, Line 21(i)
2(c)	From Page 62 of 65, Line 21(a)	15	From Page 62 of 65, Line 21(j)
3(c)	From Page 61 of 65, Line 30	16	Sum of Line 8 through Line 15
4(c)	From Page 62 of 65, Line 21(b)	20(c)	From Page 64 of 65, Line 24
6	Line 1 + Line 2 - Line 3 - Line 4	21(c)	From Page 63 of 65, Line 21
8(c)	From Page 62 of 65, Line 21(c)	22	Per Settlement Agreement
9(c)	From Page 62 of 65, Line 21(d)	23(c)	From Page 62 of 65, Line 21(f)
10(c)	From Page 62 of 65, Line 21(e)	26	Sum of Line 20 through Line 24
11(c)	From Page 59 of 65, Line 11(f)	28	Line 6 + Line 16 - Line 26
		31	Line 28

The Narragansett Electric Company d/b/a National Grid  
Adjustments To Rate Base  
Five-Quarter Average Rate Base

Line No		(a) December 2010	(b) March 2011	(c) June 2011	(d) September 2011	(e) December 2011	(f) Average
1	Gas Plant In Service	\$ 655,078,494	\$ 668,163,615	\$ 659,376,450	\$ 668,481,797	\$ 680,565,745	\$ 666,333,220
2	CWIP	29,382,159	31,591,072	45,154,069	57,692,714	66,070,148	45,978,033
3	Less: Accumulated Depreciation	309,170,951	312,514,872	305,632,291	310,098,873	314,350,902	310,353,578
4	Less: Contribution in Aid of Construction	2,496,154	4,938,533	5,212,623	6,124,476	5,584,444	4,871,246
5							
6	Net Plant	\$ 372,793,547	\$ 382,301,282	\$ 393,685,605	\$ 409,951,163	\$ 426,700,546	\$ 397,086,429
7							
8	Materials and Supplies	2,308,393	2,469,656	3,028,911	2,850,745	3,087,476	2,749,036
9	Prepaid Expenses, Excluding Taxes	262,500	387,682	0	250,000	0	180,036
10	Deferred Y2K	1,020,000	960,000	900,000	840,000	780,000	900,000
11	Cash Working Capital	8,974,216	8,974,216	8,974,216	8,974,216	8,974,216	8,974,216
12	Unamortized Interest Lock expense \$550M	2,039,441	1,998,966	1,958,492	1,918,017	1,877,542	1,958,492
13	Unamortized Debt Issuance \$550M	747,335	734,228	723,514	712,799	702,085	723,992
14	Unamortized Debt Issuance FMB	241,448	235,717	229,986	224,255	218,523	229,986
15							
16	Total Additions	\$ 15,593,333	\$ 15,760,465	\$ 15,815,118	\$ 15,770,033	\$ 15,639,843	\$ 15,715,758
17							
18	Accumulated Deferred FIT	63,726,877	67,841,494	73,965,612	78,548,236	80,298,900	72,876,224
19	Hold Harmless	27,549,435	27,301,633	27,053,832	26,806,031	26,558,229	27,053,832
20	Injuries and Damages Reserve	180,000	265,000	195,000	195,000	115,000	190,000
21	Customer Deposits	4,586,538	4,638,318	4,574,889	4,445,132	4,620,876	4,573,150
22							
23	Total Deductions	\$ 96,042,849	\$ 100,046,445	\$ 105,789,333	\$ 109,994,398	\$ 111,593,005	\$ 104,693,206
24							
25	Rate Base	\$ 292,344,030	\$ 298,015,302	\$ 303,711,391	\$ 315,726,798	\$ 330,747,384	\$ 308,108,981
26							
27							
28	Total Rate Base						<u>\$ 308,108,981</u>

Notes:

- 1(a)-4(e) From Company books
- 1(f)-4(f) Average of Column (a) through Column (e)
- 6(a)-6(e) Line 1 + Line 2 - Line 3 - Line 4
- 6(f) Average of Column (a) through Column (e)
- 8(a)-11(e) From Company books
- 8(f)-11(f) Average of Column (a) through Column (e)
- 10 Reflects the amortization of Y2K related costs per Docket No. 3401 - Workpaper MDL-21-GAS Page 2
- 11 From Page 65 of 65, Line 36(c)
- 12 Per Settlement Agreement
- 13 Per Settlement Agreement
- 14 Per Settlement Agreement
- 16 Sum of Line 8 through Line 14
- 18(a)-21(e) From Company books
- 18(f)-21(f) Average of Column (a) through Column (e)
- 19 Hold Harmless rate base credit per Docket No. 3859 - Workpaper MDL-25
- 20 Per Settlement Agreement
- 23 Sum of Line 18 thru Line 21
- 25 Sum of Line 6, Line 16 and Line 23
- 28 Line 25

The Narragansett Electric Company d/b/a National Grid  
Adjustments to Rate Base  
Test Year Ended December 31, 2011  
Gas Plant in Service Forecast

Line No.	Description	Period	Gas Plant in Service
1	Balance @ December 31, 2011		\$ 680,565,745
2			
3	Plus: Plant Additions 12 Months Ended 12/31/12	1/	59,825,753
4	Less: Plant Retirements 12 Months Ended 12/31/12		(4,594,618)
5	Net Increase		55,231,135
6			
7	Balance @ December 31, 2012		735,796,880
8			
9	Plus: Plant Additions for January 1/31/13		6,050,896
10	Less: Plant Retirements January 1/31/13		(464,709)
11	Net Increase		5,586,187
12			
13	Balance as of	1/31/13	2/ 741,383,067
14			
15		2/28/13	2/ 746,744,547
16		3/31/13	2/ 752,106,028
17		4/30/13	2/ 757,467,508
18		5/30/13	2/ 762,828,988
19		6/30/13	2/ 768,190,469
20		7/31/13	2/ 773,551,949
21		8/31/13	2/ 778,913,430
22		9/30/13	2/ 784,274,910
23		10/31/13	2/ 789,636,391
24		11/30/13	2/ 794,997,871
25		12/31/13	2/ 800,359,351
26		1/31/14	2/ 805,720,832
27			
28			
29	Rate Year Plant in Service - 5 Quarter Average		\$ 773,551,949
30			
31	1/ Assumes 7.68% based on 2011 Retirements as a percent of capital spend		
32			
33	2/ Adjustment Detail:		
34	Plant Detail 12 Months Ended 1/31/14		
35	Plant Additions 12 Months Ended 1/31/14	\$	69,689,954
36	Plant Retirements 12 Months Ended 1/31/14		(5,352,188)
37	Net Increase / (Decrease)	\$	64,337,765
38			
39	Monthly Increase / (Decrease)	\$	5,361,480

Line Notes

- 1 From Page 59 of 65, Line 1(e)  
3 From Page 50 of 65, Line 14  
4 From Page 50 of 65, Line 17  
5 Line 3 + Line 4  
13 Line 7 + Line 11  
15-26 Previous month balance plus Line 39  
29 Average of Lines 13, 17, 20, 23, 26  
35 From Page 50 of 65, Line 62  
36 From Page 50 of 65, Line 64

The Narragansett Electric Company d/b/a National Grid  
Adjustments To Rate Base  
Test Year Ended December 31, 2011  
Accumulated Depreciation Forecast

Line No.	Description	Period	Accumulated Depreciation
1	Balance @ December 31, 2011		\$ 314,350,902
2			
3	Depreciation Expense 1/1/12 - 12/31/12		25,650,608
4	Less: Net Cost of Removal / (Salvage)		(7,200,792)
5	Less: Retirements		(4,594,618)
6	Net Increase / (Decrease)		13,855,198
7			
8	Balance @ December 31, 2012		328,206,100
9			
10	Depreciation Expense 1/1/13 - 1/31/13		2,240,532
11	Less: Net Cost of Removal / (Salvage)		(391,783)
12	Less: Retirements		(464,709)
13	Net Increase / (Decrease)		1,384,040
14			
15	Balance as of:	1/31/13	329,590,140
16			
17		2/28/13 1/	331,096,277
18		3/31/13 1/	332,602,414
19		4/30/13 1/	334,108,551
20		5/30/13 1/	335,614,688
21		6/30/13 1/	337,120,825
22		7/31/13 1/	338,626,962
23		8/31/13 1/	340,133,099
24		9/30/13 1/	341,639,236
25		10/31/13 1/	343,145,373
26		11/30/13 1/	344,651,510
27		12/31/13 1/	346,157,647
28		1/31/14 1/	347,663,784
29			
30	Rate Year Accumulated Depreciation - 5 Quarter Average		\$ 338,626,962
31			
32			
33	1/ Rate Year Ended 1/31/14 Depreciation Reserve Detail:		
34	Depreciation Expense		\$ 28,127,225
35	Net Cost of Removal / (Salvage)		(4,701,396)
36	Less: Retirements		(5,352,188)
37	Net Increase / (Decrease)		\$ 18,073,640
38			
39	Monthly Increase / (Decrease)		\$ 1,506,137

Line Notes

1	From Page 59 of 65, Line 3(e)
3	From Page 50 of 65, Sum of Line 25 through Line 27
4	From Page 50 of 65, Line 28
5	From Page 50 of 65, Line 17
6	Sum of Line 3 thru Line 5
8	Line 1 + Line 6
10	From Page 50 of 65, Sum of Line 48 through Line 50
11	From Page 50 of 65, Line 51
12	From Page 50 of 65, Line 52
13	Sum of Line 10 thru Line 12
15	Line 8 + Line 13
17-28	Previous month balance plus Line 39
30	Average of Lines 15, 19, 22, 25, 28
34	From Page 50 of 65, Sum of Line 72 through Line 74
35	From Page 50 of 65, Line 75
36	From Page 50 of 65, Line 76



The Narragansett Electric Company d/b/a National Grid Adjustments To Rate Base Test Year Ended December 31, 2011 Other Rate Base Item Forecast											
Line No.		(a) <u>CWIP</u>	(b) <u>CIAC</u>	(c) Materials and <u>Supplies</u>	(d) <u>Prepayments</u>	(e) Deferred <u>Debits</u>	(f) Customer <u>Deposits</u>	(g) Unamort Interest Rate <u>Lock</u>	(h) Unamort Debt Issuance <u>\$550M</u>	(i) Unamort Debt Issuance <u>FMB</u>	(j) Unamort Debt Issuance <u>\$250M</u>
1	Balance at the end of the Test Year	\$66,070,148	\$5,584,444	\$3,087,476	\$0	\$780,000	\$4,620,876	\$1,877,542	\$702,085	\$218,523	\$0
2											
3	Increase / (Decrease) 12 Months Ended 12/31/12	0	0	21,790	0	(240,000)	0	(161,898)	(42,857)	(22,925)	477,801
4											
5	Balance @ 12/31/12	66,070,148	5,584,444	3,109,266	0	540,000	4,620,876	1,715,644	659,229	195,599	477,801
6											
7											
8	1/31/13	66,070,148	5,584,444	3,131,056	0	520,000	4,620,876	1,702,153	655,657	193,688	476,470
9	2/28/13	66,070,148	5,584,444	3,152,845	0	500,000	4,620,876	1,688,661	652,086	191,778	475,139
10	3/31/13	66,070,148	5,584,444	3,174,635	0	480,000	4,620,876	1,675,170	648,515	189,867	473,808
11	4/30/13	66,070,148	5,584,444	3,196,424	0	460,000	4,620,876	1,661,678	644,943	187,957	472,477
12	5/31/13	66,070,148	5,584,444	3,218,214	0	440,000	4,620,876	1,648,187	641,372	186,047	471,146
13	6/30/13	66,070,148	5,584,444	3,240,004	0	420,000	4,620,876	1,634,695	637,801	184,136	469,815
14	7/31/13	66,070,148	5,584,444	3,261,793	0	400,000	4,620,876	1,621,204	634,229	182,226	468,484
15	8/31/13	66,070,148	5,584,444	3,283,583	0	380,000	4,620,876	1,607,712	630,658	180,315	467,153
16	9/30/13	66,070,148	5,584,444	3,305,372	0	360,000	4,620,876	1,594,221	627,086	178,405	465,822
17	10/31/13	66,070,148	5,584,444	3,327,162	0	340,000	4,620,876	1,580,729	623,515	176,495	464,491
17	11/30/13	66,070,148	5,584,444	3,327,162	0	340,000	4,620,876	1,567,238	619,944	174,584	463,160
18	12/31/13	66,070,148	5,584,444	3,348,952	0	320,000	4,620,876	1,553,746	616,372	172,674	461,829
19	1/31/14	66,070,148	5,584,444	3,370,741	0	300,000	4,620,876	1,540,255	612,801	170,763	460,499
20											
21	Rate Year Amounts - Five Quarter Average	\$66,070,148	\$5,584,444	\$3,257,435	\$0	\$404,000	\$4,620,876	\$1,621,204	\$634,229	\$182,226	\$468,484
22											
23	Changes:										
24	Annual	\$ - 1/	\$ - 1/	\$ 261,475	\$ - 1/	\$ (240,000)	\$ - 1/	\$ (161,898)	\$ (42,857)	\$ (22,925)	\$ (15,971)
25											
26	Monthly	\$ -	\$ -	\$ 21,790	\$ -	\$ (20,000)	\$ -	\$ (13,491)	\$ (3,571)	\$ (1,910)	\$ (1,331)

1/ Assumes no change in 2011 balance

Line Notes

1(a) From Page 59 of 65 Line 2(e)  
1(b) From Page 59 of 65 Line 4(e)  
1(c) From Page 59 of 65 Line 8(e)  
1(d) From Page 59 of 65 Line 9(e)  
1(e) From Page 59 of 65 Line 10(e)  
1(f) From Page 59 of 65 Line 21(e)  
3 Line 26  
5 Line 1 + Line 3  
5(e) From Workpaper MDL-21 GAS Page 2, Line 47  
8-19 Previous month balance plus Line 26  
21 Average of Lines 8, 11, 14, 17, 19  
24 From Workpaper MDL-21 GAS Page 1, Line 8  
26 Line 24/12

Column Notes

(g) -(j) Per Settlement Agreement

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments To Rate Base**  
**Test Year Ended December 31, 2011**  
**Merger Hold Harmless Rate Base Credit**

Line No.	Description	Period	Merger Hold Harmless Rate Base Credit
1	Balance @ December 31, 2011		\$ 26,558,229
2			
3	Increase/(Decrease) 12 Month Ended 12/31/12		(735,118)
4			
5	Balance as of:	12/31/12	25,823,111
6			
7		1/31/13	25,773,631
8		2/28/13 1/	25,724,151
9		3/31/13 1/	25,674,670
10		4/30/13 1/	25,625,190
11		5/30/13 1/	25,575,709
12		6/30/13 1/	25,526,229
13		7/31/13 1/	25,476,749
14		8/31/13 1/	25,427,268
15		9/30/13 1/	25,377,788
16		10/31/13 1/	25,328,307
17		11/30/13 1/	25,278,827
18		12/31/13 1/	25,229,347
19		1/31/14 2/	25,174,560
20			
21	Rate Year Merger Hold Harmless - 5 Quarter Average		\$ 25,475,687
22			
23			
24	Balance as of 12/31/11	26,558,229	
25	Balance as of 12/31/12	25,823,111	
26		\$ (735,118)	
27			
28	Balance as of 12/31/12	25,823,111	
29	Balance as of 12/31/13	25,229,347	
30		\$ (593,765)	
31			
32	Monthly Increase/(Decrease)	\$ (49,480)	
33			
34	Balance as os 12/31/13	25,229,347	
35	Balance as os 12/31/14	24,571,907	
36		\$ (657,439)	
37			
38	Monthly Increase/(Decrease)	\$ (54,787)	

**Line Notes**

- 1 From Page 59 of 65, Line 19(e)
- 3 Line 26
- 5 Line 1 + Line 3
- 7-18 Previous month balance plus Line 32
- 19 Previous month balance plus Line 38
- 21 Average of Lines 7, 10, 13, 16, 19
- 25 Workpaper MDL-25 Page 1 Line 7
- 29 Workpaper MDL-25 Page 1 Line 8
- 35 Workpaper MDL-25 Page 1 Line 9

The Narragansett Electric Company d/b/a National Grid  
Rate Base Adjustments  
Test Year Ended December 31, 2011  
Accumulated Deferred Tax Forecast

Line No.	Description	Period or Amount	Amount	Amount	Accumulated Deferred Income Tax
1	Balance as of December 31, 2011				\$ 80,298,900
2					
3	Increase / (Decrease) 12 Months Ended 12/31/12				19,058,494 1/
4					
5	Balance as of December 31, 2012				99,357,394
6					
7	Increase / (Decrease) 1 Month Ended 1/31/13				1,700,343 2/
8					
9	Balance as of:	1/31/13			101,057,737
10					
11		2/28/13			102,215,501 3/
12		3/31/13			103,373,265 3/
13		4/30/13			104,531,029 3/
14		5/30/13			105,688,793 3/
15		6/30/13			106,846,557 3/
16		7/31/13			108,004,321 3/
17		8/31/13			109,162,085 3/
18		9/30/13			110,319,849 3/
19		10/31/13			111,477,613 3/
20		11/30/13			112,635,376 3/
21		12/31/13			113,793,140 3/
22		1/31/14			114,950,904 3/
23					
24	Rate Year Accumulated Deferred Income Tax - Five Quarter Average				\$ 108,004,321
25					
26					
27					
28	1/ 12 Months Ended 12/31/12:	Book	Tax	Difference	
29		(a)	(b)		
30	Depreciation	\$ 25,650,608	\$ 80,103,448	\$ 54,452,840	
31	Income Tax Rate			35%	
32	Annual Change to Accumulated Deferred Taxes			\$ 19,058,494	
33					
34	2/ 1 Month Ended 1/31/13:				
35					
36	Depreciation	\$ 2,240,532	\$ 7,098,655	\$ 4,858,123	
37	Income Tax Rate			35%	
38	Annual Change to Accumulated Deferred Taxes			\$ 1,700,343	
39					
40	3/ 12 Months Ended 1/31/14:				
41					
42	Depreciation	\$ 28,127,225	\$ 67,821,988	\$ 39,694,763	
43	Income Tax Rate			35%	
44	Annual Change to Accumulated Deferred Taxes			\$ 13,893,167	
45					
46	Monthly Change to Accumulated Deferred Taxes			\$ 1,157,764	

Line Notes

1	From Page 59 of 65, Line 18(e)	36(a)	From Page 50 of 65 Line 48 + Line 49 + Line 50
3	Line 32	36(b)	From Workpaper MDL-22 GAS Page 1 11(b)
5	Line 1 + Line 3	42(a)	From Page 50 of 65 Line 72 + Line 73 + Line 74
7	Line 38	42(b)	From Workpaper MDL-22 GAS Page 11(c)
9	Line 5 + Line 7		
11-22	Previous month balance plus Line 46		
24	Average of Lines 9, 13, 16, 19, 22		
30 (a)	From Page 50 of 65 Line 25 + Line 26 + Line 27		
30 (b)	From Workpaper MDL-22 GAS Page 1 11(a)		

**The Narragansett Electric Company d/b/a National Grid**  
**Adjustments To Rate Base**  
**Test Year Ended December 31, 2011**  
**Working Capital**

		(a) Lead/Lag Factor	(b) Rate Year Expense	(a) x (b) (c) Rate Year Working Capital
	<u>Working Capital Components</u>			
1	Operation & Maintenance Expense	6.92%	\$ 80,256,452	\$ 5,554,260
2				
3	Federal Income Tax	6.40%	10,639,347	680,523
4				
5	<b><u>Taxes Other than Income Taxes</u></b>			
6				
7	Municipal Taxes	-12.80%	\$13,994,652	(1,791,835)
8				
9	Sales and Use Tax	7.46%	4,907,479	365,916
10				
11	Gross Receipts Tax	27.70%	14,906,401	4,128,520
12				
13	<b><u>Payroll Taxes - Company Portion</u></b>			
14				
15	Federal Unemployment	-13.76%	3,327	(458)
16				
17	State Unemployment	-0.68%	30,620	(209)
18				
19	FICA Expense - Weekly	12.13%	432,772	52,479
20	FICA Expense - Monthly	12.02%	55,711	6,694
21				
22	<b><u>Payroll Taxes and Other Withholding</u></b>			
23				
24	FICA and Federal Withholding - Weekly	-0.42%	1,205,897	(5,065)
25	FICA and Federal Withholding - Monthly	-0.49%	162,469	(796)
26				
27	State Income Tax Withholding - Weekly	-0.41%	227,408	(932)
28	State Income Tax Withholding - Monthly	-0.48%	31,555	(151)
29				
30	Temporary Disability Ins. - Weekly	-11.35%	44,845	(5,090)
31	Temporary Disability Ins. - Monthly	-20.99%	7,365	(1,546)
32				
33	Incentive Thrift - Weekly	-1.08%	609,367	(6,561)
34	Incentive Thrift - Monthly	-1.79%	85,826	(1,533)
35				
36	<b>TOTAL</b>		<u>\$127,601,493</u>	<u>\$8,974,216</u>

**Line Notes**

1-36(a)	From Schedule MDL-4-GAS
1(b)	From Page 1 of 65, Line 7(g) - Lines 9(b), 33(b) and 34(b)
3(b)	From Page 55 of 65, Line 17(d)
7(b)	From Page 53 of 65, Line 10(e)
9(b)	From Company books
11(b)	From Page 1 of 65, Line 1(g) x 4%
15(b)-31(b)	From Page 53 of 65, Line 8(e) prorated based on test year spending
33(b)-34(b)	From Page 7 of 65, Line 5(e) + Line 6(e) prorated based on test year spending
36	Sum of Line 1 thru Line 34



THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
R.I.P.U.C. Docket No. 4323

Compliance Attachment 7

Clean and Marked-To Show Versions of Proposed Gas Tariff Provisions  
(Schedule AEL-4)

Included in Book 4



Compliance Attachment 8

Gas Allocated Cost of Service Study and Rate Design

Included in Book 2





Compliance Attachment 9

Illustrative RDM Revenue per Customer Target Calculation

National Grid - RI Gas  
d/b/a National Grid  
Computation of Class RDM Revenue per Customer - Illustrative  
Rate Year Ending January 31, 2014

Line No.		<u>Col A</u>	<u>Col B</u>	<u>Col C</u>	<u>Col D = A - B + C</u>	<u>Col E</u>	<u>Col G = D/E</u>
		Settled rate Designed Class Rev Requirement	Settled Growth Capital Rev Requirement	Illustrative Actual Growth Capital Rev Requirement	Actual Rate Year Rev Target	Illustrative Actual Avg. Rate Year No. Customers	Actual RDM Target
	<b>RDM Classes</b>						
1	Res Non Ht(incl Low Income)	\$5,983,105	\$82,829	\$116,214	\$6,016,490	24,346	\$247.12
2	Res HT (incl Low Income)	\$104,959,550	\$1,453,041	\$1,816,768	\$105,323,276	203,649	\$517.18
3	C&I Small	\$13,682,672	\$189,420	\$242,789	\$13,736,040	18,328	\$749.46
4	C&I Medium	\$19,413,220	\$268,753	\$377,194	\$19,521,661	4,599	\$4,244.76
5							
6	Sub-Total RDM	\$144,038,546	\$1,994,044	\$2,552,964	\$144,597,467	250,922	

**Column Notes**

- Column A - Per Settlement Rate Design without Low income discount.  
Column B - RDM Class related Growth Capital revenue requirement per Settlement  
Column C - Illustrative Actual RDM Class related Growth Capital revenue requirement for the Rate Year ending 1/31/14. Will reflect Actual RDM Class related growth Capital revenue requirement for the Rate Year when known.  
Column C - Illustrative Actual Average number of customers for the Rate Year ending 1/31/14. Will reflect Actual Average number of customers for the Rate Year when known.

**Forecasted Growth Capital Data Jan 2012-Jan 2014 as Filed**

Line No.		Initial Filing			Fcst Growth Capital		Fcst. No. Customers
		Final Rate Design	Rate Base With Growth	Final Rate Design Alloc	Revenue Requirement	Revenue Requirement	
		Col A	Col B	Col C = B/Total B	Col D	Col E = D*C	Col F
1	Res Non Ht(incl Low Income)	\$5,983,105	\$14,706,535	4%		82,829	23,978
2	Res HT (incl Low Income)	\$104,959,550	\$229,906,980	65%		1,453,041	203,171
3	Total	\$110,942,655	\$244,613,515	69%		\$1,535,870	227,148
4							
5	C&I Small	\$13,682,672	\$30,724,264	8%		189,420	18,328
6	C&I Medium	\$19,413,220	\$47,732,910	12%		268,753	4,599
7	Sub-Total	\$33,095,891	\$78,457,174	20%		\$458,174	22,927
8							
9	C&I Large LLF	\$7,810,306	\$22,827,675	5%		108,124	
10	C&I Large HLF	\$2,546,116	\$8,907,894	2%		35,248	
11							
12	C&I XLarge LLF	\$1,397,434	\$2,935,729	1%		19,346	
13	C&I XLarge HLF	\$5,764,888	\$12,203,471	4%		79,808	
14							
15	Sub-Total	\$17,518,744	\$46,874,769	11%		\$242,526	250,075
16							
17	Sub-Total C&I	\$50,614,635	\$125,331,943	31%		\$700,700	
18							
19	Total	\$161,557,290	\$369,945,458	100%	2,236,570	\$2,236,570	
20							
21							
22	RDM	\$144,038,546	\$323,070,689				
23	NON RDM	\$17,518,744	\$46,874,769				
24	Total	\$161,557,290	\$369,945,458				
25							

Illustrative Actual Growth Capital Data Jan 2012-Jan 2014

Line No.	RDM Classes ONLY	Final Rate Design Col A	Initial Filing Rate Base With Growth Col B	Final Rate Design Alloc Col C = B/Total B	Actual Growth Capital Revenue Requirement * Col D	Actual Growth Capital Revenue Requirement Col E= D*C	Actual No. Customers Col F
1	Res Non Ht(incl Low Income)	\$5,983,105	\$14,706,535	5%		116,214	24,346
2	Res HT (incl Low Income)	\$104,959,550	\$229,906,980	71%		1,816,768	203,649
3	Total	\$110,942,655	\$244,613,515	76%		\$1,932,981	227,995
4							
5	C&I Small	\$13,682,672	\$30,724,264	10%		242,789	18,328
6	C&I Medium	\$19,413,220	\$47,732,910	15%		377,194	4,599
7	Sub-Total	\$33,095,891	\$78,457,174	24%		\$619,983	22,927
8							
9	Total	\$144,038,546	\$323,070,689	100%	2,552,964	\$2,552,964	250,922
10							
11							

\*\* Includes Revenue Requirement associated with Actual growth capital related to RDM rate classes and an allocation of Growth related System Reinforcements.

National Grid - RI Gas  
d/b/a National Grid  
Computation of Growth Capital Investment Revenue Requirement as Filed  
Rate Year Ending January 31, 2014

Line No		Calendar Year 2012 (a)	One Month Ending January 31, 2013 (b)	Rate Year Ending January 31, 2014 (c)
1	Annual Growth Capital Investment	\$11,647,848	\$1,112,878	\$12,177,485
2	Cumulative Growth Capital	\$11,647,848	\$12,760,726	\$24,938,211
3				
4	<u>Deferred Tax Calculation:</u>			
5	Composite Book Depreciation Rate	3.38%	3.38%	3.38%
6	Tax Depreciation Rate	44.66%	4.12%	4.11%
7				
8	Tax Depreciation	\$5,201,492	\$525,226	\$984,187
9	Cumulative Tax Depreciation	\$5,201,492	\$5,726,718	\$6,710,906
10				
11	Book Depreciation	\$196,849	\$395,265	\$619,872
12	Cumulative Book Depreciation	\$196,849	\$592,113	\$1,211,985
13				
14	Cumulative Book / Tax Timer	\$5,004,644	\$5,134,605	\$5,498,921
15	Effective Tax Rate	35.00%	35.00%	35.00%
16	Deferred Tax Reserve	\$1,751,625	\$1,797,112	\$1,924,622
17				
18	<u>Rate Base Calculation:</u>			
19	Cumulative Incremental Capital Included in Rate Base	11,647,848	12,760,726	24,938,211
20	Accumulated Depreciation	(\$196,849)	(\$592,113)	(\$1,211,985)
21	Deferred Tax Reserve	(\$1,751,625)	(\$1,797,112)	(\$1,924,622)
22	Year End Rate Base	<b>\$9,699,374</b>	<b>\$10,371,501</b>	<b>\$21,801,604</b>
23				
24	<u>Revenue Requirement Calculation:</u>			
25	Average Rate Base			\$16,086,552
26	Pre-Tax ROR			10.05%
27	Return and Taxes			\$1,616,699
28	Book Depreciation			\$619,872
29				
30	<b>Annual Revenue Requirement</b>			<b>\$2,236,570</b>

1/ Weighted Average Cost of Capital per Settlement R.I.P.U.C. Docket No. 4323

	Ratio	Rate	Rate	Taxes	Return
Long Term Debt	49.95%	5.70%	2.85%		2.85%
Short Term Debt	0.76%	0.80%	0.01%		0.01%
Preferred Stock	0.15%	4.50%	0.01%		0.01%
Common Equity	49.14%	9.50%	4.67%	2.51%	7.18%
	100.00%		7.54%	2.51%	10.05%

National Grid - RI Gas  
d/b/a National Grid  
Computation of Growth Capital Rate Base as Filed  
Rate Year Ending January 31, 2014

<u>Line</u> <u>No</u>		<u>Calendar Year</u> <u>2012</u>	<u>One Month Ending</u> <u>January 31, 2013</u>	<u>Rate Year Ending January</u> <u>31, 2014</u>
1	Annual Growth Capital Investment			\$12,177,485
2	Cumulative Growth Capital	\$0	\$0	\$12,177,485
3				
4	<u>Deferred Tax Calculation:</u>			
5	Composite Book Depreciation Rate			3.38%
6	Tax Depreciation			3.75%
7				
8	Tax Depreciation			\$456,656
9	Cumulative Tax Depreciation			\$456,656
10				
11	Book Depreciation			\$205,799
12	Cumulative Book Depreciation			\$205,799
13				
14	Cumulative Book / Tax Timer			\$250,856
15	Effective Tax Rate			35.00%
16	Deferred Tax Reserve			<u>\$87,800</u>
17				
18	<u>Rate Base Calculation:</u>			
19	Cumulative Incremental Capital Included in Rate Base			\$12,177,485
20	Accumulated Depreciation			(\$205,799)
21	Deferred Tax Reserve			(\$87,800)
22	Year End Rate Base			<u><u>\$11,883,886</u></u>

**National Grid - RI Gas**  
**d/b/a National Grid**  
**Computation of Growth Capital Rate Base as Filed**  
**One Month Ending January 31, 2013**

<u>Line</u> <u>No</u>		<u>Calendar Year 2012</u>	<u>One Month</u> <u>Ending January</u> <u>31, 2013</u>	<u>Rate Year Ending</u> <u>January 31, 2014</u>
1	Annual Growth Capital Investment	\$0	\$1,112,878	\$0
2	Cumulative Growth Capital	\$0	\$1,112,878	\$1,112,878
3				
4	<u>Deferred Tax Calculation:</u>			
5	Composite Book Depreciation Rate		3.38%	3.38%
6	Tax Depreciation		3.75%	7.22%
7				
8	Tax Depreciation		\$41,733	\$80,339
9	Cumulative Tax Depreciation		\$41,733	\$122,072
10				
11	Book Depreciation		\$1,567	\$20,375
12	Cumulative Book Depreciation		\$1,567	\$21,942
13				
14	Cumulative Book / Tax Timer		\$40,166	\$100,129
15	Effective Tax Rate		35.00%	35.00%
16	Deferred Tax Reserve		<u>\$14,058</u>	<u>\$35,045</u>
17				
18	<u>Rate Base Calculation:</u>			
19	Cumulative Incremental Capital Included in Rate Base		\$1,112,878	1,112,878
20	Accumulated Depreciation		(\$1,567)	(\$21,942)
21	Deferred Tax Reserve		(\$14,058)	(\$35,045)
22	Year End Rate Base		<u><b>\$1,097,253</b></u>	<u><b>\$1,055,890</b></u>



**National Grid - RI Gas  
d/b/a National Grid  
Computation of Growth Capital Rate Base as Filed  
12 Months Ending December 31, 2012**

<u>Line No</u>		<u>Calendar Year 2012</u>	<u>One Month Ending January 31, 2013</u>	<u>Rate Year Ending January 31, 2014</u>
1	Annual Growth Capital Investment	\$11,647,848	\$0	\$0
2	Cumulative Growth Capital	\$11,647,848	\$11,647,848	\$11,647,848
3				
4	<u>Deferred Tax Calculation:</u>			
5	Composite Book Depreciation Rate	3.38%	3.38%	3.38%
6	Tax Depreciation Rate	44.66%	4.15%	3.84%
7				
8	Tax Depreciation	\$5,201,492	\$483,493	\$447,193
9	Cumulative Tax Depreciation	\$5,201,492	\$5,684,985	\$6,132,178
10				
11	Book Depreciation	\$196,849	\$393,697	\$393,697
12	Cumulative Book Depreciation	\$196,849	\$590,546	\$984,243
13				
14	Cumulative Book / Tax Timer	\$5,004,644	\$5,094,440	\$5,147,935
15	Effective Tax Rate	35.00%	35.00%	35.000%
16	Deferred Tax Reserve	\$1,751,625	\$1,783,054	\$1,801,777
17				
18	<u>Rate Base Calculation:</u>			
19	Cumulative Incremental Capital Included in Rate Base	\$11,647,848	11,647,848	11,647,848
20	Accumulated Depreciation	(\$196,849)	(\$590,546)	(\$984,243)
21	Deferred Tax Reserve	(\$1,751,625)	(\$1,783,054)	(\$1,801,777)
22	Year End Rate Base	<b>\$9,699,374</b>	<b>\$9,274,248</b>	<b>\$8,861,828</b>

National Grid - RI Gas  
d/b/a National Grid  
Illustrative Computation of Actual Growth RDM-Related Capital Investment Revenue Requirement  
Rate Year Ending January 31, 2014

Line No		Calendar Year	One Month	Rate Year Ending
		2012	Ending January 31, 2013	January 31, 2014
		(a)	(b)	(c)
1	Annual Growth Capital Investment	\$13,000,000	\$1,500,000	\$14,000,000
2	Cumulative Growth Capital	\$13,000,000	\$14,500,000	\$28,500,000
3				
4	<u>Deferred Tax Calculation:</u>			
5	Composite Book Depreciation Rate			
6	Tax Depreciation Rate			
7				
8	Tax Depreciation	\$5,805,313	\$595,870	\$1,132,391
9	Cumulative Tax Depreciation	\$5,805,313	\$6,401,183	\$7,533,574
10				
11	Book Depreciation	\$219,700	\$441,513	\$703,463
12	Cumulative Book Depreciation	\$219,700	\$661,213	\$1,364,675
13				
14	Cumulative Book / Tax Timer	\$5,585,613	\$5,739,971	\$6,168,899
15	Effective Tax Rate	35.00%	35.00%	35.00%
16	Deferred Tax Reserve	\$1,954,965	\$2,008,990	\$2,159,115
17				
18	<u>Rate Base Calculation:</u>			
19	Cumulative Incremental Capital Included in Rate Base	\$13,000,000	\$14,500,000	\$28,500,000
20	Accumulated Depreciation	(\$219,700)	(\$661,213)	(\$1,364,675)
21	Deferred Tax Reserve	(\$1,954,965)	(\$2,008,990)	(\$2,159,115)
22	Year End Rate Base	<b>\$10,825,335</b>	<b>\$11,829,798</b>	<b>\$24,976,210</b>
23				
24	<u>Revenue Requirement Calculation:</u>			
25	Average Rate Base			\$18,403,004
26	Pre-Tax ROR			10.05%
27	Return and Taxes			\$1,849,502
28	Book Depreciation			\$703,463
29				
30	<b>Annual Revenue Requirement</b>			<b>\$2,552,964</b>

1/ Weighted Average Cost of Capital per Settlement R.I.P.U.C. Docket No. 4323

	Ratio	Rate	Rate	Taxes	Return
Long Term Debt	49.95%	5.70%	2.85%		2.85%
Short Term Debt	0.76%	0.80%	0.01%		0.01%
Preferred Stock	0.15%	4.50%	0.01%		0.01%
Common Equity	49.14%	9.50%	4.67%	2.51%	7.18%
	<u>100.00%</u>		<u>7.54%</u>	<u>2.51%</u>	<u>10.05%</u>

National Grid - RI Gas  
d/b/a National Grid  
Illustrative Computation of Actual RDM-Related Growth Capital Rate Base  
Rate Year Ending January 31, 2014

<u>Line</u> <u>No</u>		<u>Calendar Year</u> <u>2012</u>	<u>One Month Ending</u> <u>January 31, 2013</u>	<u>Rate Year Ending January</u> <u>31, 2014</u>
1	Annual Growth Capital Investment			\$14,000,000
2	Cumulative Growth Capital	-	-	\$14,000,000
3				
4	<u>Deferred Tax Calculation:</u>			
5	Composite Book Depreciation Rate			3.38%
6	Tax Depreciation			3.75%
7				
8	Tax Depreciation			\$525,000
9	Cumulative Tax Depreciation			\$525,000
10				
11	Book Depreciation			\$236,600
12	Cumulative Book Depreciation			\$236,600
13				
14	Cumulative Book / Tax Timer			\$288,400
15	Effective Tax Rate			35.00%
16	Deferred Tax Reserve			<u>\$100,940</u>
17				
18	<u>Rate Base Calculation:</u>			
19	Cumulative Incremental Capital Included in Rate Base			\$14,000,000
20	Accumulated Depreciation			(\$236,600)
21	Deferred Tax Reserve			(\$100,940)
22	Year End Rate Base			<u><u>\$13,662,460</u></u>

**National Grid - RI Gas  
d/b/a National Grid  
Illustrative Computation of Actual RDM-Related Growth Capital Rate Base  
One Month Ending January 31, 2013**

<u>Line</u> <u>No</u>		<u>Calendar Year 2012</u>	<u>One Month</u> <u>Ending January</u> <u>31, 2013</u>	<u>Rate Year Ending</u> <u>January 31, 2014</u>
1	Annual Growth Capital Investment	\$0	\$1,500,000	\$0
2	Cumulative Growth Capital	\$0	\$1,500,000	\$1,500,000
3				
4	<u>Deferred Tax Calculation:</u>			
5	Composite Book Depreciation Rate		3.38%	3.38%
6	Tax Depreciation		3.75%	7.22%
7				
8	Tax Depreciation		\$56,250	\$108,285
9	Cumulative Tax Depreciation		\$56,250	\$164,535
10				
11	Book Depreciation		\$2,113	\$27,463
12	Cumulative Book Depreciation		\$2,113	\$29,575
13				
14	Cumulative Book / Tax Timer		\$54,138	\$134,960
15	Effective Tax Rate		35.00%	35.00%
16	Deferred Tax Reserve		<u>\$18,948</u>	<u>\$47,236</u>
17				
18	<u>Rate Base Calculation:</u>			
19	Cumulative Incremental Capital Included in Rate Base		\$1,500,000	1,500,000
20	Accumulated Depreciation		(\$2,113)	(\$29,575)
21	Deferred Tax Reserve		(\$18,948)	(\$47,236)
22	Year End Rate Base		<u><b>\$1,478,939</b></u>	<u><b>\$1,423,189</b></u>

**National Grid - RI Gas  
d/b/a National Grid  
Illustrative Computation of Actual RDM-Related Growth Capital Rate Base  
12 Months Ending December 31, 2012**

<u>Line</u> <u>No</u>		<u>Calendar Year 2012</u>	<u>One Month Ending</u> <u>January 31, 2013</u>	<u>Rate Year Ending</u> <u>January 31, 2014</u>
1	Annual Growth Capital Investment	\$13,000,000	\$0	\$0
2	Cumulative Growth Capital	\$13,000,000	\$13,000,000	\$13,000,000
3				
4	<u>Deferred Tax Calculation:</u>			
5	Composite Book Depreciation Rate	3.38%	3.38%	3.38%
6	Tax Depreciation Rate	44.66%	4.15%	3.84%
7				
8	Tax Depreciation	\$5,805,313	\$539,620	\$499,106
9	Cumulative Tax Depreciation	\$5,805,313	\$6,344,933	\$6,844,039
10				
11	Book Depreciation	\$219,700	\$439,400	\$439,400
12	Cumulative Book Depreciation	\$219,700	\$659,100	\$1,098,500
13				
14	Cumulative Book / Tax Timer	\$5,585,613	\$5,685,833	\$5,745,539
15	Effective Tax Rate	35.00%	35.00%	35.00%
16	Deferred Tax Reserve	\$1,954,965	\$1,990,042	\$2,010,939
17				
18	<u>Rate Base Calculation:</u>			
19	Cumulative Incremental Capital Included in Rate Base	\$13,000,000	13,000,000	13,000,000
20	Accumulated Depreciation	(\$219,700)	(\$659,100)	(\$1,098,500)
21	Deferred Tax Reserve	(\$1,954,965)	(\$1,990,042)	(\$2,010,939)
22	Year End Rate Base	<b>\$10,825,335</b>	<b>\$10,350,858</b>	<b>\$9,890,561</b>



THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
R.I.P.U.C. Docket No. 4323

Compliance Attachment 10

Revised GCR Gas Cost Recovery – Docket 4346

Included in Book 2





THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
R.I.P.U.C. Docket No. 4323

Compliance Attachment 11

Revised DAC Distribution Adjustment Clause – Docket 4339

Included in Book 2



THE NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID  
R.I.P.U.C. Docket No. 4323

## Compliance Attachment 12

Revised DAC Energy Efficiency Factor – Docket 4366

Included in Book 2