

July 13, 2012

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4323 - Application for Approval of a Change in Electric and Gas  
Base Distribution Rates Pursuant to R.I.G.L. Sections 39-3-10 and 39-3-11  
Responses to Division Data Requests - Set 11 - ELEC/GAS**

Dear Ms. Massaro:

Enclosed is an original and ten (10) copies of National Grid's<sup>1</sup> responses to the Division's Eleventh Set of Data Requests in the above-captioned proceeding.

The enclosed responses complete the Eleventh Set, as indicated on the enclosed discovery log.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (781) 907-2153.

Very truly yours,



Celia B. O'Brien

Enclosures

cc: Docket 4323 Service List  
Leo Wold, Esq.  
Steve Scialabba, Division

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid (herein referred to as "National Grid" or the "Company").

### Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically submitted, hand delivered and mailed to the individuals listed below.

/S/  
Janea Dunne

July 13, 2012  
Date

**National Grid (NGrid) – Request for Change in Electric & Gas Distribution Rates**  
**Docket No. 4323 – Service List updated on 6/22/12**

<b>Name/Address</b>	<b>E-mail Distribution</b>	<b>Phone</b>
Celia B. O'Brien, Esq. National Grid 280 Melrose St. Providence, RI 02907	<a href="mailto:Celia.obrien@us.ngrid.com">Celia.obrien@us.ngrid.com</a>	781-907-2153
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	<a href="mailto:Jennifer.hutchinson@us.ngrid.com">Jennifer.hutchinson@us.ngrid.com</a>	
	<a href="mailto:Joanne.scanlon@us.ngrid.com">Joanne.scanlon@us.ngrid.com</a>	
Cheryl M. Kimball, Esq. (for NGrid) Keegan Werlin LLP 265 Franklin Street Boston, MA 02110	<a href="mailto:ckimball@keeganwerlin.com">ckimball@keeganwerlin.com</a>	617-951-1400
	<a href="mailto:lindas@keeganwerlin.com">lindas@keeganwerlin.com</a>	
Gerald Petros, Esq. Hinckley, Allen & Snyder	<a href="mailto:gpetros@haslaw.com">gpetros@haslaw.com</a>	
	<a href="mailto:aramos@haslaw.com">aramos@haslaw.com</a>	
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	<a href="mailto:dmacrae@riag.ri.gov">dmacrae@riag.ri.gov</a>	
	<a href="mailto:Steve.scialabba@ripuc.state.ri.us">Steve.scialabba@ripuc.state.ri.us</a>	
	<a href="mailto:David.stearns@ripuc.state.ri.us">David.stearns@ripuc.state.ri.us</a>	
Michael J. Morrissey, Esq. (for AG) Dept. of Attorney General 150 South Main St. Providence, RI 02903	<a href="mailto:Mmorrissey@riag.ri.gov">Mmorrissey@riag.ri.gov</a>	401-274-4400 Ext. 2357
Ellen M. Evans, Sr. Trial Atty. Naval Facilities Engineering Command Litigation Office 720 Kennon St., Bldg. 36, Room 233 Washington Navy Yard, DC 20374-5051	<a href="mailto:ellen.evans@navy.mil">ellen.evans@navy.mil</a>	202-685-2235
Dr. Kay Davoodi, P.E. Utility Rates and Studies Office NAVFACHQ- Building 33 1322 Patterson Ave SE Washington Navy Yard, D.C. 20374-5065	<a href="mailto:Khojasteh.davoodi@navy.mil">Khojasteh.davoodi@navy.mil</a>	202-685-3319
	<a href="mailto:Larry.r.allen@navy.mil">Larry.r.allen@navy.mil</a>	
Robert J. McConnell, Esq. (Wiley Ctr.) Motley Rice LLC	<a href="mailto:bmcconnell@motleyrice.com">bmcconnell@motleyrice.com</a>	401-457-7700

321 South Main St. – 2 <sup>nd</sup> Floor Providence, RI 02903	<a href="mailto:jhowat@ncle.org">jhowat@ncle.org</a>	
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Bruce Oliver Revilo Hill Associates 7103 Laketree Drive Fairfax Station, VA 22039	<a href="mailto:Boliver.rha@verizon.net">Boliver.rha@verizon.net</a>	
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	<a href="mailto:lees@lacapra.com">lees@lacapra.com</a>	
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Matthew Kahal c/o Exeter Associates 10480 Little Patuxent Parkway Suite 300 Columbia, MD 21044	<a href="mailto:mkahal@exeterassociates.com">mkahal@exeterassociates.com</a>	
<b>File original &amp; 11 copies w/:</b> Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:Lmassaro@puc.state.ri.us">Lmassaro@puc.state.ri.us</a>	401-780-2107
	<a href="mailto:Anault@puc.state.ri.us">Anault@puc.state.ri.us</a>	
	<a href="mailto:Adalessandro@puc.state.ri.us">Adalessandro@puc.state.ri.us</a>	
	<a href="mailto:Nucci@puc.state.ri.us">Nucci@puc.state.ri.us</a>	
	<a href="mailto:Dshah@puc.state.ri.us">Dshah@puc.state.ri.us</a>	
	<a href="mailto:Sccamara@puc.state.ri.us">Sccamara@puc.state.ri.us</a>	

DATA SET	DATA REQUEST	DATE ISSUED	DATE FILED	WITNESS	ATTACHMENT	CONFIDENTIAL ATTACHMENT
<b>DIVISION SET 1</b>						
Division Set 1	Division 1-1-ELEC	5/9/2012	<b>5/25/2012</b>	Michael D. Laflamme	Att. DIV 1-1-ELEC	
Division Set 1	Division 1-2-ELEC	5/9/2012	<b>5/25/2012</b>	Michael D. Laflamme	Att. DIV 1-2-ELEC	
Division Set 1	Division 1-3-ELEC	5/9/2012	<b>5/25/2012</b>	Michael D. Laflamme	Att. DIV 1-3-ELEC	
Division Set 1	Division 1-4-ELEC	5/9/2012	<b>5/25/2012</b>	Michael D. Laflamme	Att. DIV 1-4-ELEC	
Division Set 1	Division 1-5-ELEC	5/9/2012	<b>5/25/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-6-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme	Att. DIV 1-6-ELEC	
Division Set 1	Division 1-7-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-8-ELEC	5/9/2012	<b>5/25/2012</b>	Michael D. Laflamme	Att. DIV 1-8-ELEC	
Division Set 1	Division 1-9-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme	Att. DIV 1-9-ELEC	
Division Set 1	Division 1-10-ELEC	5/9/2012	<b>5/25/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-11-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme	Att. DIV 1-11-ELEC	
Division Set 1	Division 1-12-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-13-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme	Att. DIV 1-13-ELEC	
Division Set 1	Division 1-14-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-15-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-16-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-17-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-18-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-19-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-20-ELEC	5/9/2012	<b>5/25/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-21-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme	Att. DIV 1-21-ELEC	
Division Set 1	Division 1-22-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-23-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme	Att. DIV 1-23-ELEC	
Division Set 1	Division 1-24-ELEC	5/9/2012	<b>5/25/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-25-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-26-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme		
Division Set 1	Division 1-27-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme	Att. DIV 1-27-ELEC	
Division Set 1	Division 1-28-ELEC	5/9/2012	<b>5/23/2012</b>	Michael D. Laflamme		



DATA SET	DATA REQUEST	DATE ISSUED	DATE FILED	WITNESS	ATTACHMENT	CONFIDENTIAL ATTACHMENT
Division Set 1	Division 1-29-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme	Att. DIV 1-29-ELEC	
Division Set 1	Division 1-30-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
Division Set 1	Division 1-31-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
<b>DIVISION SET 2</b>						
Division Set 2	Division 2-1-GAS	5/14/2012	5/25/2012	Michael D. Laflamme	Att. DIV 2-1-GAS	
Division Set 2	Division 2-2-GAS	5/14/2012	5/25/2012	Michael D. Laflamme	Att. DIV 2-2-GAS	
Division Set 2	Division 2-3-GAS	5/14/2012	5/25/2012	Michael D. Laflamme		
Division Set 2	Division 2-4-GAS	5/14/2012	5/25/2012	Michael D. Laflamme	Att. DIV 2-4-GAS	
Division Set 2	Division 2-5-GAS	5/14/2012	5/25/2012	Michael D. Laflamme		
Division Set 2	Division 2-6-GAS	5/14/2012	5/25/2012	Michael D. Laflamme	Att. DIV 2-6-GAS	
Division Set 2	Division 2-7-GAS	5/14/2012	5/25/2012	Michael D. Laflamme	Att. DIV 2-7-GAS	
Division Set 2	Division 2-8-GAS	5/14/2012	5/25/2012	Michael D. Laflamme	Att. DIV 2-8-GAS	
Division Set 2	Division 2-9-GAS	5/14/2012	5/25/2012	Michael D. Laflamme	Att. DIV 2-9-GAS	
Division Set 2	Division 2-10-GAS	5/14/2012	5/29/2012	Michael D. Laflamme		
Division Set 2	Division 2-11-GAS	5/14/2012	5/29/2012	Michael D. Laflamme		
Division Set 2	Division 2-12-GAS	5/14/2012	5/25/2012	Michael D. Laflamme	Att. DIV 2-12-GAS	
Division Set 2	Division 2-13-GAS	5/14/2012	5/29/2012	Michael D. Laflamme		
Division Set 2	Division 2-14-GAS	5/14/2012	5/29/2012	Michael D. Laflamme		
Division Set 2	Division 2-15-GAS	5/14/2012	5/29/2012	Michael D. Laflamme		
Division Set 2	Division 2-16-GAS	5/14/2012	5/29/2012	Michael D. Laflamme	Att. DIV 2-16-1-GAS Att. DIV 2-16-2-GAS Att. DIV 2-16-3-GAS	
Division Set 2	Division 2-17-GAS	5/14/2012	5/29/2012	Michael D. Laflamme		
Division Set 2	Division 2-18-GAS	5/14/2012	5/29/2012	Michael D. Laflamme		
Division Set 2	Division 2-19-GAS	5/14/2012	5/29/2012	Michael D. Laflamme		
Division Set 2	Division 2-20-GAS	5/14/2012	5/29/2012	Michael D. Laflamme		
Division Set 2	Division 2-21-GAS	5/14/2012	5/29/2012	Michael D. Laflamme	Att. DIV 2-21-GAS	
Division Set 2	Division 2-22-GAS	5/14/2012	5/29/2012	Michael D. Laflamme	Att. DIV 2-22-GAS	
Division Set 2	Division 2-23-GAS	5/14/2012	5/29/2012	Michael D. Laflamme	Att. DIV 2-23-GAS	
Division Set 2	Division 2-24-GAS	5/14/2012	5/29/2012	Michael D. Laflamme		
Division Set 2	Division 2-25-GAS	5/14/2012	5/29/2012	Michael D. Laflamme		

DATA SET	DATA REQUEST	DATE ISSUED	DATE FILED	WITNESS	ATTACHMENT	CONFIDENTIAL ATTACHMENT
<b>DIVISION SET 3</b>						
Division Set 3	Division 3-1-ELEC/GAS	5/30/2012	<b>6/11/2012</b>	Michael D. Laflamme	Att. DIV 3-1-ELEC/GAS	
Division Set 3	Division 3-2-ELEC/GAS	5/30/2012	<b>6/13/2012</b>	Michael D. Laflamme	Att. DIV 3-2-ELEC/GAS	
Division Set 3	Division 3-3-ELEC/GAS	5/30/2012	<b>6/12/2012</b>	Robert B. Hevert	Att. DIV 3-3-ELEC/GAS	
Division Set 3	Division 3-4-ELEC/GAS	5/30/2012	<b>6/12/2012</b>	Robert B. Hevert		
Division Set 3	Division 3-5-ELEC/GAS	5/30/2012	<b>6/12/2012</b>	Robert B. Hevert	Att. DIV 3-5-ELEC/GAS	
Division Set 3	Division 3-6-ELEC/GAS	5/30/2012	<b>6/13/2012</b>	Michael D. Laflamme	Att. DIV 3-6-ELEC/GAS (Redacted)	Att. DIV 3-6-ELEC/GAS (Confidential)
Division Set 3	Division 3-7-ELEC/GAS	5/30/2012	<b>6/11/2012</b>	Michael D. Laflamme	Att. DIV 3-7-1-ELEC/GAS Att. DIV 3-7-2-ELEC/GAS Att. DIV 3-7-3-ELEC/GAS	
Division Set 3	Division 3-8-ELEC/GAS	5/30/2012	<b>6/12/2012</b>	Legal Department and Robert B. Hevert		
Division Set 3	Division 3-9-ELEC/GAS	5/30/2012	<b>6/11/2012</b>	Mustally Hussain	Att. DIV 3-9-1-ELEC/GAS Att. DIV 3-9-2-ELEC/GAS Att. DIV 3-9-3-ELEC/GAS Att. DIV 3-9-4-ELEC/GAS Att. DIV 3-9-5-ELEC/GAS Att. DIV 3-9-6-ELEC/GAS Att. DIV 3-9-7-ELEC/GAS Att. DIV 3-9-8-ELEC/GAS Att. DIV 3-9-9-ELEC/GAS	
Division Set 3	Division 3-10-ELEC/GAS	5/30/2012	<b>6/11/2012</b>	Mustally Husain	Att. DIV 3-10-ELEC/GAS	
Division Set 3	Division 3-11-ELEC/GAS	5/30/2012	<b>6/11/2012</b>	Michael D. Laflamme	Att. DIV 3-11-ELEC/GAS	
Division Set 3	Division 3-12-ELEC/GAS	5/30/2012	<b>6/11/2012</b>	Michael D. Laflamme		
Division Set 3	Division 3-13-ELEC/GAS	5/30/2012	<b>6/11/2012</b>	Michael D. Laflamme		
Division Set 3	Division 3-14-ELEC/GAS	5/30/2012	<b>6/13/2012</b>	Michael D. Laflamme		
Division Set 3	Division 3-15-ELEC/GAS	5/30/2012	<b>6/11/2012</b>	Michael D. Laflamme		
Division Set 3	Division 3-16-ELEC/GAS	5/30/2012	<b>6/11/2012</b>	Michael D. Laflamme		
Division Set 3	Division 3-17-ELEC/GAS	5/30/2012	<b>6/11/2012</b>	Michael D. Laflamme	Att. DIV 3-17-ELEC/GAS	
Division Set 3	Division 3-18-ELEC/GAS	5/30/2012	<b>6/12/2012</b>	Robert B. Hevert		
Division Set 3	Division 3-19-ELEC	5/30/2012	<b>6/12/2012</b>	Robert B. Hevert		
Division Set 3	Division 3-20-ELEC/GAS	5/30/2012	<b>6/12/2012</b>	Robert B. Hevert		
Division Set 3	Division 3-21-ELEC/GAS	5/30/2012	<b>6/12/2012</b>	Robert B. Hevert		
Division Set 3	Division 3-22-ELEC/GAS	5/30/2012	<b>6/12/2012</b>	Robert B. Hevert	Att. DIV 3-22-ELEC/GAS	
Division Set 3	Division 3-23-ELEC/GAS	5/30/2012	<b>6/12/2012</b>	Robert B. Hevert	Att. DIV 3-23-ELEC/GAS	
Division Set 3	Division 3-24-ELEC/GAS	5/30/2012	<b>6/13/2012</b>	Robert B. Hevert	Att. DIV 3-24-ELEC/GAS	
Division Set 3	Division 3-25-ELEC/GAS	5/30/2012	<b>6/12/2012</b>	Robert B. Hevert	Att. DIV 3-25-ELEC/GAS	
Division Set 3	Division 3-26-ELEC/GAS	5/30/2012	<b>6/12/2012</b>	Robert B. Hevert		
Division Set 3	Division 3-27-ELEC/GAS	5/30/2012	<b>6/12/2012</b>	Robert B. Hevert		

DATA SET	DATA REQUEST	DATE ISSUED	DATE FILED	WITNESS	ATTACHMENT	CONFIDENTIAL ATTACHMENT
<b>DIVISION SET 4</b>						
Division Set 4	Division 4-1-GAS	6/7/2012	<b>6/29/2012</b>	Paul M. Normand	See Attached Page	See Attached Page
Division Set 4	Division 4-2-GAS	6/7/2012	<b>6/19/2012</b>	Paul M. Normand		
Division Set 4	Division 4-3-GAS	6/7/2012	<b>6/20/2012</b>	Ann E. Leary		
Division Set 4	Division 4-4-GAS	6/7/2012	<b>6/19/2012</b>	Paul M. Normand		
Division Set 4	Division 4-5-GAS	6/7/2012	<b>6/19/2012</b>	Paul M. Normand		
Division Set 4	Division 4-6-GAS	6/7/2012	<b>6/20/2012</b>	Ann E. Leary		
Division Set 4	Division 4-7-GAS	6/7/2012	<b>6/20/2012</b>	Ann E. Leary		
Division Set 4	Division 4-8-GAS	6/7/2012	<b>6/19/2012</b>	Ann E. Leary	Att. DIV 4-8-1-GAS Att. DIV 4-8-2-GAS Att. DIV 4-8-3-GAS Att. DIV 4-8-4-GAS Att. DIV 4-8-5-GAS	
Division Set 4	Division 4-9-GAS	6/7/2012	<b>6/20/2012</b>	Ann E. Leary		
Division Set 4	Division 4-10-GAS	6/7/2012	<b>6/19/2012</b>	Ann E. Leary	Att. DIV 4-10-GAS	
Division Set 4	Division 4-11-GAS	6/7/2012	<b>6/20/2012</b>	Ann E. Leary		
Division Set 4	Division 4-12-GAS	6/7/2012	<b>6/20/2012</b>	Ann E. Leary	Att. DIV 4-12-GAS	
Division Set 4	Division 4-13-GAS	6/7/2012	<b>6/19/2012</b>	Ann E. Leary and Michael D. Laflamme		
<b>DIVISION SET 5</b>						
Division Set 5	Division 5-1-ELEC	6/8/2012	<b>6/26/2012</b>	Evelyn M. Kaye	Att. DIV 5-1-ELEC	
Division Set 5	Division 5-2-ELEC	6/8/2012	<b>6/29/2012</b>	Evelyn M. Kaye	Att. DIV 5-2-1-ELEC Att. DIV 5-2-2-ELEC Att. DIV 5-2-3-ELEC	
Division Set 5	Division 5-3-ELEC	6/8/2012	<b>6/26/2012</b>	Evelyn M. Kaye	Att. DIV 5-3-1-ELEC Att. DIV 5-3-2-ELEC	
Division Set 5	Division 5-3-ELEC (Corrected)	6/8/2012	<b>7/2/2012</b>	Evelyn M. Kaye		
Division Set 5	Division 5-4-ELEC	6/8/2012	<b>6/22/2012</b>	Evelyn M. Kaye	Att. DIV 5-4-ELEC	
Division Set 5	Division 5-5-ELEC	6/8/2012	<b>6/22/2012</b>	Evelyn M. Kaye	Att. DIV 5-5-1-ELEC Att. DIV 5-5-2-ELEC	
Division Set 5	Division 5-6-ELEC	6/8/2012	<b>6/22/2012</b>	Evelyn M. Kaye	Att. DIV 5-6-1-ELEC Att. DIV 5-6-2-ELEC Att. DIV 5-6-3-ELEC	
Division Set 5	Division 5-7-ELEC	6/8/2012	<b>6/22/2012</b>	Evelyn M. Kaye		
Division Set 5	Division 5-8-ELEC	6/8/2012	<b>6/22/2012</b>	Evelyn M. Kaye		

## Division Set 4

## Division 4-1-GAS

**ATTACHMENT****CONFIDENTIAL  
ATTACHMENT**

1-18 Design Winter Sales RATE YEAR Rev 4-2-12.xls

Att DIV 5-12 Meter Cost Detail MAC\_B.xls

Attach 1-2B(Test Year PLT ACCUMDEPR Acct) with Rate Year Adj 4-6.xls

Attach 1-17 with Back-up (CY11\_Charge\_off(W Philibin 02 15 12)).xls

Attach 1-24 (Services Inv Allocator) MAC.xls

Attach 1-26 RATE YEAR (REG ACCNT 903000 CustRecordsColl Exp).xls

Attach 1-27 RATE YEAR (ACCNT 908000 Cust Assistance Exp).xls

Attach 1-29 with backup (6967 RI GAS SALES REPORT DEC11) MAC.xls

Attachment to 1-11 (Rev Proof &amp; Bill Detm)\_A.xls

Bill Impact-(2014 Base Rates and ISR for Rate Year template)\_H AEL\_1.xls

NG RI Design Day Rate Year Rev 3-20-12 (LS).xls

NG RI Gas Rate Design 4-16-12 B PMN - 7.xls

Ngrid No 1-28 (Deposits) (3).docx

RDA &amp; ISR Adj by Rate Class.xls

RI Gas Allocated COS 4-13-12 MAC.xlsx

NGRI-GCOS Rate Year Revised 4-16-12 WITH ISR & RDA Revenues  
PRO.xls

(REDACTED)

NGRI-GCOS Rate Year Revised 4-16-12 WITH ISR & RDA Revenues  
PRO.xls

(CONFIDENTIAL)

DATA SET	DATA REQUEST	DATE ISSUED	DATE FILED	WITNESS	ATTACHMENT	CONFIDENTIAL ATTACHMENT
Division Set 5	Division 5-9-ELEC	6/8/2012	6/26/2012	Evelyn M. Kaye	Att. DIV 5-9-ELEC	
Division Set 5	Division 5-10-ELEC	6/8/2012	6/26/2012	Evelyn M. Kaye	Att. DIV 5-10-1-ELEC Att. DIV 5-10-2-ELEC	
Division Set 5	Division 5-11-ELEC	6/8/2012	6/26/2012	Evelyn M. Kaye	Att. DIV 5-11-1-ELEC Att. DIV 5-11-2-ELEC Att. DIV 5-11-3-ELEC Att. DIV 5-11-4-ELEC	
Division Set 5	Division 5-12-ELEC	6/8/2012	6/26/2012	Evelyn M. Kaye		
Division Set 5	Division 5-13-ELEC	6/8/2012	6/22/2012	Evelyn M. Kaye		
Division Set 5	Division 5-14-ELEC	6/8/2012	6/22/2012	Evelyn M. Kaye	Att. DIV 5-14-ELEC	
Division Set 5	Division 5-15-ELEC	6/8/2012	6/22/2012	Evelyn M. Kaye	Att. DIV 5-15-ELEC	
Division Set 5	Division 5-16-ELEC	6/8/2012	6/29/2012	Evelyn M. Kaye	Att. DIV 5-16-1-ELEC Att. DIV 5-16-2-ELEC Att. DIV 5-16-3-ELEC Att. DIV 5-16-4-ELEC (REDACTED)	Att. DIV 5-16-2-ELEC Att. DIV 5-16-3-ELEC Att. DIV 5-16-4-ELEC (CONFIDENTIAL)
<b>DIVISION SET 6</b>						
Division Set 6	Division 6-1-GAS	6/8/2012	7/2/2012	Evelyn M. Kaye	Att. DIV 6-1-GAS	
Division Set 6	Division 6-2-GAS	6/8/2012	7/2/2012	Evelyn M. Kaye	Att. DIV 6-2-1-GAS Att. DIV 6-2-2-GAS	
Division Set 6	Division 6-3-GAS	6/8/2012	6/26/2012	Evelyn M. Kaye	Att. DIV 6-3-GAS	
Division Set 6	Division 6-4-GAS	6/8/2012	6/26/2012	Evelyn M. Kaye	Att. DIV 6-4-1-GAS Att. DIV 6-4-2-GAS	
Division Set 6	Division 6-5-GAS	6/8/2012	6/26/2012	Evelyn M. Kaye	Att. DIV 6-5-GAS	
Division Set 6	Division 6-6-GAS	6/8/2012	7/2/2012	Evelyn M. Kaye	Att. DIV 6-6-1-GAS Att. DIV 6-6-2-GAS Att. DIV 6-6-3-GAS (REDACTED)	Att. DIV 6-6-2-GAS Att. DIV 6-6-3-GAS (CONFIDENTIAL)
Division Set 6	Division 6-7-GAS	6/8/2012	6/22/2012	Evelyn M. Kaye		
Division Set 6	Division 6-8-GAS	6/8/2012	6/22/2012	Evelyn M. Kaye		
Division Set 6	Division 6-9-GAS	6/8/2012	6/26/2012	Evelyn M. Kaye		
Division Set 6	Division 6-10-GAS	6/8/2012	6/26/2012	Evelyn M. Kaye	Att. DIV 6-10-1-GAS Att. DIV 6-10-2-GAS	
Division Set 6	Division 6-11-GAS	6/8/2012	6/26/2012	Evelyn M. Kaye		
Division Set 6	Division 6-12-GAS	6/8/2012	6/26/2012	Evelyn M. Kaye		
Division Set 6	Division 6-13-GAS	6/8/2012	6/22/2012	Evelyn M. Kaye		
Division Set 6	Division 6-14-GAS	6/8/2012	6/26/2012	Evelyn M. Kaye	Att. DIV 6-14-GAS	
Division Set 6	Division 6-15-GAS	6/8/2012	6/26/2012	Evelyn M. Kaye	Att. DIV 6-15-1-GAS Att. DIV 6-15-2-GAS Att. DIV 6-15-3-GAS	
Division Set 6	Division 6-16-GAS	6/8/2012	7/2/2012	Evelyn M. Kaye	Att. DIV 6-16-1-GAS Att. DIV 6-16-2-GAS Att. DIV 6-16-3-GAS Att. DIV 6-16-4-GAS Att. DIV 6-16-5-GAS (REDACTED)	Att. DIV 6-16-1-GAS Att. DIV 6-16-2-GAS Att. DIV 6-16-3-GAS Att. DIV 6-16-4-GAS Att. DIV 6-16-5-GAS (CONFIDENTIAL)

DATA SET	DATA REQUEST	DATE ISSUED	DATE FILED	WITNESS	ATTACHMENT	CONFIDENTIAL ATTACHMENT
<b>DIVISION SET 7</b>						
Division Set 7	Division 7-1-GAS	6/12/2012	<b>7/5/2012</b>	Evelyn M. Kaye	Att. DIV 7-1-GAS	
Division Set 7	Division 7-2-ELEC	6/12/2012	<b>7/5/2012</b>	Evelyn M. Kaye	Att. DIV 7-2-GAS	
Division Set 7	Division 7-3-ELEC/GAS	6/12/2012	<b>7/5/2012</b>	Evelyn M. Kaye	Att. DIV 7-3-1-ELEC/GAS Att. DIV 7-3-2-ELEC/GAS Att. DIV 7-3-3-ELEC/GAS	
Division Set 7	Division 7-4-ELEC/GAS	6/12/2012	<b>7/5/2012</b>	Evelyn M. Kaye		
Division Set 7	Division 7-5-ELEC/GAS	6/12/2012	<b>6/28/2012</b>	Evelyn M. Kaye	Att. DIV 7-5-ELEC/GAS	
Division Set 7	Division 7-6-ELEC	6/12/2012	<b>6/25/2012</b>	Evelyn M. Kaye		
Division Set 7	Division 7-7-GAS	6/12/2012	<b>6/25/2012</b>	Evelyn M. Kaye		
Division Set 7	Division 7-8-ELEC/GAS	6/12/2012	<b>6/28/2012</b>	Evelyn M. Kaye		
<b>DIVISION SET 8</b>						
Division Set 8	Division 8-1-ELEC	6/14/2012	<b>6/25/2012</b>	Michael D. Laflamme	Att. DIV 8-1-ELEC	
Division Set 8	Division 8-2-ELEC	6/14/2012	<b>6/25/2012</b>	Michael D. Laflamme	Att. DIV 8-2-ELEC	
Division Set 8	Division 8-3-ELEC	6/14/2012	<b>7/3/2012</b>	Michael D. Laflamme	Att. DIV 8-3-ELEC	
Division Set 8	Division 8-4-ELEC	6/14/2012	<b>6/25/2012</b>	Michael D. Laflamme		
Division Set 8	Division 8-5-ELEC	6/14/2012	<b>7/5/2012</b>	Michael D. Laflamme	Att. DIV 8-5-ELEC	
Division Set 8	Division 8-6-ELEC	6/14/2012	<b>7/6/2012</b>	Michael D. Laflamme	Att. DIV 8-6-ELEC	
Division Set 8	Division 8-7-ELEC	6/14/2012	<b>7/12/2012</b>	Maureen P. Heaphy	Att. DIV 8-7-ELEC	
Division Set 8	Division 8-8-ELEC	6/14/2012	<b>6/25/2012</b>	Michael D. Laflamme		
Division Set 8	Division 8-9-ELEC	6/14/2012	<b>6/27/2012</b>	Michael D. Laflamme		
Division Set 8	Division 8-10-ELEC	6/14/2012	<b>6/25/2012</b>	Michael D. Laflamme		
Division Set 8	Division 8-11-ELEC	6/14/2012	<b>6/27/2012</b>	Michael D. Laflamme		
Division Set 8	Division 8-12-ELEC	6/14/2012	<b>6/27/2012</b>	Michael D. Laflamme		
Division Set 8	Division 8-13-ELEC	6/14/2012	<b>7/6/2012</b>	Michael D. Laflamme		
Division Set 8	Division 8-14-ELEC	6/14/2012	<b>6/27/2012</b>	Michael D. Laflamme		
Division Set 8	Division 8-15-ELEC	6/14/2012	<b>6/27/2012</b>	Michael D. Laflamme	Att. DIV 8-15-1-ELEC Att. DIV 8-15-2-ELEC	
Division Set 8	Division 8-16-ELEC	6/14/2012	<b>6/27/2012</b>	Michael D. Laflamme	Att. DIV 8-16-ELEC	
<b>DIVISION SET 9</b>						
Division Set 9	Division 9-1-GAS	6/14/2012	<b>7/2/2012</b>	Michael D. Laflamme		
Division Set 9	Division 9-2-GAS	6/14/2012	<b>7/2/2012</b>	Michael D. Laflamme	Att. DIV 9-2-GAS	
Division Set 9	Division 9-3-GAS	6/14/2012	<b>6/27/2012</b>	Michael D. Laflamme		
Division Set 9	Division 9-4-GAS	6/14/2012	<b>6/27/2012</b>	Michael D. Laflamme & Susan L. Fleck		
Division Set 9	Division 9-5-GAS	6/14/2012	<b>6/27/2012</b>	A. Leo Silvestrini		
Division Set 9	Division 9-6-GAS	6/14/2012	<b>6/27/2012</b>	A. Leo Silvestrini	Att. DIV 9-6-GAS	

DATA SET	DATA REQUEST	DATE ISSUED	DATE FILED	WITNESS	ATTACHMENT	CONFIDENTIAL ATTACHMENT
Division Set 9	Division 9-7-GAS	6/14/2012	<b>6/27/2012</b>	A. Leo Silvestrini		
Division Set 9	Division 9-8-GAS	6/14/2012	<b>6/27/2012</b>	A. Leo Silvestrini	Att. DIV 9-8-GAS	
Division Set 9	Division 9-9-GAS	6/14/2012	<b>6/27/2012</b>	A. Leo Silvestrini		
<b>DIVISION SET 10</b>						
Division Set 10	Division 10-1-ELEC	6/22/2012	<b>7/3/2012</b>	Howard S. Gorman	Att. DIV 10-1-1-ELEC Att. DIV 10-1-2-ELEC	
Division Set 10	Division 10-2-ELEC	6/22/2012	<b>7/3/2012</b>	Jeanne A. Lloyd	Att. DIV 10-2-1-ELEC Att. DIV 10-2-2-ELEC Att. DIV 10-2-3-ELEC Att. DIV 10-2-4-ELEC Att. DIV 10-2-5(1)-ELEC to Att. DIV 10-2-5(11)-ELEC Att. DIV 10-2-3-ELEC Att. DIV 10-2-4-ELEC Att. DIV 10-2-5-ELEC Att. DIV 10-2-6-ELEC Att. DIV 10-2-7-ELEC Att. DIV 10-2-8-ELEC Att. DIV 10-2-9-ELEC	
Division Set 10	Division 10-3-ELEC	6/22/2012	<b>7/5/2012</b>	Evelyn M. Kaye	Att. DIV 10-3-1-ELEC Att. DIV 10-3-2-ELEC	
Division Set 10	Division 10-4-ELEC	6/22/2012	<b>7/3/2012</b>	Alfred P. Morrissey	Att. DIV 10-4-ELEC	
Division Set 10	Division 10-5-ELEC	6/22/2012	<b>7/5/2012</b>	Howard S. Gorman	Att. DIV 10-5-ELEC	
Division Set 10	Division 10-6-ELEC	6/22/2012	<b>6/28/2012</b>	Howard S. Gorman		
Division Set 10	Division 10-7-ELEC	6/22/2012	<b>6/28/2012</b>	Howard S. Gorman	Att. DIV 10-7-ELEC	
Division Set 10	Division 10-8-ELEC	6/22/2012	<b>6/28/2012</b>	Howard S. Gorman		

DATA SET	DATA REQUEST	DATE ISSUED	DATE FILED	WITNESS	ATTACHMENT	CONFIDENTIAL ATTACHMENT
<b>DIVISION SET 11</b>						
Division Set 11	Division 11-1-ELEC/GAS	6/25/2012	<b>7/13/2012</b>	Michael D. Laflamme	Att. DIV 11-1-ELEC/GAS Att. DIV 11-1-2-ELEC/GAS	
Division Set 11	Division 11-2-ELEC/GAS	6/25/2012	<b>7/6/2012</b>	Maureen P. Heaphy		
Division Set 11	Division 11-3-ELEC/GAS	6/25/2012	<b>7/6/2012</b>	Maureen P. Heaphy		
Division Set 11	Division 11-4-ELEC/GAS	6/25/2012	<b>7/13/2012</b>	Michael D. Laflamme	Att. DIV 11-4-ELEC/GAS	
Division Set 11	Division 11-5-ELEC/GAS	6/25/2012	<b>7/10/2012</b>	Michael D. Laflamme		
Division Set 11	Division 11-6-ELEC/GAS	6/25/2012	<b>7/13/2012</b>	Michael D. Laflamme	Att. DIV 11-6-1-ELEC/GAS Att. DIV 11-6-2-ELEC/GAS	
Division Set 11	Division 11-7-ELEC/GAS	6/25/2012	<b>7/13/2012</b>	Michael D. Laflamme	Att. DIV 11-7-ELEC/GAS	
Division Set 11	Division 11-8-ELEC/GAS	6/25/2012	<b>7/13/2012</b>	Michael D. Laflamme	Att. DIV 11-8-1-ELEC/GAS Att. DIV 11-8-2-ELEC/GAS Att. DIV 11-8-3-ELEC/GAS Att. DIV 11-8-4-ELEC/GAS Att. DIV 11-8-5-ELEC/GAS	
Division Set 11	Division 11-9-ELEC/GAS	6/25/2012	<b>7/12/2012</b>	Michael D. Laflamme	Att. DIV 11-9-ELEC/GAS	
Division Set 11	Division 11-10-ELEC/GAS	6/25/2012	<b>7/12/2012</b>	Michael D. Laflamme		
Division Set 11	Division 11-11-ELEC/GAS	6/25/2012	<b>7/10/2012</b>	Michael D. Laflamme	Att. DIV 11-11-ELEC/GAS	
Division Set 11	Division 11-12-ELEC/GAS	6/25/2012	<b>7/6/2012</b>	Michael D. Laflamme	Att. DIV 11-12-ELEC/GAS	
Division Set 11	Division 11-13-ELEC/GAS	6/25/2012	<b>7/6/2012</b>	Michael D. Laflamme		
Division Set 11	Division 11-14-ELEC/GAS	6/25/2012	<b>7/12/2012</b>	Michael D. Laflamme	Att. DIV 11-14-ELEC/GAS	
Division Set 11	Division 11-15-ELEC/GAS	6/25/2012	<b>7/6/2012</b>	Michael D. Laflamme		
Division Set 11	Division 11-16-ELEC/GAS	6/25/2012	<b>7/10/2012</b>	Michael D. Laflamme		
Division Set 11	Division 11-17-ELEC/GAS	6/25/2012	<b>7/13/2012</b>	Michael D. Laflamme		
Division Set 11	Division 11-18-ELEC/GAS	6/25/2012	<b>7/12/2012</b>	Michael D. Laflamme	Att. DIV 11-18-ELEC/GAS	
Division Set 11	Division 11-19-ELEC/GAS	6/25/2012	<b>7/13/2012</b>	Michael D. Laflamme	Att. DIV 11-19-ELEC/GAS	
Division Set 11	Division 11-20-ELEC/GAS	6/25/2012	<b>7/12/2012</b>	Michael D. Laflamme	Att. DIV 11-20-ELEC/GAS	
Division Set 11	Division 11-21-ELEC/GAS	6/25/2012	<b>7/13/2012</b>	Michael D. Laflamme		
Division Set 11	Division 11-22-ELEC/GAS	6/25/2012	<b>7/6/2012</b>	Michael D. Laflamme		
Division Set 11	Division 11-23-ELEC/GAS	6/25/2012	<b>7/6/2012</b>	Michael D. Laflamme		
Division Set 11	Division 11-24-ELEC/GAS	6/25/2012	<b>7/6/2012</b>	Michael D. Laflamme		
Division Set 11	Division 11-25-ELEC/GAS	6/25/2012	<b>7/6/2012</b>	Michael D. Laflamme		
Division Set 11	Division 11-26-ELEC/GAS	6/25/2012	<b>7/6/2012</b>	Michael D. Laflamme		



DATA SET	DATA REQUEST	DATE ISSUED	DATE FILED	WITNESS	ATTACHMENT	CONFIDENTIAL ATTACHMENT
<b>DIVISION SET 12</b>						
Division Set 12	Division 12-1-GAS	6/28/2012	<b>7/10/2012</b>	A. Leo Silvestrini	Att. DIV 12-1-GAS	
Division Set 12	Division 12-2-GAS	6/28/2012	<b>7/6/2012</b>	A. Leo Silvestrini	Att. DIV 12-2-GAS	
Division Set 12	Division 12-3-GAS	6/28/2012	<b>7/10/2012</b>	A. Leo Silvestrini	Att. DIV 12-3-1-GAS Att. DIV 12-3-2-GAS	
Division Set 12	Division 12-4-GAS	6/28/2012	<b>7/10/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-5-GAS	6/28/2012	<b>7/10/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-6-GAS	6/28/2012	<b>7/6/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-7-GAS	6/28/2012	<b>7/10/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-8-GAS	6/28/2012	<b>7/6/2012</b>	A. Leo Silvestrini	Att. DIV 12-8-GAS	
Division Set 12	Division 12-9-GAS	6/28/2012	<b>7/10/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-10-GAS	6/28/2012	<b>7/10/2012</b>	A. Leo Silvestrini	Att. DIV 12-10-1-GAS Att. DIV 12-10-2-GAS Att. DIV 12-10-3-GAS	
Division Set 12	Division 12-11-GAS	6/28/2012	<b>7/6/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-12-GAS	6/28/2012	<b>7/10/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-13-GAS	6/28/2012	<b>7/13/2012</b>	A. Leo Silvestrini	Att. DIV 12-13-GAS	
Division Set 12	Division 12-14-GAS	6/28/2012	<b>7/6/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-15-GAS	6/28/2012	<b>7/6/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-16-GAS	6/28/2012	<b>7/10/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-17-GAS	6/28/2012	<b>7/10/2012</b>	A. Leo Silvestrini	Att. DIV 12-17-GAS	
Division Set 12	Division 12-18-GAS	6/28/2012	<b>7/13/2012</b>	A. Leo Silvestrini	Att. DIV 12-18-GAS	
Division Set 12	Division 12-19-GAS	6/28/2012	<b>7/13/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-20-GAS	6/28/2012	<b>7/10/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-21-GAS	6/28/2012	<b>7/10/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-22-GAS	6/28/2012	<b>7/6/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-23-GAS	6/28/2012	<b>7/6/2012</b>	A. Leo Silvestrini	Att. DIV 12-23-1-GAS Att. DIV 12-23-2-GAS	
Division Set 12	Division 12-24-GAS	6/28/2012	<b>7/13/2012</b>	A. Leo Silvestrini	Att. DIV 12-24-1-GAS Att. DIV 12-24-2-GAS Att. DIV 12-24-3-GAS	
Division Set 12	Division 12-25-GAS	6/28/2012	<b>7/13/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-26-GAS	6/28/2012	<b>7/13/2012</b>	A. Leo Silvestrini		
Division Set 12	Division 12-27-GAS	6/28/2012	<b>7/13/2012</b>	Ann E. Leary	Att. DIV 12-27-GAS	
Division Set 12	Division 12-28-GAS	6/28/2012	<b>7/13/2012</b>	Ann E. Leary	Att. DIV 12-28-GAS	
Division Set 12	Division 12-29-GAS	6/28/2012	<b>7/10/2012</b>	Ann E. Leary		
Division Set 12	Division 12-30-GAS	6/28/2012	<b>7/10/2012</b>	Ann E. Leary		

DATA SET	DATA REQUEST	DATE ISSUED	DATE FILED	WITNESS	ATTACHMENT	CONFIDENTIAL ATTACHMENT
<b>COMMISSION SET 1</b>						
Commission Set 1	Commission 1-1-ELEC/GAS	5/24/2012	6/6/2012	Michael D. Laflamme		
Commission Set 1	Commission 1-2-ELEC/GAS	5/24/2012	6/7/2012	Maureen P. Heaphy		
Commission Set 1	Commission 1-3-ELEC/GAS	5/24/2012	6/7/2012	Michael D. Laflamme	Att. COMM 1-3-1-ELEC/GAS Att. COMM 1-3-2-ELEC/GAS	
Commission Set 1	Commission 1-4-ELEC/GAS	5/24/2012	6/7/2012	Timothy D. Horan		
Commission Set 1	Commission 1-5-ELEC/GAS	5/24/2012	6/6/2012	Maureen P. Heaphy		
Commission Set 1	Commission 1-6-ELEC	5/24/2012	6/7/2012	Stephen F. Doucette and Maureen P. Heaphy		
Commission Set 1	Commission 1-7-ELEC	5/24/2012	6/7/2012	Stephen F. Doucette and Maureen P. Heaphy		
Commission Set 1	Commission 1-8-ELEC	5/24/2012	6/6/2012	Stephen F. Doucette		
Commission Set 1	Commission 1-9-ELEC	5/24/2012	6/7/2012	Stephen F. Doucette and Maureen P. Heaphy		
Commission Set 1	Commission 1-10-ELEC	5/24/2012	6/6/2012	Stephen F. Doucette		
Commission Set 1	Commission 1-11-ELEC	5/24/2012	6/6/2012	Stephen F. Doucette		
Commission Set 1	Commission 1-12-ELEC	5/24/2012	6/6/2012	Stephen F. Doucette		
Commission Set 1	Commission 1-13-ELEC/GAS	5/24/2012	6/4/2012	Evelyn M. Kaye		
Commission Set 1	Commission 1-14-ELEC/GAS	5/24/2012	6/4/2012	Evelyn M. Kaye		
Commission Set 1	Commission 1-15-ELEC/GAS	5/24/2012	6/6/2012	Evelyn M. Kaye		
Commission Set 1	Commission 1-16-ELEC/GAS	5/24/2012	6/4/2012	Evelyn M. Kaye and Michael D. Laflamme		
Commission Set 1	Commission 1-17-ELEC/GAS	5/24/2012	6/4/2012	Evelyn M. Kaye		
Commission Set 1	Commission 1-18-ELEC/GAS	5/24/2012	6/4/2012	Evelyn M. Kaye		
Commission Set 1	Commission 1-19-ELEC/GAS	5/24/2012	6/4/2012	Evelyn M. Kaye	Att. COMM 1-19-ELEC/GAS	
Commission Set 1	Commission 1-20-ELEC	5/24/2012	6/6/2012	Michael R. Hrycin	Att. COMM 1-20-1-ELEC Att. COMM 1-20-2-ELEC	
Commission Set 1	Commission 1-21-ELEC	5/24/2012	6/6/2012	Michael R. Hrycin	Att. COMM 1-21-ELEC	
Commission Set 1	Commission 1-22-ELEC	5/24/2012	6/6/2012	Michael R. Hrycin	Att. COMM 1-22-ELEC	
Commission Set 1	Commission 1-23-ELEC	5/24/2012	6/7/2012	Michael R. Hrycin		
Commission Set 1	Commission 1-24-ELEC	5/24/2012	6/7/2012	Michael R. Hrycin		
Commission Set 1	Commission 1-25-ELEC	5/24/2012	6/6/2012	Michael R. Hrycin		
Commission Set 1	Commission 1-26-ELEC	5/24/2012	6/6/2012	Michael R. Hrycin		
Commission Set 1	Commission 1-27-GAS	5/24/2012	6/6/2012	Jeffrey P. Martin		
Commission Set 1	Commission 1-28-GAS	5/24/2012	6/6/2012	Jeffrey P. Martin		
Commission Set 1	Commission 1-29-ELEC	5/24/2012	6/4/2012	Alfred P. Morrissey		

DATA SET	DATA REQUEST	DATE ISSUED	DATE FILED	WITNESS	ATTACHMENT	CONFIDENTIAL ATTACHMENT
<b>COMMISSION SET 1</b>						
Commission Set 1	Commission 1-30-ELEC	5/24/2012	<b>6/4/2012</b>	Alfred P. Morrissey		
Commission Set 1	Commission 1-31-ELEC	5/24/2012	<b>6/4/2012</b>	Alfred P. Morrissey		
Commission Set 1	Commission 1-32-ELEC	5/24/2012	<b>6/4/2012</b>	Alfred P. Morrissey		
Commission Set 1	Commission 1-33-ELEC	5/24/2012	<b>6/7/2012</b>	Alfred P. Morrissey		
Commission Set 1	Commission 1-34-ELEC	5/24/2012	<b>6/7/2012</b>	Alfred P. Morrissey		
Commission Set 1	Commission 1-35-ELEC/GAS	5/24/2012	<b>6/6/2012</b>	Michael D. Laflamme		
Commission Set 1	Commission 1-36-ELEC/GAS	5/24/2012	<b>6/7/2012</b>	Michael D. Laflamme	Att. COMM 1-36-ELEC/GAS	
Commission Set 1	Commission 1-37-GAS	5/24/2012	<b>6/7/2012</b>	Michael D. Laflamme		
Commission Set 1	Commission 1-38-ELEC	5/24/2012	<b>6/6/2012</b>	Michael D. Laflamme		
Commission Set 1	Commission 1-39-ELEC/GAS	5/24/2012	<b>6/7/2012</b>	Michael D. Laflamme		
Commission Set 1	Commission 1-40-ELEC/GAS	5/24/2012	<b>6/7/2012</b>	Ann E. Leary & Jeanne Lloyd	Att. COMM 1-40-ELEC/GAS	
Commission Set 1	Commission 1-41-ELEC/GAS	5/24/2012	<b>6/6/2012</b>	Robert B. Hevert		
Commission Set 1	Commission 1-42-ELEC/GAS	5/24/2012	<b>6/6/2012</b>	Michael D. Laflamme		
Commission Set 1	Commission 1-43-ELEC/GAS	5/24/2012	<b>6/6/2012</b>	Michael D. Laflamme		
Commission Set 1	Commission 1-44-ELEC/GAS	5/24/2012	<b>6/7/2012</b>	Maureen P. Heaphy	Att. COMM 1-44-ELEC/GAS	
Commission Set 1	Commission 1-45-ELEC/GAS	5/24/2012	<b>6/6/2012</b>	Stephen F. Doucette		
Commission Set 1	Commission 1-46-GAS	5/24/2012	<b>6/7/2012</b>	Ann E. Leary		

Division 11-1-ELEC/GAS

Request:

Regarding National Grid's service companies, p. 13 of Mr. Laflamme's testimony refers to 3 KeySpan service companies, a NGSC, and a separate engineering services company. MDL-1 refers to 4 service companies:

- a) Please clarify the current list of companies;
- b) Please provide a description of the function of and activities performed by each of these companies;
- c) Please indicate for each company whether it uses PeopleSoft, Oracle, both, or neither accounting system; and
- d) Please provide the location(s) of current service companies.
- e) Please provide the total number of employees of each service company annually from 2007 to 2011; and
- f) Please provide the number of service company employees by location in 2010 and 2011.

Response:

- a) There are currently four service companies as follows:
  - (1) National Grid USA Service Company, Inc.;
  - (2) National Grid Corporate Services LLC (formerly Keyspan Corporate Services LLC);
  - (3) National Grid Engineering & Survey, Inc. (formerly Keyspan Engineering & Survey, Inc.); and
  - (4) National Grid Utility Services LLC (formerly Keyspan Utility Services LLC).
- b) National Grid USA Service Company, Inc. is a wholly-owned subsidiary of National Grid USA. This service company provides the following services to client companies: (1) corporate affairs; (2) customer services; (3) engineering services; (4) executive and administration; (5) financial services; (6) human resources; (7) information technology; (8) legal and regulatory; and (9) operating services.

National Grid Corporate Services LLC is a wholly-owned subsidiary of KeySpan Corporation. This service company provides the following services to client companies: (a) corporate affairs; (b) customer services; (c) environmental services; (d) executive and administration; (e) financial services; (f) human resources; (g) information technology; (h) legal and regulatory; and (i) operating services.

National Grid Engineering & Survey, Inc. is a wholly-owned subsidiary of KeySpan Corporation. This service company advises and assists client companies in the study, planning, engineering, maintenance and construction of energy plant facilities of each client company and of the gas systems and the electric systems as a whole, and advise, assist and manage the planning, engineering and construction operations of client companies.

National Grid Utility Services LLC is a wholly-owned subsidiary of KeySpan Corporation. This service company provides the following services to these companies: (1) complete fuel management services, including the purchase, sale, movement, transfer, accounting and administration of gas quantities; (2) planning, formulation and implementation of sales and marketing programs; (3) gas supply transmission and distribution planning as it relates to safety, reliability, expansion and load handling; (4) research and development relating to production, utilization, testing, manufacture, transmission, storage and distribution of energy; and (5) purchase, repair and refurbishing of meter operations.

- c) National Grid USA Service Company, Inc. - PeopleSoft based.

National Grid Corporate Services LLC, National Grid Engineering & Survey, Inc., and National Grid Utility Services LLC - Oracle based, consolidated in PeopleSoft.

- d) National Grid USA Service Company, Inc. is incorporated in Massachusetts and, in addition to its Massachusetts employees, also has employees in New York (primarily upstate), Vermont, New Hampshire and Rhode Island. National Grid Corporate Services, LLC, National Grid Engineering & Survey, Inc., and National Grid Utility Services LLC are all incorporated in New York and all three have employees in New York (primarily downstate). In addition, National Grid Corporate Services, LLC also has employees in Massachusetts, Rhode Island, New Hampshire and Washington, DC.
- e) Please refer to Attachment DIV 11-1-1-ELEC/GAS for the information requested.
- f) Please refer to Attachment DIV 11-1-2-ELEC/GAS for the information requested.

The Narragansett Electric Company  
Total Number of Service Company Employees (2007 - 2011)

Company/Type	Union	Local	2007											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
KeySpan														
CSV - Management			1454	1449	1449	1449	1456	1465	1463	1440	1430	1394	1393	1416
CSV - Union	3		5	5	5	5	5	5	5	5	5	5	5	5
CSV - Union	12012-04		11	11	11	11	11	11	10	10	10	10	11	10
CSV - Union	1049		167	167	166	165	165	164	163	163	162	161	160	158
CSV - Union	101		384	378	377	368	366	366	374	383	391	389	386	378
CSV - Union	318		3	3	3	3	3	3	2	2	2	2	3	3
CSV - Union	350		0	0	0	0	0	0	0	0	0	0	0	0
CSV - Union	1381		659	656	652	657	653	646	643	640	647	660	665	655
CSV - Union	13507		2	2	2	2	2	2	2	2	2	2	2	2
CSV - Union	12003		260	259	259	258	256	249	248	249	247	248	249	247
ESV - Management			279	280	280	279	280	284	284	281	281	278	275	273
ESV - Union	1049		552	557	554	549	546	547	546	548	546	544	542	553
ESV - Union	1381		94	93	94	94	94	94	94	94	94	94	94	96
USV - Management			146	146	146	146	149	152	152	149	149	146	146	144
USV - Union	3		3	3	3	3	3	3	3	3	3	3	3	2
USV - Union	1049		13	13	13	13	13	13	13	13	13	13	13	13
USV - Union	101		65	64	64	65	65	64	65	65	65	65	65	65
USV - Union	1381		12	12	12	12	12	12	12	12	12	12	12	12
National Grid														
099 - Management			1860	1864	1859	1861	1877	1887	1912	1896	1902	1882	1861	1845
099 - Union	BUW	310	5	5	5	5	5	4	4	4	4	4	4	4
099 - Union	BUW	329	30	30	30	30	29	29	29	29	34	35	33	34
099 - Union	BUW	330	9	9	9	9	10	10	10	10	10	10	10	10
099 - Union	IBE	326	71	70	69	69	70	70	70	87	81	81	80	79
099 - Union	IBE	345	44	44	44	44	44	44	47	47	46	46	42	42
099 - Union	IBE	486A	110	110	108	106	105	106	106	106	104	105	105	105
099 - Union	IBE	486D	3	3	3	3	3	3	3	3	3	3	3	3
099 - Union	IBE	486E	0	0	0	0	0	0	0	0	0	0	0	0
099 - Union	IBE	486F	9	9	9	9	9	9	9	9	9	9	9	9
099 - Union	IBE	486G	0	0	0	0	0	0	0	0	0	0	0	0
099 - Union	USW	12431-01	0	0	0	0	0	0	0	0	0	0	0	0
099 - Union	UWU	369	0	0	0	0	0	0	0	0	0	0	0	0
099 - Union	UWU	369 Northboro	141	136	142	146	151	148	147	160	153	151	151	148

The Narragansett Electric Company  
Total Number of Service Company Employees (2007 - 2011)

Company/Type	Union	Local	2008											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
KeySpan														
CSV - Management			1423	1440	1606	1613	1643	1710	1723	1679	1689	1700	1722	1735
CSV - Union	3		5	5	7	6	6	6	6	7	7	7	7	7
CSV - Union	12012-04		10	9	11	12	13	13	13	13	13	15	15	16
CSV - Union	1049		159	162	168	167	167	169	167	163	163	169	167	163
CSV - Union	101		376	375	415	409	409	404	403	408	450	481	490	505
CSV - Union	318		3	3	3	3	3	3	3	3	3	3	3	3
CSV - Union	350		0	0	1	1	1	1	1	1	1	1	1	1
CSV - Union	1381		660	649	686	688	682	683	682	679	681	678	678	681
CSV - Union	13507		2	2	2	2	2	2	2	2	2	2	2	2
CSV - Union	12003		247	246	241	241	236	243	234	237	237	238	241	237
ESV - Management			271	264	247	250	251	257	255	248	245	242	244	247
ESV - Union	1049		559	557	548	545	544	541	540	543	542	536	545	538
ESV - Union	1381		97	94	89	88	88	87	87	88	88	87	89	88
USV - Management			142	143	106	104	103	105	107	105	104	105	105	108
USV - Union	3		2	2	0	0	0	0	0	0	0	0	0	0
USV - Union	1049		13	13	5	5	5	5	5	5	5	5	5	5
USV - Union	101		65	64	26	26	24	24	24	24	24	24	23	23
USV - Union	1381		12	12	2	2	2	2	2	2	2	2	2	2
National Grid														
099 - Management			1851	1852	1863	1849	1872	1901	1901	1883	1892	1899	1908	1924
099 - Union	BUW	310	5	5	5	5	5	5	4	5	5	7	7	7
099 - Union	BUW	329	34	33	32	32	33	33	33	34	35	34	33	33
099 - Union	BUW	330	10	10	10	10	10	9	9	11	11	11	11	11
099 - Union	IBE	326	78	78	78	77	77	77	77	78	80	81	79	79
099 - Union	IBE	345	45	43	43	43	43	45	44	42	40	40	40	40
099 - Union	IBE	486A	106	107	107	106	105	105	106	105	104	105	104	104
099 - Union	IBE	486D	3	3	3	3	3	3	3	3	3	3	3	3
099 - Union	IBE	486E	0	0	0	0	0	0	0	0	0	0	0	0
099 - Union	IBE	486F	9	9	9	9	9	9	9	9	9	9	9	9
099 - Union	IBE	486G	0	0	0	0	0	0	0	0	0	0	0	0
099 - Union	USW	12431-01	0	0	0	0	0	0	0	0	0	0	0	0
099 - Union	UWU	369	0	0	0	0	0	0	0	0	2	3	3	3
099 - Union	UWU	369 Northboro	154	166	165	161	159	160	170	177	175	190	184	179

The Narragansett Electric Company  
Total Number of Service Company Employees (2007 - 2011)

Company/Type	Union	Local	2009											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
KeySpan														
CSV - Management			1731	1736	1722	1693	1707	1731	1728	1715	1724	1727	1730	1729
CSV - Union	3		7	7	7	6	6	6	6	6	6	6	6	7
CSV - Union	12012-04		16	15	15	15	15	15	15	15	15	15	15	15
CSV - Union	1049		163	163	163	156	154	156	156	155	154	160	158	167
CSV - Union	101		513	504	516	502	486	482	479	474	471	471	473	470
CSV - Union	318		3	3	3	3	3	3	3	3	3	3	3	3
CSV - Union	350		1	1	1	1	1	1	1	0	0	0	0	0
CSV - Union	1381		681	693	715	720	716	716	722	722	717	716	708	709
CSV - Union	13507		2	2	2	2	2	2	2	2	2	2	2	2
CSV - Union	12003		231	232	230	228	231	226	239	231	224	203	205	204
ESV - Management			248	250	260	261	259	264	262	258	260	261	262	264
ESV - Union	1049		538	535	535	533	533	532	529	528	528	527	537	539
ESV - Union	1381		89	88	94	94	94	94	93	93	93	93	94	94
USV - Management			104	104	105	120	116	116	115	114	113	114	113	114
USV - Union	3		0	0	0	1	1	1	1	1	1	1	1	1
USV - Union	1049		5	5	5	11	11	11	11	11	11	11	11	11
USV - Union	101		23	23	23	36	36	36	36	36	36	36	36	36
USV - Union	1381		2	2	2	2	2	2	2	2	2	4	4	4
National Grid														
099 - Management			2011	2015	2005	2134	2163	2230	2258	2277	2284	2298	2313	2319
099 - Union	BUW	310	7	8	8	20	21	21	20	21	21	22	22	22
099 - Union	BUW	329	33	33	33	36	38	38	38	38	38	38	37	37
099 - Union	BUW	330	11	11	11	18	18	17	17	17	17	18	16	16
099 - Union	IBE	326	95	95	95	103	103	103	101	97	98	98	97	99
099 - Union	IBE	345	38	25	24	21	18	17	17	17	17	0	0	0
099 - Union	IBE	486A	103	104	105	105	105	105	105	104	104	104	103	103
099 - Union	IBE	486D	3	3	3	3	3	3	3	3	3	3	3	3
099 - Union	IBE	486E	0	0	0	1	1	1	1	0	0	0	0	0
099 - Union	IBE	486F	9	9	9	9	9	9	9	9	9	9	9	9
099 - Union	IBE	486G	0	0	0	0	0	0	0	0	0	17	16	13
099 - Union	USW	12431-01	0	0	0	0	0	0	0	0	12	12	12	10
099 - Union	UWU	369	3	3	3	8	10	10	10	10	9	9	25	25
099 - Union	UWU	369 Northboro	184	183	183	179	202	201	206	196	195	194	197	199



The Narragansett Electric Company  
Total Number of Service Company Employees (2007 - 2011)

Company/Type	Union	Local	2010											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
KeySpan														
CSV - Management			1726	1734	1737	1736	1751	1802	1789	1763	1747	1727	1734	1726
CSV - Union	3		7	7	7	5	6	6	5	6	6	6	6	6
CSV - Union	12012-04		15	15	15	15	15	15	15	15	15	16	16	16
CSV - Union	1049		169	167	169	169	169	169	171	170	169	168	168	168
CSV - Union	101		463	455	452	444	439	436	434	427	425	420	417	415
CSV - Union	318		3	3	3	3	3	3	3	3	3	3	3	3
CSV - Union	350		0	0	0	0	0	0	0	0	0	0	0	0
CSV - Union	1381		702	694	695	701	692	694	679	666	657	655	657	664
CSV - Union	13507		2	2	2	2	2	2	2	2	2	2	2	2
CSV - Union	12003		203	210	209	206	204	201	201	199	198	197	206	205
ESV - Management			260	260	260	259	262	266	266	263	262	270	271	273
ESV - Union	1049		541	537	537	536	536	530	527	531	530	536	531	531
ESV - Union	1381		94	94	94	93	93	90	90	95	94	92	92	92
USV - Management			114	113	113	112	117	115	113	113	111	111	110	110
USV - Union	3		1	1	1	1	1	1	0	1	1	1	1	1
USV - Union	1049		10	10	10	10	10	10	10	10	10	10	10	10
USV - Union	101		36	36	36	37	37	37	36	34	33	33	33	33
USV - Union	1381		3	3	3	3	3	3	3	3	3	3	3	3
National Grid														
099 - Management			2343	2362	2370	2378	2411	2456	2447	2505	2471	2467	2469	2465
099 - Union	BUW	310	22	21	19	19	18	18	18	18	18	18	18	18
099 - Union	BUW	329	37	37	37	36	34	34	33	33	33	33	33	33
099 - Union	BUW	330	16	16	13	13	12	12	11	11	11	11	11	11
099 - Union	IBE	326	99	98	98	98	95	94	94	96	96	96	95	95
099 - Union	IBE	345	0	0	0	0	0	0	0	0	0	0	0	0
099 - Union	IBE	486A	102	101	100	102	102	102	101	100	100	99	99	99
099 - Union	IBE	486D	3	3	3	3	3	3	3	3	3	3	3	3
099 - Union	IBE	486E	0	0	0	0	0	0	0	0	0	0	0	0
099 - Union	IBE	486F	9	9	9	9	9	9	9	9	9	9	9	9
099 - Union	IBE	486G	13	13	13	13	4	4	4	4	4	3	3	3
099 - Union	USW	12431-01	12	12	11	11	13	12	12	12	12	12	12	12
099 - Union	UWU	369	49	55	59	62	66	74	70	75	79	77	79	77
099 - Union	UWU	369 Northboro	193	185	179	176	181	177	175	170	166	157	160	157

The Narragansett Electric Company  
Total Number of Service Company Employees (2007 - 2011)

Company/Type	Union	Local	2011											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
KeySpan														
CSV - Management			1715	1703	1680	1653	1635	1617	1560	1455	1412	1392	1383	1397
CSV - Union	3		6	6	6	6	7	7	7	7	7	7	7	7
CSV - Union	12012-04		16	16	16	16	16	16	16	16	15	15	15	15
CSV - Union	1049		166	347	341	329	334	346	345	337	343	352	350	344
CSV - Union	101		409	383	381	367	354	351	347	344	340	338	346	348
CSV - Union	318		3	3	3	3	3	3	3	3	3	3	3	3
CSV - Union	350		0	0	0	0	0	0	0	0	0	0	0	0
CSV - Union	1381		667	492	491	495	488	471	468	465	463	461	460	475
CSV - Union	13507		2	2	2	2	2	2	2	2	2	2	2	2
CSV - Union	12003		204	201	198	196	195	194	193	190	191	190	203	203
ESV - Management			273	273	276	275	272	272	267	267	265	267	269	270
ESV - Union	1049		528	524	524	524	531	530	531	532	532	539	537	541
ESV - Union	1381		92	92	92	92	92	92	92	93	92	90	91	92
USV - Management			108	107	107	105	102	100	95	74	73	71	73	66
USV - Union	3		1	1	1	0	0	0	0	0	0	0	0	0
USV - Union	1049		5	5	5	5	5	5	5	5	5	5	5	5
USV - Union	101		32	32	32	26	23	23	23	23	23	23	23	23
USV - Union	1381		3	3	3	3	3	3	3	3	3	3	3	2
National Grid														
099 - Management			2461	2453	2446	2397	2371	2346	2196	2124	2082	2068	2020	2040
099 - Union	BUW	310	18	18	18	18	18	18	18	18	18	18	14	14
099 - Union	BUW	329	33	33	32	32	32	32	32	32	32	32	32	32
099 - Union	BUW	330	9	9	9	9	9	10	10	10	10	10	7	7
099 - Union	IBE	326	95	95	95	95	95	97	97	97	97	97	93	93
099 - Union	IBE	345	0	0	0	0	0	0	0	0	0	0	0	0
099 - Union	IBE	486A	98	98	99	99	98	98	98	98	98	97	97	97
099 - Union	IBE	486D	3	3	3	3	3	3	3	3	3	3	3	3
099 - Union	IBE	486E	0	0	0	0	0	0	0	0	0	0	0	0
099 - Union	IBE	486F	9	9	9	9	9	9	9	9	9	9	9	9
099 - Union	IBE	486G	3	3	3	3	3	3	3	3	3	3	3	3
099 - Union	USW	12431-01	12	12	12	12	24	24	33	33	32	32	32	32
099 - Union	UWU	369	76	72	74	75	73	75	75	74	73	72	70	71
099 - Union	UWU	369 Northboro	146	154	146	141	138	136	136	132	131	126	125	124

The Narragansett Electric Company  
Number of Service Company Employees by Location ( 2010 and 2011)

[illegible]

The Narragansett Electric Company  
Number of Service Company Employees by Location ( 2010 and 2011)

Company		Location		State	2010												2011											
KeySpan			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
CSV	Reservoir Woods	MA	353	355	355	359	369	385	384	378	407	408	409	408	405	403	396	385	379	381	358	337	330	324	322	321		
CSV	Riverhead	NY	28	29	31	31	30	31	34	34	34	33	33	33	32	32	32	31	31	31	30	30	30	30	31	31		
CSV	Rockaway Pk, Beach 102 St	NY	4	4	4	4	4	4	4	4	4	3	2	2	2	2	2	2	1	0	0	0	0	0	0			
CSV	Roslyn	NY	52	53	53	52	52	53	52	49	46	48	47	48	49	49	49	51	51	51	50	47	48	51	52	51		
CSV	Salem LNG Plant	MA	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1			
CSV	Salem NH	NH	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0			
CSV	Shoreham	NY	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1			
CSV	Staten Island Service Center	NY	22	22	22	21	21	20	20	19	19	19	19	19	18	18	16	16	17	17	17	15	14	15	15			
CSV	Syracuse - B2 Syr	NY	4	4	4	4	4	5	5	5	6	5	5	5	5	5	5	5	5	5	3	3	3	3	3			
CSV	Tewksbury LNG Plant	MA	2	2	2	2	2	2	2	2	2	2	2	2	1	1	1	1	1	1	1	1	1	1	1			
CSV	Tilton	NH	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
CSV	Waltham, 2nd Ave	MA	118	82	81	80	81	80	77	73	2	2	2	2	2	2	3	4	4	4	2	2	2	2	1			
CSV	Waltham, Newton St	MA	19	19	18	18	18	20	19	18	18	18	18	18	18	18	18	18	19	19	18	18	18	18	18			
CSV	Washington DC	DC	3	3	3	3	3	6	6	6	6	6	5	5	5	5	4	5	5	5	5	5	5	5	5			
CSV	West Roxbury	MA	15	15	15	15	15	16	17	17	19	19	17	18	19	19	19	19	18	17	16	15	15	16	16			
CSV	Westborough	MA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0			
CSV	White's Path	MA	5	5	5	5	5	5	5	5	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4			
CSV	Whites Path - LNG facility	MA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0			
CSV	Wilmington	MA	46	46	46	46	45	45	45	45	46	46	46	46	46	46	46	46	46	46	45	42	42	42	42			
ESV	100 Old Cntry Rd Hicks	NY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
ESV	Bellmore	NY	6	6	6	6	6	7	7	8	8	8	8	7	7	7	7	7	7	7	7	7	7	7	8			
ESV	Brentwood	NY	156	156	155	153	153	150	149	148	144	145	141	141	138	138	137	137	138	138	138	138	139	139	139			
ESV	Bridgehampton-Hamptons	NY	36	36	36	36	36	35	35	34	34	33	33	33	33	33	30	30	30	30	30	31	31	32	33			
ESV	Garden City 600 Building	NY	11	11	11	11	11	11	11	11	11	12	12	12	10	10	10	10	10	10	10	10	10	10	11			
ESV	Glenwood Landing	NY	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
ESV	Greenlawn	NY	48	48	47	47	47	46	45	44	44	45	45	45	44	43	43	43	44	44	43	42	43	42	41			
ESV	Hauppauge-JW Dye Training Ctr	NY	3	3	3	3	3	3	3	3	3	3	3	3	2	2	2	2	2	2	2	2	2	2	2			
ESV	Hewlett	NY	113	106	107	107	107	103	102	99	100	99	99	97	93	91	91	92	92	93	93	93	93	93	91			
ESV	Hicksville	NY	260	264	264	263	262	268	269	280	280	286	285	289	291	301	299	299	299	298	299	297	300	302	303			
ESV	Holtsville	NY	8	8	8	8	9	9	9	9	9	10	10	10	10	10	10	10	10	10	10	9	9	8	8			
ESV	Hub Drive	NY	31	31	31	31	34	34	34	32	31	35	37	39	38	38	39	40	40	40	39	39	39	41	41			
ESV	Melville Call Center	NY	6	6	6	6	6	5	5	5	5	5	5	6	6	6	6	6	6	5	5	5	5	5	5			
ESV	MetroTech Center	NY	0	0	0	0	0	0	0	0	0	1	1	1	2	2	2	2	2	2	2	2	2	2	2			
ESV	Nine Mile Pt Unit 2 - Lycoming	NY	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1			
ESV	Northport	NY	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1			
ESV	Patchogue	NY	49	49	49	49	49	49	49	49	49	51	51	51	51	51	49	49	49	49	49	48	48	49	51			
ESV	Port Jefferson Station	NY	20	20	20	20	20	19	19	19	17	17	17	17	17	17	17	17	17	17	17	17	16	16	11			
ESV	Riverhead	NY	96	96	96	96	96	95	95	95	96	94	94	94	93	92	92	92	93	92	91	92	92	95	94			
ESV	Roslyn	NY	50	50	51	51	51	51	50	52	52	53	52	52	54	54	54	54	54	54	54	54	55	52	51			
USV	Bellmore	NY	3	3	3	3	3	3	3	3	3	3	3	3	2	2	2	2	2	2	2	2	2	2	2			
USV	Brentwood	NY	6	6	6	6	6	6	6	6	6	6	6	6	4	4	4	4	4	4	4	3	3	3	3			
USV	Canasie Service Center	NY	55	55	55	55	56	55	55	53	52	50	49	49	48	47	47	40	37	36	33	24	24	23	23			
USV	Greenpoint Service Center	NY	21	21	21	21	21	21	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	11			
USV	Hewlett	NY	4	4	4	4	4	4	4	4	4	4	4	4	3	3	3	3	3	3	2	1	1	1	1			
USV	Hicksville	NY	56	55	55	55	58	58	56	56	55	57	57	57	54	54	54	54	51	50	49	44	43	42	44			
USV	Holtsville	NY	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1			
USV	Hub Drive	NY	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	5	5	5	4	4	4	4	4			
USV	MetroTech Center	NY	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
USV	Patchogue	NY	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	6	6	6	6			
USV	Reservoir Woods	NY	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
USV	St. Arthur Kill	NY	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0			
USV	Staten Island Service Center	NY	4	4	4	4	4	4	3	3	3	3	3	3	3	3	3	3	3	3	3	0	0	0	0			
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			

The Narragansett Electric Company  
Number of Service Company Employees by Location ( 2010 and 2011)

Company	Location	State	2010												2011											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
National Grid																										
099	Albany - NGSrvCo	NY	43	44	45	45	46	46	45	45	44	44	44	44	43	44	44	43	42	40	37	36	38	36	30	31
099	Albany Wash Ave - NGSrvCo	NY	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
099	Athol	MA	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
099	Attleboro	MA	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
099	Batavia Service Center	NY	6	5	5	5	5	5	6	6	6	6	6	6	6	6	6	6	6	6	4	4	4	4	4	
099	Bd of Education Bldg NGSrvCo	NY	25	24	24	23	23	23	23	23	23	23	22	21	20	19	19	19	19	19	19	18	18	17	17	
099	Beacon North Svc Ctr - NGSrvCo	NY	10	11	13	13	14	14	14	15	15	15	15	16	16	16	16	17	17	17	12	12	14	13	12	
099	Beverly	MA	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	
099	Beverly Co 99	MA	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	2	2	2	
099	Braintree Quincy Ave	MA	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	
099	Broadway Oper HQ Co 99	NY	2	2	2	2	2	2	2	2	2	2	2	1	1	1	1	1	1	1	0	0	1	1	0	
099	Brockton - E Ashland St Bldg	MA	6	6	6	6	6	6	6	12	12	11	11	11	11	11	11	11	11	9	8	8	7	7	5	
099	Brockton - NGSrvCo	MA	30	29	27	27	27	28	27	31	30	30	30	30	30	30	29	29	29	29	27	26	25	25	23	
099	Buffalo - Div Hdqtrs NGSrvCo	NY	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
099	Buffalo Kensington - NGSrvCo	NY	24	25	26	27	27	28	31	33	33	32	33	33	36	36	36	34	34	32	27	27	30	30	25	
099	Clifton Park Wrhs Op NGSrvCo	NY	5	5	5	5	5	5	5	5	5	5	6	6	6	6	6	6	6	6	6	6	6	5	5	
099	Crossroads Park	NY	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	4	4	
099	East Avon Service Center	NY	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
099	Eastern Regional Ctr Ctr ERCC	NY	1	1	1	1	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	1	1	1	
099	EMS-Kensington Operating Hqtrs	NY	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	
099	Erie Boulevard, NY Div Hdqtrs	NY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	
099	Fredonia Operating Hqtrs	NY	3	3	3	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	
099	Glens Falls Cust Serv, Serv Co	NY	5	5	5	5	6	6	6	7	6	6	6	6	6	6	6	6	6	6	7	7	7	6	6	
099	Gloversville Svc Ctr Co 99	NY	2	2	2	3	3	3	3	3	3	3	3	3	3	3	3	2	2	2	2	0	0	0	0	
099	Great Barrington Co 99	MA	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
099	HCB EMS (HCB-3) - TRANSMISSION	NY	2	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	
099	HCB Operating Hdqtrs - NGSrvCo	NY	8	8	8	8	8	8	8	8	8	8	8	7	7	7	7	7	7	7	9	9	9	10	11	
099	HCB Operating Hqtrs(HCB2)	NY	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	
099	Henry Clay Blvd (HCB 1)	NY	3	5	6	6	7	6	6	6	6	6	6	6	6	6	6	6	7	7	5	5	5	5	5	
099	Henry Clay Blvd (HCB3)	NY	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
099	Henry Clay Blvd (HCB-3)	NY	33	33	35	33	35	32	33	32	31	31	31	32	32	32	30	29	29	29	28	28	28	28	30	
099	Herkimer Service Center	NY	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
099	Hicksville	NY	2	2	2	2	2	2	2	2	2	2	2	2	3	3	3	3	3	3	3	3	3	2	2	
099	Hinsdale Operating HQ	NY	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
099	Hopedale	MA	2	2	2	2	2	2	2	3	4	4	4	4	4	4	4	4	4	4	2	2	1	1	0	
099	Hopedale - NGSrvCo	MA	9	10	10	9	8	8	8	13	12	12	12	12	12	12	11	11	11	11	8	8	10	10	10	
099	Hudson Service Center	NY	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	
099	Lebanon NGSrvCo 407MiracleMile	NH	14	14	14	14	14	14	14	14	13	13	13	13	13	13	13	12	13	13	12	12	12	14	14	
099	Leominster	MA	0	0	0	0	0	0	0	4	4	4	4	4	4	4	4	4	4	4	4	4	3	3	3	
099	Leominster KS - Mill St Co 99	MA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
099	Lincoln Service Co	RI	51	51	50	44	10	9	9	9	8	8	8	8	7	7	7	6	6	5	4	4	4	4	4	
099	Lowell Operations Office	MA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	
099	Malden- NGSrvCo	MA	10	11	11	11	11	11	11	14	14	14	14	14	14	12	11	10	10	10	10	10	9	8	7	
099	Marlboro	MA	2	2	2	2	2	1	1	2	2	2	2	2	2	2	2	2	2	2	2	2	1	1	1	
099	Marlboro Nickerson Rd	MA	2	2	2	2	2	3	2	2	2	2	2	2	2	2	2	2	2	2	1	1	1	0	0	
099	Metro Tech Center	NY	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	2	3	3	4	
099	Middletown Co 99	RI	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
099	Millbury Learning Center	MA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	17	17	17	17	17	
099	Millbury Training Center	MA	20	20	20	20	20	20	20	20	20	21	21	21	21	21	21	21	18	3	3	1	1	1	1	
099	Monson	MA	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
099	Monson Co 99	MA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	2	1	1	1	1	
099	NE Distrib Center (SUTTON)	MA	45	44	44	43	43	43	42	42	42	42	42	40	40	40	40	40	40	38	38	38	38	37	38	
099	NE Gas Cumberland Bldg A	RI	2	3	4	4	4	4	4	3	3	3	3	3	3	3	3	3	3	3	4	4	4	4	4	
099	NE Gas Cumberland Bldg B	RI	7	7	7	5	5	7	7	6	7	7	6	6	6	6	6	6	6	7	8	8	5	5	5	
099	NE Gas Dexter	RI	5	4	4	4	4	4	3	6	6	6	6	6	6	6	6	6	6	6	5	4	3	3	4	

The Narragansett Electric Company  
Number of Service Company Employees by Location ( 2010 and 2011)

Company	Location	State	2010												2011											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
National Grid																										
099	Niagara Falls Service Center	NY	9	9	9	9	9	8	3	3	3	3	3	3	3	3	3	2	2	2	2	2	3	2	3	4
099	North Adams	MA	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
099	North Andover	MA	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
099	North Andover - NGSrvCo	MA	44	44	44	44	44	44	44	57	57	57	58	58	57	57	57	56	56	55	52	52	51	51	48	48
099	North Andover-Methuen Co 99	MA	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
099	North Kingstown - NGSrvCo	RI	6	4	4	3	3	3	3	3	3	3	2	2	1	1	1	1	1	1	1	1	1	1	1	1
099	Northampton - NGSrvCo	MA	10	10	10	10	10	10	10	12	10	9	9	9	9	9	9	9	9	9	8	8	8	8	6	6
099	Northboro - NGSrvCo	MA	216	216	213	400	429	434	427	423	413	410	412	408	401	409	402	395	406	404	392	388	385	378	373	372
099	Norwood Training Center	MA	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
099	Olean Service Center	NY	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	1	1	1	1	1	1
099	Potsdam Service Center	NY	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	1	1	2	2	1	1
099	Providence - NGSrvCo	RI	58	60	60	55	55	55	55	68	66	68	70	70	71	71	71	71	71	71	82	82	85	86	77	77
099	Prov-Melrose Street	RI	3	3	3	4	5	5	5	11	11	11	12	12	14	14	15	15	15	16	5	5	3	2	1	1
099	Reservoir Woods	MA	1168	1188	1192	1201	1247	1279	1275	1259	1261	1256	1259	1255	1246	1238	1239	1211	1186	1179	1124	1100	1069	1063	1050	1058
099	S Wtn Serv Ctr Bldg A - NGSrvC	NY	3	3	3	4	4	4	5	4	4	4	4	4	4	4	4	4	4	4	3	3	4	4	4	4
099	Salem NH	NH	4	5	6	6	6	6	6	7	7	7	6	6	6	6	6	6	5	5	5	6	6	6	9	9
099	Sandy Pond	MA	19	19	19	19	19	19	19	19	19	19	19	19	20	20	20	20	18	17	17	17	16	16	16	16
099	Saratoga Service Center	NY	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	1	1	0	0	0
099	Somerset - Mass Electric Co 99	MA	7	7	7	6	6	6	6	7	6	5	5	5	5	5	6	6	6	7	3	3	3	2	1	1
099	Syr - NGSrvCo - Transmission	NY	9	14	14	14	14	14	13	13	13	13	13	13	13	13	13	13	13	12	12	11	10	9	9	
099	Syracuse - NGSrvCo	NY	593	589	586	588	599	612	611	610	600	602	604	607	604	604	599	592	588	583	561	518	506	511	512	519
099	Tewksbury	MA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0
099	Tonawanda Service Center	NY	2	2	2	3	3	3	3	3	3	3	3	3	0	0	0	0	0	0	0	0	0	0	0	0
099	Utica Service Center	NY	6	7	7	7	7	7	7	8	8	8	8	8	8	8	8	8	8	8	6	6	9	9	6	6
099	Volney Service Center	NY	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0
099	Waltham Jones Rd	MA	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0
099	Waltham Oper Newton St	MA	1	1	2	2	2	2	2	2	2	1	1	1	2	2	2	2	2	2	2	1	1	2	1	1
099	West Roxbury	MA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
099	Westboro Garage	MA	8	8	8	8	7	7	7	8	8	8	7	7	7	7	7	7	7	7	7	7	7	7	7	7
099	Westboro Office	MA	235	223	220	48	30	28	26	26	24	15	15	13	13	13	13	13	13	13	13	13	14	11	11	
099	Westboro Office - Transmission	MA	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0
099	Westboro Trans Line Services	MA	12	12	13	13	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
099	White's Path	MA	1	1	1	1	1	1	1	2	2	2	2	2	2	2	2	2	1	1	1	1	1	1	1	1
099	Worc NGSrvCo SouthbridgeStreet	MA	71	71	68	66	70	72	70	82	79	80	80	80	78	78	79	78	77	76	67	67	68	66	61	62

Division 11-4-ELEC/GAS

Request:

When does National Grid plan to consolidate existing service companies? Please provide any testimony, reports or memos that describe such plans and potential savings from such consolidation.

Response:

***Background***

In August 2007, National Grid USA ("National Grid") acquired KeySpan Corporation ("KeySpan"). At the time of the acquisition, both National Grid and KeySpan were holding companies that utilized centralized service company structures to provide a variety of corporate and administrative services to their regulated and unregulated operating affiliates. National Grid had a single service company, National Grid USA Service Company, Inc. ("NGUSC"), while KeySpan had three service companies, KeySpan Corporate Services LLC, KeySpan Utility Services LLC and KeySpan Engineering & Survey Inc.<sup>1</sup>

The New York Public Service Commission ("NYPSC") reviewed and approved the merger under Section 110(3) of the New York Public Service Law in orders dated August 23, 2007 and September 17, 2007, in Case 06-M-0878 et al.<sup>2</sup> In those orders, the NYPSC contemplated that KeySpan Corporate Services LLC (now, National Grid Corporate Services LLC) and KeySpan Utility Services LLC (now, National Grid Utility Services LLC) would be consolidated with NGUSC.

***Consolidation Process and Schedule***

Two important milestones were necessary for National Grid to complete the consolidation of the service companies. First, National Grid retained the services of a management consulting group, PA Consulting Group ("PA"), to perform a Cost Allocations Review Project within its U.S.-

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<sup>1</sup> Following the merger, KeySpan Corporate Services LLC was renamed as National Grid Corporate Services LLC and KeySpan Utility Services LLC was renamed as National Grid Utility Services LLC.

<sup>2</sup> Cases 06-M-0878 et al., *Joint Petition of National Grid plc and KeySpan Corporation For Approval of Stock Acquisition and other Regulatory Authorizations*, "Abbreviated Order Authorizing Acquisition Subject To Conditions And Making Some Revenue Requirement Determinations For KeySpan Energy Delivery New York and KeySpan Energy Delivery Long Island (Issued and Effective August 23, 2007), and "Order Authorizing Acquisition Subject To Conditions And Making Some Revenue Requirement Determinations For KeySpan Energy Delivery New York and KeySpan Energy Delivery Long Island" (Issued and Effective September 17, 2007).

Division 11-4-ELEC/GAS, page 2

based regional jurisdictions and business entities. The objective of the project was to review the cost allocation processes and methodologies used to charge shared service costs across the U.S. organization. The work performed by PA resulted in a set of recommendations related to establishing a rationalized common cost assignment/allocation process and a new Cost Allocation Manual to guide employees across the organization as to the proper, consistent methods for assigning or allocating costs. The PA "Cost Allocations Review Project Report" was included in Schedule MDL-2 at pages 40 through 123 of the Company's April 27, 2012 filing.

Second, National Grid commenced a substantial undertaking to consolidate the two legacy financial accounting systems used individually by National Grid and KeySpan prior to the merger. The legacy systems used by National Grid and KeySpan are the PeopleSoft ("PeopleSoft") Financial and Oracle Financial ("Oracle") systems, respectively. The financial systems consolidation is referred to as the "U.S. Foundation Program." The two legacy financial systems are targeted for consolidation onto a single, integrated SAP platform in October 2012.

<b>National Grid USA Service Company, Inc.</b>	<b>National Grid USA Service Company, Inc.</b>
<b>National Grid Corporate Services LLC</b>	
<b>National Grid Utility Services LLC</b>	

The consolidation of the service companies into NGUSC will take place on a schedule that coincides with the consolidation of the PeopleSoft and Oracle financial systems, currently scheduled for October 2012.

***Standardized Service Company Agreement***

Coincident with the consolidation of the existing service companies into a single service company, a new, standardized service company agreement will be put into place with all companies affiliated with, and receiving services from, the consolidated service company, including the Company. A copy of the standardized Service Company Agreement is provided herewith as Attachment DIV 11-4-ELEC/GAS.

Under the Service Company Agreement, NGUSC will provide a range of corporate and administrative services to its regulated and unregulated affiliates, or "Client Companies." The services will include, but are not limited to, corporate affairs, customer services, safety, health



Division 11-4-ELEC/GAS, page 3

and environmental services, executive and administrative services, finance services, human resources services, information services, procurement services, legal and regulatory and pricing services, operations services, network strategy and services, shared services and corporate audit services.

The Client Companies will have the right from time to time to amend the services received under the Service Company Agreement. All services provided will be at actual cost in accordance with the Federal Energy Regulatory Commission's regulations.<sup>3</sup> Direct charges will be made for services where appropriate. Cost allocations will be done in accordance with any methodologies and allocators that have been submitted to the appropriate regulatory authorities and received any necessary regulatory authorizations. Costs billed by NGUSC will include capital costs. All costs will be billed and paid on a monthly basis. Nothing in the Service Company Agreement will limit the jurisdiction of state regulatory commissions under applicable law to review the prudence of the costs incurred by any Client Companies for the purpose of determining whether those companies may recover the costs in rates.

Please see generally the Direct Testimony of Company Witness Michael D. Laflamme beginning at Page 15.

***Quantification of Savings***

Please refer to the Company's response to Division 11-23-ELEC/GAS regarding savings associated with the consolidation of the service companies.

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<sup>3</sup> *Repeal of the Public Utility Holding Company Act of 1955 and Enactment of the Public Utility Holding Company Act of 2005*, FERC Stats. and Regs., Regulations Preambles (2001-2005) ¶ 31,197 at para. 169 (2005).

**NATIONAL GRID USA SERVICE COMPANY, INC.**

**SERVICE AGREEMENT**

This Service Agreement ("Agreement") dated as of \_\_\_\_\_, 2012 ("Effective Date") is entered into by and between National Grid USA Service Company, Inc. ("Service Company"), a Massachusetts corporation, and each of the affiliated companies that are or become a party hereto (each, individually a "Client Company" and collectively, the "Client Companies"). Service Company and the Client Companies may also be referred to herein, individually, as a "Party," and, collectively, as the "Parties".

WHEREAS, Service Company is a wholly owned subsidiary of National Grid USA ("National Grid") which is a holding company under the Public Utility Holding Company Act of 2005, as amended (the "Act"); and

WHEREAS, the Client Companies desire Service Company to provide services as contemplated by this Agreement, and Service Company is willing to provide such services, subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual representations, covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties hereto agree as follows:

**ARTICLE 1**  
**SERVICES**

1.1 Services Offered. Exhibit I to this Agreement describes some of the services that Service Company may furnish to each Client Company. In addition to the services referred to in Exhibit I hereto, Service Company may also provide each Client Company with additional or different services, as may be requested, from time to time, by such Client Company. In supplying services hereunder to a Client Company, Service Company may arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons or third parties with necessary qualifications as are required for, or are pertinent to, the performance of such services.

1.2 Modification of Services. Each Client Company shall have the right from time to time to amend, alter or rescind any activity, project, program, work order or other request for services in connection with this Agreement, provided that (i) the cost for the services covered by the activity, project, program, work order or other request for service shall be deemed to include any costs incurred by Service Company as a direct result of such amendment, alteration or rescission of the activity, project, program or work order, and (ii) no amendment, alteration or rescission of an activity, project, program or work order shall release a Client Company from liability for all costs already incurred by or contracted for by Service Company in connection with the activity, project, program or work order, regardless of whether the services associated with such costs have been completed.

1.3 Limitations.

(a) Anything in this Agreement to the contrary notwithstanding, no Party shall be obligated to participate in any transaction contemplated by this Agreement if the cost to be charged to such Party in connection with such transaction differs from the amount of the charges such Party is permitted to incur under any statute applicable to such Party or under any rules, regulations or orders of the Federal Energy Regulatory Commission (“FERC”) or of any state public utility commission or its equivalent having jurisdiction over such Party, and (ii) if a Client Company is subject to the jurisdiction of the Massachusetts Department of Public Utilities (“MDPU”) or any successor to the MDPU, any amounts to be paid by such Client Company in connection with this Agreement or any transaction contemplated by this Agreement shall be subject to review and determination by the MDPU in any proceeding brought under Section 93 or 94 of Chapter 164 of the Massachusetts General Laws.

(b) This Agreement shall be subject to approval of any federal or state regulatory body whose approval is a legal prerequisite to its execution and delivery or performance. Cost allocations and the methods of allocation provided herein or contemplated hereby may also be subject to the jurisdiction of FERC under Section 1275 of the Energy Policy Act of 2005 and the rules promulgated thereunder and, if and to the extent its determination is sought, FERC determinations regarding the allocation of costs shall be dispositive.

(c) Nothing in this Agreement is intended to limit the jurisdiction that any state public utility commission or equivalent agency may have under applicable law to review the prudence of costs incurred and paid hereunder for the purpose of determining whether the applicable Client Company may recover such costs in rates.

1.4 Service Company shall cooperate in the implementation of, and shall participate in, such management programs and procedures as may be requested by any Client Company in connection with the services provided to such Client Company under this Agreement. These management programs and procedures may, include, without limitation, budgeting applications and Service Level Agreements, as determined by the requesting Client Company.

ARTICLE 2  
COMPENSATION AND BILLING

2.1 Compensation. All of the services rendered under this Agreement will be rendered at actual cost thereof. Direct charges will be made for services where appropriate. Costs that cannot be directly charged will be allocated to Client Companies by means of equitable allocation formulae or clearing accounts. To the extent possible, such allocations shall be based on cost-causation relationships. All other allocations will be broad based. Each formula will have an appropriate basis.

From time to time, certain Client Companies may make filings (as part of a rate plan or otherwise) with regulatory agencies having jurisdiction on the application of allocation methodologies as specified in such filings (such filings, as may be amended from time to time, shall be referred to as “Allocation Filings”). The Service Company shall allocate costs in connection with this Agreement in compliance with all applicable Allocation Filings then in effect and in compliance with the Service Company’s Cost Allocation Manual, as such Manual may be amended or modified from time to time. Subject to the foregoing, allocation

methodologies may be modified or changed by Service Company without the necessity of an amendment of this Agreement provided that in each instance all services rendered hereunder will be at actual cost thereof, fairly and equitably allocated. The Client Companies will be advised from time to time of any material changes in such methodologies.

2.2 Billing. Bills will be rendered during the first week of each month covering amounts due for the month calculated on an estimated basis using the actual expenses incurred to the extent possible during the second previous month. This estimated amount would be adjusted on the bill to be rendered by the conclusion of the following month. If a bill is not paid by the 15<sup>th</sup> day after the bill is received (the “*Due Date*”), the Client Company shall pay interest on any amount outstanding after the Due Date at the current money pool rate.

### ARTICLE 3

#### TERM AND TERMINATION

3.1 Effective Date. This Agreement shall become effective as of the Effective Date.

3.2 Term and Termination.

(a) The term of this Agreement shall be 364 days. Upon the expiration of each 364 day term, this Agreement shall be automatically renewed for an additional term of 364 days; provided that such renewal term shall not apply to any Client Company that elects to terminate its participation in this Agreement by providing written notice to Service Company prior to the effective date of such renewal term.

(b) Any Client Company may terminate its participation in this Agreement upon sixty (60) days advance written notice to the Service Company. The Service Company may terminate this Agreement with respect to any Client Company upon sixty (60) days advance written notice to such Client Company or may terminate this Agreement in its entirety upon sixty (60) days advance written notice to all Client Companies. The foregoing notwithstanding, the obligations of the Parties under this Agreement with respect to invoicing and payment of amounts due shall continue in effect notwithstanding any such termination until all final accounting, adjustments and payments have been made in compliance herewith.

(c) This Agreement will also be subject to termination or modification, without prior notice and at any time, to the extent its performance may conflict with any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction.

### ARTICLE 4

#### MISCELLANEOUS

4.1 Modification. Except as set forth in Article 2 and Sections 1.3, 3.2 and 4.4, no amendment or other modification of this Agreement shall be effective unless made in writing and executed by all of the Parties to this Agreement.

4.2 Notices. Where written notice is required by this Agreement, such notice shall be deemed given when delivered personally, mailed by certified mail, postage prepaid and return receipt requested, or by facsimile or electronic mail, as follows:

To Service Company:

National Grid USA Service Company, Inc.  
Attn: Vice President, Service Company & Regulatory Accounting  
40 Sylvan Road  
Waltham, Massachusetts 02451

To Client Company:

Notice to any Client Company shall be sent to the attention of the President (or equivalent chief executive) of such Client Company at the principal office of such President or chief executive with a copy to the Vice President and Controller, National Grid USA, 40 Sylvan Road, Waltham, Massachusetts 02451.

4.3 Accounts. All accounts and records of Service Company shall be kept in accordance with all applicable rules and regulations promulgated by FERC pursuant to the Act, including, without limitation, applicable record retention requirements and the Uniform System of Accounts for Service Companies in effect from and after the date hereof. Upon request, Service Company shall permit a Client Company reasonable access to the accounts and records of Service Company relating to the services performed for such Client Company hereunder.

4.4 Additional Client Companies. After the Effective Date, any new or existing direct or indirect subsidiary of National Grid USA may become an additional Client Company under this Agreement by executing and delivering to Service Company an Accession substantially in the form attached hereto as Exhibit II.

4.5 Waiver. Except as otherwise provided in this Agreement, any failure of a Party to comply with any obligation, covenant, agreement, or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

4.6 No Third Party Beneficiaries. Nothing in this Agreement is intended to confer upon any other person except the Parties any rights or remedies hereunder or shall create any third party beneficiary rights in any person. No provision of this Agreement shall create any rights in any such persons in respect of any benefits that may be provided, directly or indirectly, under any employee benefit plan or arrangement except as expressly provided for thereunder.

4.7 Governing Law This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts (regardless of the laws that might otherwise govern under applicable principles of conflicts of law).

4.8 Counterparts. This Agreement and any Accession may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The exchange of copies of this Agreement or of any Accession and of signature pages by facsimile transmission (including telecopier and scanned "PDF" transmitted by email) shall constitute effective execution and delivery of this Agreement and any Accession as to the Parties and may be used in lieu of the original Agreement or Accession and signatures for all purposes. Signatures of the Parties transmitted by facsimile (including telecopier and scanned "PDF" transmitted by email) shall be deemed to be their original signatures for all purposes. In proving this Agreement or any Accession it shall not be necessary to produce or account for more than one such counterpart signed by the Party against whom enforcement is sought.

4.9 Entire Agreement. This Agreement, including the exhibits attached hereto, constitutes the entire agreement and understanding of the Parties with respect to the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the transactions contemplated by this Agreement.

4.10 Severability. If any term or other provision of this Agreement is determined to be invalid, illegal or unenforceable, such term or provision shall be modified so as to give as much effect to the original intent thereof as is consistent with applicable law and without affecting the validity, legality or enforceability of the remaining terms and provisions of this Agreement.

4.11 Assignment. Service Company shall not assign this Agreement, or any of its rights or obligations hereunder, without the prior written consent of the Client Companies, such consent not to be unreasonably withheld. A Client Company shall not assign this Agreement, or any of its rights or obligations hereunder, without the prior written consent of Service Company. This Agreement shall inure to the benefit and shall be binding upon the Parties and their permitted successors and assigns.

4.12 Termination of Existing Service Contracts.

The Parties acknowledge that Service Company is successor by merger to National Grid Corporate Services LLC (formerly, KeySpan Corporate Services LLC) and National Grid Utility Services LLC (formerly, KeySpan Utility Services LLC). Service Company and each Client Company agree that, effective as of the Effective Date, the Service Agreement dated as of October 1, 2007 between National Grid Corporate Services LLC and the Client Companies party thereto, the Service Agreement dated as of January 1, 2008 between National Grid Utility Services LLC and the Client Companies party thereto, and all Service Contracts dated as of April 1, 2012 between Service Company and any Client Company are hereby terminated as of the Effective Date, subject to settlement of amounts due under such agreements and contracts.

*[Signatures are on following pages.]*

**IN WITNESS WHEREOF**, Service Company and the undersigned Client  
Companies have caused this Agreement to be executed by their respective duly authorized  
representatives.

**National Grid USA Service Company, Inc.**

By: \_\_\_\_\_

Name:

Title:

**Niagara Mohawk Power Corporation**

By: \_\_\_\_\_

Name:

Title:

**The Brooklyn Union Gas Company**

By: \_\_\_\_\_

Name:

Title:

**KeySpan Gas East Corporation**

By: \_\_\_\_\_

Name:

Title:

**[Granite State Electric Company**

By: \_\_\_\_\_  
Name:  
Title: ]

**Massachusetts Electric Company**

By: \_\_\_\_\_  
Name:  
Title:

**Nantucket Electric Company**

By: \_\_\_\_\_  
Name:  
Title:

**The Narragansett Electric Company**

By: \_\_\_\_\_  
Name:  
Title:

**New England Electric Transmission  
Corporation**

By: \_\_\_\_\_  
Name:  
Title:



**New England Power Company**

By: \_\_\_\_\_  
Name:  
Title:

**New England Hydro-Transmission Electric  
Company, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**New England Hydro-Transmission  
Corporation**

By: \_\_\_\_\_  
Name:  
Title:

**Boston Gas Company**

By: \_\_\_\_\_  
Name:  
Title:

**Colonial Gas Company**

By: \_\_\_\_\_  
Name:  
Title:

**[EnergyNorth Natural Gas, Inc.**

By: \_\_\_\_\_  
Name:  
Title:]

**National Grid Generation LLC**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Engineering & Survey Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Electric Services LLC**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan Corporation**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Energy Trading Services LLC**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Exploration and Production,  
LLC**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan Energy Corporation**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid NE Holdings 2 LLC**

By: \_\_\_\_\_  
Name:  
Title:

**NGNE LLC**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Glenwood Energy Center LLC**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Port Jefferson Energy Center  
LLC**

By: \_\_\_\_\_  
Name:  
Title:

**Niagara Mohawk Energy, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**Nicodama Beheer V.B.V.**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan MHK, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Technologies, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Services, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Development Holdings Corp.**

By: \_\_\_\_\_  
Name:  
Title:

**North East Transmission Co., Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid USA**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid US 6**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid US 7**

By: \_\_\_\_\_  
Name:  
Title:

**EUA Energy Investment Corporation**

By: \_\_\_\_\_  
Name:  
Title:

**EAU FRC II Energy Associates**

By: \_\_\_\_\_  
Name:  
Title:

**Metrowest Realty LLC**

By: \_\_\_\_\_  
Name:  
Title:

**METRO Energy, L.L.C.**

By: \_\_\_\_\_  
Name:  
Title:

**NEES Energy, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**New England Energy Incorporated**

By: \_\_\_\_\_  
Name:  
Title:

**New England Hydro Finance Company, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**NEWHC, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**NM Properties, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**NM Uranium, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**Wayfinder Group, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**GridAmerica Holdings Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Transmission Services  
Corporation**

By: \_\_\_\_\_  
Name:  
Title:

**Newport America Corporation**

By: \_\_\_\_\_  
Name:  
Title:

**Niagara Mohawk Holdings, Inc.**

By: \_\_\_\_\_  
Name:  
Title:



**Patience Realty Corp.**

By: \_\_\_\_\_  
Name:  
Title:

**Prudence Corporation**

By: \_\_\_\_\_  
Name:  
Title:

**British Transco Capital Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**British Transco Finance Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**Island Energy Services Company, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**Transgas Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**Eastern Rivermoor Company, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**Mystic Steamship Corporation**

By: \_\_\_\_\_  
Name:  
Title:

**Opinac North America, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**PCC Land Company, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**Philadelphia Coke Co., Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**Port of the Islands North LLC**

By: \_\_\_\_\_  
Name:  
Title:

**Eastern Associated Securities Corp.**

By: \_\_\_\_\_  
Name:  
Title:

**MyHomeGate, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Telemetry Solutions, LLC**

By: \_\_\_\_\_  
Name:  
Title:

**KSI Contracting, LLC**

By: \_\_\_\_\_  
Name:  
Title:

**KSI Electrical, LLC**

By: \_\_\_\_\_  
Name:  
Title:

**KSI Mechanical, LLC**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Energy Management, LLC**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Energy Services, LLC**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Energy Supply LLC**

By: \_\_\_\_\_  
Name:  
Title:

**Broken Bridge Corp.**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid North East Ventures Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan International Corporation**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid IGTS Corp.**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan Midstream, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan C.I. LTD**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan C.I. II LTD**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan (U.K.)**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan CI Midstream Limited**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan Energy Development Co.**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan Energy Services Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan Energy Services New Jersey, LLC**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan Luxembourg S.A.R.L.**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan Plumbing & Heating Solutions,  
LLC**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan Plumbing Solutions, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**KeySpan Plumbing and Heating Services,  
Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**Land Management and Development, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**Landwest, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Millennium LLC**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid Islander East Pipeline LLC**

By: \_\_\_\_\_  
Name:  
Title:

**Islander East Pipeline Company, LLC**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid LNG GP LLC**

By: \_\_\_\_\_  
Name:  
Title:

**National Grid LNG LP LLC**

By: \_\_\_\_\_  
Name:  
Title:



**National Grid LNG LP**

By: \_\_\_\_\_  
Name:  
Title:

**Second Street Associates, LLC**

By: \_\_\_\_\_  
Name:  
Title:

**Upper Hudson Development Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**Valley Appliances and Merchandising  
Company**

By: \_\_\_\_\_  
Name:  
Title:

**65 Willis Lane Inc.**

By: \_\_\_\_\_  
Name:  
Title:

## **EXHIBIT I**

### **List of Certain Services Provided by Service Company; Cost of Service.**

(Additional or different services may be provided, from time to time, as requested by any Client Company.)

#### **Corporate Affairs**

Provide internal and external communication and relationship services.

#### **Executive and Administrative**

Provide consultation and services in management and administration of all aspects of utility business.

#### **Corporate Audit**

Provide internal and safety, health and environment audit services.

#### **Customer**

Provide gas and electric procurement and supply services. Provide services related to sales and customer risk and analytics, including energy efficiency programs.

#### **Finance**

Provide budgeting, accounting services, reporting and rate support. Responsible for tax, treasury and insurance activities.

#### **Information Services**

Provide development and support services related to information technology. Manage IT networks and infrastructure, including cyber and physical security.

#### **Procurement**

Responsible for the sourcing of products and administration of contracts with third party vendors.

#### **Human Resources**

Provide labor and employee relations services. Provide learning and development services. Manage recruiting, inclusion and diversity and learning and development programs. Manage employee compensation, benefits and pension programs.

### **Legal**

Provide legal advice and assistance with respect to legal matters, including, without limitation, in the areas of real estate, commercial matters, corporate counsel, litigation, environment and employment. Provide legal support for federal, state and local regulatory activities. Manage corporate records and oversee ethics and business conduct programs and activities.

### **Network Strategy and Services**

Provide services pertaining to the operation and maintenance of gas and electricity networks including engineering, investment planning, standards and policy compliance and reporting.

### **Operations**

Provide operational and planning services and activities. Operational activities include maintenance, construction, control center, power plant, LNG operations and emergency response and assistance. Planning activities include resource and emergency planning. Support activities include the management of fleet, aviation, materials and logistics, technical labs and testing services and new customer connections.

### **Safety, Health and Environment**

Manage safety, health and environmental programs, performance and compliance.

### **Shared Services**

Provide customer care services, transactional services and real estate services.

### **Regulatory and Pricing**

Provide regulatory support services.

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Cost of service will be determined in accordance with applicable Federal and state laws (including the Act and rules and regulations promulgated thereunder), and will include all costs of doing business incurred by Service Company, including a reasonable return on capital.

Service Company will maintain an accounting system for accumulating all costs on a project, activity or other appropriate basis. Records will be kept by each cost center of Service Company in order to accumulate all costs of doing business. Expenses of Service Company departments will include salaries and wages of employees, materials and supplies and all other expenses attributable to each such department. Labor cost will be loaded for fringe benefits and payroll taxes. To the extent practicable, Service Company will keep time records of hours worked by all Service Company employees, including all officers of such Company.

The methods of assignment or allocation of costs shall be reviewed annually or more frequently if appropriate. Subject to the terms of the Agreement, if the use of a basis of allocation would result in an inequity because of a change in operations or organization, then Service Company may adjust the basis to effect an equitable distribution.



**EXHIBIT II**

Form of  
ACCESSION TO  
NATIONAL GRID USA SERVICE COMPANY, INC.  
SERVICE AGREEMENT

Effective as of [ ] (“*Accession Date*”)

Reference is made to that certain Service Agreement dated as of [ ], 2012 by and between National Grid USA Service Company, Inc. and the Client Companies party thereto (the “*Service Agreement*”). Any capitalized term used but not defined herein shall have the meaning specified for such term in the Service Agreement.

In accordance with Section 4.4 of the Service Agreement, the undersigned [company] [companies] ([the] [each, an] “*Additional Client Company*”) shall be deemed to be a Client Company under the Service Agreement as of the Accession Date. [The] [Each] Additional Client Company agrees to be bound by the terms of the Service Agreement from and after the Accession Date.

IN WITNESS WHEREOF, the undersigned [has] [have] caused this instrument to be executed by [its] [their] respective duly authorized representative[s] as of the Accession Date.

[COMPANY NAME]

By: \_\_\_\_\_  
Name:  
Title:

[COMPANY NAME]

By: \_\_\_\_\_  
Name:  
Title:

Division 11-6-ELEC/GAS

Request:

Please provide copies of any documents (manuals and policy statements) regarding National Grid's previous Service Company allocation agreements and instructions for direct charging costs, including the revised comprehensive cost-allocation model referred to by Mr. Laflamme on p. 16.

Response:

Please see attached documents:

- Attachment DIV 11-6-1-ELEC/GAS for the Cost Allocation Policies and Procedures Manual for Legacy National Grid; and
- Attachment DIV 11-6-2-ELEC/GAS for the National Grid USA Service Company, Inc. Service Contract with the Company.

Please also refer to the Company's response to Division 11-8-ELEC/GAS and Attachment DIV 11-8-5-ELEC/GAS regarding National Grid USA Cost Allocation Training.

Regarding the revised cost-allocation model referred to by Mr. Laflamme:

- For the revised cost allocation manual, please refer to Attachment DIV 11-7-ELEC/GAS.
- For the study that led to the new model, please refer to Schedule MDL-2, Pages 40 through 123, as filed in the Company's April 27, 2012 rate filing.
- For the new Service Company Agreement with affiliated companies, please refer to Attachment DIV 11-4-ELEC/GAS.



# **Cost Allocation Policies and Procedures Manual for Legacy National Grid**

**Last Updated: May 2010**

## Cost Allocation Policies and Procedures

### POLICY STATEMENT

The management of National Grid USA (“NG”) believes it is critical that its management and the management of the operating companies have accurate information regarding the costs incurred by the National Grid USA Service Co. (“Service Company”) in respect with the operating companies and appropriate allocation of such costs among the companies receiving services. It is essential that costs are assigned to appropriate companies to ensure compliance with regulatory requirements and to ensure fairness and equity of cost assignment for both customers and shareholders.

The Service Company is regulated by the Federal Energy Regulatory Commission (“FERC”) and is required to file an annual FERC Form 60. The development and implementation of the policy enables National Grid and its operating companies to better manage risks, emphasize appropriate implementation, training and better compliance with FERC regulations.

This Manual describes the policies and procedures applicable to personnel in Service Company and Non-Regulated Accounting responsible for the cost allocation process and all other employees in the Service Company providing services to operating companies. It is the responsibility of Service Company and Non-Regulated Accounting and all departmental heads to administer these policies in a consistent and impartial manner.

***The manual is intended as a reference and working guide for all such personnel in the day-to-day administration of National Grid policies and procedures. The policies and procedures contained in this Manual are broad internal guidelines which may change from time to time.***



Cost Allocation Policies and Procedures

**Table of Contents**

<b>POLICY STATEMENT.....</b>	<b>2</b>
<b>APPROVAL AND EFFECTIVE DATE OF THE POLICY .....</b>	<b>4</b>
<b>DEFINITIONS.....</b>	<b>4</b>
<b>RESPONSIBILITIES.....</b>	<b>4</b>
<b>SUMMARY OF ALLOCATION DRIVERS .....</b>	<b>5</b>
<b>TYPES OF SERVICES.....</b>	<b>6</b>
<b>TYPES OF CHARGES/ALLOCATIONS.....</b>	<b>6</b>
<b>1. Direct Charges .....</b>	<b>6</b>
<b>2. Allocated Charges / Billing Pools.....</b>	<b>7</b>
<b>3. Clearing Accounts.....</b>	<b>8</b>
<b>4. Service Company Operating Costs, Equity and Taxes.....</b>	<b>9</b>
<b>TRACING ALLOCATED CHARGES FROM LOB’S BOOKS TO THE SOURCE .....</b>	<b>9</b>
<b>DEVELOPMENT AND REVIEW OF BILLING POOL PERCENTAGES.....</b>	<b>10</b>
<i>Types of Billing Pools.....</i>	<i>10</i>
<i>Review of Billing Pools.....</i>	<i>13</i>
<i>Communication of Billing Pools .....</i>	<i>13</i>
<b>DEVELOPMENT AND REVIEW OF CLEARING ACCOUNTS .....</b>	<b>14</b>
<i>Payroll Overheads Procedures .....</i>	<i>14</i>
<i>Review of Clearing Accounts .....</i>	<i>14</i>
<b>DEVELOPMENT AND REVIEW OF SERVICE COMPANY OPERATING EXPENSES AND EQUITY.....</b>	<b>14</b>
<i>Service Company Operating Expenses and Equity Procedures.....</i>	<i>14</i>
<i>Review of Clearing Accounts .....</i>	<i>15</i>
<b>ALLOCATIONS RUN .....</b>	<b>15</b>
<i>Monthly Process .....</i>	<i>15</i>
<i>Quarterly Review.....</i>	<i>16</i>
<b>MONTHLY INTERCOMPANY BILLING .....</b>	<b>16</b>
<i>True-up Calculation.....</i>	<i>16</i>
<i>Estimate Calculation .....</i>	<i>17</i>
<i>Review of Intercompany Billing .....</i>	<i>17</i>
<i>A/R to A/P reconciliation .....</i>	<i>17</i>
<b>Appendix A: Legacy National Grid Billing Pools.....</b>	<b>19</b>
<b>Appendix B: Description of Services Available from National Grid USA Service Company, Inc.</b>	<b>20</b>
<b>Appendix C: Summary of Authorized Allocation Methods.....</b>	<b>22</b>
<b>Appendix D: Sample Memo Informing of New Billing Pools and Allocation Percentages Being Posted on the Accounting InfoNet.....</b>	<b>28</b>

## Cost Allocation Policies and Procedures

### **APPROVAL AND EFFECTIVE DATE OF THE POLICY**

April 1, 2009

### **DEFINITIONS**

*Billing Pool* – predetermined allocation factor

*Reimbursement Billing* – convenience payments made by the Service Company on behalf of other NG companies

*Source document* – vendor invoice paid by the Service Company, time charged by the Service Company employees, expense reports, etc.

*True-up* – difference between actuals and the estimated billing from the prior period, which is to be reimbursed in the current period

### **RESPONSIBILITIES**

Service Company and Non-Regulated Accounting Services

## Cost Allocation Policies and Procedures

### SUMMARY OF ALLOCATION DRIVERS

Cost Allocation Drivers	Approval by SEC	Associated Billing Pool / Business Rationale for Billing Pool	Participant Companies in Bill Pool	Annual Update Cycle	Date of Last Update	Approval Chain	
						2008	2009 Onwards
Microwave air line circuit miles	Company Filing with SEC 6/15/1984	00297* - Shared telecommunication expense	Mass Electric, New England Power, Granite State Electric, Narragansett Electric				
Number of employees	Company Filing with SEC 6/15/1984	00352 - Human Resources 00353 - Human Resources 00354 - Human Resources 00355 - Human Resources	00352 - NG only - NE only 00353 - NG only - NE & NY 00354 - All KS and NG 00355 - KS only				
Number of customers	Company Filing with SEC 6/15/1984	00247 - Customer Accounting Retails - NE	Nantucket Electric Company, Massachusetts Electric, Granite State Electric Company, Narragansett Electric Company				
Number of meters in service	Company Filing with SEC 6/15/1984	No associated billing pool	N/A				
Number of aerial devices	Company Filing with SEC 1/31/1991	00358 - Allocation of the Engineering Laboratory costs based on the number of assigned aerial devices per the operating company	Nantucket Electric Company, Massachusetts Electric, Niagara Mohawk Power Corp - distribution and transmission, Granite State Electric Company, Narragansett Electric Company				
Number of rubber gloves	Company Filing with SEC 6/15/1984	00542 - Allocation of the Engineering Laboratory costs based on how Service Company personnel using rubber gloves charged their time	Nantucket Electric Company, Massachusetts Electric, New England Hydro - Trans Corp, New England Power Company, Granite State Electric Company, Narragansett Electric Company				
Transmission and distribution O&M expenses (excluding transmission of electricity by others), customers' accounts, customer service and information, and sales expenses.	Approved by SEC 1/15/1999	00200* - O&M gas only 00202 - O&M electric and gas no transmission 00203 - O&M distribution only 00229 - O&M Electric and Gas Distribution 00230 - O&M Electric and Gas Distribution Companies 00231 - O&M Electric Distribution Companies 00232 - O&M Electric Distribution Companies 00235 - O&M Utility Operating Companies 00236 - O&M Utility Operating Companies 00237 - O&M Electric Transmission & Distribution 00238 - O&M Electric Transmission & Distribution 00282 - Other services 00380 - O&M all Trans & Dist, Gas and Interconnectors 00381 - O&M all Trans & Dist, Gas and Interconnectors	00200 - NG and KS - NE & NY 00202 - NG and KS - NE & NY 00203 - NG and KS - NE & NY 00229 - NG only - NE & NY 00230 - NG only - NE only 00231 - NG only - NE & NY 00232 - NG only - NE only 00235 - NG only - NE only 00236 - NG only NE & NY 00237 - NG only - NE only 00238 - NG only - NE & NY 00282 - NG only NE & NY 00380 - NG only - NE & NY 00381 - NG only - NE only	Billing pools are reviewed on an annual basis around April-June timeframe. Updated rates are posted on the Infonet around June. SERVCO Accountant calculates new cost allocators based on historical calendar and fiscal data or budgeted numbers (depending on the type of a billing pool). New rates are trended to prior years and any changes from year to year in excess of 5% are investigated.	Billing pools were last updated and approved in March 2009. Methods have not changed since implementation.	After any investigations are conducted and concluded, the information was presented to the SERVCO Accounting Manager for his review. In 2008, a transition year, the legacy NG Assistant Controller and SERVCO manager were a part of the review and approval process.	Beginning 2009 the review of the updated allocation percentages and variance analysis for reasonableness will be performed by: 1.SERVCO Acct manager (Chuck Arcien), 2. SERVCO Acct Director, 3. VP of Finance US SS Finance. In addition, the updated allocation percentages will be presented to the Cost Allocation Steering Group on behalf of the LOB's.
O&M type expenses	Require additional FERC approval	00201 - O&M Distribution and Generation 00239 - O&M Regulated Companies with Gas 00240 - O&M Regulated Companies without Gas 00382 - O&M combined with KS 00383 - O&M combined with KS, KS companies only	00201 - NG and KS 00239 - NG and KS 00240 - NG and KS 00382 - All NG and KS 00383 - All KS only				
Transmission O&M Expenses (excluding transmission of electricity by others)	Approved by SEC 3/28/2003	00233 - O&M Transmission	00233 - NG only - NE & NY				
Budgeted transmission/distribution O&M expenses	Company Filing with SEC 1/31/1991	00256 - Budgeted T&D Supervision	Nantucket Electric Company, Massachusetts Electric, New England Power Company, Granite State Electric Company, Narragansett Electric Company				
Budgeted O&M capital expenditures	Company Filing with SEC 1/31/1991	00253* - Budgeted Engineering Distribution O&M	Nantucket Electric Company, Massachusetts Electric, Granite State Electric Company, Narragansett Electric Company				
Average number of purchase orders issued, number of checks processed and inventory balances	Company Filing with SEC 5/28/1992	00375 - Supply Chain Management Services	NG only - NE & NY				
Total billings to associated companies for services rendered	SEC Approved, Bill Richer is researching the date	00272 - Service Based	NG only - NE & NY				
Materials and supplies issued	Approved by SEC 2/9/1999	No associated billing pool	N/A				
Inventory, less fuel	Company Filing with SEC 6/15/1984	No associated billing pool	N/A				
Number of purchase orders	Company Filing with SEC 1/31/1991	No associated billing pool	N/A				
Archive space occupied (square footage)	Company Filing with SEC 1/31/1991	No associated billing pool	N/A				
Department specific costs: A. Data Center B. Facilities, grounds and buildings C. Mid Range Servers D. Milbury Training Center E. Transportation Supervision	Company Filing with SEC 6/15/1984	A. 00601 - Amount of mainframe resources used B. 00604 - Facilities - Building & Grounds C. 00605 - Mid Range servers D. 00620 (not longer in use) E. 00628 - Transportation Supervision E. 00629 - Transportation Supervision	00601 - NG only - NE & NY 00604 - only NG companies using Westborough facilities 00605 - NG only - NE & NY 00620 (not longer in use) 00628 - NG only - NE only 00629 - NG only - NE & NY				

Notes:  
\* - Walkthroughs were performed to validate that billing pools allocation percentages have been calculated correctly for FY2009.  
\*\* - For a complete listing of companies associated with each billing pool refer to the Legacy NG Bill Pools file in [Appendix A](#)

## Cost Allocation Policies and Procedures

### TYPES OF SERVICES

The Service Company currently provides the following services to the organization:

- Transmission and Distribution,
- Construction and Maintenance,
- Engineering,
- Other General Administrative Services, including Accounting, Legal, IT, Tax, Customer Support, etc.

For a full listing and details of services provided by the Service Company refer to [Appendix B](#)

When coding source documents, employees of the Service Company should accurately reflect the companies that benefit from the charge (i.e. use appropriate coding) and the nature of the work being performed.

### TYPES OF CHARGES/ALLOCATIONS

The Service Company bills out its costs to associated companies on a monthly basis.

#### **1. Direct Charges**

Direct charges include payroll overheads, outside vendor costs, materials, personal expenses, computer expenses, etc. as incurred by the Service Company. These charges should be charged directly to an operating company when that operating company solely benefits from the service. Direct charges can also be applied to multiple companies as determined by an individual recording time, expense, etc.

**Example:** An employee of the Service Company works for two companies and determines that time spent equally benefits both companies:

Narragansett Gas (50%) – Co 00048

Narragansett Electric Company (50%) Co 00049

All costs associated with this work should be directly charged to each of the two companies.

Reimbursement Billing is charged directly to the company that benefits from the reimbursement billing. The Service Company is used as a way to pass the charge through to other subsidiaries. The Service Company is the originating business unit that pays an invoice billed to the operating business unit. The operating company then reimburses the Service Company. Receivables and Payables are created automatically in this case.

## Cost Allocation Policies and Procedures

**Example:** If a vendor provides equal services to three companies:

Niagara Mohawk Power Company – Co 00036  
Massachusetts Electric – Co 00005  
Narragansett Electric Company – Co 00049

Each company will receive a charge of one-third of the total.

## 2. Allocated Charges / Billing Pools

Used when charges are known to be split between more than one company.

Service Company billing pools:

- Are based on a predetermined allocation formula which allows for one line of accounting to be used in order to charge multiple companies,
- Charge multiple companies, but only if the work performed for each of the operating companies is fairly represented in the billing pool percentages,
- Are reviewed and updated annually or in response to a significant change to the business such as with business acquisitions or disposals, and
- Require regulatory approval prior to set up, if using a non-approved basis.

Allocation charges are determined based on the following methods:

- Actual Operations and Maintenance (“O&M”) Costs;
- Budgeted Operations and Maintenance Costs;
- Number of employees, customers, meters in service;
- Square footage occupied;
- Materials and supplies issued;
- Services provided

For the full listing of the SEC approved allocation methods and their definition refer to [Appendix C](#)

**Example:** The Service Company employee is doing work for all of the legacy NG Utility Operating Companies in New England and New York. The appropriate way to account for the charges associated with the work will be using billing pool 00236. Billing pool 00236 uses Transmission and Distribution O&M charges as a method of determining which percentage each legacy NG company in the billing pool should be charged.

Billing Pool	Company #	Company Name	Type	Allocation %
00236	00004	Nantucket Electric Company	DIST	0.157
00236	00005	Massachusetts Electric	DIST	27.043
00236	00010	New England Power Company	TRAN	3.611
00236	00036	Niagara Mohawk Power Corp	DIST	39.185
00236	00036	Niagara Mohawk Power Corp	TRAN	5.368
00236	00036	Niagara Mohawk Power Corp	GAS	9.125
00236	00041	Granite State Electric Company	DIST	0.88
00236	00048	Narragansett Gas Company	GAS	5.285
00236	00049	Narragansett Electric Company	DIST	9.346
<b>00236 Total</b>				<b>100%</b>

## Cost Allocation Policies and Procedures

**Example:** The Service Company employee performs an Internal Audit of a function that transcends all legacy KeySpan and National Grid companies.

The appropriate way to account for the charges associated with this work will be using billing pool 00382, because the work performed benefits legacy KeySpan & National Grid companies.

The individual assigning a billing pool must ensure that the predetermined allocation accurately reflects how the work was distributed between the charged subsidiaries.

**Note:** PeopleSoft has built in edit checks that do not allow the use of certain pools with certain activities (such as a pool with allocations to gas for a transmission activity). These billing pools help to automate accounting distribution for frequently occurring accounting distributions.

The billing pools are allocated through the allocation journal entries (Journal Source **ALO) SECxxx**, where xxx represents the billing pool, **FACILxxxxx** and **DATCTRxxxx**. (Note: The SCxxxxxx journals post to the SEC ledger for reporting, while the SECxxxxxx journals post to the actual ledger)

**Note:** Billing pools are not appropriate for capital charges or for billable projects. They should always be charged directly to specific companies.

### 3. Clearing Accounts

#### A. Payroll Overheads

Payroll clearing accounts accumulate costs for payroll taxes and fringe benefits such as the items detailed below and are charged out based on actual payroll each month:

- Pensions
- Health insurance
- Workers compensations
- Group insurance
- Thrift plan (401k)
- Bonus plans
- Time not worked (vacation, sick time, holidays, etc.)
- Supervision and administration (back office)
- Post retirement (FAS106)
- Post employment (FAS112)
- Payroll taxes

#### B. Stores Handling Costs and Transportation Costs

The Stores clearing account accumulates costs associated with the handling of inventory. Charges are cleared based on inventory issues. The Transportation clearing account accumulates the cost of maintaining the fleet. Charges are cleared based on vehicles usage.

## Cost Allocation Policies and Procedures

**Note:** Stores clearings and Transportation clearings are the exceptions, where occasionally a Service Company billing pool can be used with a charge that is other than O&M.

### **4. Service Company Operating Costs, Equity and Taxes**

#### **A. Operating Costs**

Operating costs include interest expense, gains and losses on investments, donations, etc. and are incurred during the operation of the Service Company as a corporate entity. Such costs should be charged to a clearing account and should be allocated based on direct payroll charges for the month.

#### **B. Equity and Taxes**

The Service Company is allowed to include in its service charge to customers an allowed rate of return on its Common Equity and tax expense. The rate of return should be allocated to the associated companies based on direct payroll charges only; each piece of payroll has a percentage of the Service Company equity attached to it as an overhead charge, and represents the Service Company net income (this percentage also takes into account the required taxes). All other charges from the Service Company are passed directly to the operating companies without a margin.

## **TRACING ALLOCATED CHARGES FROM LOB'S BOOKS TO THE SOURCE**

For an operating company to trace back a charge which originated from the Service Company, the following steps should be performed:

1. Identify in PeopleSoft what billing pool the charge went through;
2. Determine percentage of the operating company's responsibility of the total billing pool using the billing pools allocation percentages table current for the period in which the charge occurred;
3. Gross up the amount of the charge – divide the allocated amount by the allocated percentage.

**Example:** Massachusetts Electric – Co 00005 receives a charge of \$36,684.16 from the Service Company - Co 00099. From the PeopleSoft it was determined that the charge was a part of the billing pool 00382, meaning that the total charge was allocated among all of the legacy KeySpan and legacy National Grid Companies in accordance with the allocation percentages table.

*Example is continued on next page*

## Cost Allocation Policies and Procedures

Bill Pool	Bus Unit	BU Description	Percent	Invoice Amnt \$240,347.00
00382	00004	Nantucket Electric Company	0.089%	\$213.91
00382	00005	Massachusetts Electric	15.263%	\$36,684.16
00382	00006	NE Hydro - Trans Electric Co	0.001%	\$2.40
00382	00008	New England Hydro - Trans Corp	0.001%	\$2.40
00382	00010	New England Power Company	2.055%	\$4,939.13
00382	00020	New England Electric Trans Co	0.001%	\$2.40
00382	00036	Niagara Mohawk Power Corp	22.726%	\$54,621.26
00382	00036	Niagara Mohawk Power Corp	4.629%	\$11,125.66
00382	00036	Niagara Mohawk Power Corp	3.074%	\$7,388.27
00382	00041	Granite State Electric Company	0.494%	\$1,187.31
00382	00048	Narragansett Gas Company	2.996%	\$7,200.80
00382	00049	Narragansett Electric Company	5.047%	\$12,130.31
00382	00071	Valley Appliance & Merchandise	0.001%	\$2.40
00382	01401	Boston Gas Company	7.787%	\$18,715.82
00382	01403	Colonial Lowell Division	1.420%	\$3,412.93
00382	01406	EnergyNorth Company	0.936%	\$2,249.65
00382	01434	Keyspan Electric Services, LLC	8.305%	\$19,960.82
00382	01435	Keyspan Generation Services, LLC	5.094%	\$12,243.28
00382	01436	KeySpan Energy Development Corp.	0.071%	\$170.65
00382	01437	Keyspan Energy Delivery LI	5.643%	\$13,562.78
00382	01438	Keyspan Energy Delivery NY	11.152%	\$26,803.50
00382	01442	Keyspan Ravenswood Services, LLC	2.540%	\$6,104.81
00382	01446	Keyspan Glenwood Energy Center LLC	0.144%	\$346.10
00382	01448	Keyspan Port Jefferson Energy Center LLC	0.110%	\$264.38
00382	01471	Seneca Upshur Petroleum	0.382%	\$918.13
00382	01563	Keyspan E&P JV	0.039%	\$93.74
<b>00382 Total</b>			<b>100.000%</b>	<b>\$240,347.00</b>

Total invoice is \$240,347.00. Knowing the voucher ID from PeopleSoft total amount can be traced to the specific invoice.

## DEVELOPMENT AND REVIEW OF BILLING POOL PERCENTAGES

Billing pool percentages have to be updated at the beginning of each fiscal year (or when there is a major change, such as a merger). New billing pool percentages should be calculated around February – April timeframe, when all calendar and fiscal year historical financial data as well as budgeted numbers from business units become available. The calculation of each billing pool allocation percentages should be supported.

### *Types of Billing Pools*

There are three different types of billing pools for which different types of data are used:

#### **A. O&M billing pools**

##### **a. Source of Data**

- Prior calendar year income statement from PeopleSoft for the legacy National Grid companies



## Cost Allocation Policies and Procedures

- Prior calendar year O&M expense listing from Oracle for the legacy KeySpan companies
- b. Calculation
- i. For each legacy National Grid company, the Total O&M Expense for each of the categories (Electric Transmission, Electric Distribution, Gas Distribution, Generation, Customer Accounts, and Customer Service/Selling Expense) is obtained from the income statement and entered in the consolidated O&M Expenses calculation spreadsheet
  - ii. For each legacy National Grid company, the Wheeling / Purchasing Power O&M expense, which is purchased from outside and is specific to electric business, is obtained from the income statement as well and entered in the consolidated O&M Expenses calculation spreadsheet. This amount is deducted from the Transmission O&M Expense.
  - iii. For each legacy KeySpan company, the Total O&M Expense is obtained from the O&M expense listing and is categorized between Electric Transmission, Electric Distribution, Gas Distribution, Generation, Customer Accounts, Customer Service/Selling Expense or Others based on the segment of the company. The Total O&M Expense is then entered in the consolidated O&M Expenses calculation spreadsheet.
  - iv. On the consolidated O&M Expenses calculation spreadsheet, the O&M Expenses for each company are then classified into different segments: Electric Distribution, Transmission, Gas, Generation, and Others. If a company belongs to more than one segment, Customer Accounts and Customer Service/Selling Expense will be split between Electric Distribution and Gas based on a proportion.
  - v. Based on the companies and segments included in each Billing Pool, the O&M expense for each company in that segment is entered onto the Billing Pool calculation spreadsheet. The allocation percentage for each company is then calculated based on its proportion of the O&M Expense in the entire Billing Pool.

**Example:** Billing Pool 00200 – Gas only combined with legacy KeySpan. Allocation is based on O&M expense for both legacy National Grid and legacy KeySpan gas companies.

Bill Pool	Bus Unit	BU Description	Segment	20XX Allocation
00200	00036	Niagara Mohawk Power	GAS	13.394%
00200	00048	Narragansett Gas	GAS	8.668%
00200	01401	Boston Gas Company	GAS	22.528%
00200	01403	Colonial Lowell Division	GAS	4.108%
00200	01406	EnergyNorth Company	GAS	2.708%
00200	01437	Keyspan Energy Delivery LI	GAS	16.327%
00200	01438	Keyspan Energy Delivery NY	GAS	32.267%
<b>00200 Total</b>				<b>100.000%</b>

## Cost Allocation Policies and Procedures

### B. Budgeted billing pools

- Source of Data – Budgeted allocation percentages for upcoming fiscal year provided by Budgeting Analysts from the business unit (e.g. ED&G Finance) through an email. The date represents a query from the PeopleSoft loaded budget for the Business Units and Segments.
- Calculation – The allocation percentages obtained from the Budgeting Analysts above are used by the Accounting Analyst as the basis for the Billing Pool rates.

**Example:** Billing Pool 00253 – Budgeted O&M Electric Engineering Distribution. The allocation is based on the budgeted data provided by the Budgeting Analyst.

Bill Pool	Bus Unit	BU Description	Segment	20XX Allocation
00253	00004	Nantucket Electric	DIST	0.729%
00253	00005	Massachusetts Electric	DIST	70.995%
00253	00041	Granite State Electric Company	DIST	3.576%
00253	00049	Narragansett Electric Company	DIST	24.700%
<b>00253 Total</b>				<b>100.000%</b>

### C. Other billing pools

- Source of Data – Through e-mail data request, where businesses provide estimated percentages based on the prior calendar year actual data. The type of actual data obtained depends on the Billing Pool use
- Calculation – The allocation percentage is calculated based on the proportion of the actual historical data for each company in relation to the entire Billing Pool.

**Example:** Billing Pool 00297 – Shared Telecommunication Expense is allocated based on microwave air line circuit mileage used for billing for STN channels.

Bill Pool	Bus Unit	BU Description	Segment	20XX Allocation
00297	00005	Massachusetts Electric	DIST	24.161%
00297	00010	New England Power Company	TRAN	62.058%
00297	00041	Granite State Electric Company	DIST	8.319%
00297	00049	Narragansett Electric Company	DIST	5.462%
<b>00297 Total</b>				<b>100.000%</b>

## Cost Allocation Policies and Procedures

Requests for new Billing Pools can be initiated by business units based on the services they provide and the companies receiving the services. All new billing pools have to be approved by the Steering Committee prior to being created. In case new allocation drivers are introduced, those also require regulatory approval.

Backup for the calculation of each billing pool along with the applicable supporting documentation should be saved on the shared drive (GASVCCO on mawbrfsv03':\Bill Pool calculations\FY XXXX).

### ***Review of Billing Pools***

After billing pool allocation percentages are calculated, an Accounting Analyst will:

- Compile a summary of all billing pools with new allocation percentages,
- Perform a cross check calculation on the summary sheet to validate that the total for each billing pool equals 100%,
- Prepare variance analysis comparing new allocation percentages to the prior year's percentages. Variances of over 5% should be reviewed for reasonableness. Any unusual variances are to be investigated with the business people and explanations to be documented.

The Billing Pool workpapers are to be reviewed by the Service Company Manager. The review should include:

- Comparing current year percentages to the prior year,
- Comparing percentages from the lead sheet to the backup, and
- Tying the inputs to the source documents.

In addition to the Service Company Manager review, the allocations summary and variance analyses should be reviewed for reasonableness and signed off by the Accounting Director and the VP of Finance US SS Finance. The updates should also be presented to the Cost Allocation Steering Group on behalf of the lines of business.

### ***Communication of Billing Pools***

The reviewed and approved summary of the allocation percentages is to be saved and forwarded to the System Support team to be posted on the Accounting InfoNet website. The InfoNet is to be updated with new percentages no later than May.

After the posting on the Accounting InfoNet, the Service Company Accounting Manager will prepare a memo notifying of the availability of the new billing pools and allocation percentages on the Accounting InfoNet. The memo will be sent out by the Service Company Manager through Corporate Communication.

**Note:** Allocation percentages can be accessed on Infonet.us/Site Index/ Financial Services/Allocations.

Refer to [Appendix D](#) for a sample memo.

## Cost Allocation Policies and Procedures

### DEVELOPMENT AND REVIEW OF CLEARING ACCOUNTS

#### ***Payroll Overheads Procedures***

Payroll overheads (e.g. pension, FAS 106, group life insurance, etc.) are charged out to various companies in their own unique charged department. All employee benefits are collected and charged out to department 16999. Then employee bonus accrual and payroll taxes are charged through 11999. Each month charges are billed to benefit, insurance and taxes ("BIT") billing pools (0068X). BIT includes:

- Payroll taxes
- Group insurance
- Healthcare
- Pensions
- Post retirement
- Post employment
- Thrift
- Worker's compensation (injuries and damages)

During allocations, the BIT charges are moved from the Service Company P&L to the Operating Company P&L. The total current month charges, plus any unallocated charges from the prior month are to be divided by the current month productive payroll to calculate an estimated rate. The charges are to be billed out to each company as a percentage, which is a 12-month rolling average of that company's payroll. The allocation is to be run on the last day of the month. Any unallocated charges should go back to the clearing account for allocation in the subsequent month. At year end all clearing accounts should be cleared to zero.

#### ***Review of Clearing Accounts***

Once the Service Company Accounting Analyst calculates the rate, the Service Company Manager reviews the calculation. The rates should be calculated each month using a 12-month rolling average of actual rates. On the last day of the month, the current month actuals should be checked for any large variances. The resulting percentages are to be compared to the rate calculated by the Accounting Analyst and any large variances over 5% should be investigated and resolved. Any significant variances are to be explained in writing to maintain an audit trail. It is required that the analysis is presented to the Cost Allocation Steering Group.

### DEVELOPMENT AND REVIEW OF SERVICE COMPANY OPERATING EXPENSES AND EQUITY

#### ***Service Company Operating Expenses and Equity Procedures***

The Service Company Operating Costs and Equity are allocated similarly to the benefit and payroll charges.

Service Company operating expenses are charged monthly to billing pool 00999. These costs should be reversed from P&L and moved to a balance sheet clearing account for allocation. To determine the amount of allocation an Accountant calculates an estimated rate.

**Estimated Rate** = (Total current month charges + unallocated charges from the prior month) / current month's productive payroll

## Cost Allocation Policies and Procedures

Then, the charges are to be billed out to each company as a percentage which is a 12-month average of that company's productive payroll as expense type A65. Any unallocated charges would go back to the balance sheet clearing activity 186802 for allocation in the subsequent month. At year end the clearing account is brought to zero.

The Service Company equity is allocated through an automated process, not a manually calculated estimated rate. Through the tax entry, net income plus income taxes are charged to billing pool 00694. The charges to bill pool 00694 are billed out to the operating companies based on the productive payroll charges billed to those companies as expense type A20. The system calculates the amount of Service Company productive payroll (P10, P15, P20, and P25). The amount in billing pool 00694 is then divided by this amount to arrive at a weighted average (or volume) allocation rate. This rate is used to burden all allocated payroll, including billable projects. This clears billing pool 00694 to zero each month.

### ***Review of Clearing Accounts***

Each month, as the rates for A65 and A20 expense types are calculated, the Service Company Accounting Analyst prepares 12-months trending analyses by company for each expense type. Any significant fluctuations should be investigated and documented. The Service Company Manager will review and signoff on the analyses.

## **ALLOCATIONS RUN**

### ***Monthly Process***

Each month, various allocation percentages must be developed. The percentages are calculated monthly using a 12-month average. The Allocation Volume Base Report (NGGL1102) in PeopleSoft is used in this process. This report is run last two days of the month and the day after allocations. It describes summary information for all costs to be allocated. The report indicates the total dollars accumulated in the applicable bucket, the dollars cleared and the total base against which those dollars will be allocated.

Niagara Mohawk, Company 00036, is a single operating company that includes three lines of business ("LOBs"): Electric Distribution (DIST), Gas (GAS) and Transmission (TRANS). Service company departments can direct charge Company 00036 and forget to utilize a billing pool. This does not affect the allocation, but would cause an internal company misalignment between LOB segments within NIMO (DIST, GAS & TRANS). In cases where a billing pool is not provided PeopleSoft is programmed to default in the DIST segment. To mitigate this risk Accounting to run queries in PeopleSoft on a monthly basis to find those departments that direct charged NIMO without a bill pool, where the default was to DIST. All instances appearing in the report should be investigated and addressed as necessary.

## Cost Allocation Policies and Procedures

### ***Quarterly Review***

On a quarterly basis, Cost Allocation Review Committee members should meet with department heads to understand if there have been any significant changes to the services delivered and to whom they are delivered to. The information should be compared to the recent costs being incurred and allocated to see if changes may be necessary. Information to be compiled at a detail level by the Cost Allocation Review Committee members and a summary to be provided to the Steering Committee that includes the Financial Directors of each Line Of Business and/or their representatives for review.

### **MONTHLY INTERCOMPANY BILLING**

Cross-company P&L charges occur at the time of transaction (i.e. vendor payment, time entry). The offset is either an intercompany payable or receivable. All NGUSA entities physically settle these intercompany balances in cash monthly. However, as allocations run overnight on the last day of the month, and bill pool allocations result in the majority of intercompany charges involving the Service Company, the intercompany receivables and payables cannot be settled in cash within the current month. Therefore, the Service Company estimates what the current month's charges will be and bills each company an estimate in the middle of the current month. Service Company will then bill or reimburse any difference between actuals and the estimated billing in the middle of the following month; this is known as the true-up. In summary, the expense and offsetting intercompany receivable/payable are recorded at the point of transaction. The cash settlement of those receivables or payables occurs within the current month on an estimated basis, with a true-up to actuals occurring on a one month lag.

Service Company billings are based on dollars residing in PeopleSoft GL Activities 146XXX "AR from Associated Companies", XXX being the company code of the operating company that has incurred the expense. (Note: 0XX for legacy National Grid billable business units, XXX for legacy KeySpan billable business units)

Calculations are stored on the Accounting Services shared drive:

S:\GASVCCO\true-up\20xx\Service Company Billing xxxx.xls

### ***True-up Calculation***

During the second week of every month, a GL query is run on all CO 99 1460XX activity for the prior month, which includes A/R, A/P, payroll, accruals, intercompany charges, etc. These balances are input into the "Reconciliation" tab. This calculation nets from the GL balances the cash estimates received by Service Company and charged against the 1460XX, as taken from the prior month's cash book. Also, any true-up reimbursements paid by Service Company and charged against the 1460XX in the prior month are netted from the GL balance.

## Cost Allocation Policies and Procedures

**Prior Month Actual Expense** = Total Activity per G/L for Prior Month + Cash Received from the Affiliate in Prior Month + Cash True-up Reimbursement from Prior Month

The resulting actual expense represents the amount incurred by each company and receivable to the Service Company for the prior month. This amount is to be input into the 'Est\_Act' calculation, where the actuals are compared to the estimates paid for the prior month. If actual expenses were higher than the estimated billing, an ACH request from the operating company to the Service Company is generated. If actuals are less than the estimated billing, an ACH request from the Service Company to the operating company is generated. These are known as the prior month's Service Company true-up billings.

The Accounting Analyst will perform variance analysis to compare year-to-date balance by company to the current month's calculated true-up as a reasonableness check. A reconciliation is performed to verify that the prior month's balance in all Co 99 1460xx activities net to zero after the calculated true-up entry. Any discrepancies are investigated and explained.

### ***Estimate Calculation***

During the second week of the month, estimated Service Company billings are calculated for the current month. Estimates are based on trend analyses. Analyses used include actual cross company expense by company by month, for the current year and the most recent 12-months. Typically, the average rounded monthly expense of the past 12-months represents a new estimate. Any exceptions should be documented in the file. Once the estimated billing amount is determined for each company, an ACH/Wire request is generated from each operating company to the Service Company. These are known as the current month estimated Service Company billings.

### ***Review of Intercompany Billing***

The Service Company Manager will review the spreadsheet and supporting documentation. Estimate and true up calculations are to be signed by the Service Company accounting Manager to evidence the review. ACH/wire requests are to be signed as approved by the Manager of Service Company accounting prior to sending them to the operating companies AP.

### ***A/R to A/P reconciliation***

As part of any update in A/P or A/R starting from day "zero" of the period close the system runs two elimination reports:

- GLS2003 "Consolidation out of Balance" listing the entire body of eliminations
- NGGLR001 "Unbalanced AR/AP Elimination Sets" listing only exceptions.

#### Cost Allocation Policies and Procedures

These reports are run daily until the submission to the UK to ensure all intercompany payables and receivables are in balance. Any discrepancies identified, whether due to incorrect posting or oversight should be investigated and resolved.



## Cost Allocation Policies and Procedures

### **Appendix A: *Legacy National Grid Billing Pools***



Cost Allocation Policies and Procedures

**Appendix B: *Description of Services Available from National Grid USA Service Company, Inc.***

Accounting:

The keeping of accounts and collateral activities, including billing, payroll and customer relations; preparation of reports and preservation of records

Auditing:

Periodic audits by Service Company auditors and the furnishing of reports and recommendations

Construction:

Labor and equipment for construction and maintenance of properties;  
Assistance in obtaining, and supervision of, non-affiliated contractors

Corporate and Corporate Records:

Cooperation with attorneys, officers, and special counsel of associate companies on corporate matters, financing, regulation, contracts, claims and litigation. Services in connection with stockholders' and directors' meetings and keeping of corporate records

Customer Services:

Services re policy development and functional direction of field business service departments, including rate application and training, plus specialized residential, commercial and industrial services

Emergencies:

Assistance in emergency maintenance and restoration of utility service and in mobilization of personnel and equipment

Employee Relations:

Service re labor relations; personnel, wage and salary schedules, employee training and safety and medical programs

Engineering:

Civil, mechanical, electrical, and other engineering services; technical advice, design, installation, supervision, planning, research, testing, operation of communications, including microwave, and operation and maintenance of specialized technical equipment

Executive and Administrative:

Consultation and services in management and administration of all aspects of utility business

Information Systems:

Maintenance and operation of information systems and equipment for accounting, engineering, administration and other functions

## Cost Allocation Policies and Procedures

### Insurance:

Development, placement and administration of insurance coverages and employee benefit programs, including group insurance and retirement annuities, property inspections and valuations for insurance.

### Intellectual Property:

Filing applications, owning, licensing, and holding licenses for copyrights, patents, service marks, and trademarks for associated companies

### Properties:

Services re acquisition and disposition of properties; cooperation with attorneys of associate companies in title examinations and conveyancing; maintenance of property records; and making property inventories and valuations

### Power Supply:

Planning and other services for supply of electric power, and negotiation of contracts therefore.

### Public Information and Relations:

Services re information to and relations with the public, including customers, security holders, employees, financial analysts, rating agencies and investment firms

### Purchasing and Stores:

Services re purchase and storing of materials, supplies and equipment

### Rates:

Review; design, interpretation; analysis and other services re rates and special contracts

### Regulation:

Analysis of laws, rules and regulations and recommendations for action hereunder; handling of matters with regulatory and governmental authorities; preparation of applications and registrations.

### Systems:

Establishing of accounting and other procedures and standards

### Taxes:

Service re federal, state and municipal taxes, preparation of returns and handling of audits and claims by taxing authorities

### Treasury and Statistical:

Services re financing of associate companies, both short and long-term, determination of capital needs, and preparation of financial and statistical reports

Cost Allocation Policies and Procedures

**Appendix C: Summary of Authorized Allocation Methods**

**Microwave air line circuit miles**

A ratio based on the total microwave air line circuit miles as of the end of the prior fiscal year for the systems of the applicable National Grid operating companies. The numerator for this ratio is the total microwave air line circuit miles for each applicable company; and the denominator is the total of all microwave air line circuit miles for all applicable companies combined. This data is updated annually<sup>1</sup>. This allocation method is currently used to allocate charges incurred by Service Company in the operation of the National Grid system's shared microwave radio transmission system.

**Number of employees**

A ratio based on the sum of the number of employees as of the end of the prior fiscal year, the numerator of which reflects the number of employees for each applicable National Grid system company or Service Company Department, and the denominator of which reflects all employees for the National Grid system companies, including the Service Company, combined. This ratio is updated annually. Costs for Service Company employees are reallocated based on how Service Company personnel charged their time to National Grid system companies in the prior year. Currently, this allocation methods used primarily to allocate costs in the Employee Relations and Labor Relations Departments of the Service Company among all National Grid system companies.

**Number of customers**

A ratio based on the number of ultimate customers, as of the end of the prior fiscal year, for those National Grid system companies that have ultimate customers. For the allocation of electric distribution-related costs, the numerator is the number of ultimate electric distribution customers of each applicable company, and the denominator is the total number of ultimate electric distribution customers of all applicable companies combined. For the allocation of gas distribution-related costs, the numerator is the number of ultimate gas distribution customers of each applicable company, and the denominator is the total number of ultimate gas distribution customers of all applicable companies combined. The data to establish customer counts is updated annually. This allocation method is currently used to allocate costs of the following Service Company Departments: Customer Service and Load Management, Billing Insertion and Mailing, Customer Information Services, Northborough Facilities Group, Customer Service Center Account Processing, and Credit and Collections Operations.

**Number of meters in service**

A ratio based on the number of meters of ultimate customers, as of the end of the prior fiscal year, in each of the National Grid system companies that have ultimate customers. For the

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<sup>1</sup> The update frequencies reflected in this Schedule reflect current practice, but are subject to change at the election of Service Company.

## Cost Allocation Policies and Procedures

allocation of electric distribution-related costs, the numerator of this ratio is the number of electric meters for each applicable company, and the denominator is the total of all such electric meters in all applicable companies combined. For the allocation of gas distribution-related costs, the numerator of this ratio is the number of gas meters for each applicable company, and the denominator is the total of all such gas meters in all applicable companies combined. For the allocation of combined electric and gas distribution-related costs, the numerator of this ratio is the total number of electric meters and gas meters for each applicable company, and the denominator is the total of all such electric meters and gas meters in all applicable companies combined.

The data establishing number of meters is updated annually. This allocation methodology is currently used to allocate costs incurred in the Service Company's Meter Testing Laboratory.

### **Number of aerial devices (including utility vehicle aerial lifts and buckets)**

A ratio based on the number of assigned aerial devices (such as, for example, utility vehicle aerial lifts and buckets) per the applicable National Grid system operating company as of the end of the prior fiscal year. The numerator is the number of such aerial devices for the applicable National Grid system operating company, and the denominator is the total number of such aerial devices for all National Grid system operating companies combined. The data to establish the number of aerial devices is updated annually. This allocation method is currently used to allocate certain costs of the Engineering Laboratory of the Service Company.

### **Number of rubber gloves**

A ratio based on the number of rubber glove users in each National Grid system company for the prior fiscal year, the numerator of which is the number of rubber glove users in the applicable National Grid system company, and the denominator of which is the total number of rubber glove users for all National Grid system companies combined. Amounts that would be allocated to the Service Company are reallocated based on how Service Company personnel using rubber gloves charged their time to such National Grid system companies in the prior year. The data to establish the number of rubber glove users is updated annually. This allocation method is currently used to allocate certain costs associated with the Engineering Laboratory of the Service Company,

### **Operation and maintenance expenses**

A methodology based on the dollar amount, for the prior fiscal year, of the operation and maintenance ("O&M") expenses (excluding transmission of electricity by others as applicable), including customer accounts, customer service and information, and sales expenses, if applicable, for those National Grid system companies that have such expenses. Following are the ratios used to implement this methodology.

#### *Combined electric transmission and distribution O&M expenses:*

The numerator is the amount of electric transmission and distribution operation and maintenance expenses (excluding transmission of electricity by others), customer accounts, customer service and information, and sales expenses, incurred by the applicable National Grid system company, and the denominator is the total of all such expenses for all National Grid system companies combined.

## Cost Allocation Policies and Procedures

### *Electric; transmission-only O&M expenses:*

The numerator is the amount of transmission-only operations and maintenance expenses (excluding transmission of electricity by others), incurred by the applicable National Grid system company, and the denominator is the total of all such expenses incurred by all National Grid system companies combined.

### *Electric distribution-only O&M expenses:*

The numerator is the amount of electric distribution-only operations and maintenance expenses, customer accounts, customer service and information, and sales expenses, incurred by the applicable National Grid system company, and the denominator is the total of all such expenses incurred by all National Grid system companies combined.

### *Gas distribution-only O&M expenses:*

The numerator is the amount of gas distribution-only operations and maintenance expenses, customer accounts, customer service and information, and sales expenses, incurred by the applicable National Grid system company, and the denominator is the total of all such expenses included by all National Grid system companies combined. This ratio is not currently in use; however, Service Company may elect to employ this ratio in the future.

### *Combined electric and gas distribution O&M expenses:*

The numerator is the amount of electric and gas distribution operations and maintenance expenses, customer accounts, customer service and information, and sales expenses, incurred by the applicable National Grid system company, and the denominator is the total of all such expenses incurred by all National Grid system companies combined.

The data for calculation of these ratios is updated annually.

This allocation method is a general allocation method to be used when other allocation methods are deemed less reflective of the value of the benefits received by the National Grid system company(ies) serviced. This method is used to calculate allocation ratios for various possible combinations of National Grid system companies that may benefit from such services.

### **Budgeted transmission/distribution operation and maintenance expenditures**

A methodology based on the dollar amount of budgeted transmission/distribution operation and maintenance expenditures for the prior fiscal year of each National Grid system company having such expenditures. The numerator is the budgeted transmission/distribution operation and maintenance expenditure amount for each applicable company, and the denominator is the total budgeted transmission/distribution operation and maintenance expenditure amount for all applicable companies combined. This data is updated annually. This allocation method is currently used to allocate charges for Service Company personnel incurred in connection with general supervision of electric distribution and/or electric transmission functions or operations among the applicable National Grid system companies.

### **Budgeted transmission/distribution capital expenditures**

A methodology based on the dollar amount of budgeted transmission/distribution capital expenditures for the prior fiscal year of each National Grid system company having such

## Cost Allocation Policies and Procedures

expenditures. The numerator is the budgeted transmission/distribution capital expenditures amount for each applicable company, and the denominator is the total budgeted transmission/ distribution capital expenditures amount for all applicable companies combined. This data is updated annually. This allocation method is currently used to allocate electric distribution and/or electric transmission function costs for the various Service Company Engineering Departments such as .the Engineering Laboratory, Substation Design, Meter Engineering, Asset Strategy and Performance, and Underground Engineering and Operations.

### **Average of number of purchase orders issued, number of checks processed and inventory balances**

A ratio based on the combined averages of invoices processed, purchase orders issued and 13 month average inventory balances by National Grid system companies for the prior fiscal year<sup>2</sup>. The numerator is the combined averages of invoices processed, purchase orders issued and 13 month average inventory balances for the applicable National Grid system company, and the denominator is the combined averages of invoices processed, purchase orders issued and 13 month average inventory balances for all National Grid system companies combined. The calculation of averages is updated annually. This allocation methodology is currently used to allocate costs associated with the Supply Chain and Accounts Payable Departments of the Service Company. Amounts that would be allocated to the Service Company are reallocated based on how Service Company personnel charged their time to National Grid system companies in the prior year.

### **Total billings to associated companies for services rendered (excluding convenience payments)**

A ratio based on the dollar amount of the Service Company charges for services rendered (excluding convenience payments) to associated companies in the National Grid system for the prior fiscal year, the numerator of which is the total amount charged to the applicable National Grid system company, and the denominator of which is the total amount charged to all National Grid system companies. The data for these charges is updated annually. This allocation method is used to allocate Service Company's administrative and general service costs that are not strictly operating company costs and are therefore allocated among all of the National Grid system companies. The charges that would be allocated to the Service Company are reallocated based on the prior year average of time charged by Service Company personnel to the applicable National Grid system company.

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<sup>2</sup> Such combination is calculated as follows. Three averages are calculated: the total number of invoices for each National Grid system company, divided by the total number of invoices for all such companies combined; the total number of Purchase Orders for each National Grid system company, divided by the total number of Purchase Orders for all such companies combined; and the average inventory balance for each National Grid system company, divided by the total average inventory of all such companies combined. These three averages are summed and the final result is then divided by three.

## Cost Allocation Policies and Procedures

### **Materials and supplies issues**

A ratio based on the dollar amount of inventory issues to each applicable National Grid system operating company (including, but not limited to, the dollar amount of issues for capitalized meters and transformers.) The numerator is the number of inventory issues during the prior 13 months for the applicable National Grid system operating company, and the denominator is the number of inventory issues during the prior 13 months, for all applicable National Grid system operating companies combined. The data is updated on a quarterly basis. This allocation method is used to allocate Service Company materials and supplies costs among the applicable National Grid system operating companies. When used in connection with costs and inventory associated with National Grid's New England Central Distribution Centers, this ratio is used to allocate costs solely among National Grid's New England operating companies..

### **Inventory, less fuel**

A ratio based on the total dollar amount of inventory other than fuel inventory held by each of National Grid's direct or indirect subsidiaries that maintain inventory. The numerator is the total dollar amount of such inventory for the applicable subsidiary, and the denominator is the total dollar amount of inventory for all these subsidiaries combined. This method has typically been used to allocate costs in the Materials Management Department of the Service Company. This allocation method is not currently in use; however, Service Company may elect to employ this method in the future.

### **Number of purchase orders**

A ratio based on the number of purchase orders issued for each National Grid system company during the previous fiscal year, the numerator of which is the number of such purchase orders for the applicable National Grid system company, and the denominator of which is the total number of such purchase orders issued for all National Grid system companies combined. This allocation methodology is not presently in use; however, Service Company may elect to employ this method in the future.

### **Archive space occupied**

A ratio based on the square footage occupied per National Grid system company during the prior fiscal year in archive space of the National Grid system, the numerator of which is the square footage occupied by the applicable National Grid system company, and the denominator of which is the total square footage of all such archive space of the National Grid system. This occupancy data is updated annually. This allocation methodology is not currently in use; however, Service Company may elect to employ this method in the future.

### **Department specific costs**

**Data Center** - An allocation ratio for each National Grid system company is derived from the amount of mainframe resources used by Service Company applications charged to each such National Grid system company using a predetermined application allocation basis as appropriate for the application in question and selected from the methodologies described in this Appendix (e.g. the predetermined allocation basis for payroll related systems is the "Number of Employees" allocation methodology). The numerator for this ratio is the amount of resources charged to the applicable National Grid system company, and the denominator is the amount of total resources charged to all National Grid system companies combined. This calculation is updated annually or when significant business events materially alter



## Cost Allocation Policies and Procedures

existing mainframe resources. This ratio is used to allocate the costs associated with the Data Center among all National Grid system companies.

**Facilities, Grounds and Buildings** - To derive the allocation ratio for these costs; the time charged to the National Grid system companies by Service Company Departments that use the National Grid facilities located in Westborough, MA is weighted by the amount of square footage occupied by each such Department at the Westborough facilities. This ratio is used to allocate the costs associated with the National Grid Westborough facilities among those National Grid system companies serviced by Service Company Departments that use the National Grid Westborough facilities. This calculation is revised annually.

**Mid Range Servers** - An allocation ratio for each National Grid system company is derived from the amount of Mid Range resources used by Service Company applications charged to each such National Grid system company using a predetermined application allocation basis as appropriate for the application in question and selected from the methodologies described in this Schedule II (e.g. the predetermined allocation basis for payroll related systems is the "Number of Employees" allocation methodology). The numerator for this ratio is the amount of resources charged to the applicable National Grid system company, and the denominator is the amount of total resources charged to all National Grid system companies combined. This calculation is updated annually or when significant business events materially alter existing Mid Range resources. This ratio is used to allocate the costs associated with the Service Company's Mid Range Servers among all National Grid system companies.

**Millbury Training Center** - An allocation ratio is calculated for each National Grid system company based on the amount of time charged, in the prior fiscal year, to each such National Grid system company by the Service Company Departments that utilize the Millbury Training Center facility. The numerator for this ratio is the amount of such time charged to the applicable National Grid system company, and the denominator is the amount of such time charged to all National Grid system companies combined. This calculation is updated annually. This ratio is used to allocate costs associated with the property which houses the Millbury Training Center located in Millbury, MA among all National Grid system companies.

**Transportation Supervision** A ratio based on budgeted transportation costs for the prior fiscal year for each National Grid system company having such costs. The numerator is the amount of such budgeted transportation costs for each applicable company, and the denominator is the total amount of budgeted transportation costs for all applicable companies combined. Data for this calculation is updated annually. This ratio is used to allocate Transportation Department general supervision charges.

Cost Allocation Policies and Procedures

**Appendix D: Sample Memo Informing of New Billing Pools and Allocation Percentages Being Posted on the Accounting InfoNet**

**Memorandum**

**To:** Department Heads, Managers and Assistants  
**From:** NAME, TITLE  
**Date:** xx/xx/xxxx  
**Subject:** National Grid USA Service Company – ALLOCATION PERCENTAGES BY BILLING POOL

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**The following information is relevant for employees of National Grid USA Service Company and other employees who allocate time and expenses to multiple National Grid and/or KeySpan subsidiary companies. Please distribute to the employees of your department accordingly."**

Attached please find the updated "Allocation Percentages by Billing Pool" schedule for FY 20xx with the inclusion of new billing pools to include Keyspan Companies. This memo and schedule can also be found on the Accounting Infonet page. These allocations are effective beginning xx/xx/xxxx and can be used on time sheets and other source documents to distribute costs between companies.

As we have instructed in the past, the "billing pool" should only be used when the resulting breakdown accurately reflects both the nature of the effort performed and the companies that benefit from such effort. The burden of making this determination is on the person preparing the source document. These billing pools should only be used when the charged company on the document is National Grid USA Service Company (Company 00099).

The attached schedule indicates the percentage charged to each company with the corresponding billing pool. These special billing pools are available for use on time sheets, invoices, etc. However, when it is clear that the charges apply to an individual company, then that company should be charged directly. In addition, there may be instances in which the percentage allocation specified by the billing pool is not appropriate. In those instances the companies to be charged should be listed individually on the source document (e.g. time entry screen, invoice processing document, employee expense report, etc.) along with the appropriate allocation of charges.

If charging a Keyspan company directly, please charge one of the Keyspan billing business units listed on the second tab on this file. Please note that the numerical code for the Keyspan billing companies always have "01" as the first 2 digits of the company code.

If you have any questions please call NAME, CONTACT NUMBER.

Attach the updated summary of the billing pools

**NATIONAL GRID USA SERVICE COMPANY, INC.**  
**40 Sylvan Road**  
**Waltham, Massachusetts 02451**

**SERVICE CONTRACT**

Dated as of: April 1, 2012

THE NARRAGANSETT ELECTRIC COMPANY  
280 Melrose Street  
Providence, RI 02907

National Grid USA Service Company, Inc. (hereinafter called Service Company) is a company engaged primarily in the rendering of services to companies in the National Grid USA holding company system. The organization, conduct of business and method of cost allocation of the Service Company are designed to result in the performance of services and the provision of goods economically and efficiently for the benefit of associate companies at cost, fairly and equitably allocated among such companies. Services will be rendered by Service Company only upon receipt from time to time of specific or general requests therefor. Said requests may always be modified or canceled by you at your discretion. The parties hereto agree as follows:

1. The Service Company agrees to furnish you upon the terms and conditions herein set forth such of the services described in Schedule I hereto as you may from time to time request. Service Company will also furnish, if available, such services not described in Schedule I as you may request. Notwithstanding the foregoing, the Service Company shall not furnish under this agreement any engineering, construction, or maintenance services for a nuclear generating plant.

2. The Service Company has and will maintain a staff trained and experienced in the provision of services of a general and administrative nature. In addition to the services of its own staff, Service Company will, after consultation with you concerning services to be rendered pursuant to your request, arrange for services of non-affiliated experts, consultants, accountants and attorneys.


3. All of the services rendered under this agreement will be at actual cost thereof. Direct charges will be made for services where a direct allocation of cost is possible. The methods of determining such costs and the allocation thereof are set forth in Schedule II hereto. These methods are reviewed annually and more frequently, if appropriate. Such methods may be modified or changed by Service Company without the necessity of an amendment of this agreement provided that in each instance all services rendered hereunder will be at actual cost thereof, fairly and equitably allocated. You will be advised from time to time of any material changes in such methods.

4. Bills will be rendered during the first week of each month covering amounts due for the month calculated on an estimated basis using the actual expenses incurred to the extent possible during the second previous month. This estimated amount would be adjusted on the bill to be rendered by the conclusion of the following month. Any amount remaining unpaid after fifteen days following receipt of the bill shall bear interest thereon from the date of the bill at an annual rate of 2% above the lowest interest rate then being charged by the Bank of America on 90 day commercial loans. The effective date of this agreement shall be April 1, 2012; services

will be performed under this agreement through March 31, 2013, unless terminated at an earlier date by either party giving thirty days' written notice to the other of such termination at the end of any month.

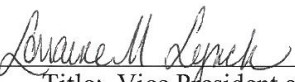
5. This agreement will be subject to termination or modification at any time to the extent its performance may conflict with any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction. This agreement shall be subject to approval of any federal or state regulatory body whose approval is a legal prerequisite to its execution and delivery or performance. Cost allocations and the methods of allocation provided herein may also be subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") under Section 1275 of the Energy Policy Act of 2005 and the rules promulgated thereunder and, to the extent applicable, FERC determinations regarding the allocation of costs shall be dispositive. Any number of counterparts of this agreement may be executed, and each shall have the same force and effect as an original instrument, as if all parties to all counterparts had signed the same instrument.

NATIONAL GRID USA SERVICE COMPANY, INC.

By:   
Title: Senior Vice President and  
Secretary

Accepted:

THE NARRAGANSETT ELECTRIC COMPANY

By:   
Title: Vice President and Treasurer

## **SCHEDULE I**

### **Description of Services Available from National Grid USA Service Company, Inc.**

**Accounting:**

The keeping of accounts and collateral activities, including billing, payroll and customer relations; preparation of reports and preservation of records.

**Auditing:**

Periodic audits by Service Company auditors and the furnishing of reports and recommendations.

**Construction:**

Labor and equipment for construction and maintenance of properties. Assistance in obtaining, and supervision of, non-affiliated contractors.

**Corporate and Corporate Records:**

Cooperation with attorneys, officers and special counsel of associate companies on corporate matters, financing, regulation, contracts, claims and litigation. Services in connection with stockholders' and directors' meetings and keeping of corporate records.

**Customer Services:**

Services re policy development and functional direction of field business service departments, including rate application and training, plus meter reading services and specialized residential, commercial and industrial services.

**Emergencies:**

Assistance in emergency maintenance and restoration of utility service and in mobilization of personnel and equipment.

**Employee Relations:**

Service re labor relations, personnel, wage and salary schedules, employee training and safety and medical programs.

**Engineering:**

Civil, mechanical, electrical, and other engineering services; technical advice, design, installation, supervision, planning, research, testing, operation of communications, including microwave, and operation and maintenance of specialized technical equipment.

**Executive and Administrative:**

Consultation and services in management and administration of all aspects of utility business.

**Information Systems:**

Maintenance and operation of information systems and equipment for accounting, engineering, administration and other functions.

Insurance:

Development, placement and administration of insurance coverages and employee benefit programs, including group insurance and retirement annuities, property inspections and valuations for insurance.

Intellectual Property:

Filing applications, owning, licensing, and holding licenses for copyrights, patents, servicemarks, and trademarks for associated companies.

Properties:

Services re acquisition and disposition of properties; cooperation with attorneys of associate companies in title examinations and conveyancing; maintenance of property records; and making property inventories and valuations.

Power Supply:

Planning and other services for supply of electric power, and negotiation of contracts therefore.

Public Information and Relations:

Services re information to and relations with the public, including customers, security holders, employees, financial analysts, rating agencies and investment firms.

Purchasing and Stores:

Services re purchase and storing of materials, supplies and equipment.

Rates:

Review, design, interpretation, analysis and other services re rates and special contracts .

Regulation:

Analysis of laws, rules and regulations and recommendations for action hereunder; handling of matters with regulatory and governmental authorities; preparation of applications and registrations.

Systems:

Establishing of accounting and other procedures and standards.

Taxes:

Service re federal, state and municipal taxes, preparation of returns and handling of audits and claims by taxing authorities.

Treasury and Statistical:

Services re financing of associate companies, both short and long-term, determination of capital needs, and preparation of financial and statistical reports.

## **SCHEDULE II**

### **Determination of Cost and Allocation Thereof**

Records will be maintained for each Department and Division of the Service Company in order to accumulate all costs of doing business and to determine the cost of service. These costs will include wages and salaries of employees and related expenses such as insurance, taxes, pensions and other employee welfare expenses, and rent, light, heat, telephone, supplies, and other housekeeping costs. In addition, records will be maintained of general administrative expenses, which will include the costs of operating the Service Company as a corporate entity.

Charges for services rendered and related expenses and non-personnel expenses (e.g., use of automotive equipment, etc.) will be billed directly to the serviced companies, either individually or, when the services performed are for a group of companies, by means of an equitable allocation formula. Each formula will have an appropriate basis such as customers, meters, employees, plant investments, inventories, or operation and maintenance expenses. Specific allocation ratios, implementing allocation methods previously authorized by the Securities and Exchange Commission, are described further below.

Charges for services will be determined from the time sheets of employees and will be computed on the basis of each employee's hourly rate plus a percentage factor to cover related expenses and general administrative expenses. Records of such related expenses and general administrative expenses will be maintained and subjected to periodic review.

Out-of-pocket expenses which are incurred for the serviced companies will be billed at cost. Charges for non-personnel expenses, such as for the use of automobiles, trucks and heavy equipment, will normally be computed on the basis of costs per hour or per mile.

### ***Summary of Authorized Allocation Methods<sup>1</sup>***

#### **Microwave air line circuit miles**

A ratio based on the total microwave air line circuit miles as of the end of the prior fiscal year for the systems of the applicable National Grid operating companies. The numerator for this ratio is the total microwave air line circuit miles for each applicable company, and the denominator is the total of all microwave air line circuit miles for all applicable companies combined. This data is updated annually.<sup>2</sup> This allocation method is currently used to allocate charges incurred by Service Company in the operation of the National Grid system's shared microwave radio transmission system.

#### **Number of employees**

A ratio based on the sum of the number of employees as of the end of the prior fiscal year, the numerator of which reflects the number of employees for each applicable National Grid system company or Service Company Department, and the denominator of which reflects all employees for the National Grid system companies, including the Service Company, combined. This ratio is updated annually. Costs for Service Company employees are reallocated based on

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<sup>1</sup> The parties agree that each approved Allocation Methodology described below may be applied to any appropriate Service Company Department(s) based on the nature of the specific Allocation Methodology.

<sup>2</sup> The update frequencies reflected in this Schedule II reflect current practice, but are subject to change at the election of Service Company.



how Service Company personnel charged their time to National Grid system companies in the prior year. Currently, this allocation method is used primarily to allocate costs in the Employee Relations and Labor Relations Departments of the Service Company among all National Grid system companies.

**Number of customers**

A ratio based on the number of ultimate customers, as of the end of the prior fiscal year, for those National Grid system companies that have ultimate customers. For the allocation of electric distribution-related costs, the numerator is the number of ultimate electric distribution customers of each applicable company, and the denominator is the total number of ultimate electric distribution customers of all applicable companies combined. For the allocation of gas distribution-related costs, the numerator is the number of ultimate gas distribution customers of each applicable company, and the denominator is the total number of ultimate gas distribution customers of all applicable companies combined. The data to establish customer counts is updated annually. This allocation method is currently used to allocate costs of the following Service Company Departments: Customer Service and Load Management, Billing Insertion and Mailing, Customer Information Services, Northborough Facilities Group, Customer Service Center Account Processing, and Credit and Collections Operations.

**Number of meters in service**

A ratio based on the number of meters of ultimate customers, as of the end of the prior fiscal year, in each of the National Grid system companies that have ultimate customers. For the allocation of electric distribution-related costs, the numerator of this ratio is the number of electric meters for each applicable company, and the denominator is the total of all such electric meters in all applicable companies combined. For the allocation of gas distribution-related costs, the numerator of this ratio is the number of gas meters for each applicable company, and the denominator is the total of all such gas meters in all applicable companies combined. For the allocation of combined electric and gas distribution-related costs, the numerator of this ratio is the total number of electric meters and gas meters for each applicable company, and the denominator is the total of all such electric meters and gas meters in all applicable companies combined. The data establishing number of meters is updated annually.



**Number of aerial devices (including utility vehicle aerial lifts and buckets)**

A ratio based on the number of assigned aerial devices (such as, for example, utility vehicle aerial lifts and buckets) per the applicable National Grid system operating company as of the end of the prior fiscal year. The numerator is the number of such aerial devices for the applicable National Grid system operating company, and the denominator is the total number of such aerial devices for all National Grid system operating companies combined. The data to establish the number of aerial devices is updated annually. This allocation method is currently used to allocate certain costs of the Engineering Laboratory of the Service Company.

**Number of Rubber Gloves**

A ratio based on the number of rubber glove users in each National Grid system company for the prior fiscal year, the numerator of which is the number of rubber glove users in the applicable National Grid system company, and the denominator of which is the total number of rubber glove users for all National Grid system companies combined. Amounts that would be allocated to the Service Company are reallocated based on how Service Company personnel using rubber gloves charged their time to such National Grid system companies in the prior year. The data to establish the number of rubber glove users is updated annually. This allocation method is currently used to allocate certain costs associated with the Engineering Laboratory of the Service Company.

**Operation and Maintenance Expenses**

A methodology based on the dollar amount, for the prior fiscal year, of the operation and maintenance (“O&M”) expenses (excluding transmission of electricity by others as applicable), including customer accounts, customer service and information, and sales expenses, if applicable, for those National Grid system companies that have such expenses. Following are the ratios used to implement this methodology.

*Combined electric transmission and distribution O&M expenses:*

The numerator is the amount of electric transmission and distribution operation and maintenance expenses (excluding transmission of electricity by others), customer accounts, customer service and information, and sales expenses, incurred by the applicable National Grid system company, and the denominator is the total of all such expenses for all National Grid system companies combined..

*Electric transmission-only O&M expenses:*

The numerator is the amount of transmission-only operations and maintenance expenses (excluding transmission of electricity by others), incurred by the applicable National Grid system company, and the denominator is the total of all such expenses incurred by all National Grid system companies combined.

*Electric distribution-only O&M expenses:*

The numerator is the amount of electric distribution-only operations and maintenance expenses, customer accounts, customer service and information, and sales expenses, incurred by the applicable National Grid system company, and the denominator is the total of all such expenses incurred by all National Grid system companies combined.

*Gas distribution-only O&M expenses:*

The numerator is the amount of gas distribution-only operations and maintenance expenses, customer accounts, customer service and information, and sales expenses, incurred by the applicable National Grid system company, and the denominator is the total of all such expenses incurred by all National Grid system companies combined. This ratio is not currently in use; however, Service Company may elect to employ this ratio in the future.

*Combined electric and gas distribution O&M expenses:*

The numerator is the amount of electric and gas distribution operations and maintenance expenses, customer accounts, customer service and information, and sales expenses, incurred by the applicable National Grid system company, and the denominator is the total of all such expenses incurred by all National Grid system companies combined.

The data for calculation of these ratios is updated annually.

This allocation method is a general allocation method to be used when other allocation methods are deemed less reflective of the value of the benefits received by the National Grid system company(ies) serviced. This method is used to calculate allocation ratios for various possible combinations of National Grid system companies that may benefit from such services.

**Budgeted transmission/distribution operation and maintenance expenditures**

A methodology based on the dollar amount of budgeted transmission /distribution operation and maintenance expenditures for the prior fiscal year of each National Grid system company having such expenditures. The numerator is the budgeted transmission /distribution operation and maintenance expenditure amount for each applicable company, and the denominator is the total budgeted transmission /distribution operation and maintenance expenditure amount for all applicable companies combined. This data is updated annually. This allocation method is currently used to allocate charges for Service Company personnel incurred in connection with general supervision of electric distribution and/or electric transmission functions or operations among the applicable National Grid system companies.

**Budgeted transmission/distribution capital expenditures**

A methodology based on the dollar amount of budgeted transmission /distribution capital expenditures for the prior fiscal year of each National Grid system company having such expenditures. The numerator is the budgeted transmission /distribution capital expenditures amount for each applicable company, and the denominator is the total budgeted transmission /distribution capital expenditures amount for all applicable companies combined. This data is updated annually. This allocation method is currently used to allocate electric distribution and/or electric transmission function costs for the various Service Company Engineering Departments such as the Engineering Laboratory, Substation Design, Meter Engineering, Asset Strategy and Performance, and Underground Engineering and Operations.

**Average of number of purchase orders issued, number of checks processed and inventory balances**

A ratio based on the combined averages of invoices processed, purchase orders issued

and 13 month average inventory balances by National Grid system companies for the prior fiscal year<sup>3</sup>. The numerator is the combined averages of invoices processed, purchase orders issued and 13 month average inventory balances for the applicable National Grid system company, and the denominator is the combined averages of invoices processed, purchase orders issued and 13 month average inventory balances for all National Grid system companies combined. The calculation of averages is updated annually. This allocation methodology is currently used to allocate costs associated with the Supply Chain and Accounts Payable Departments of the Service Company. Amounts that would be allocated to the Service Company are reallocated based on how Service Company personnel charged their time to National Grid system companies in the prior year.

**Total billings to associated companies for services rendered (excluding convenience payments)**

A ratio based on the dollar amount of the Service Company charges for services rendered (excluding convenience payments) to associated companies in the National Grid system for the prior fiscal year, the numerator of which is the total amount charged to the applicable National Grid system company, and the denominator of which is the total amount charged to all National Grid system companies. The data for these charges is updated annually. This allocation method is used to allocate Service Company's administrative and general service costs that are not strictly operating company costs and are therefore allocated among all of the National Grid system companies. The charges that would be allocated to the Service Company are reallocated based on the prior year average of time charged by Service Company personnel to the applicable National Grid system company.

**Materials and supplies issues**

A ratio based on the dollar amount of inventory issues to each applicable National Grid system operating company (including, but not limited to, the dollar amount of issues for capitalized meters and transformers.) The numerator is the number of inventory issues during the prior 13 months for the applicable National Grid system operating company, and the denominator is the number of inventory issues during the prior 13 months, for all applicable National Grid system operating companies combined. The data is updated on a quarterly basis. This allocation method is used to allocate Service Company materials and supplies costs among the applicable National Grid system operating companies. When used in connection with costs and inventory associated with National Grid's New England Central Distribution Centers, this ratio is used to allocate costs solely among National Grid's New England operating companies.

**Inventory, less fuel**

A ratio based on the total dollar amount of inventory other than fuel inventory held by each of National Grid's direct or indirect subsidiaries that maintain inventory. The numerator is the total dollar amount of such inventory for the applicable subsidiary, and the denominator is the total dollar amount of inventory for all these subsidiaries combined. This method has typically been used to allocate costs in the Materials Management Department of the Service

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<sup>3</sup> Such combination is calculated as follows. Three averages are calculated: the total number of invoices for each National Grid system company, divided by the total number of invoices for all such companies combined; the total number of Purchase Orders for each National Grid system company, divided by the total number of Purchase Orders for all such companies combined; and the average inventory balance for each National Grid system company, divided by the total average inventory of all such companies combined. These three averages are summed and the final result is then divided by three.

Company. This allocation method is not currently in use; however, Service Company may elect to employ this method in the future.

#### **Number of purchase orders**

A ratio based on the number of purchase orders issued for each National Grid system company during the previous fiscal year, the numerator of which is the number of such purchase orders for the applicable National Grid system company, and the denominator of which is the total number of such purchase orders issued for all National Grid system companies combined. This allocation methodology is not presently in use; however, Service Company may elect to employ this method in the future.

#### **Archive space occupied**

A ratio based on the square footage occupied per National Grid system company during the prior fiscal year in archive space of the National Grid system, the numerator of which is the square footage occupied by the applicable National Grid system company, and the denominator of which is the total square footage of all such archive space of the National Grid system. This occupancy data is updated annually. This allocation methodology is not currently in use; however, Service Company may elect to employ this method in the future.

#### **Department specific costs**

**Data Center** – An allocation ratio for each National Grid system company is derived from the amount of mainframe resources used by Service Company applications charged to each such National Grid system company using a predetermined application allocation basis as appropriate for the application in question and selected from the methodologies described in this Schedule II (e.g. the predetermined allocation basis for payroll related systems is the “Number of Employees” allocation methodology). The numerator for this ratio is the amount of resources charged to the applicable National Grid system company, and the denominator is the amount of total resources charged to all National Grid system companies combined. This calculation is updated annually or when significant business events materially alter existing mainframe resources. This ratio is used to allocate the costs associated with the Data Center among all National Grid system companies.

**Facilities , Grounds and Buildings** – To derive the allocation ratio for these costs, the time charged to the National Grid system companies by Service Company Departments that use Service Company facilities is weighted by the amount of square footage occupied by each such Department at the facilities. This ratio is used to allocate the costs associated with the Service Company facilities among those National Grid system companies serviced by Service Company Departments that use such facilities. This calculation is revised annually.

**Mid Range Servers** – An allocation ratio for each National Grid system company is derived from the amount of Mid Range resources used by Service Company applications charged to each such National Grid system company using a predetermined application allocation basis as appropriate for the application in question and selected from the methodologies described in this Schedule II (e.g. the predetermined allocation basis for payroll related systems is the “Number of Employees” allocation methodology.) The numerator for this ratio is the amount of resources charged to the applicable National Grid system company, and the denominator is the amount of total resources charged to all National Grid system companies combined. This calculation is updated annually or when significant business events materially

alter existing Mid Range resources. This ratio is used to allocate the costs associated with the Service Company's Mid Range Servers among all National Grid system companies.

**Millbury Training Center** – An allocation ratio is calculated for each National Grid system company based on the amount of time charged, in the prior fiscal year, to each such National Grid system company by the Service Company Departments that utilize the Millbury Training Center facility. The numerator for this ratio is the amount of such time charged to the applicable National Grid system company, and the denominator is the amount of such time charged to all National Grid system companies combined. This calculation is updated annually. This ratio is used to allocate costs associated with the property which houses the Millbury Training Center located in Millbury, MA among all National Grid system companies.

**Transportation Supervision** - A ratio based on budgeted transportation costs for the prior fiscal year for each National Grid system company having such costs. The numerator is the amount of such budgeted transportation costs for each applicable company, and the denominator is the total amount of budgeted transportation costs for all applicable companies combined. Data for this calculation is updated annually. This ratio is used to allocate Transportation Department general supervision charges.


Division 11-7-ELEC/GAS

Request:

Please provide copies of any documents (manuals and policy statements) regarding National Grid's new Service Company allocation agreements and instructions for direct charging costs.

Response:

The Company provided the new Service Company Agreement with affiliated companies as Attachment DIV 11-4-ELEC/GAS as part of the Company's response to Division 11-4-ELEC/GAS. Please see Attachment DIV 11-7-ELEC/GAS for the new Cost Allocations Policy.

		US ACCOUNTING POLICY	
Cost Allocations		US AP 600.02.1	
Prior US AP Updated:	January 2010	Effective Date: XXXXXX	
Current US AP Update:	November 30, 2011		
Applicability:		US National Grid	
Departure from this Policy requires the Approval of the Director, Service Company Accounting			

## **TABLE OF CONTENTS**

<b>SECTION</b>	<b>AREA</b>	<b>PAGE</b>
<b>I</b>	Purpose & Scope	1
<b>II</b>	Policy	2
<b>III</b>	Chart of Account Reference	4
<b>IV</b>	Supplemental Information	4
<b>V</b>	Key Accounting Literature	4
<b>VI</b>	Transition Information	4
<b>VII</b>	Exhibits	4
<b>VIII</b>	Frequently Asked Questions	4


### **Section I: Purpose & Scope**

**This accounting policy prescribes the manner in which costs will be charged to the National Grid USA operating companies by the Service Company including the event of a storm restoration and other emergency services. It also establishes the guidelines for labor and expense cost allocations to ensure the accuracy and validity of allocations to all operating entities.**

The management of National Grid USA (“NG”) believes it is critical that its operating companies have accurate information regarding the costs incurred by National Grid USA Service Co. and KeySpan Engineering and Survey (“Service Companies”), with respect to the operating companies and the appropriate allocation of such costs among the companies receiving services. It is essential that costs are assigned to appropriate companies to ensure compliance with regulatory requirements and to ensure fairness and equity of cost assignment for both customers and shareholders. Service Companies are regulated by Federal Energy Regulatory Commission (“FERC”) and file annual FERC Form 60.

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This policy applies to all US National Grid companies.

		<h1>US ACCOUNTING POLICY</h1>	
Cost Allocations		US AP 600.02.1	
Prior US AP Updated:	January 2010	Effective Date: XXXXXX	
Current US AP Update:	November 30, 2011		
Applicability:		US National Grid	
Departure from this Policy requires the Approval of the Director, Service Company Accounting			

For assistance with any aspect of this accounting policy, please contact the Service Company Accounting Group.

### Section II: Policy

#### A. Definitions

Section 3 of the Cost Allocation Manual is incorporated herein by reference.


- **Cost Allocation:** The methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the cast of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).
- **Labor Charges:** Labor costs are all time charges associated with activities performed by service Company employees which benefit directly, cost-causally or generally the operating entities.
- **Expenses:** Work related costs incurred by an employee on behalf of National Grid through the course of business are considered reimbursable based on the company's Travel and Expense policy. As example, travel expense incurred by employee due to an approved business trip is considered a reimbursable expense charge.

- **Cost Allocation Principles**

The following Cost Allocation hierarchy describes the preferred order of methodologies employed and principles used whenever products or services are provided between the Service Company and the Client or Operating Companies or among Operating Companies, for example, in the case of storm restoration services.

- a) Direct charging / assignment is the preferred allocation methodology and should be used if the cost of providing a product or service can be charged to specific affiliates receiving the benefit of that product or service.
- b) The costs of products and services that cannot be direct charged should be allocated based on cost causative allocation bases representative of the underlying cost drivers of that product or service.
- c) The cost allocation methodology should provide the consumers of the products and services with accurate price signals in order to facilitate decision-making related to the demand for and consumption of these products and services.



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- d) The cost allocation methodology should be comprehensive, transparent, stable and administratively manageable and cost effective.
- e) The calculation of the cost allocation bases should be supported by a clearly defined methodology, model and supporting policy and procedure documentation.
- f) The cost allocation methodology should accommodate changes in the size of the allocation bases from period to period based on changes in the underlying cost drivers; the allocation bases should not vary significantly from period to period for uncontrollable factors not related to the underlying cost drivers. For example, you would not choose an allocation basis that fluctuates significantly from period to period based on changes in weather if weather is not a cost driver for that activity.
- g) The calculation of the allocation bases should be updated at least annually and more frequently if needed to reflect significant events (e.g., the sale of a significant affiliate).


- **Cost Apportionment Methodology**

Costs are defined into the following four categories for purposes of allocating the costs of Service Company products and services to the Operating Companies. These four cost categories are:

- **Directly Assignable** – Expenses incurred for activities and services exclusively for the benefit of an affiliate.
- **Directly Attributable** – Expenses incurred for activities and services that benefit more than one affiliate and which can be allocated based on direct measures of cost causation; for example number of employees or number of invoices processed.
- **Indirectly Attributable** – Expenses incurred as a “cost of doing business” that do not relate to the provision of specific products and services. The costs typically benefit all entities within the corporate umbrella. Examples include governance costs, Corporate Secretary costs, and investor relations costs. These costs are typically allocated based on a general measure of cost causation, commonly referred to as the general allocator.
- **Un-attributable** – Expenses incurred for activities or services that have been determined as not appropriate for apportionment to the operating company affiliates. These costs relate primarily to activities such as corporate diversification, political or philanthropic endeavors and, as such, are charged directly to National Grid USA.

It is expected that the majority of costs charged to an affiliates will be based on the direct assignment of costs and that costs indirectly attributable to an affiliate will represent the smallest category of costs.

- **Time Reporting Procedures**

		<h1>US ACCOUNTING POLICY</h1>	
Cost Allocations		US AP 600.02.1	
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Applicability:		US National Grid	
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All employees of the Service Company must positively report time; that is, time reports must be completed by each employee each reporting period that reflect the actual work activities performed during that period. The time report should clearly indicate the work performed during the time reporting period and the companies on whose behalf the work was performed. This is accomplished through the use of the appropriate SAP order number. If employees work on behalf of a specific operating company, an SAP order number should be used which accommodates the direct charging to that operating company.

It is each individual's responsibility to ensure that their time entered into the Time Entry system accurately reflects the work performed, the benefiting companies and the cost drivers. It is the responsibility of each supervisor to review and approve all time entered into the system for their employees including proper allocation of costs.


Adherence to this policy will be monitored through metrics developed by individual departments (based on specific work done by each department) and through budget variance analysis.

- **Expense Procedures**

All expenses are governed by the US Business Travel and Expense Policy. This policy governs the accounting treatment of reimbursable business expenses.

When evaluating proper accounting and cost allocation treatment for any expenses, the first step every employee must take is to answer the following question:

1. Who is the benefiting operating affiliate and what is the type of activity? Does the expenditure directly benefit one operating affiliate?
  - If the expenditure directly benefits one or more operating affiliates, the expenses need to be directly charged to that/those affiliate(s).
  - If the expenditure does not directly benefit an operating affiliate, then the employee must allocate the cost to the National Grid operating affiliates based on the services rendered or distribution of costs incurred on their behalf through the use of a cost allocation methodology guiding principles:
    - Use a cost-causative methodology if possible
    - Use general allocator methodology if the expense may not be interpreted as a direct benefit of one or any operating affiliate and is a legitimate business expense

		<h1>US ACCOUNTING POLICY</h1>	
Cost Allocations		US AP 600.02.1	
Prior US AP Updated:	January 2010	Effective Date: XXXXXX	
Current US AP Update:	November 30, 2011		
Applicability:		US National Grid	
Departure from this Policy requires the Approval of the Director, Service Company Accounting			

## 2. Review and Verification

It is each individual's responsibility to ensure that their expenses entered into the expense reporting system accurately reflect the type of expense, the benefiting companies and the cost drivers. It is incumbent on each employee to ensure that their time reports and their expense reports match. In case of the difference between time and expense reporting, each employee must adhere to the SAP soft warning at the time of expense entry to ensure any overrides in the system are appropriate and accurate.

It is the responsibility of each supervisor to review and approve all expense charges entered into the system for their employees including proper allocation of costs.

Adherence to this policy will be monitored through metrics developed by individual departments (based on specific work done by each department) and through budget variance analysis.

- **Services Provided by the Service Company – Description and Allocation Bases**

Section 8 of the Cost Allocation Manual is incorporated herein by reference. All Service Company charges, including time reporting (covered in section above), expense reporting, A/P invoicing, etc. are to be allocated based on table 8.2 of Cost Allocations Manual specifications (which specifically describes the cost allocation methods used for each of the services provided by Service Companies to the Client Companies to whom these services are provided.)

- **Approved Cost Allocation Bases**


Section 10 of the Cost Allocation Manual is incorporated herein by reference.

### **Section III: Chart of Account Reference**

Not applicable

### **Section IV: Supplemental Information**

The Cost Allocation Manual is incorporated herein by reference.

		<h1>US ACCOUNTING POLICY</h1>	
Cost Allocations		US AP 600.02.1	
Prior US AP Updated:	January 2010	Effective Date: XXXXXX	
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Applicability:		US National Grid	
Departure from this Policy requires the Approval of the Director, Service Company Accounting			

#### Section V: Key Accounting Literature

Not applicable

Accounting Standards Codification (ASC)		
Topic	Subtopic	Description
Other Key Accounting Literature		
<i>(e.g., Regulatory Accounting Requirements, International Financial Reporting Standards)</i>		

#### Section VI: Transition Information

This policy is intended to be implemented with the new SAP system. In the meantime, employees should continue to direct charge or allocate time and expenses consistent with current practices.

#### Section VII: Exhibits

Cost Allocation Manual

#### Section VIII: Frequently Asked Questions

- Q1. If I have questions regarding which allocation basis I should use, who do I contact?
- A1. You should first contact your immediate supervisor. If your supervisor is unable to answer your question, please contact the Director, Service Company Accounting.

Division 11-8-ELEC/GAS

Request:

Please provide copies of any documents (manuals and policy statements) regarding the Service Company allocation agreements and instructions for direct charging costs that are utilized by the KeySpan service companies.

Response:

Please see the attached documents:

- Attachment DIV 11-8-1-ELEC/GAS for the Cost Allocation Policies and Procedures Manual for Legacy KeySpan;
- Attachment DIV 11-8-2-ELEC/GAS for the National Grid Corporate Services, LLC (formerly KeySpan) Service Agreement with subsidiary companies with renewal page for the Company;
- Attachment DIV 11-8-3-ELEC/GAS for the National Grid Utility Services, LLC (formerly KeySpan) Service Agreement with subsidiary companies with renewal page for the Company;
- Attachment DIV 11-8-4-ELEC/GAS for the National Grid Engineering & Survey, Inc. (formerly KeySpan) Service Agreement with subsidiary companies with renewal page for the Company; and
- Attachment DIV 11-8-5-ELEC/GAS for the National Grid USA Cost Allocation Training.

The last attachment, which is posted on the Company's internal intranet (i.e., internal Company website accessible only to employees and contractors), represents the last version of the classroom and Live Meeting training content prior to the launching of the eLearning module.

In July 2011, National Grid launched an eLearning module to all employees. The module was assigned as a required course to all management employees who enter their own time and expenses. All new management hires will automatically receive the assigned eLearning module and have 74 days to complete the assignment.



# **Cost Allocation Policies and Procedures Manual for Legacy KeySpan**

**Last Updated: January 2010**

## Cost Allocation Policies and Procedures

### POLICY STATEMENT

The management of National Grid USA (“NG”) believes it is critical that its management and the management of operating companies have accurate information regarding the costs incurred by the three legacy KeySpan Service Companies – KeySpan Corporate Services, KeySpan Utilities Services, and KeySpan Engineering and Survey (“Service Companies”) in respect with the operating companies and appropriate allocation of such costs among the companies receiving services. It is essential that costs are assigned to appropriate companies to ensure compliance with regulatory requirements and to ensure fairness and equity of cost assignment for both customers and shareholders.

Service Companies are regulated by Federal Energy Regulatory Commission (“FERC”) and should file annual FERC Form 60. Sound policy development and implementation enables National Grid USA and its entities to better manage risk and emphasize appropriate implementation, training and better compliance with FERC regulations.

This Manual describes the policies and procedures applicable to personnel in Service Company and Non-Regulated Accounting responsible for the cost allocation process and all other employees in the Service Company providing services to operating companies. It is the responsibility of Service Company and Non-Regulated Accounting and all departmental heads to administer these policies in a consistent and impartial manner.

***The manual is intended as a reference and working guide for all such personnel in the day-to-day administration of National Grid policies and procedures. The policies and procedures contained in this Manual are broad internal guidelines which may change from time to time.***

Cost Allocation Policies and Procedures

**Table of Contents**

<b>POLICY STATEMENT.....</b>	<b>2</b>
<b>APPROVAL AND EFFECTIVE DATE OF THE POLICY .....</b>	<b>4</b>
<b>RESPONSIBILITIES.....</b>	<b>4</b>
<b>SUMMARY OF ALLOCATION DRIVERS .....</b>	<b>5</b>
<b>TYPES OF SERVICES.....</b>	<b>6</b>
<b>TYPES OF CHARGES .....</b>	<b>6</b>
<b>METHODS OF ALLOCATION.....</b>	<b>6</b>
<b>ALLOCATION CODES SETUP AND REVIEW.....</b>	<b>8</b>
<b>ALLOCATION PERCENTAGES REVIEW AND UPDATE IN ORACLE .....</b>	<b>9</b>
<i>CALCULATION .....</i>	<i>9</i>
<i>REVIEW AND APPROVAL.....</i>	<i>11</i>
<i>ORACLE GENERAL LEDGER ALLOCATION PERCENTAGE UPDATE.....</i>	<i>11</i>
<b>SERVICE COMPANY COST POOLS.....</b>	<b>12</b>
<b>JOURNAL ENTRIES ALLOCATION IN ORACLE .....</b>	<b>13</b>
<b>INTERCOMPANY BILLING.....</b>	<b>15</b>
<b>INTERCOMPANY SETTLEMENT.....</b>	<b>16</b>
<b>APPENDIX A: DESCRIPTION OF SERVICES OFFERED BY KEYSpan SERVICES COMPANIES</b>	<b>17</b>
<b>APPENDIX B: DEFINITION OF THE SEC APPROVED ALLOCATION METHODS.....</b>	<b>21</b>
<b>APPENDIX C: ALLOCATION BASIS AND GROUPING FOR LEGACY KEYSpan.....</b>	<b>23</b>



Cost Allocation Policies and Procedures

**APPROVAL AND EFFECTIVE DATE OF THE POLICY**

April 1, 2009

**RESPONSIBILITIES**

Service Company and Non-Regulated Accounting

## Cost Allocation Policies and Procedures

### SUMMARY OF ALLOCATION DRIVERS

Summary of Allocation Drivers - Legacy KeySpan								
Cost Allocation Drivers	Approval by SEC	Allocation Basis	Associated Allocation Codes**	Business Rationale for Billing Pool / Participant Companies in Bill Pool Allocation	Annual Update Cycle	Date of Last Update	Approval Chain	
							2008	2009 onwards
Number of Meters	All allocation methods have been approved by the SEC PUHCA Staff under SEC Order dated November 8, 2000. The allocation methods have not changed since the date of that order. Refer to the response from Rob Schellberg to the FERC Request 321.	B	01-07, 09-11, 13-18, 20, 22, 24, 34, 58, 103, 104	Refer to KS Cost Allocation Basis & Grouping	Allocation percentages are reviewed on an annual basis and should be updated in Oracle by the end of April (1st month of the fiscal year). New allocation codes can also be added throughout the year as requested by Budget Analysts.	Allocation percentages were last updated and approved in April/May 2009.	Allocation percentages are reviewed by: 1. General Accounting (Rob Schellberg) 2. Gas (Don Wolf) 3. LIPA and Generation (Jim Holodak) 4. KSI (used to be Jed Sabio) This review takes place as part of the annual update in April.	Approval chain will remain the same as in 2008. In addition, the updated allocation percentages will be presented to the Cost Allocation Steering Group on behalf of the LOB's.
Number of Telephone Calls		D	01-07, 09-11, 13-18, 20, 22, 24, 34					
3 Point Formula		G	01-20, 22, 24, 26, 27, 29-41, 44, 46-61, 101-109, 111-119, 121					
Number of Bills		H	01-07, 09-11, 13-18, 20, 22, 24					
Property		I	01-07, 09-18, 20, 22, 24, 26, 27, 29, 37					
Sq. Footage		J	Not used as a part of this allocation process. Used for manual J/E.					
Revenues		K	01-07, 09-18, 20, 22, 24, 26, 27, 29, 52, 108, 109					
Sendout		M	01-07, 09, 13-18, 20, 22, 24					
Number of Employees		N	01-07, 09-18, 20, 22, 24, 26, 27, 29, 35, 44, 46-49, 51- 52, 54-61, 103-106, 108, 109, 116-119, 121					
Vehicles		V	Not used as a part of this allocation process. Used as a separate allocation code.					
Notes:								
* - A walkthrough was performed to validate that billing pools allocation percentages on the legacy NG side have been calculated correctly for FY2009. On the legacy KS side walkthroughs have been performed for companies 37 (KEDLI) and NB (Nantucket Electric Company). Calculations have been traced from the source (raw data) to the final allocation percentages.								
** - Allocation codes 01 to 50 (KeySpan companies only) are calculated for all methods of allocation (B,D,G,H,I,K,M,N), but only combinations of allocation basis and codes listed in the schedule are currently used by the departments. Allocation codes 51 to 60 are calculated only for G, K and N formulas but only allocation basis and codes listed in the schedule are currently used by the departments. Allocation codes 65 to 99 are for direct charges. Codes 61 to 64 are reserved for future allocation codes. Allocation codes 101-109, 111-119 and 121 are calculated only for B, G, K and N formulas but only allocation basis and codes listed in the schedule are currently used by the departments.								
For details refer to KS Cost Allocation Basis & Grouping.								

## Cost Allocation Policies and Procedures

### TYPES OF SERVICES

In accordance with the regulations of the Public Utilities Holding Company Act of 1935, ("PUHCA") and the New York State Public Service Commission ("PSC") requirements, KeySpan created three distinct service companies:

- KeySpan Corporate Services (Company 31) – providing traditional corporate and administrative services.
- KeySpan Utility Services (Company 32) – providing gas and electric transmission and distribution systems planning, marketing, and gas supply planning and procurement
- KeySpan Engineering Services (Company 33) – providing engineering and surveying services to subsidiaries

For the complete listing of services and details refer to [Appendix A](#). These services are also listed in the annual filing of the FERC Form 60.

The process of allocating Service Company costs is the same for all three companies. All costs incurred by the KeySpan Service Companies are to be recorded on their own respective set of books.

### TYPES OF CHARGES

Each cost center of a Service Company should maintain records of all costs associated with doing business with operating companies. The accounting system uses codes to assign charges to the applicable costs center, project, activity and account. Expenses of the department include:

- Labor – salaries and wages of employees, including fringe benefits and payroll taxes;
- Non-labor – materials, supplies, services by outside parties;
- Other expenses attributable to the department

**Note:** Time records of hours worked by all service company employees should be coded by project and activity.

To control expenses of each department service companies should have annual budgets established.

### METHODS OF ALLOCATION

The Service Companies allocate all service company costs to associated regulated and non-utility companies through a tiered approach:

1. direct charge;
2. allocation ratio based upon a cost/causation relationship; or
3. 3-point formula based on revenue, assets and operational and maintenance ("O&M") expenses

## Cost Allocation Policies and Procedures

Allocation Coding and Methods	
<b>A</b>	Direct
<b>B</b>	Number of Meters
<b>D</b>	Number of Telephone Calls
<b>G</b>	3 Point Formula
<b>H</b>	Number of Bills
<b>I</b>	Property
<b>J</b>	Sq. Footage
<b>K</b>	Revenues
<b>M</b>	Sendout
<b>N</b>	Number of Employees
<b>V</b>	Vehicles

For the definition of the above allocation methods refer to [Appendix B](#)

Direct charge (i.e. allocating 100% of the cost to a single operating company) is a preferred method and should be used whenever applicable. Cost should be directly charged to the company receiving the service.

**Note:** There might be instances when more than one company is receiving the same goods or service at the same time. Thus, each company will be charged proportionally.

**Example:** Direct charge allocation code – **A66**

This allocation code indicates that 100% of the Service Company costs associated with a project/activity/cost center will be charged to company NB.

**A** = Direct Charge

**66** = Nantucket Electric Company (NB)

In cases where direct charging cannot be readily determined, costs should be allocated using cost/causation principles or predefined allocation codes. An allocation code identifies:

- Method used to allocate
- Mix of operating companies receiving the allocation
- Percentage distribution applicable to each operating company.

## Cost Allocation Policies and Procedures

### **Example:** Allocation Code – **D34**

This allocation code indicates that the number of phone calls formula will be employed to allocate charges between all New England Gas companies and KEDNY in proportions listed below.

**D** = Number of phone calls

**34** = Gas NE and KNC

Allocation Method	Allocation Code	Allocation Basis	Company Code	Company Description	Allocation Percentages
Number of Telephone Calls	34	Gas-NE and KNC	01	Boston Gas Company	24.2%
	34	Gas-NE and KNC	03	Colonial Gas Company	5.1%
	34	Gas-NE and KNC	06	EnergyNorth Natural Gas, Inc.	3.1%
	34	Gas-NE and KNC	38	KeySpan Energy Delivery New York	67.6%
					100.0%

**Note:** The asset recovery charge, including Property Taxes, Interest Income / Expense, Depreciation / Amortization Expense, and Return on Equity, should be allocated based on the estimates provided by the Budgeting and Forecasting group. A manual entry should be used to true up and reflect the actual expense for the month.

All expenses should be allocated and billed at cost on a monthly basis.

For a summary of allocation drivers as well as a detailed listing of codes and companies associated with each allocation code refer to **Appendix C**.

## **ALLOCATION CODES SETUP AND REVIEW**

All projects/activities/cost centers of a Service Company need to be assigned an allocation code to ensure that the costs are allocated correctly. To set up a new project/activity in Oracle Financial System a request should be sent to the Budget Analyst. The Budget Analyst will complete a File Maintenance Request Form from Infonet. The File Maintenance Form is also reviewed by the Accounting Analyst prior to releasing it to the Financial Solutions and Support group for the project / activity setup in Oracle Project Module. The Budget Analyst should mail the approved request form to: [Oracle\\_Servco@keyspanenergy.com](mailto:Oracle_Servco@keyspanenergy.com) for O&M charges or to [OracleCR@keyspanenergy.com](mailto:OracleCR@keyspanenergy.com) for capital charges.

The Financial Solutions and Support group will notify the requestor and the Service Company Accounting Analyst after the requested changes are made in Oracle Financial System. The Accounting Analyst then can set up allocation formula in Oracle for the new project/activity.

## Cost Allocation Policies and Procedures

The method of assignment or allocation of costs should be reviewed annually or more frequently, if appropriate.

### **ALLOCATION PERCENTAGES REVIEW AND UPDATE IN ORACLE**

Allocation percentages are calculated based on historical data and should be updated annually by the Accounting Analyst. During the year, the allocation percentages should be updated for any new or sold companies.

The annual review process should begin in January as historical data used for the calculation becomes available and should be completed and updated in Oracle by the end of April for the new rates to become effective as of beginning of a new fiscal year. Oracle allows changes to be made in the system at month end for the percentages take effect as of beginning of the same month, e.g. updates made at the end of April will apply to all charges made during that month.

#### ***Calculation***

The Accounting Analyst will prepare two Excel files:

1. For allocation codes 01 through 50 that include legacy KeySpan companies only ("KS Allocation Calculation for FY20XX.xls")

##### Step 1

Data for the calculation should be obtained from different departments and to be saved in the "Raw Data" tab. The following are the sources of information:

- Number of employees should be obtained from Human Resources
  - i. A query should be run in PeopleSoft on the number of employees
  - ii. The result from the query need to be adjusted to include only:
    1. all employees from the operating companies,
    2. all employees from the two service companies (32 and 33),
    3. only employees from the service company 31, who provide services to the NE gas companies.

Since all companies benefit from the services provided by all other employees of the service company 31, they should not be included in the calculation of the allocation percentages.

- Consolidated financial statement is obtained from the Assistant Controller of Financial Reporting & Research and includes the following:
  - i. revenue
  - ii. assets
  - iii. sendout
  - iv. property
  - v. meters

## Cost Allocation Policies and Procedures

**Note:** Data from the consolidated financial statement includes all companies, except Long Island Power Authority (“LIPA”). LIPA financials should be obtained from the Director of Generation and LIPA Finance.

- Phone and Bill information should be obtained from Customer Area and should include the following:
  - i. number of phone calls handled;
  - ii. number of bills processed during the calendar year
- Data query from Data Mart on O&M expense should be run by the Accounting Analyst. Results have to be saved in the Report Filter file. O&M expense used for the analysis is calculated as follows:

$\text{O\&M expense} = \text{O\&M expense net of all intercompany expenses} + \text{Pension \& OPEB}$
---

### Step 2

The numbers in the Raw Data tab should be linked to individual allocation code tabs. Allocation percentages will be automatically calculated using predefined formulae set up in each tab.

The formula calculates the percentage for each company for all allocation company combination (e.g. allocation code “01” for all of the companies in this code) and based on the defined allocation method (e.g. number of meters for “B”) using the raw data.

Formulae should be checked to verify that total allocation equals 100%.

### Step 3

To verify that the allocation percentages are within the appropriate range, the Accounting Analyst should prepare a Comparative Percentages Analysis. The allocation percentages for the current year are to be compared to the previous year and to be reviewed by the Accounting Analyst, Assistant Controller and business executives for reasonableness. All significant variances should be explained in writing.

2. For allocation codes 51 through 60 that include both legacy KeySpan and legacy National Grid companies (“KS and NG Allocation Calculation for FY20XX.xls”)

## Cost Allocation Policies and Procedures

### Step 1

This file is prepared only for G (3-point formula) and N (number of employees) formulae, thus only the following types of data for both legacy KeySpan and legacy National Grid companies should be used in the calculation:

- number of employees
- revenue
- assets
- O&M expense

Legacy KeySpan data is the same as the raw data in the file prepared for the allocation codes 01 through 50. All legacy National Grid data can be obtained from the Manager of Service Company & Unregulatory Accounting.

### Step 2

The calculation of allocation percentages is similar to the above calculation for legacy KeySpan companies only.

**Note:** A number of Interconnector and Other small legacy National Grid companies that represent less than 0.01% of the total operations of National Grid should not be included in the calculation for the allocation.

### Step 3

Same as step 3 for the allocation codes 01 through 50.

### ***Review and Approval***

Both files with the allocation percentage calculations, including the variance analysis, should be reviewed and approved by the Assistant Controller General Accounting and business executives (Gas, LIPA and Electric, and KSI) prior to the release of new percentages.

During the year, any updates to the allocation percentages (due to new company addition or sale of companies) should be prepared by the Accounting Analyst and reviewed and approved by the Assistant Controller.

### ***Oracle General Ledger Allocation Percentage Update***

After allocation percentages are reviewed and approved, the Accounting Analyst should manually update each company's percentages in Oracle based on the allocation codes percentages summary. To verify that all percentages have been entered into the system correctly, the Accounting Analyst is required to run a "Recurring Formula Listing" report, which generates a listing of all changes made to the allocation percentages. The data from the report should be exported into Excel file, where percentages for each allocation code should be summed up to verify that



## Cost Allocation Policies and Procedures

each code's percentages add up to 100%. Any discrepancies identified should be rectified in Oracle.

### SERVICE COMPANY COST POOLS

Cost pools are designed to maximize the assignment of direct allocation codes, and facilitate the assignment of indirect allocation codes that are based on the most appropriate cost causation method. All costs charged in these segments are included in the aggregate cost pool.

The accounting code block is comprised of eight independent segments that are collectively referred to as the accounting flexfield:

#### **RCO – RCC – Activity – CT – PCC – PCO – Account – Project**

*RCO (Receiver Company)* – used to identify which Company's set of books is recording the transaction

*RCC (Receiver Cost Center)* – identifies the specific responsibility/cost center being charged

*Activity* – used to provide/describe some specifics or details of the transaction being recorded. An Activity segment is used to further define or segregate the detail provided by the Project segment.

*CT (Cost Type)* – used to identify the lowest level of resource provided/expended in the transaction

*PCC (Provider Cost Center)* – identifies the specific cost center providing the charge

*PCO (Provider Company)* – identifies the Company providing the charge in the transaction. It is also referred to as the "Intercompany" segment as this segment is used to identify a transaction that has occurred between two companies.

*Account* – used to identify the appropriate General Ledger Account in accordance with the FERC chart of accounts

*Project* – used to provide/describe some specifics/details of the transaction. In practice, the Project segment is often hierarchically superior to the activity segment and most times will identify a broad category which is then further defined/described by one or more activities.

There are five segments that define the level at which the cost pool is accumulated:

#### **RCO – RCC – Activity – Account – Project**

Each unique combination of these five segments is assigned an allocation code in Oracle that identifies the method of allocation as well as the specific operating companies to be charged.

Costs charged using any valid segment values in the remaining three segments, **CT – PCC – PCO** are automatically aggregated by "accounting flexfield" and allocated in accordance with the allocation code assigned to the cost pool.

**Example:** Service Company Cost Pool – For Allocation Code Assignment

RCO	RCC	Activity	Account	Project
31	015	002744	92000	K00036

Complete Accounting Flexfield

RCO	RCC	Activity	CT	Account	Project	PCC	PCO
31	015	002744	100	92000	K00036	015	31

RCO 31                      Corporate Services  
RCC 015                  Assistant Controller Financial Reporting  
Activity 002744        Financial Reporting  
CT 100                    Straight Time Labor Management  
Account 92000        Administration and General Salaries  
Project K00036        Financial Reporting & Research  
PCC 015                Asst Controller – Financial Reporting  
PCO 31                  Corporate Services

Total charge: \$500

Allocation Code – **G03**

**G** = 3-Point Formula

**03** = KeySpan Energy Delivery – NE

The Financial Reporting Cost Pool of \$500 will be distributed across the KeySpan Energy Delivery – NE companies in accordance with the assigned allocation percentages represented by Allocation Code G03 as illustrated below:

Allocation Method	Allocation Code	Allocation Basis	Company Code	Company Description	Allocation %	Allocation Amount (\$)
3-Point Formula	03	KeySpan Energy Delivery - NE	01	Boston Gas Company	73.3%	\$ 366.50
	03	KeySpan Energy Delivery - NE	03	Colonial Gas Company	16.8%	\$ 84.00
	03	KeySpan Energy Delivery - NE	06	EnergyNorth Natural Gas, Inc.	9.9%	\$ 49.50
					100.00%	\$ 500.00

**JOURNAL ENTRIES ALLOCATION IN ORACLE**

The process of allocating Service Company costs to operating companies is accomplished using advanced functionality contained in Oracle General Ledger. Oracle G/L contains a fully automated, rule driven allocation process known as “Mass Allocations” that should be executed each month as a normal recurring job routine in the monthly closing cycle.

## Cost Allocation Policies and Procedures

The Financial Solutions and Support group monitors Mass Allocation process and should run the allocation with the current month's date parameter. Mass Allocation will generate allocated dollars for the current period's posted entries creating intercompany revenue entries that offset each Service Company's expense. The contra entries are the intercompany receivable and payable. The cost is charged to the operating companies' books.

**Example:** Journal Entry of the Cost Allocation in Oracle using the cost pool from the previous example:

RCO	RCC	Activity	CT	Account	Project	PCC	PCO	Charge	Allocation %	Company
31	015	002744	100	92000	K00036	015	31	\$500.00	100%	Service Company Cost Pool
01	997	002744	100	92000	K00036	015	31	\$366.50	73.3%	Boston Gas
03	997	002744	100	92000	K00036	015	31	\$84.00	16.8%	Colonial Gas
06	997	002744	100	92000	K00036	015	31	\$49.50	9.9%	Energy North

Intercompany Allocation Journal Entries for Energy North:

	RCO	RCC	Activity	CT	Account	Project	PCC	PCO	Charge	Company
DR	06	997	002744	100	92000	K00036	015	31	\$49.50	Energy North
						InterCo A/P				
CR	06	997	002744	100	2340K	K00036	015	31	\$49.50	Energy North
						InterCo A/R				
DR	31	015	002744	100	1460K	K00036	015	06	\$49.50	Service Company
						InterCo Revenue				
CR	31	015	002744	100	4572K	K00036	015	06	\$49.50	Service Company

It is the responsibility of the Financial Solutions and Support group to verify that all allocation jobs have been completed successfully and without any rejects.

**Note:** If late entries are put in after the allocation, a manual entry should be made to record the allocation or an incremental allocation process need to be run.

## Cost Allocation Policies and Procedures

### INTERCOMPANY BILLING

The Accounting Analyst is required to run two Oracle KSE Intercompany Summary reports on a monthly basis: "146 Account Summary" (Accounts Receivable) and "234 Account Summary" (Accounts Payable). These reports contain all the intercompany charges for the month. Utilizing TOAD, the two Account Summary reports are summarized and loaded into two excel files and named "146 month year" (e.g. "146 March 09") and "234 month year". The Accounting Analyst will compare the total amount of the Intercompany Accounts Receivable and Accounts Payable from the excel files to the total Intercompany Accounts Receivable and Accounts Payable on the Oracle generated reports to verify the accuracy of the excel files. The information from these files will then be copied into an excel file named "Company Sort month year" and formatted to load into each one the Access Databases (Service Company or Operating Company Netting).

Queries of the operating company liabilities should be run in the Access databases to prepare invoices for the current month. The databases are also used as a tool to produce a report of operating company Accounts Receivable and Accounts Payable liability. This report rolls up by account, project and activity all billed costs, and provides the basis for a monthly journal entry, JV 0401, which relieves the balance in the Intercompany account versus a charge to the project and billing activity. The journal entry JV 0401 Intercompany billing establishes the billing liability by operating company, in the 147xx (xx=company code) and 247xx accounts in the general ledger.

To identify project/activity expenses that have not been allocated, the Service Company Accounting Manager will review the Service Company Income Analysis report for the month and year to date. The report compares the income and expenses of the service companies (Income, Fleet Expenses, and Building Services Expense) to the allocated costs to the operating companies to verify that they are completely allocated and netted to zero. Any unallocated amounts identified should be manually allocated or adjusted via journal entries. The report should be reviewed and signed off by the Assistant Controller.

The supporting detail for the intercompany billing journal entries that is compiled by the Accounting Analyst, together with the journal entry, should be independently reviewed by the Service Company Accounting Manager at the time of posting for accuracy.

All intercompany invoices from the service companies should be prepared by the Accounting Analyst and reviewed by the Service Company Accounting Manager on a monthly basis. The Intercompany invoices should be sent out to the responsible parties for each company approximately four weeks prior to the due date.

## Cost Allocation Policies and Procedures

### **INTERCOMPANY SETTLEMENT**

The Intercompany invoices should be approved by the operating company's officer or a designated person and returned to the Accounting. Once the Accounting has received the signed Payment Authorization document, the payment should be recorded in the Intercompany Cash Receipts Database and the invoice to be flagged for monetization.

At month end, as all intercompany netted amounts are monetized, Cash accounts and Intercompany Receivables and Payables are adjusted as part of the monthly recurring journal entry.

The supporting detail for the monetization journal entry, including the approved Intercompany invoices from the operating company's officer or assignee should be independently reviewed by the Assistant Controller or Service Company Accounting Manager for accuracy at the time of posting.

Cost Allocation Policies and Procedures

**Appendix A: Description of Services Offered by KeySpan Services Companies**

1. Corporate Affairs

Provide services in support of corporation strategies for managing relationships with federal, state and local governments, agencies and legislative bodies. Formulate and assist with public relations and communications, programs and administration of corporate philanthropic and community affairs programs, creative and production services and media relations.

2. Customer Services

Provide services and systems dedicated to customer service, including meter reading and billing, remittance, credit, collections, customer relations, customer communication and advocacy, call center operations, customer offices and field operations, revenue protection and customer strategy.

3. Environmental Services

Provide consulting, assessment, investigation, remediation and other activities as required by Client Companies to ensure full compliance with applicable environmental statutes and regulations, permitting, licensing, due diligence, waste management, emergency response and laboratory operations.

4. Executive and Administrative

Advise and assist Client Companies in the formulation and execution of general plans and policies of Client Companies. Advise and assist Client Companies as to operations, the issuance of securities, the preparation of filings arising out of or required by the various federal and state securities, business, public utilities and corporation laws, the selection of executive and administrative personnel, the representation of Client Companies before regulatory bodies, proposals for capital expenditures, budgets, financing, acquisition and disposition of properties, expansion of business, rate structures, public relationships and other related matters.

5. Financial Services

*Accounting* – Perform, advise and assist Client Companies in accounting matters, including the research and development of accounting practices, procedures and controls, the maintenance of the general ledger and related subsidiary systems, the preparation and analysis of financial reports, and the processing of certain transactions such as accounts payable, payroll, customer accounting, cash management and fixed assets.

*Auditing* – Periodically conduct operating audits and audits of the accounting records and other records maintained by Client Companies and coordinating their examination, where applicable, with that of independent public accountants. The audit staff will report on their examination and submit recommendations, as appropriate, on improving methods of internal control, accounting procedures and operating procedures and policies.

*Financial Planning* – Advise and assist Client Companies with operating and capital budgets and capital expenditure decisions. Perform economic analysis, short and long-term financial forecasting, merger and acquisition analysis, financing related

## Cost Allocation Policies and Procedures

activities, and activities relating to rating agency relationships for Client Companies and the consolidated entity.

*Investor Relations and Shareholder Services* – Provide fair and accurate analysis of KeySpan Corporation and its operating subsidiaries and its outlook within the financial community, enhancing KSE's position in the energy industry; balancing and diversifying shareholder investment in KSE through a wide range of activities; providing feedback to KSE and its operating subsidiaries regarding investor concerns, trading and ownership; holding periodic analysts meetings; and providing various operating data as requested or required by investors.

*Risk Management* – Advise and assist Client Companies in securing requisite insurance, in the purchase and administration of all property, casualty and marine insurance, and workers' compensation, in the settlement of insured claims, and in providing risk prevention advice.

*Tax* – Perform, advise and assist Client Companies in the preparation of Federal, state and local income and franchise tax returns, calculation and accrual of book income taxes, due diligence in connection with acquisitions and performance of tax planning functions. Prepare and file Federal, state and local income and franchise tax returns on behalf of Client Companies.

*Treasury/Finance* – Provide services related to managing all administrative activities associated with financing, including management of capital structure; cash, credit and risk management activities; investment and commercial banking relationships; and general financing activities, pension, 401K and venture capital investments.

### 6. Human Resources

Provide central administration for payroll, and employee benefit and pension plans of Client Companies. Perform policy, planning and analysis functions as related to compensation and benefit plans. Advise and assist Client Companies in the administration of such plans and prepare and maintain records of said plans. Direct and administer all medical and health activities of Client Companies.

Advise and assist Client Companies in the formulation and administration of employee staffing and performance evaluation, the design and administration of training programs for employee career development, the design and administration of diversity and EEO programs. Advise and assist Client Companies in the formulation and administration of employee relations policies and programs relating to the relevant Client Companies' employee and labor relations.

### 7. Information Technology

Provide the organization and resources for the operation of an information technology function including the development, implementation and operation of a centralized data processing facility and the management of a telecommunications network. This function includes the central processing of computerized applications and support of individual applications in Client Companies. Develop, implement, operate and maintain those computerized applications for Client Companies that can be economically best accomplished on a centralized basis.

*Software Pooling* – Accept from Client Companies ownership of and rights to use, assign, license or sub-license all software owned, acquired or developed by or for Client Companies which Client Companies can and do transfer or assign to it. Preserve and protect the rights to all such software to the extent reasonable and

## Cost Allocation Policies and Procedures

appropriate under the circumstances; license Client Companies, on a non-exclusive, no charge or at-cost basis, to use all software which KCS has the right to sell, license or sub-license; and, at KCS' expense, permit Client Companies to enhance any such software and license others to use all such software and enhancements to the extent that KCS shall have the legal right to so permit.

### 8. Legal and Regulatory

**Legal and Regulatory** - Provide advice and assistance with respect to legal and regulatory issues as well as regulatory compliance, including Act authorizations and compliance, as well as other regulatory and trade matters under other Federal and State laws. Represent the Client Companies before Federal and State courts and regulatory agencies and in arbitration and other dispute resolution proceedings.

**Corporate Secretary's Office** - Provide all necessary functions required of a publicly held corporation; coordinating information and activities among shareholders, the transfer agent, and Board of Directors; providing direct services to security holders; conducting the annual meeting of shareholders and ensuring proper maintenance of corporate records, as well as other activities related to corporate governance.

### 9. Operating Services

**Facilities Management and Real Estate** – Perform planning, administration and operations related to managing Client Company properties, including leasing, renting company properties and permitting and purchase and sale of real property.

Administer duplicating services, mailroom operations and print shops. Perform activities related to maintaining company properties, determining requirements and designing occupancy layouts.

**Fleet Management** – Perform activities related to purchasing, leasing, and maintaining vehicles for Client Companies.

**Materials Management and Purchasing** – Advise and assist Client Companies in the procurement of real and personal property, materials, supplies and services, conduct purchase negotiations, prepare procurement agreements and administer programs of material control, and provide warehousing and distribution services for Client Companies.

**Security** – Provide activities to ensure a secure working environment, protect and safeguard company assets, safeguard and transport company receipts, and performance of investigations.

### 10. Strategic Planning and Corporate Performance

Perform strategic planning, administration and implementation of corporate branding, customer relationship marketing, new business ventures, market research and metrics, market intelligence, marketing competency management and measurement, business improvement and e-commerce as related to all Client Companies – both individually and as a whole. Determine, implement and track corporate performance goals, initiatives and measures.

### 11. Gas Supply

Manage the gas procurement, planning, nominations, and transportation of gas. This includes all functions related to the supply and transportation of natural gas to customers; including management of gas contracts and gas inventories, review and



## Cost Allocation Policies and Procedures

processing of invoices, projection of send-out requirements, billings to third parties and off-system sales, and the maintenance of a reliable and least cost portfolio of resources.

### 12. Gas Operations

*Management and Administrative Services* – Provide services for the management and administration of gas operations including, but not limited to, the management and supervision of construction services, field coordinators, maintenance of service facilities and processing field requests.

*Operations Support Services* – Provide administrative and operational support services including, but not limited to, the handling of incoming dispatch calls related to field service orders and generate orders for gas odor, emergency response, meter work, and appliance repair.

Provide administrative and operational support services including, but not limited to managing leaks by recording, tracking, and reporting known system leaks on the distribution and transmission system. This service shall be conducted with the objective of ensuring that all DOT and state regulatory requirements are met that pertain to the proper documentation and reporting to the appropriate authorities.

Provide administrative and operational support services including, but not limited to receiving and forwarding all DigSafe excavator notifications to the proper Company operations center and dispatch emergency DigSafe notifications to the proper Company operating center. This service shall be conducted with the objective of ensuring that all DOT and state regulatory requirements are met that pertain to a one-call damage prevention program.

Purchase, repair and refurbish meters for KEDNE Client Companies.

Provide administrative and operational support services including, but not limited to, gas operations performance measurement as well as assistance in the preparation and analysis of operating and capital expenditure budget and forecasts of KEDNE Companies Field Services. Perform all Field Service functions relating to field service order generation billing to the customer, manage the meter inventory control and reporting, and maintain order history data for KEDNE Companies.

*T&D System Planning Services* – Provide KEDNE Companies with services and systems dedicated to maintaining the changes and additions to the pipeline as it pertains to mapping, reporting, and providing location and demand data for network analysis. This also includes the analysis and evaluation of load data for large customers.

### 13. Gas Marketing and Sales Services

Provide marketing and sales services and systems.

## Cost Allocation Policies and Procedures

### **Appendix B: Definition of the SEC Approved Allocation Methods**

**Assets** – A ratio based on total assets at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

**# of Bills** – A ratio based on the number of customer bills processed for the previous calendar year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

**# of Customers** – A ratio based on the number of customers at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

**# of Employees** – A ratio based on the number of full time employees at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

**# of Meters** – A ratio based on the number of meters at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

**# of Phone Calls** - A ratio based on the number of telephone calls handled for the previous calendar year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

**Property** - A ratio based on gross fixed assets, valued at original acquisition costs, and investments owned in other companies, including construction work in progress, at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

**Revenue** - A ratio based on the revenue for the previous calendar year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

**Sendout** - A ratio based on the sendout for the previous calendar year, including gas used by the Client entity but excluding transportation customer volumes delivered for another gas supplier, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

## Cost Allocation Policies and Procedures

% of Square Footage Occupied - A ratio based on the square footage of office and non office space occupied, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

3-Point Formula – This formula consists of three factors. It is designed to be an equitable and feasible tool to act as a surrogate when direct charging or cost causal relationships can not be established. It is a calculated ratio, which compares each of the formula factors for the Client Company to the total of the same factors for all recipient Client Companies. The factors are an equal weighting of Revenue, Assets, and Expenses. These ratios will be calculated annually based on actual experience.

Expenses – A ratio based on total operation and maintenance expenses excluding fuel costs, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

# of Vehicles – A ratio based on the number of vehicles at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

## Cost Allocation Policies and Procedures

### **Appendix C:** *Allocation Basis and Grouping for legacy KeySpan*



Cost Allocation  
Drivers Summary - leg

KeySpan Corporate Services LLC

SERVICE AGREEMENT

This Service Agreement ("Agreement") dated as of October 1, 2007 by and between KeySpan Corporate Services LLC ("KCS"), a New York limited liability company and each of the companies listed on Schedule A hereto (individually a "Client Company" and collectively, the "Client Companies"). KCS and the Client Companies may each be referred to herein as a "Party," and collectively referred to herein as the "Parties."

WITNESSETH:

WHEREAS, KCS is an indirect wholly owned subsidiary of National Grid USA ("National Grid") which is a holding company under the Public Utility Holding Company Act of 2005, as amended (the "Act");

WHEREAS, KCS is now deemed a Traditional Centralized Service Company, as defined under the Act and the provisions promulgated thereunder by the Federal Energy Regulatory Commission ("FERC"), and was an approved and authorized service company pursuant to Section 13(b) of the former Public Utility Holding Company Act of 1935, and the regulations promulgated thereunder; and

WHEREAS, KCS and the Client Companies desire for KCS to provide, and the Client Company to accept, the services provided for hereunder in accordance with the terms of this Agreement.

NOW THEREFORE, in consideration of the mutual representations, covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties hereto agree as follows:

ARTICLE 1  
SERVICES

1.1 Services Offered. Exhibit I to this Agreement describes the services that KCS offers to furnish to a Client Company (in accordance with the terms and conditions set forth herein) upon written request of such Client Company. In addition to the services described in Exhibit I hereto, KCS may also provide a Client Company with such special services, as may be requested by such Client Company in writing, which the Service Company concludes it is able to perform. In supplying services hereunder to a Client Company, KCS may arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons with necessary qualifications as are required for, or pertinent to, the performance of such services.

1.2 Services Selected.

(a) Each Client Company shall make its initial selection of the services set forth in Section 1.1 above that it agrees to receive from KCS by providing KCS an executed service request in the form set forth in Exhibit II.

(b) By December 1 of calendar year, KCS shall send an annual service proposal to each Client Company listing the services proposed for the next calendar year. By December 31, each Client Company shall notify KCS in writing of the services it elects to receive from KCS during the next calendar year.

1.3 Modification of Services. A Client Company shall have the right from time to time to amend, alter or rescind any activity, project, program or work order provided that (i) such amendment or alteration which results in a material change in the scope of the services to be performed or equipment to be provided is agreed to by KCS, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by KCS as a direct result of such amendment, alteration or rescission of the activity, project, program or work order, and (iii) no amendment, alteration or rescission of an activity, project, program or work order shall release a Client Company from liability for all costs already incurred by or contracted for by KCS pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed. Any request made by a Client Company pursuant to this Section 1.3 shall be in writing to KCS and shall take effect on the first day of the first calendar month which is at least thirty (30) days after the day that the Client Company sent the written notice to KCS.

1.4 Service Receipt Limitations.

(a) Each of the companies listed on Schedule B hereto agree that:

(i) They will not incur a charge hereunder except in accordance with their respective state and the rules, regulations and orders of their respective state Public Service Commission or its equivalent promulgated thereunder; and

(ii) They will not seek to reflect in rates any cost incurred hereunder to the extent disallowed by their respective state Public Service Commission or its equivalent.

(b) Notwithstanding anything in this Agreement to the contrary, KCS and the companies listed on Schedule B hereto agree that because of the agreements set forth in Section 1.4(a) above, such companies listed on Schedule B will not accept services from KCS hereunder if the cost to be charged for such services differs from the amount of the charges such companies are permitted to incur under their respective state and the rules, regulations and orders of their respective state Public Service Commission or its equivalent promulgated thereunder.

ARTICLE 2  
COMPENSATION AND BILLING

2.1 Compensation. As and to the extent required by law, KCS shall provide the services hereunder at cost. Exhibit I hereto set forth the rules KCS shall use for determining and allocating costs to the Client Companies. KCS shall advise the Client Companies from time to time of any material change in the method of assignment or allocation of costs hereunder.

2.2 Invoices. By the 20th day of each month, KCS shall render a monthly bill to each Client Company which shall reflect the billing information necessary to identify the costs charged for the services KCS provided in the preceding month. A Client Company shall pay its

invoice by check, wire transfer or money pool transaction to KCS (at the account designated by KCS) within 30 days after receiving the invoice. If an invoice is not paid by the 30<sup>th</sup> day after the invoice is received (the "Due Date"), the Client Company shall pay interest on any amount outstanding after the Due Date at the current money pool rate.

ARTICLE 3  
TERM AND TERMINATION

3.1 Effective Date. This Agreement shall become effective on the date hereof, subject to receipt of all required federal or state regulatory approvals.

3.2 Termination. This Agreement shall continue in full force and effect with respect to KCS and a Client Company until (a) terminated by the Client Company upon sixty (60) days advance written notice to KCS, or (b) terminated by KCS upon sixty (60) days advance written notice to a Client Company. This Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Agreement may conflict with the Act, or with any rule, regulation or order of the FERC adopted before or after the date of this Service Agreement.

ARTICLE 4  
MISCELLANEOUS

4.1 Modification. Except as set forth in Article 2 and Sections 1.3, 3.2 and 4.4, no amendment or other modification of this Agreement shall be effective unless made in writing and executed by all of the Parties to this Agreement.

4.2 Notices. Where written notice is required by this Agreement, said notice shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

To KCS:

KeySpan Corporate Services LLC  
One MetroTech Center  
Brooklyn, New York 11201

To Client Company:

The name and address of the person designated in writing to KCS on the date the Client Company executes this Agreement.

4.3 Accounts. All accounts and records of KCS shall be kept in accordance with the rules and regulations promulgated by FERC pursuant to the Act, in particular, the record retention requirements and the Uniform System of Accounts for Service Companies in effect from and after the date hereof. Upon request, KCS shall permit a Client Company reasonable access to the accounts and records of KCS relating to the services performed for such Client Company hereunder.

4.4 Additional Client Companies. After the effective date of this Agreement, any new or existing direct or indirect subsidiary of National Grid may become an additional Client Company under this Agreement by becoming a signatory to this Agreement.

4.5 Waiver. Except as otherwise provided in this Agreement, any failure of a Party to comply with any obligation, covenant, agreement, or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

4.6 No Third Party Beneficiaries. Nothing in this Agreement is intended to confer upon any other person except the Parties any rights or remedies hereunder or shall create any third party beneficiary rights in any person. No provision of this Agreement shall create any rights in any such persons in respect of any benefits that may be provided, directly or indirectly, under any employee benefit plan or arrangement except as expressly provided for thereunder.

4.7 Governing Law This Agreement shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under applicable principles of conflicts of law).

4.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.9 Entire Agreement. This Agreement including the exhibits referred to herein or therein, constitutes the entire agreement and understanding of the Parties in respect of the transactions contemplated by this Agreement. KCS and each Client Company may enter into non-binding service level agreements (as described more fully in KCS' policies and procedures manual), the purpose of which will be to set forth in general terms the shared service expectations between KCS and the Client Company as a managerial tool to facilitate matching the Client Companies needs to the capabilities of KCS. There are no restrictions, promises, representations, warranties, covenants or undertakings other than those expressly set forth or referred to herein or therein. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the transactions contemplated by this Agreement.


4.10 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect.

4.11 Assignment. KCS shall not assign this Agreement, or any of its rights or obligations hereunder without the prior written consent of the Client Companies, such consent not to be unreasonably withheld. A Client Company shall not assign this Agreement, or any of its rights or obligations hereunder without the prior written consent of KCS. This Agreement shall inure to the benefit and shall be binding upon the Parties and their permitted successors and assigns.



IN WITNESS WHEREOF, KCS and the Client Companies have caused this Service Agreement to be signed by their respective duly authorized officers as of the date first above written.

KeySpan Corporate Services LLC

By:   
Name: Michael A. Walker  
Title: Vice President and  
Deputy General Counsel

KeySpan Corporation

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

KeySpan Gas East Corporation d/b/a KeySpan  
Energy Delivery Long Island

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

The Brooklyn Union Gas Company d/b/a  
KeySpan Energy Delivery New York

By: \_\_\_\_\_  
Name: Ronald J. Macklin  
Title: Assistant Secretary

KeySpan Generation LLC

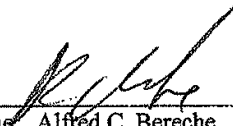
By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

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Name: Alfred C. Bereche  
Title: Assistant Secretary

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Energy Delivery Long Island

By:  \_\_\_\_\_  
Name: Alfred C. Bereche  
Title: Assistant Secretary

The Brooklyn Union Gas Company d/b/a  
KeySpan Energy Delivery New York

By: \_\_\_\_\_  
Name: Ronald J. Macklin  
Title: Assistant Secretary

KeySpan Generation LLC

By:  \_\_\_\_\_  
Name: Alfred C. Bereche  
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Name: Alfred C. Bereche  
Title: Assistant Secretary

KeySpan Gas East Corporation d/b/a KeySpan  
Energy Delivery Long Island

By: \_\_\_\_\_  
Name: Alfred C. Bereche  
Title: Assistant Secretary

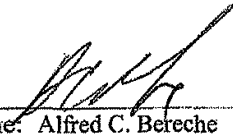
The Brooklyn Union Gas Company d/b/a  
KeySpan Energy Delivery New York

By: Ronald J. Macklin  
Name: Ronald J. Macklin  
Title: Assistant Secretary


KeySpan Generation LLC

By: \_\_\_\_\_  
Name: Alfred C. Bereche  
Title: Assistant Secretary

KeySpan Electric Services LLC

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

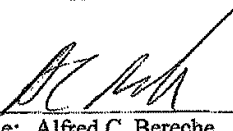
KeySpan Services, Inc., and its subsidiaries

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

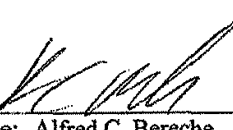
KEDC Holdings Corp., and its subsidiaries

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

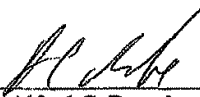
KeySpan Energy Corporation

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

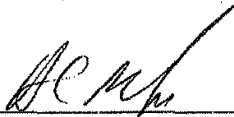
KeySpan Ravenswood, LLC

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary


KeySpan Ravenswood Services, Corp.

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

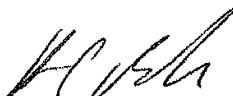
KeySpan Energy Trading Services LLC

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

Boston Gas Company d/b/a KeySpan Energy  
Delivery New England

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary


Colonial Gas Company d/b/a KeySpan Energy  
Delivery New England

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

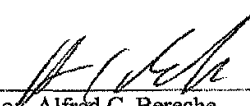
Essex Gas Company d/b/a KeySpan Energy  
Delivery New England

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

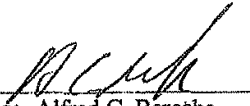
EnergyNorth Natural Gas Company d/b/a  
KeySpan Energy Delivery New England

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

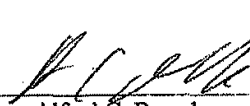
KeySpan MHK, Inc.

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

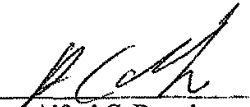
KeySpan Technologies, Inc., and its subsidiaries

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

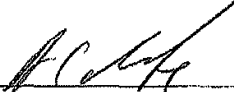
KeySpan Utility Services LLC

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

KeySpan Engineering & Survey, Inc.

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

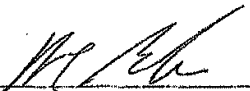
KeySpan – Glenwood Energy Center, LLC

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

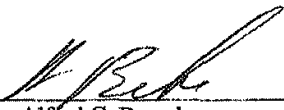
KeySpan – Port Jefferson Energy Center, LLC

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

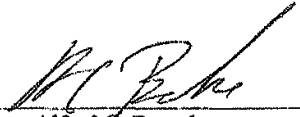
KeySpan Energy Services Inc.

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary


KeySpan Energy Supply, LLC

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary


KeySpan Exploration and Production, LLC

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary


Massachusetts Electric Company

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer


Nantucket Electric Company

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer

The Narragansett Electric Company


By:   
Name: Robert G. Seega  
Title: Assistant Treasurer

Granite State Electric Company


By:   
Name: Robert G. Seega  
Title: Assistant Treasurer




New England Power Company

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer

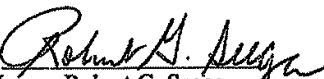
New England Electric Transmission  
Corporation

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer


New England Hydro-Transmission Corporation

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer


New England Hydro-Transmission Electric  
Company, Inc.

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer

Niagara Mohawk Power Corporation

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer

National Grid USA Service Company, Inc.

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer

NEES Energy, Inc.

By: Frances M. Skypeck  
Name: Frances M. Skypeck  
Title: Assistant Treasurer

New England Hydro Finance Company, Inc.

By: \_\_\_\_\_  
Name: Robert G. Seega  
Title: Assistant Treasurer

Metrowest Realty LLC

By: \_\_\_\_\_  
Name: Shannon M. Larson  
Title: President

National Grid Transmission Services  
Corporation

By: \_\_\_\_\_  
Name: Robert G. Seega  
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New England Energy Incorporated

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Name: Peter G. Flynn  
Title: Vice President


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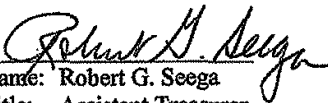
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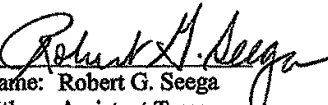
National Grid Transmission Services  
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Title: Vice President

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By: \_\_\_\_\_  
Name: Robert G. Seega  
Title: Assistant Treasurer

Prudence Corporation

By: Robert G. Seega  
Name: Robert G. Seega  
Title: Assistant Treasurer

Valley Appliance and Merchandising Company

By: Robert G. Seega  
Name: Robert G. Seega  
Title: Assistant Treasurer

Wayfinder Group, Inc.

By: \_\_\_\_\_  
Name: Christopher E. Root  
Title: Vice President


Prudence Corporation

By: \_\_\_\_\_  
Name: Robert G. Seega  
Title: Assistant Treasurer

Valley Appliance and Merchandising Company

By: \_\_\_\_\_  
Name: Robert G. Seega  
Title: Assistant Treasurer

Wayfinder Group, Inc.

By:   
Name: Christopher E. Root  
Title: Vice President

**Schedule A**

KeySpan Corporation  
KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island  
The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York  
KeySpan Generation LLC  
KeySpan Electric Services LLC  
KeySpan Services, Inc. and all of its subsidiaries  
KEDC Holdings Corp. and all of its subsidiaries  
KeySpan Energy Corporation  
KeySpan Engineering & Survey, Inc.  
KeySpan Ravenswood, LLC  
KeySpan Ravenswood Services Corp.  
KeySpan Energy Trading Services LLC  
Boston Gas Company d/b/a KeySpan Energy Delivery New England  
Colonial Gas Company d/b/a KeySpan Energy Delivery New England  
Essex Gas Company d/b/a KeySpan Energy Delivery New England  
EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England  
KeySpan MHK, Inc.  
KeySpan Technologies, Inc.  
KeySpan Utility Services LLC  
KeySpan – Glenwood Energy Center, LLC  
KeySpan – Port Jefferson Energy Center, LLC  
KeySpan Energy Services Inc.  
KeySpan Energy Supply, LLC  
KeySpan Exploration and Production, LLC  
Massachusetts Electric Company  
Nantucket Electric Company  
The Narragansett Electric Company  
Granite State Electric Company  
New England Power Company  
New England Electric Transmission Corporation  
New England Hydro-Transmission Corporation  
New England Hydro-Transmission Electric Company, Inc.  
Niagara Mohawk Power Corporation  
National Grid USA Service Company, Inc.  
NEES Energy, Inc.  
New England Hydro Finance Company, Inc.  
Metrowest Realty LLC  
National Grid Transmission Services Corporation  
New England Energy Incorporated  
Patience Realty Corp.  
Prudence Corporation  
Valley Appliance and Merchandising Company  
Wayfinder Group, Inc.



**Schedule B**

KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island  
The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York  
Boston Gas Company d/b/a KeySpan Energy Delivery New England  
Colonial Gas Company d/b/a KeySpan Energy Delivery New England  
Essex Gas Company d/b/a KeySpan Energy Delivery New England  
EnergyNorth Natural Gas Company d/b/a KeySpan Energy Delivery New England

## EXHIBIT I

### Description of Services, Cost Accumulation, Assignment, Allocation Methodologies and Policies and Procedures for KCS

#### A. Description of Services Offered by KeySpan Corporate Services

##### 1. Corporate Affairs

Provide services in support of corporation strategies for managing relationships with federal, state and local governments, agencies and legislative bodies. Formulate and assist with public relations and communications, programs and administration of corporate philanthropic and community affairs programs, creative and production services and media relations.

##### 2. Customer Services

Provide services and systems dedicated to customer service, including meter reading and billing, remittance, credit, collections, customer relations, customer communication and advocacy, call center operations, customer offices and field operations, revenue protection and customer strategy.

##### 3. Environmental Services

Provide consulting, assessment, investigation, remediation and other activities as required by Client Companies to ensure full compliance with applicable environmental statutes and regulations, permitting, licensing, due diligence, waste management, emergency response and laboratory operations.

##### 4. Executive and Administrative

Advise and assist Client Companies in the formulation and execution of general plans and policies of Client Companies. Advise and assist Client Companies as to operations, the issuance of securities, the preparation of filings arising out of or required by the various federal and state securities, business, public utilities and corporation laws, the selection of executive and administrative personnel, the representation of Client Companies before regulatory bodies, proposals for capital expenditures, budgets, financing, acquisition and disposition of properties, expansion of business, rate structures, public relationships and other related matters.

##### 5. Financial Services

Accounting – Perform, advise and assist Client Companies in accounting matters, including the research and development of accounting practices, procedures and controls, the maintenance of the general ledger and related subsidiary systems, the preparation and analysis of financial reports, and the processing of certain transactions such as accounts payable, payroll, customer accounting, cash management and fixed assets.

Auditing – Periodically conduct operating audits and audits of the accounting records and other records maintained by Client Companies and coordinating their examination, where applicable, with that of independent public accountants. The audit staff will report on their examination and submit recommendations, as appropriate, on improving methods of internal control, accounting procedures and operating procedures and policies.

Financial Planning – Advise and assist Client Companies with operating and capital budgets and capital expenditure decisions. Perform economic analysis, short and long-term financial forecasting, merger and acquisition analysis, financing related activities, and activities relating to rating agency relationships for Client Companies and the consolidated entity.

Investor Relations and Shareholder Services – Provide fair and accurate analysis of National Grid and its operating subsidiaries and its outlook within the financial community, enhancing National Grid's position in the energy industry; balancing and diversifying shareholder investment in National Grid through a wide range of activities; providing feedback to National Grid and its operating subsidiaries regarding investor concerns, trading and ownership; holding periodic analysts meetings; and providing various operating data as requested or required by investors.

Risk Management – Advise and assist Client Companies in securing requisite insurance, in the purchase and administration of all property, casualty and marine insurance, and workers' compensation, in the settlement of insured claims and in providing risk prevention advice.

Tax – Perform, advise and assist Client Companies in the preparation of Federal, state and local income and franchise tax returns, calculation and accrual of book income taxes, due diligence in connection with acquisitions and performance of tax planning functions. Execute Federal, state and local income and franchise tax returns on behalf of Client Companies.

Treasury/Finance – Provide services related to managing all administrative activities associated with financing, including management of capital structure; cash, credit and risk management activities; investment and commercial banking relationships; and general financing activities, pension, 401K and venture capital investments.

## 6. Human Resources

Provide central administration for payroll, and employee benefit and pension plans of Client Companies. Perform policy, planning and analysis functions as related to compensation and benefit plans. Advise and assist Client Companies in the administration of such plans and prepare and maintain records of said plans. Direct and administer all medical and health activities of Client Companies.

Advise and assist Client Companies in the formulation and administration of employee staffing and performance evaluation, the design and administration of training programs for employee career development, the design and administration of diversity and EEO programs.

Advise and assist Client Companies in the formulation and administration of employee relations policies and programs relating to the relevant Client Companies' employee and labor relations.

## 7. Information Technology

Provide the organization and resources for the operation of an information technology function including the development, implementation and operation of a centralized data processing facility and the management of a telecommunications network. This function includes the central processing of computerized applications and support of individual applications in Client Companies. Develop, implement, operate and maintain those computerized applications for Client Companies that can be economically best accomplished on a centralized basis.

**Software Pooling** – Accept from Client Companies ownership of and rights to use, assign, license or sub-license all software owned, acquired or developed by or for Client Companies which Client Companies can and do transfer or assign to it. Preserve and protect the rights to all such software to the extent reasonable and appropriate under the circumstances; license Client Companies, on a non-exclusive, no charge or at-cost basis, to use all software which KCS has the right to sell, license or sub-license; and, at KCS' expense, permit Client Companies to enhance any such software and license others to use all such software and enhancements to the extent that KCS shall have the legal right to so permit.

## 8. Legal and Regulatory

**Legal and Regulatory** - Provide advice and assistance with respect to legal and regulatory issues as well as regulatory compliance, including Act authorizations and compliance, as well as other regulatory and trade matters under other Federal and State laws. Represent the Client Companies before Federal and State courts and regulatory agencies and in arbitration and other dispute resolution proceedings.

**Corporate Secretary's Office** - Provide all necessary functions required of a publicly held corporation; coordinating information and activities among shareholders, the transfer agent, and Board of Directors; providing direct services to security holders; conducting the annual meeting of shareholders and ensuring proper maintenance of corporate records, as well as other activities related to corporate governance.

## 9. Operating Services

**Facilities Management and Real Estate** – Perform planning, administration and operations related to managing Client Company properties, including leasing, renting company properties and permitting and purchase and sale of real property. Administer duplicating services, mailroom operations and print shops. Perform activities related to maintaining company properties, determining requirements and designing occupancy layouts.

**Fleet Management** – Perform activities related to purchasing, leasing, and maintaining vehicles for Client Companies.

**Materials Management and Purchasing** – Advise and assist Client Companies in the procurement of real and personal property, materials, supplies and services, conduct purchase negotiations, prepare procurement agreements and administer programs of material control, and provide warehousing and distribution services for Client Companies.

Security – Provide activities to ensure a secure working environment, protect and safeguard company assets, safeguard and transport company receipts, and performance of investigations.

#### 10. Strategic Planning and Corporate Performance

Perform strategic planning, administration and implementation of corporate branding, customer relationship marketing, new business ventures, market research and metrics, market intelligence, marketing competency management and measurement, business improvement and e-commerce as related to all Client Companies - both individually and as a whole. Determine, implement and track corporate performance goals, initiatives and measures.

#### 11. Gas Supply

Manage the gas procurement, planning, nominations, and transportation of gas. This includes all functions related to the supply and transportation of natural gas to customers; including management of gas contracts and gas inventories, review and processing of invoices, projection of send-out requirements, billings to third parties and off-system sales, and the maintenance of a reliable and least cost portfolio of resources.

#### 12. Gas Operations

Management and Administrative Services. Provide services for the management and administration of gas operations including, but not limited to, the management and supervision of construction services, field coordinators, maintenance of service facilities and processing field requests.

Operations Support Services. Provide administrative and operational support services including, but not limited to, the handling of incoming dispatch calls related to field service orders and generate orders for gas odor, emergency response, meter work, and appliance repair.

Provide administrative and operational support services including, but not limited to managing leaks by recording, tracking, and reporting known system leaks on the distribution and transmission system. This service shall be conducted with the objective of ensuring that all DOT and state regulatory requirements are met that pertain to the proper documentation and reporting to the appropriate authorities.

Provide administrative and operational support services including, but not limited to receiving and forwarding all DigSafe excavator notifications to the proper Company operations center and dispatch emergency DigSafe notifications to the proper Company operating center. This service shall be conducted with the objective of ensuring that all DOT and state regulatory requirements are met that pertain to a one-call damage prevention program.

Purchase, repair and refurbish meters for KEDNE Client Companies.

Provide administrative and operational support services including, but not limited to, gas operations performance measurement as well as assistance in the preparation and analysis of operating and capital expenditure budget and forecasts of KEDNE Companies

Field Services. Perform all Field Service functions relating to field service order generation billing to the customer, manage the meter inventory control and reporting, and maintain order history data for KEDNE Companies.

T&D System Planning Services. Provide KEDNE Companies with services and systems dedicated to maintaining the changes and additions to the pipeline as it pertains to mapping, reporting, and providing location and demand data for network analysis. This also includes the analysis and evaluation of load data for large customers.

### 13. Gas Marketing and Sales Services

Provide marketing and sales services and systems.

### B. Methods of Allocation

Cost of service will be determined in accordance with the Act and the rules and regulations and orders thereunder, and will include all costs of doing business incurred by KCS, including a reasonable return on capital which will reflect a capitalization of KCS of no more than equity of ten percent (10%), and all associated taxes.

KCS will maintain an accounting system for accumulating all costs on a project, activity or other appropriate basis. The accounting system will use codes to assign charges to the applicable costs center, project, activity and account. Records will be kept by each cost center of KCS in order to accumulate all costs of doing business. Expenses of the department will include salaries and wages of employees, materials and supplies and all other expenses attributable to the department. Labor cost will be loaded for fringe benefits and payroll taxes. To the extent practicable, time records of hours worked by all service company employees, including all officers of such company (i.e., Chief Executive Officer, President and Vice Presidents), will be kept by project and activity. In supplying services, KCS may arrange where it deems appropriate, for the services of experts, consultants, advisors and other persons with necessary qualifications as are required to perform such services. KCS will establish annual budgets for controlling the expenses of each department.

Monthly KCS costs will be directly assigned to Client Companies where possible. Amounts that cannot be directly assigned will be allocated to Client Companies by means of equitable allocation formulae or clearing accounts. To the extent possible, such allocations shall be based on cost-causation relationships. All other allocations will be broad based. In some instances, KCS costs centers which perform work for other service company cost centers may use a surrogate allocation method that mimics the allocations of the receiver cost center. Each formula will have an appropriate basis such as meters, square footage, etc.

Each Client Company will take agreed upon services and such additional or general or special services, whether or not now contemplated, as are requested from time to time by such Client

Company and which KCS concludes it is able to perform. No amendment, alteration or rescission of an activity or project shall release a Client Company from liability for all costs already incurred by, or contracted for, by KCS pursuant to the project or activity regardless of whether the services associated with such costs have been completed.

Allocation percentages will be calculated on historical data where appropriate and updated annually. Due to the unique nature of the management services agreement contract with the Long Island Power Authority (LIPA), the bases of the LIPA (such as revenues, assets, etc. managed on their behalf) will be included, with the applicable Client Company's data, in order to determine appropriate allocations.

The method of assignment or allocation of costs shall be reviewed annually or more frequently if appropriate. If the use of a basis of allocation would result in an inequity because of a change in operations or organization, then KCS may adjust the basis to effect an equitable distribution.

The applications of Service Allocations are described more fully below.

<u>Service Department Or Function</u>	<u>Basis of Allocation</u>
Corporate Affairs	3-point formula
Customer Services	# of phone calls # of bills # of meters % of Accounts Receivable 3-point formula
Environmental Services	Clearing Property 3-point formula
Executive and Administrative	3-point formula
Financial Services	3-point formula Property # of Meters # of Bills
General Engineering	Clearing Property 3-point formula
Human Resources	# of Employees 3-point formula
Information Technology	# of Meters # of employees Revenue

	Clearing 3-point formula
Legal and Regulatory	3-point formula
Marketing and Sales	3-point formula
Operating Services	sendout # of bills # of meters # of vehicles % of square footage occupied # of employees Clearing 3-point formula
Research and Development	3-point formula
Strategic Planning and Corporate Performance	3-point formula
Gas Supply	3-point formula sendout
Gas Operations: Administrative Services	3-point formula
Support Services	3-point formula # of meters
Field Services	3-point formula # of meters
T&D System Planning Services	3-point formula property
Gas Marketing and Sale Services	3-point formula



Definition of Allocation Factors to be used by KCS

Assets - A ratio based on total assets at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

# of Bills - A ratio based on the number of customer bills processed for the previous calendar year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

Clearing – costs are accumulated and distributed among cost centers based on the type of expenditure in the account. Clearing accounts can be used to accumulate overhead charges (such as fringe benefits) or specific service charges (such as transportation). Distribution of charges is done on a related basis such as labor costs for fringe benefits or number of vehicles for transportation.

# of Employees – A ratio based on the number of full time employees at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

# of Meters – A ratio based on the number of meters at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

Payroll - A ratio based on total wages, salaries, commissions and other forms of compensation paid during the year which are reportable, for federal income tax purposes, as taxable income to the employee, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

# of Phone Calls - A ratio based on the number of telephone calls handled for the previous calendar year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

Property - A ratio based on gross fixed assets, valued at original acquisition costs, and investments owned in other companies, including construction work in progress, at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

Revenue - A ratio based on the revenue for the previous calendar year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

Sendout - A ratio based on the sendout for the previous calendar year, including gas used by the Client entity but excluding transportation customer volumes delivered for another gas supplier, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

% of Square Footage Occupied - A ratio based on the square footage of office and non office space occupied, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

3-Point Formula – This formula consists of three factors. It is designed to be an equitable and feasible tool to act as a surrogate when direct charging or cost causal relationships can not be established. It is a calculated ratio, which compares each of the formula factors for the Client Company to the total of the same factors for all recipient Client Companies. The factors are an equal weighting of Revenue, Assets, and Expenses. This ratio will be calculated annually based on actual experience.

# of Vehicles – A ratio based on the number of vehicles at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

EXHIBIT II  
Service Request

The undersigned requests from National Grid Corporate Services LLC (formerly named "KeySpan Corporate Services LLC") all of the services selected below. The services requested hereunder shall commence on January 1, 2011 and be provided through December 31, 2011.

<u>Service</u>	<u>Yes</u>	<u>No</u>
Corporate Affairs	<u>X</u>	—
Customer Service	<u>X</u>	—
Environmental Services	<u>X</u>	—
Executive and Administrative	<u>X</u>	—
Financial Services		
Accounting/Auditing	<u>X</u>	—
Financial Planning	<u>X</u>	—
Investor Relations and Shareholder Serv.	<u>X</u>	—
Risk Management	<u>X</u>	—
Tax	<u>X</u>	—
Treasury/Finance	<u>X</u>	—
Human Resources	<u>X</u>	—
Information Technology	<u>X</u>	—
Legal and Regulatory		
Legal and Regulatory	<u>X</u>	—
Corporate Secretary's Office	<u>X</u>	—
Operating Services		
Facilities Management & Real Estate	<u>X</u>	—
Fleet Management	<u>X</u>	—
Materials Management and Purchasing	<u>X</u>	—
Security	<u>X</u>	—
Strategic Planning and Corp Performance	<u>X</u>	—
Fuel Management	<u>X</u>	—
Marketing and Sales	<u>X</u>	—
Meter Operations	<u>X</u>	—
Research and Development	<u>X</u>	—
Gas and Electric Transmission and Distribution Planning	<u>X</u>	—

The Narragansett Electric Company  
(Client Company)

By Lorraine M. Lynch  
Name: Lorraine Lynch  
Title: Assistant Treasurer

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

The Narragansett Electric Company  
280 Melrose Street  
Providence, RI 02907

KeySpan Utility Services LLC

SERVICE AGREEMENT

This Service Agreement ("Agreement") dated as of January 1, 2008 by and between KeySpan Utility Services LLC ("KUS"), a New York limited liability company and each of the companies listed on Schedule A hereto (individually a "Client Company" and collectively, the "Client Companies"). KUS and the Client Companies may each be referred to herein as a "Party," and collectively referred to herein as the "Parties."

WITNESSETH:

WHEREAS, KUS is an indirect wholly owned subsidiary of National Grid USA ("National Grid") which is a holding company under the Public Utility Holding Company Act of 2005, as amended (the "Act");

WHEREAS, KUS is now deemed a Traditional Centralized Service Company, as defined under the Act and the provisions promulgated thereunder by the Federal Energy Regulatory Commission ("FERC"), and was an approved and authorized service company pursuant to Section 13(b) of the former Public Utility Holding Company Act of 1935, and the regulations promulgated thereunder; and

WHEREAS, KUS and the Client Companies desire for KUS to provide, and the Client Company to accept, the services provided for hereunder in accordance with the terms of this Agreement.

NOW THEREFORE, in consideration of the mutual representations, covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties hereto agree as follows:

ARTICLE 1  
SERVICES

1.1 Services Offered. Exhibit I to this Agreement describes the services that KUS offers to furnish to a Client Company (in accordance with the terms and conditions set forth herein) upon written request of such Client Company. In addition to the services described in Exhibit I hereto, KUS may also provide a Client Company with such special services, as may be requested by such Client Company in writing, which the Service Company concludes it is able to perform. In supplying services hereunder to a Client Company, KUS may arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons with necessary qualifications as are required for, or pertinent to, the performance of such services.

1.2 Services Selected.

(a) Each Client Company shall make its initial selection of the services set forth in Section 1.1 above that it agrees to receive from KUS by providing KUS an executed service request in the form set forth in Exhibit II.

(b) By December 1 of calendar year, KUS shall send an annual service proposal to each Client Company listing the services proposed for the next calendar year. By December 31, each Client Company shall notify KUS in writing of the services it elects to receive from KUS during the next calendar year.

1.3 Modification of Services. A Client Company shall have the right from time to time to amend, alter or rescind any activity, project, program or work order provided that (i) such amendment or alteration which results in a material change in the scope of the services to be performed or equipment to be provided is agreed to by KUS, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by KUS as a direct result of such amendment, alteration or rescission of the activity, project, program or work order, and (iii) no amendment, alteration or rescission of an activity, project, program or work order shall release a Client Company from liability for all costs already incurred by or contracted for by KUS pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed. Any request made by a Client Company pursuant to this Section 1.3 shall be in writing to KUS and shall take effect on the first day of the first calendar month which is at least thirty (30) days after the day that the Client Company sent the written notice to KUS.

1.4 Service Receipt Limitations.

(a) Each of the companies listed on Schedule B hereto agree that:

(i) they will not incur a charge hereunder except in accordance with their respective state and the rules, regulations and orders of their respective state Public Service Commission promulgated thereunder; and

(ii) they will not seek to reflect in rates any cost incurred hereunder to the extent disallowed by their respective state Public Service Commission.

(b) Notwithstanding anything in this Agreement to the contrary, KUS, and the companies listed on Schedule B hereto agree that because of the agreements set forth in Section 1.4(a) above, such companies listed on Schedule B will not accept services from KUS hereunder if the cost to be charged for such services differs from the amount of the charges such companies are permitted to incur under their respective state and the rules, regulations and orders of their respective state Public Service Commission promulgated thereunder.

ARTICLE 2  
COMPENSATION AND BILLING

2.1 Compensation. As and to the extent required by law, KUS shall provide the services hereunder at cost. Exhibit I hereto sets forth the rules KUS shall use for determining and allocating costs to the Client Companies. KUS shall advise the Client Companies from time to time of any material change in the method of assignment or allocation of costs hereunder.

2.2 Invoices. By the 20th day of each month, KUS shall render a monthly bill to each Client Company which shall reflect the billing information necessary to identify the costs charged for the services KUS provided in the preceding month. A Client Company shall pay its invoice by check, wire transfer or money pool transaction to KUS (at the account designated by KUS) within 30 days after receiving the invoice. If an invoice is not paid by the 30<sup>th</sup> day after the invoice is received (the "Due Date"), the Client Company shall pay interest on any amount outstanding after the Due Date at the current money pool rate.

ARTICLE 3  
TERM AND TERMINATION

3.1 Effective Date. This Agreement shall become effective on the date hereof, subject to receipt of all required federal or state regulatory approvals.

3.2 Termination. This Agreement shall continue in full force and effect with respect to KUS and a Client Company until (a) terminated by the Client Company upon sixty (60) days advance written notice to KUS, or (b) terminated by KUS upon sixty (60) days advance written notice to a Client Company. This Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Agreement may conflict with the Act or with any rule, regulation or order of the FERC adopted before or after the date of this Service Agreement.

ARTICLE 4  
MISCELLANEOUS

4.1 Modification. Except as set forth in Article 2 and Sections 1.3, 3.2 and 4.4, no amendment or other modification of this Agreement shall be effective unless made in writing and executed by all of the Parties to this Agreement.

4.2 Notices. Where written notice is required by this Agreement, said notice shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

To KUS:

KeySpan Utility Services LLC  
One Metrotech Center  
Brooklyn, New York 11201

To Client Company: The name and address of the person designated in writing to KUS on the date the Client Company executes this Agreement.

4.3 Accounts. All accounts and records of KUS shall be kept in accordance with the rules and regulations promulgated by FERC pursuant to the Act, in particular, the record retention requirements and the Uniform System of Accounts for Service Companies in effect from and after the date hereof. Upon request, KUS shall permit a Client Company reasonable access to the accounts and records of KUS relating to the services performed for such Client Company hereunder.

4.4 Additional Client Companies. After the effective date of this Agreement, any new or existing direct or indirect subsidiary of National Grid may become an additional Client Company under this Agreement by becoming a signatory to this Agreement.

4.5 Waiver. Except as otherwise provided in this Agreement, any failure of a Party to comply with any obligation, covenant, agreement, or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

4.6 No Third Party Beneficiaries. Nothing in this Agreement is intended to confer upon any other person except the Parties any rights or remedies hereunder or shall create any third party beneficiary rights in any person. No provision of this Agreement shall create any rights in any such persons in respect of any benefits that may be provided, directly or indirectly, under any employee benefit plan or arrangement except as expressly provided for thereunder.

4.7 Governing Law This Agreement shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under applicable principles of conflicts of law).

4.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.9 Entire Agreement. This Agreement including the exhibits referred to herein or therein, constitutes the entire agreement and understanding of the Parties in respect of the transactions contemplated by this Agreement. KUS and each Client Company may enter into

non-binding service level agreements (as described more fully in KUS' policies and procedures manual), the purpose of which will be to set forth in general terms the shared service expectations between KUS and the Client Company as a managerial tool to facilitate matching the Client Companies needs to the capabilities of KUS. There are no restrictions, promises, representations, warranties, covenants or undertakings other than those expressly set forth or referred to herein or therein. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the transactions contemplated by this Agreement.

4.10 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect.

4.11 Assignment. KUS shall not assign this Agreement, or any of its rights or obligations hereunder without the prior written consent of the Client Companies, such consent not to be unreasonably withheld. A Client Company shall not assign this Agreement, or any of its rights or obligations hereunder without the prior written consent of KUS. This Agreement shall inure to the benefit and shall be binding upon the Parties and their permitted successors and assigns.



IN WITNESS WHEREOF, KUS and the Client Companies have caused this Service Agreement to be signed by their respective duly authorized officers as of the date first above written.

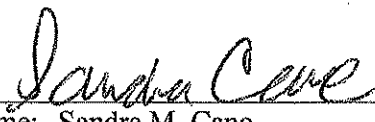
KeySpan Utility Services LLC

By:   
Name: Sandra M. Cano  
Title: Assistant Secretary

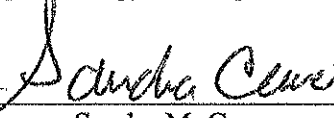
KeySpan Gas East Corporation d/b/a KeySpan  
Energy Delivery Long Island

By: \_\_\_\_\_  
Name: Philip A. DeCicco, Jr.  
Title: Assistant Secretary

The Brooklyn Union Gas Company d/b/a  
KeySpan Energy Delivery New York

By:   
Name: Sandra M. Cano  
Title: Assistant Secretary

KeySpan Energy Trading Services LLC

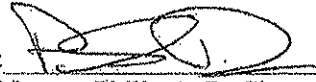
By:   
Name: Sandra M. Cano  
Title: Assistant Secretary

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By: \_\_\_\_\_  
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Title: Assistant Secretary

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Energy Delivery Long Island

By:  \_\_\_\_\_  
Name: Philip A. DeCicco, Jr.  
Title: Assistant Secretary

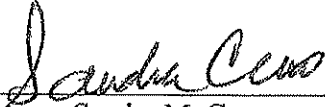
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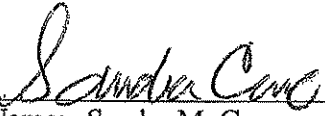
KeySpan Energy Trading Services LLC

By: \_\_\_\_\_  
Name: Sandra M. Cano  
Title: Assistant Secretary

KeySpan Electric Services LLC

By:   
Name: Sandra M. Cano  
Title: Assistant Secretary

KeySpan Generation LLC

By:   
Name: Sandra M. Cano  
Title: Assistant Secretary

*(Continued Signature Page to the KeySpan Utility Services LLC Service Agreement)*

Colonial Gas Company

By: Lorraine M. Lynch  
Name: Lorraine Lynch  
Title: Assistant Treasurer

Essex Gas Company

By: Lorraine M. Lynch  
Name: Lorraine Lynch  
Title: Assistant Treasurer

Boston Gas Company

By: Lorraine M. Lynch  
Name: Lorraine Lynch  
Title: Assistant Treasurer


EnergyNorth Natural Gas, Inc.

By: Lorraine M. Lynch  
Name: Lorraine Lynch  
Title: Assistant Treasurer

The Narragansett Electric Company

By: \_\_\_\_\_  
Name: John G. Cochrane  
Title: Treasurer

Niagara Mohawk Power Corporation

By:  \_\_\_\_\_  
Name: William R. Richer  
Title: Assistant Treasurer and  
Assistant Controller

The Narragansett Electric Company

By: John G. Cochrane  
Name: John G. Cochrane  
Title: Treasurer

Niagara Mohawk Power Corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Schedule A**

KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island  
The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York  
KeySpan Generation LLC  
KeySpan Electric Services LLC  
KeySpan Energy Trading Services LLC  
Colonial Gas Company  
Essex Gas Company  
Boston Gas Company  
EnergyNorth Natural Gas, Inc.  
The Narragansett Electric Company  
Niagara Mohawk Power Corporation

**Schedule B**

KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island  
The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York  
KeySpan Generation LLC  
Colonial Gas Company  
Essex Gas Company  
Boston Gas Company  
EnergyNorth Natural Gas, Inc.  
The Narragansett Electric Company  
Niagara Mohawk Power Corporation



## EXHIBIT I

### Description of Services, Cost Accumulation, Assignment and Allocation Methodologies for KUS

#### **A. Description of Services Offered by KeySpan Utility Services**

##### **1. Fuel Management**

Manage Client Companies' purchase, sale, movement, transfer and accounting of gas quantities to ensure continued recovery of all prudently incurred energy purchase costs through local jurisdictional cost recovery mechanisms.

Provide services and systems dedicated to energy marketing, including marketing and trading of gas and energy price risk management. Develop marketing and sales programs in physical and financial markets for regulatory and specific contractual requirements. Activities include short-term planning, billing and reconciliations.

##### **2. Marketing and Sales**

Plan, formulate and implement marketing and sales programs, as well as provide associated marketing services to assist Client Companies with improving customer satisfaction, load retention and shaping, growth of residential, commercial/industrial energy sales and deliveries, energy conservation and efficiency. Assist Client Companies in carrying out policies and programs for the development of plant locations and of industrial, commercial and wholesale markets. Develop and administer Marketing research and planning programs as well as advertising/telemarketing programs. Perform load research, econometric modeling, and sales and revenue forecasting for jurisdictional gas subsidiaries.

##### **3. Meter Operations**

Purchase, repair and refurbish meters for Client Companies.

##### **4. Research and Development**

Investigate and conduct research relating to production, utilization, testing, manufacture, transmission, storage and distribution of energy. Keep abreast of and evaluate for Client Companies all research developments and programs of significance affecting Client Companies and the energy industry. Advise and assist in the solution of technical problems arising out of Client Companies' operations.

5. Gas and Electric Transmission and Distribution Planning

Provide gas and electric transmission and distribution planning services as related to system and safety reliability, expansion and load handling capabilities.

6. Executive and Administrative

Advise and assist Client Companies in the formulation and execution of general plans and policies of Client Companies. Advise and assist Client Companies as to operations, the preparation of filings arising out of or required by the various federal and state securities, business, public utilities and corporation laws, the selection of executive and administrative personnel, the representation of Client Companies before regulatory bodies, proposals for capital expenditures, budgets, acquisition and disposition of properties, expansion of business, rate structures and other related matters.

**B. Methods of Allocation**

Cost of service will be determined in accordance with the Act and the rules and regulations and orders thereunder, and will include all costs of doing business incurred by KUS, including a reasonable return on capital which will reflect a capitalization of KUS of no more than equity of ten percent (10%), and all associated taxes.

KUS will maintain an accounting system for accumulating all costs on a project, activity or other appropriate basis. The accounting system will use codes to assign charges to the applicable costs center, project, activity and account. Records will be kept by each cost center of KUS in order to accumulate all costs of doing business. Expenses of the department will include salaries and wages of employees, materials and supplies and all other expenses attributable to the department. Labor cost will be loaded for fringe benefits and payroll taxes. To the extent practicable, time records of hours worked by all service company employees, including all officers of such company (i.e., Chief Executive Officer, President and Vice Presidents), will be kept by project and activity. In supplying services, KUS may arrange where it deems appropriate, for the services of experts, consultants, advisors and other persons with necessary qualifications as are required to perform such services. KUS will establish annual budgets for controlling the expenses of each department.

Monthly KUS costs will be directly assigned to Client Companies where possible. Amounts that cannot be directly assigned will be allocated to Client Companies by means of equitable allocation formulae or clearing accounts. To the extent possible, such allocations shall be based on cost-causation relationships. All other allocations will be broad based. In some instances, KUS cost centers which perform work for other service company cost centers may use a surrogate allocation method that mimics the allocations of the receiver cost center. Each formula will have an appropriate basis such as meters, square footage, etc.

Each Client Company will take agreed upon services and such additional or general or special services, whether or not now contemplated, as are requested from time to time by such Client Company and which KUS concludes it is able to perform. No amendment, alteration or rescission of an activity or project shall release a Client Company from liability for all costs already incurred by, or contracted for, by KUS pursuant to the project or activity regardless of whether the services associated with such costs have been completed.

Allocation percentages will be calculated on historical data where appropriate and updated annually. Due to the unique nature of the management services agreement contract with the Long Island Power Authority (LIPA), the bases of the LIPA (such as revenues, assets, etc. managed on their behalf) will be included, with the applicable Client Company's data, in order to determine appropriate allocations.

The method of assignment or allocation of costs shall be reviewed annually or more frequently if appropriate. If the use of a basis of allocation would result in an inequity because of a change in operations or organization, then KUS may adjust the basis to effect an equitable distribution.

The applications of Service Allocations are described more fully below.

<u>Service Department Or Function</u>	<u>Basis of Allocation</u>
Marketing and Sales	3-point formula
Fuel Management	sendout 3-point formula
Research and Development	3-point formula
Meter Operations	#of meters
Gas and Electric Transmission and Distribution Planning	Property
Executive and Administrative	3-point formula

Definition of Allocation Factors to be used by KUS

Assets - A ratio based on total assets at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

# of Meters – A ratio based on the number of meters at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

Payroll - A ratio based on total wages, salaries, commissions and other forms of compensation paid during the year which are reportable, for federal income tax purposes, as taxable income to the employee, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

Property - A ratio based on gross fixed assets, valued at original acquisition costs, and investments owned in other companies, including construction work in progress, at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

Revenue - A ratio based on the revenue for the previous calendar year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

Sendout - A ratio based on the sendout for the previous calendar year, including gas used by the Client entity but excluding Transportation customer volumes delivered for another gas supplier, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

3-Point Formula – This formula consists of three factors. It is designed to be an equitable and feasible tool to act as a surrogate when direct charging or cost causal relationships can not be established. It is a calculated ratio, which compares each of the formula factors for the Client Company to the total of the same factors for all recipient Client Companies. The factors are an equal weighting of Revenue, Assets, and Expenses. This ratios will be calculated annually based on actual experience.

EXHIBIT II  
Service Request

The undersigned requests from National Grid Utility Services LLC (formerly named "KeySpan Utility Services LLC") all of the services selected below. The services requested hereunder shall commence on January 1, 2011 and be provided through December 31, 2011.

<u>Service</u>	<u>Yes</u>	<u>No</u>
Fuel Management	<u>X</u>	___
Marketing and Sales	<u>X</u>	___
Meter Operations	<u>X</u>	___
Research and Development	<u>X</u>	___
Gas and Electric Transmission and Distribution Planning	<u>X</u>	___
Executive and Administrative	<u>X</u>	___

The Narragansett Electric Company  
(Client Company)

By: Lorraine M. Lynch  
Name: Lorraine Lynch  
Title: Assistant Treasurer

Notice to Client Company

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

The Narragansett Electric Company  
280 Melrose Street  
Providence, RI 02907

KeySpan Engineering & Survey Inc.

## SERVICE AGREEMENT

This Service Agreement ("Agreement") dated as of October 1, 2007 by and between KeySpan Engineering & Survey Inc. ("KENG"), a New York limited liability company and each of the companies listed on Schedule A hereto (individually a "Client Company" and collectively, the "Client Companies"). KENG and the Client Companies may each be referred to herein as a "Party," and collectively referred to herein as the "Parties."

### WITNESSETH:

WHEREAS, KENG is an indirect wholly owned subsidiary of National Grid USA ("National Grid") which is a holding company under the Public Utility Holding Company Act of 2005, as amended (the "Act");

WHEREAS, KENG is now deemed a Traditional Centralized Service Company, as defined under the Act and the provisions promulgated thereunder by the Federal Energy Regulatory Commission ("FERC"), and was an approved and authorized service company pursuant to Section 13(b) of the former Public Utility Holding Company Act of 1935, and the regulations promulgated thereunder; and

WHEREAS, KENG and the Client Companies desire for KENG to provide, and the Client Company to accept, the services provided for hereunder in accordance with the terms of this Agreement.

NOW THEREFORE, in consideration of the mutual representations, covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties hereto agree as follows:

### ARTICLE 1 SERVICES

1.1 Services Offered. Exhibit I to this Agreement describe the services that KENG offers to furnish to a Client Company (in accordance with the terms and conditions set forth herein) upon written request of such Client Company. In addition to the services described in Exhibit I hereto, KENG may also provide a Client Company with such special services, as may be requested by such Client Company in writing, which the Service Company concludes it is able to perform. In supplying services hereunder to a Client Company, KENG may arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons with necessary qualifications as are required for, or pertinent to, the performance of such services.

1.2 Services Selected.

(a) Each Client Company shall make its initial selection of the services set forth in Section 1.1 above that it agrees to receive from KENG by providing KENG an executed service request in the form set forth in Exhibit II.

(b) By December 1 of calendar year, KENG shall send an annual service proposal to each Client Company listing the services proposed for the next calendar year. By December 31, each Client Company shall notify KENG in writing of the services it elects to receive from KENG during the next calendar year.

1.3 Modification of Services. A Client Company shall have the right from time to time to amend, alter or rescind any activity, project, program or work order provided that (i) such amendment or alteration which results in a material change in the scope of the services to be performed or equipment to be provided is agreed to by KENG, (ii) the cost for the services covered by the activity, project, program or work order shall include any expense incurred by KENG as a direct result of such amendment, alteration or rescission of the activity, project, program or work order, and (iii) no amendment, alteration or rescission of an activity, project, program or work order shall release a Client Company from liability for all costs already incurred by or contracted for by KENG pursuant to the activity, project, program or work order, regardless of whether the services associated with such costs have been completed. Any request made by a Client Company pursuant to this Section 1.3 shall be in writing to KENG and shall take effect on the first day of the first calendar month which is at least thirty (30) days after the day that the Client Company sent the written notice to KENG.

1.4 Service Receipt Limitations.

(a) Each of the companies listed on Schedule B hereto agree that:

(i) they will not incur a charge hereunder except in accordance with New York State and the rules, regulations and orders of the New York State Public Service Commission promulgated thereunder; and

(ii) they will not seek to reflect in rates any cost incurred hereunder to the extent disallowed by the New York State Public Service Commission.

(b) Notwithstanding anything in this Agreement to the contrary, KENG and the companies listed on Schedule B hereto agree that because of the agreements set forth in Section 1.4(a) above, such companies listed on Schedule B will not accept services from KENG hereunder if the cost to be charged for such services differs from the amount of the charges such companies are permitted to incur under New York State and the rules, regulations and orders of the New York State Public Service Commission promulgated thereunder.

ARTICLE 2  
COMPENSATION AND BILLING

2.1 Compensation. As and to the extent required by law, KENG shall provide the services hereunder at cost. Exhibit I hereto sets forth the rules KENG shall use for determining and allocating costs to the Client Companies. KENG shall advise the Client Companies from time to time of any material change in the method of assignment or allocation of costs hereunder.

2.2 Invoices. By the 20th day of each month, KENG shall render a monthly bill to each Client Company which shall reflect the billing information necessary to identify the costs charged for the services KENG provided in the preceding month. A Client Company shall pay its invoice by check, wire transfer or money pool transaction to KENG (at the account designated by KENG) within 30 days after receiving the invoice. If an invoice is not paid by the 30<sup>th</sup> day after the invoice is received (the "Due Date"), the Client Company shall pay interest on any amount outstanding after the Due Date at the current money pool rate.

ARTICLE 3  
TERM AND TERMINATION

3.1 Effective Date. This Agreement shall become effective on the date hereof, subject to receipt of all required federal or state regulatory approvals.

3.2 Termination. This Agreement shall continue in full force and effect with respect to KENG and a Client Company until (a) terminated by the Client Company upon sixty (60) days advance written notice to KENG, or (b) terminated by KENG upon sixty (60) days advance written notice to a Client Company. This Agreement shall also be subject to termination or modification at any time, without notice, if and to the extent performance under this Agreement may conflict with the Act or with any rule, regulation or order of FERC adopted before or after the date of this Service Agreement.

ARTICLE 4  
MISCELLANEOUS

4.1 Modification. Except as set forth in Article 2 and Sections 1.3, 3.2 and 4.4, no amendment or other modification of this Agreement shall be effective unless made in writing and executed by all of the Parties to this Agreement.

4.2 Notices. Where written notice is required by this Agreement, said notice shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed as follows:



To KENG:

KeySpan Engineering and Survey, Inc.  
175 East Old Country Road  
Hicksville, New York 11801

To Client Company: The name and address of the person designated in writing to KENG on the date the Client Company executes this Agreement.

4.3 Accounts. All accounts and records of KENG shall be kept in accordance with the rules and regulations promulgated by FERC pursuant to the Act, in particular, the record retention requirements and the Uniform System of Accounts for Service Companies in effect from and after the date hereof. Upon request, KENG shall permit a Client Company reasonable access to the accounts and records of KENG relating to the services performed for such Client Company hereunder.

4.4 Additional Client Companies. After the effective date of this Agreement, any new or existing direct or indirect subsidiary of National Grid may become an additional Client Company under this Agreement by becoming a signatory to this Agreement.

4.5 Waiver. Except as otherwise provided in this Agreement, any failure of a Party to comply with any obligation, covenant, agreement, or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

4.6 No Third Party Beneficiaries. Nothing in this Agreement is intended to confer upon any other person except the Parties any rights or remedies hereunder or shall create any third party beneficiary rights in any person. No provision of this Agreement shall create any rights in any such persons in respect of any benefits that may be provided, directly or indirectly, under any employee benefit plan or arrangement except as expressly provided for thereunder.

4.7 Governing Law This Agreement shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under applicable principles of conflicts of law).

4.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.9 Entire Agreement. This Agreement including the exhibits referred to herein or therein, constitutes the entire agreement and understanding of the Parties in respect of the transactions contemplated by this Agreement. KENG and each Client Company may enter into

non-binding service level agreements (as described more fully in KENG's policies and procedures manual), the purpose of which will be to set forth in general terms the shared service expectations between KENG and the Client Company as a managerial tool to facilitate matching the Client Companies needs to the capabilities of KENG. There are no restrictions, promises, representations, warranties, covenants or undertakings other than those expressly set forth or referred to herein or therein. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the transactions contemplated by this Agreement.

4.10 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect.

4.11 Assignment. KENG shall not assign this Agreement, or any of its rights or obligations hereunder without the prior written consent of the Client Companies, such consent not to be unreasonably withheld. A Client Company shall not assign this Agreement, or any of its rights or obligations hereunder without the prior written consent of KENG. This Agreement shall inure to the benefit and shall be binding upon the Parties and their permitted successors and assigns.

IN WITNESS WHEREOF, KENG and the Client Companies have caused this Service Agreement to be signed by their respective duly authorized officers as of the date first above written.

KeySpan Engineering & Survey, Inc.

By: 

Name: Alfred C. Bereche  
Title: Assistant Secretary

KeySpan Corporate Services LLC

By: \_\_\_\_\_

Name: Michael A. Walker  
Title: Vice President and  
Deputy General Counsel

KeySpan Electric Services LLC

By: 

Name: Alfred C. Bereche  
Title: Assistant Secretary

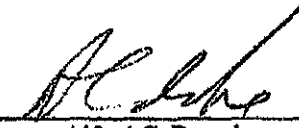
KeySpan Generation LLC

By: 


Name: Alfred C. Bereche  
Title: Assistant Secretary

IN WITNESS WHEREOF, KENG and the Client Companies have caused this Service Agreement to be signed by their respective duly authorized officers as of the date first above written.

KeySpan Engineering & Survey, Inc.

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

KeySpan Corporate Services LLC

By:   
Name: Michael A. Walker  
Title: Vice President and  
Deputy General Counsel

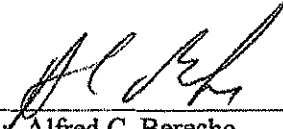
KeySpan Electric Services LLC

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary


KeySpan Generation LLC

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

KeySpan Services, Inc., and its subsidiaries

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

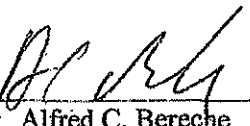
KeySpan Gas East Corporation d/b/a KeySpan  
Energy Delivery Long Island

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary


The Brooklyn Union Gas Company d/b/a  
KeySpan Energy Delivery New York

By: \_\_\_\_\_  
Name: Ronald J. Macklin  
Title: Assistant Secretary

KeySpan Ravenswood, LLC

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

KeySpan Ravenswood Services, Corp.

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

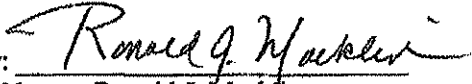
KeySpan Services, Inc., and its subsidiaries

By: \_\_\_\_\_  
Name: Alfred C. Bereche  
Title: Assistant Secretary

KeySpan Gas East Corporation d/b/a KeySpan  
Energy Delivery Long Island

By: \_\_\_\_\_  
Name: Alfred C. Bereche  
Title: Assistant Secretary

The Brooklyn Union Gas Company d/b/a  
KeySpan Energy Delivery New York

By:   
Name: Ronald J. Macklin  
Title: Assistant Secretary

KeySpan Ravenswood, LLC

By: \_\_\_\_\_  
Name: Alfred C. Bereche  
Title: Assistant Secretary


KeySpan Ravenswood Services, Corp.

By: \_\_\_\_\_  
Name: Alfred C. Bereche  
Title: Assistant Secretary

KeySpan – Port Jefferson Energy Center, LLC

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

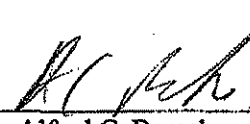
KeySpan – Glenwood Energy Center, LLC

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

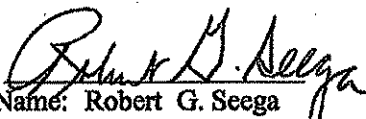
KeySpan Energy Trading Services LLC

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary


KEDC Holdings Corp., and its subsidiaries

By:   
Name: Alfred C. Bereche  
Title: Assistant Secretary

Massachusetts Electric Company


By:   
Name: Robert G. Seega  
Title: Assistant Treasurer

Nantucket Electric Company


By:   
Name: Robert G. Seega  
Title: Assistant Treasurer




The Narragansett Electric Company

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer


Granite State Electric Company

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer


New England Power Company

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer

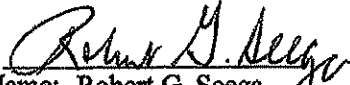
New England Electric Transmission  
Corporation

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer


New England Hydro-Transmission Corporation

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer


New England Hydro-Transmission Electric  
Company, Inc.

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer

Niagara Mohawk Power Corporation

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer


National Grid USA Service Company, Inc.

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer

NEES Energy, Inc.

By: \_\_\_\_\_  
Name: Frances M. Skypeck  
Title: Assistant Treasurer

New England Hydro Finance Company, Inc.

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer

New England Hydro-Transmission Electric  
Company, Inc.

By: \_\_\_\_\_  
Name: Robert G. Seega  
Title: Assistant Treasurer

Niagara Mohawk Power Corporation

By: \_\_\_\_\_  
Name: Robert G. Seega  
Title: Assistant Treasurer

National Grid USA Service Company, Inc.

By: \_\_\_\_\_  
Name: Robert G. Seega  
Title: Assistant Treasurer

NEES Energy, Inc.

By: Frances M. Skypeck  
Name: Frances M. Skypeck  
Title: Assistant Treasurer

New England Hydro Finance Company, Inc.

By: \_\_\_\_\_  
Name: Robert G. Seega  
Title: Assistant Treasurer

Metrowest Realty LLC

By: Shannon M. Larson  
Name: Shannon M. Larson  
Title: President

National Grid Transmission Services  
Corporation

By: \_\_\_\_\_  
Name: Robert G. Seega  
Title: Assistant Treasurer

New England Energy Incorporated

By: \_\_\_\_\_  
Name: Peter G. Flynn  
Title: Vice President

Patience Realty Corp.

By: \_\_\_\_\_  
Name: Robert G. Seega  
Title: Assistant Treasurer


Prudence Corporation

By: \_\_\_\_\_  
Name: Robert G. Seega  
Title: Assistant Treasurer

Metrowest Realty LLC

By: \_\_\_\_\_  
Name: Shannon M. Larson  
Title: President


National Grid Transmission Services  
Corporation

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer


New England Energy Incorporated

By: \_\_\_\_\_  
Name: Peter G. Flynn  
Title: Vice President

Patience Realty Corp.

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer

Prudence Corporation

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer

Metrowest Realty LLC

By: \_\_\_\_\_  
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Title: President

National Grid Transmission Services  
Corporation

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Name: Robert G. Seega  
Title: Assistant Treasurer

New England Energy Incorporated

By: Peter G. Flynn  
Name: Peter G. Flynn  
Title: Vice President

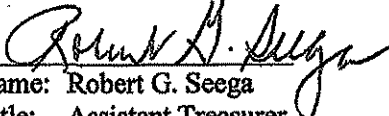
Patience Realty Corp.

By: \_\_\_\_\_  
Name: Robert G. Seega  
Title: Assistant Treasurer

Prudence Corporation

By: \_\_\_\_\_  
Name: Robert G. Seega  
Title: Assistant Treasurer

Valley Appliance and Merchandising Company

By:   
Name: Robert G. Seega  
Title: Assistant Treasurer

Wayfinder Group, Inc.

By: \_\_\_\_\_  
Name: Christopher E Root  
Title: Vice President

**Valley Appliance and Merchandising Company**

By: \_\_\_\_\_  
Name: Robert G. Seega  
Title: Assistant Treasurer

Wayfinder Group, Inc.

By:   
Name: Christopher E Root  
Title: Vice President



**Schedule A**

KeySpan Corporate Services LLC  
KeySpan Electric Services, LLC  
KeySpan Generation LLC  
KeySpan Services Inc. and its subsidiaries  
KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island  
The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York  
KeySpan Ravenswood Services Corp.  
KeySpan Ravenswood, LLC  
KeySpan-Port Jefferson Energy Center, LLC  
KeySpan-Glenwood Energy Center, LLC  
KeySpan Energy Trading Services LLC  
KEDC Holding Corp., and its subsidiaries  
Massachusetts Electric Company  
Nantucket Electric Company  
The Narragansett Electric Company  
Granite State Electric Company  
New England Power Company  
New England Electric Transmission Corporation  
New England Hydro-Transmission Corporation  
New England Hydro-Transmission Electric Company, Inc.  
Niagara Mohawk Power Corporation  
National Grid USA Service Company, Inc.  
NEES Energy, Inc.  
New England Hydro Finance Company, Inc.  
Metrowest Realty LLC  
National Grid Transmission Services Corporation  
New England Energy Incorporated  
Patience Realty Corp.  
Prudence Corporation  
Valley Appliance and Merchandising Company  
Wayfinder Group, Inc.

**Schedule B**

KeySpan Generation LLC  
KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island  
The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York

## EXHIBIT I

### Description of Services, Cost Accumulation, Assignment and Allocation Methodologies for KENG

#### **A. Description of Services Offered by KeySpan Engineering & Survey Inc.**

##### **1. General Engineering**

Advise and assist Client Companies in the study, planning, engineering, maintenance and construction of energy plant facilities of each Client Company and of the Gas Systems and the Electric Systems as a whole, and advise, assist and manage the planning, engineering (including maps and records) and construction operations of Client Companies. Develop and administer quality assurance programs of Client Companies.

Develop long-range operational programs for all the Client Companies and advise and assist each Client Company in the coordination of such programs with the programs of the other Client Companies.

##### **2. Executive and Administrative**

Advise and assist Client Companies in the formulation and execution of general plans and policies of Client Companies. Advise and assist Client Companies as to operations, the preparation of filings arising out of or required by the various federal and state securities, business, public utilities and corporation laws, the selection of executive and administrative personnel, the representation of Client Companies before regulatory bodies, proposals for capital expenditures, budgets, acquisition and disposition of properties, expansion of business, rate structures and other related matters.

#### **B. Methods of Allocation**

Cost of service will be determined in accordance with the Act and the rules and regulations and orders thereunder, and will include all costs of doing business incurred by KENG, including a reasonable return on capital which will reflect a capitalization of KENG of no more than equity of ten percent (10%), and all associated taxes.

KENG will maintain an accounting system for accumulating all costs on a project, activity or other appropriate basis. The accounting system will use codes to assign charges to the applicable costs center, project, activity and account. Records will be kept by each cost center of KENG in order to accumulate all costs of doing business. Expenses of the department will include salaries

and wages of employees, materials and supplies and all other expenses attributable to the department. Labor cost will be loaded for fringe benefits and payroll taxes. To the extent practicable, time records of hours worked by all service company employees, including all officers of such company (i.e., Chief Executive Officer, President and Vice Presidents), will be kept by project and activity. In supplying services, KENG may arrange where it deems appropriate, for the services of experts, consultants, advisors and other persons with necessary qualifications as are required to perform such services. KENG will establish annual budgets for controlling the expenses of each department.

Monthly KENG costs will be directly assigned to Client Companies where possible. Amounts that cannot be directly assigned will be allocated to Client Companies by means of equitable allocation formulae or clearing accounts. To the extent possible such allocations shall be based on cost-causation relationships. All other allocations will be broad based. In some instances, KENG cost centers which perform work for other service company cost centers may use a surrogate allocation method that mimics the allocations of the receiver cost center. Each formula will have an appropriate basis such as meters, square footage, etc.

Each Client Company will take agreed upon services and such additional or general or special services, whether or not now contemplated, as are requested from time to time by such Client Company and which KENG concludes it is able to perform. No amendment, alteration or rescission of an activity or project shall release a Client Company from liability for all costs already incurred by, or contracted for, by KENG pursuant to the project or activity regardless of whether the services associated with such costs have been completed.

Allocation percentages will be calculated on historical data where appropriate and updated annually. Due to the unique nature of the management services agreement contract with the Long Island Power Authority (LIPA), the bases of the LIPA (such as revenues, assets, etc. managed on their behalf) will be included, with the applicable Client Company's data, in order to determine appropriate allocations.

The method of assignment or allocation of costs shall be reviewed annually or more frequently if appropriate. If the use of a basis of allocation would result in an inequity because of a change in operations or organization, then KENG may adjust the basis to effect an equitable distribution.

The applications of Service Allocations are described more fully below.

<u>Service Department Or Function</u>	<u>Basis of Allocation</u>
General Engineering	Clearing Property 3-point formula
Executive and Administrative	3-point formula

Definition of Allocation Factors to be used by KENG

**Assets** - A ratio based on total assets at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

**Clearing** – costs are accumulated and distributed among cost centers based on the type of expenditure in the account. Clearing accounts can be used to accumulate overhead charges (such as fringe benefits) or specific service charges (such as transportation). Distribution of charges is done on a related basis such as labor costs for fringe benefits or number of vehicles for transportation.

**Payroll** - A ratio based on total wages, salaries, commissions and other forms of compensation paid during the year which are reportable, for federal income tax purposes, as taxable income to the employee, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

**Property** - A ratio based on gross fixed assets, valued at original acquisition costs, and investments owned in other companies, including construction work in progress, at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

**Revenue** - A ratio based on the revenue for the previous calendar year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

**3-Point Formula** - This formula consists of three factors. It is designed to be an equitable and feasible tool to act as a surrogate when direct charging or cost causal relationships can not be established. It is a calculated ratio, which compares each of the formula factors for the Client Company to the total of the same factors for all recipient Client Companies. The factors are an equal weighting of Revenue, Assets, and Expenses. This ratio will be calculated annually based on actual experience.

EXHIBIT II

Service Request

The undersigned requests from National Grid Engineering & Survey Inc. (formerly named "KeySpan Engineering & Survey Inc.") the services selected below. The services requested hereunder shall commence on January 1, 2011 and be provided through December 31, 2011.

<u>Service</u>	<u>Yes</u>	<u>No</u>
General Engineering	<u>X</u>	___
Executive and Administrative	<u>X</u>	___

THE NARRAGANSETT ELECTRIC COMPANY  
(Client Company)

By: Lorraine M Lynch  
Name: Lorraine Lynch  
Title: Assistant Treasurer

Notice to Client Company:

Written notice pursuant to Section 4.2 of this Agreement to the Client Company should be sent to:

The Narragansett Electric Company  
280 Melrose Street  
Providence, RI 02907



## National Grid USA: Cost Allocation Training

Overview of Service Company structure and PeopleSoft and Oracle system process and procedure for cost allocations.

11/8/2010

## As a Result of Today's Training Session You Will Be Able To ...

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- Describe why cost allocation integrity and accuracy are important to National Grid
- Allocate and code costs properly through legacy Keyspan and/or National Grid systems
- Identify who to contact when I have a question on properly allocating costs
- Find reference materials on the Infonet related to cost allocation



## Agenda

### Service Company Overview

### Service Company Billings Review

- How Costs Get Charged Out

### Cost Allocation Reference Materials

### New Billing Pools & Allocation Codes For FY 10 & Beyond

### Appendix - Cost Allocation Roles & Responsibilities

- Questions



## Service Company Overview

### National Grid Service Companies

National Grid Corporate Services

National Grid Utilities Services

National Grid Engineering & Survey

National Grid USA Service Company



### Regulated by the Federal Energy Regulatory Commission (FERC)

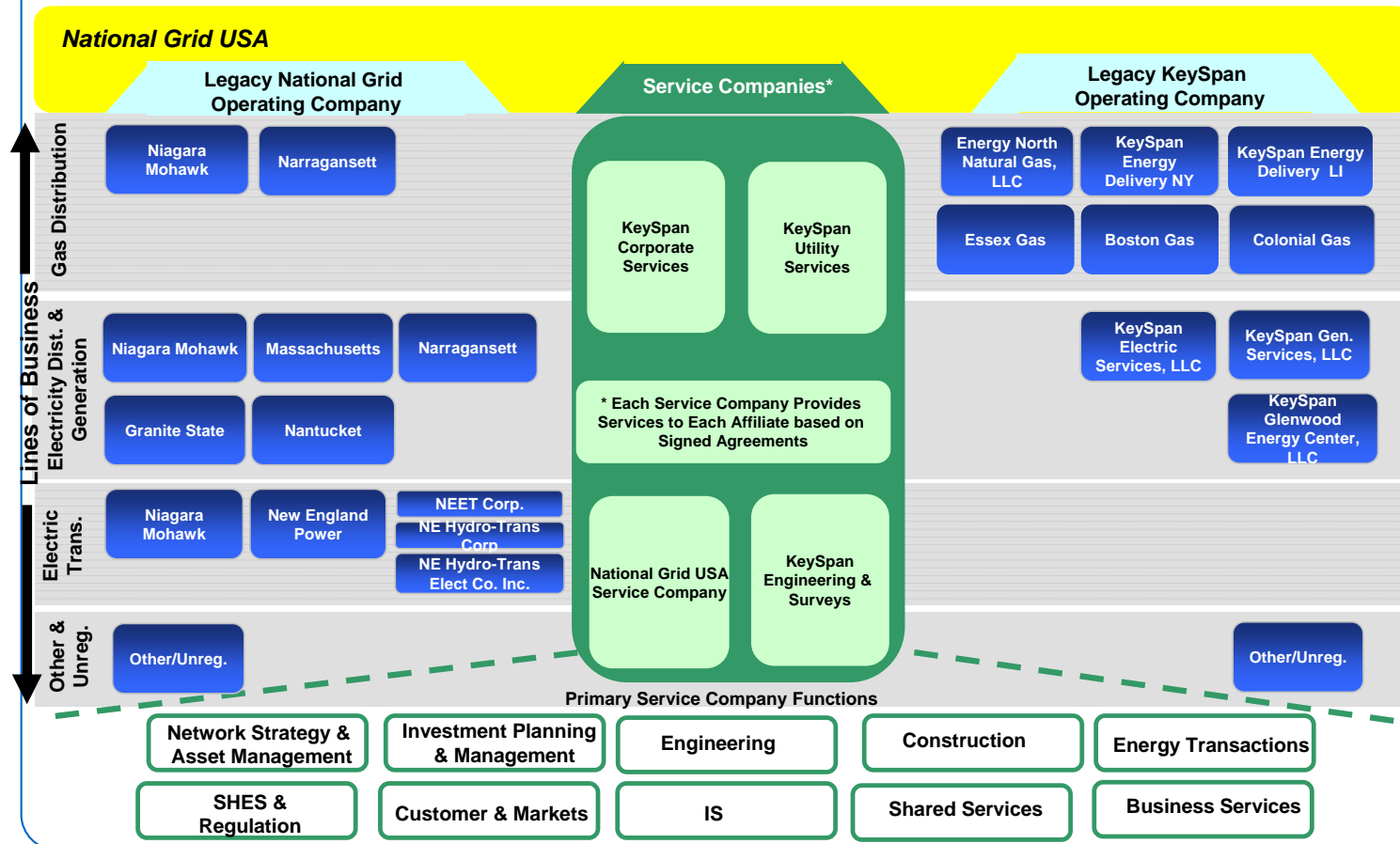
- ◆ Annual Filing Form 60
- ◆ Audited about every 5 years (FERC Audit now in progress)



### Part of a multi-jurisdictional Company so it is critical that costs are assigned to the correct companies

- ◆ Regulatory scrutiny from various regulatory commissions
- ◆ Ensure fairness and equity of cost assignment for both customers and shareholders
- ◆ Provide the proper cost allocation methods; helps to facilitate segmental analysis

## Service Company & Operating Company/Line of Business Structure



## Service Company Contracts with Affiliate Companies

Service Company Contracts with each Affiliate Company are signed each year that specify amongst other things:

• A description of the services offered by the Service Company to the Affiliate such as:

- Financial Services
- Human Resources
- Information Technology
- Legal & Regulatory

• The methods\* upon which costs will be allocated from Service Company to the Affiliate:

- Direct Charges
- Cost Causal Allocations such as:
  - # of Employees
  - # of Meters
  - # of Customers
- Broad Based Allocations such as:
  - O & M Expense
  - 3 Pt Formula

NATIONAL GRID USA SERVICE COMPANY, INC. Exhibit A  
25 Research Drive  
Westborough, Massachusetts 01582

### SERVICE CONTRACT

Dated as of: April 1, 2008

Massachusetts Electric Company  
55 Bearfoot Road  
Northborough, MA 01532

National Grid USA Service Company, Inc. (hereinafter called Service Company) is a company engaged primarily in the rendering of services to companies in the National Grid USA holding company system. The organization, conduct of business and method of cost allocation of the Service Company are designed to result in the performance of services and the provision of goods economically and efficiently for the benefit of associate companies at cost, fairly and equitably allocated among such companies. Services will be rendered by Service Company only upon receipt from time to time of specific or general requests therefor. Said requests may always be modified or canceled by you at your discretion. The parties hereto agree as follows:

1. The Service Company agrees to furnish you upon the terms and conditions herein set forth such of the services described in Schedule I hereto as you may from time to time request. Service Company will also furnish, if available, such services not described in Schedule I as you may request. Notwithstanding the foregoing, the Service Company shall not furnish under this agreement any engineering, construction, or maintenance services for a nuclear generating plant.

2. The Service Company has and will maintain a staff trained and experienced in the provision of services of a general and administrative nature. In addition to the services of its own staff, Service Company will, after consultation with you concerning services to be rendered pursuant to your request, arrange for services of non-affiliated experts, consultants, accountants and attorneys.

3. All of the services rendered under this agreement will be at actual cost thereof. Direct charges will be made for services where a direct allocation of cost is possible. The methods of determining such costs and the allocation thereof are set forth in Schedule II hereto. These methods are reviewed annually and more frequently, if appropriate. Such methods may be modified or changed by Service Company without the necessity of an amendment of this agreement provided that in each instance all services rendered hereunder will be at actual cost thereof, fairly and equitably allocated. You will be advised from time to time of any material changes in such methods.

4. Bills will be rendered during the first week of each month covering amounts due for the month calculated on an estimated basis using the actual expenses incurred to the extent possible during the second previous month. This estimated amount would be adjusted on the bill to be rendered by the conclusion of the following month. Any amount remaining unpaid after fifteen days following receipt of the bill shall bear interest thereon from the date of the bill at an annual rate of 2% above the lowest interest rate then being charged by the Bank of America on 90 day commercial loans. The effective date of this agreement shall be April 1, 2008; services will be performed under this agreement through March 31, 2009, unless terminated at an earlier date by either party giving thirty days' written notice to the other of such termination at the end

\* To ensure compliance with Service Company contracts, combination validation rules have been established within PeopleSoft for activities related to certain departments tied to cost causal billing pools. For example, certain HR department activities are only allowed to utilize billing pools that allocate costs to Affiliate companies based on the # of Employees

## Proper Charging of Source Documents



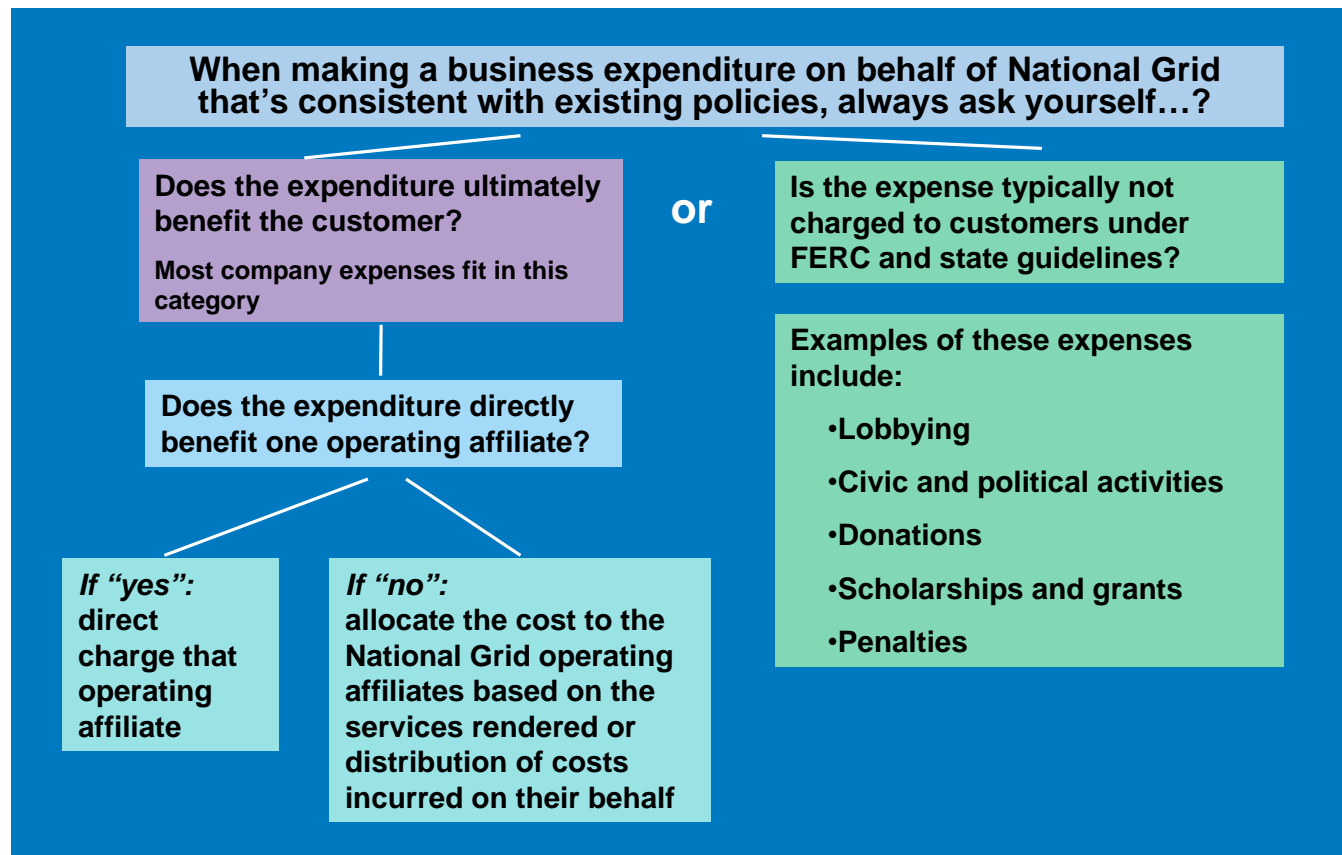
It is important to make sure that when you are coding source documents (whether it be paying an invoice or charging your time) that it accurately reflects:

- ◆ The companies that benefit from the charge
- ◆ The nature of the work being performed
  - *Remember, you work for a multi-jurisdictional company and costs should be charged according to what **you** are working on and the company **you** are doing work for*



This is especially important when charging time because many Service Company overheads are billed to the Operating Companies based on how payroll was charged for the month.

## The basic questions: Expenditure Decision Matrix



## NG USA Service Company Billings

**The Service Company bills out all of its costs to the Operating Companies on a monthly basis**

**Costs get billed out by:**

- ◆ Direct charges
- ◆ Allocated Charges
- ◆ Clearing Accounts
- ◆ Service Company Operating Costs
- ◆ Profit and Taxes



## Legacy Grid – Payroll/Labor Charging

- **Each Management employee enters specific daily accounting (or can set up default accounting) in Time Entry System (TES)**
  - Management time is entered in TES daily from the 16<sup>th</sup> of the current month – 15<sup>th</sup> of the next month (e.g. Jan 16<sup>th</sup> – Feb 15<sup>th</sup> is the Management accounting for the February 2009 closing).
  
- **Bargaining employees (i.e. Gas Operations, Design and some Network Strategy) time is entered through STORMS (Work Management System). The payroll accounting is based on the work performed. All other Bargaining employees enter time into TES (e.g. CMS)**
  
- **Labor charges in PeopleSoft show employees originating and charged CC# (should be the same).**



## Legacy Grid – Labor Charging Philosophy

➤ **Cross Charging is NOT promoted between Departments (Budget is in originating department)**

- Cross charging can be utilized for incremental cost situations. For example: A department is moved on overtime at the requesting department's request. Facilities could charge their incremental overtime ONLY to requesting department (upon agreement from requesting department).

➤ **Operating Co. CC# can charge an Operating Co.**

- If different Co's then expenses are fully burdened based upon originating Company.

➤ **ServCo CC# can charge an Operating Co.**

- Expenses are fully burdened based upon originating Company.

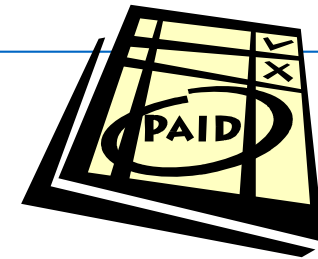
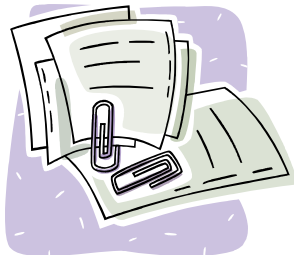
## Legacy NG Direct Charges

### Types of Costs

- ◆ Payroll, outside vendors costs, materials, personal expenses, computer expenses, etc.

**Company to be charged is identified when cost is incurred on source document.**

- ◆ Vendor invoice, time entry, expense report, etc.



**nationalgrid**  
The power of action.

## When Direct Charging in PeopleSoft, the Company is the Key

Business Unit Description	Business Unit #	Segment	Business Unit Description	Business Unit #	Segment
<b>National Grid USA Parent</b>	00001	OTH	NGUSA Service Company, Inc. (B)	00099	OTH
Nantucket Electric Company	00004	Multiple	Boston Gas Company Billing BU	01401	GAS
Massachusetts Electric Company	00005	Multiple	Essex Gas Company Billing BU	01402	GAS
NE Hydro-Trans Elec Co, Inc.	00006	INTE	Colonial Lowell Div Billing BU	01403	GAS
NE Hydro Finance Co, Inc.	00007	INTE	Colonial Cape Cod Billing BU	01404	GAS
NE Hydro-Trans Corporation	00008	INTE	EnergyNorth Nat Gas Billing BU	01406	GAS
New England Power Company	00010	Multiple	KeySpan Corp Serv Billing BU	01431	OTH
NE Electric Trans Corporation	00020	INTE	KeySpan Utility Srv Billing BU	01432	OTH
NG Transmission Services Corp	00021	Multiple	KeySpan Engineering Billing BU	01433	OTH
<b>Niagara Mohawk Holdings, Inc.</b>	00035	OTH	KeySpan Electric Srv BillingBU	01434	DIST
Niagara Mohawk Power Corp	00036	Multiple	KeySpan Generation Billing BU	01435	GEN
Opinac North America, Inc.	00037	OTH	KeySpan Energy Dev Billing BU	01436	NREG
Granite State Electric Company	00041	Multiple	KS Gas East Corp KEDLI Bill BU	01437	GAS
Narragansett Gas Company	00048	GAS	Brklyn Union Gas KEDNY Bill BU	01438	GAS
<b>Narragansett Electric Company</b>	00049	Multiple	KS Ravenswood Srvcs Billing BU	01442	OTH
Wayfinder Group, Inc.	00070	OTH	KS Energy Trading Billing BU	01444	GEN
Valley Appliance & Merchandise	00071	OTH	KS Glenwood Energy Billing BU	01446	GEN
National Grid Billing Entity	00072	OTH	KS Port Jeff Energy Billing BU	01448	GEN
<b>GridAmerica Holdings Inc.</b>	00082	OTH	KS Energy Services Billing BU	01457	DIST
NEES Energy, Inc.	00085	OTH	KS Energy Supply Billing BU	01458	GEN
EUA Energy Investment	00086	OTH	KS Services Billing BU	01459	NREG
Prudence Corporation	00092	OTH	KeySpan Energy Corp Billing BU	01460	OTH
Patience Corporation	00093	OTH	Seneca Upshur Billing BU	01471	NREG
Newport America Corporation	00094	OTH	KeySpan E&P JV Billing BU	01563	NREG
Metrowest Realty LLC	00095	OTH			

*\*Parent Companies Denoted in Blue*

## Legacy NG DIRECT CHARGE Example

Provide Affiliate Company Code to Direct Charge that Company for costs incurred for its sole benefit

### Example: When charging O&M accounting and splitting costs to 2 companies

	Required	Required	Required	Optional	Optional	Required
	Charged Company	Activity	Originating Work Unit	Charged Work Unit	Work Order	Expense Type
50%	00048 (NE Gas)	AG1234 (nature of work)	12345 (your dept)	12345 (dept charged)		P15 (type of charge)
50%	00049 (Narr Elec)	AG1234 (nature of work)	12345 (your dept)	12345 (dept charged)		P15 (type of charge)

### When charging capital project or billable project

(Capital and billable charges are only billed to one company)

	Required	Required	Required	Optional	Required	Required
	Charged Company	Activity	Originating Work Unit	Charged Work Unit	Work Order	Expense Type
	00048 (NE Gas)	AG1234 (nature of work)	12345 (your dept)	12345 (dept charged)	9000012345 (derives project)	350 (type of charge)

### When charging balance sheet activity

	Required	Required	Leave blank	Leave blank	Leave blank	Leave blank
	Charged Company	Activity	Originating Work Unit	Charged Work Unit	Work Order	Expense Type
	00048 (NE Gas)	232123 (balance sheet acct)				

## Niagara Mohawk Direct Charges – Legacy NG

Niagara Mohawk - Co 00036, is a single operating company with multiple line of business segments (Distribution, Gas & Transmission). When performing a service for the benefit of Niagara Mohawk that transcends these lines of business you need to understand what your options are:

Separately allocate costs to each segment manually

Utilize one of three available predetermined allocation formulas (billing pools)\*

Charges to Co 00036 without a bill pool will default 100% to the Distribution segment

**\*Available bill pools for use on direct charges to Niagara Mohawk – Company 00036**

Bill Pool	Bus Unit	BU Description	Segment	Percent	Comments
00100	00036	Niagara Mohawk Power Corp	DIST	73.000	Operating Co Segment Allocation - NIMO Distribution, Transmission & Gas
00100	00036	Niagara Mohawk Power Corp	GAS	17.000	
00100	00036	Niagara Mohawk Power Corp	TRAN	10.000	
<b>00100 Total</b>				<b>100.000</b>	
00101	00036	Niagara Mohawk Power Corp	DIST	88.000	Operating Co Segment Allocation - NIMO Electric Transmission & Distribution
00101	00036	Niagara Mohawk Power Corp	TRAN	12.000	
<b>00101 Total</b>				<b>100.000</b>	
00102	00036	Niagara Mohawk Power Corp	DIST	83.000	Operating Co Segment Allocation - NIMO Electric Distribution & Gas
00102	00036	Niagara Mohawk Power Corp	GAS	17.000	
<b>00102 Total</b>				<b>100.000</b>	

## Legacy NG Allocated Charges

**Costs can be billed to several companies using a predetermined allocation formula (billing pool)**

### **Basis of Billing pools:**

- ◆ Actual T&D Operations and Maintenance Costs
- ◆ Budgeted Operations and Maintenance Costs
- ◆ Number of employees, customers, meters in service
- ◆ Square footage occupied
- ◆ Materials and supplies issued
- ◆ Services provided



## Legacy NG Allocated Charges – Billing Pools

A Service Company billing pool is a predetermined allocation formula which allows for one line of accounting to be used in order to charge multiple companies

A Service Company billing pool generally requires regulatory approval prior to set up or in response to a significant change to the business such as with business acquisitions or disposals

A Service Company billing pool can be used to charge multiple companies only if the work you are performing for each of the operating companies is fairly represented in the billing pool (or spread) percentages

When using a Service Company billing pool Co 00099 (National Grid USA Service Company) MUST be used in the charged company field

## Legacy NG Allocated Charges

**O&M Costs Charged to SERVCO  
must be allocated to Affiliate  
Companies that benefit from the  
costs incurred via billing pool**

**When using Service Co billing pool**

<i>Required</i>	<i>Required</i>	<i>Required</i>	<i>Optional</i>	<i>Optional</i>	<i>Required</i>	<i>Required</i>
<b>Charged Company</b>	<b>Activity</b>	<b>Originating Work Unit</b>	<b>Charged Work Unit</b>	<b>Work Order</b>	<b>Expense Type</b>	<b>Billing Pool</b>
00099 <i>(Service Co)</i>	AG1234 <i>(nature of work)</i>	12345 <i>(your dept)</i>	12345 <i>(dept charged)</i>		350 <i>(type of charge)</i>	00236 <i>(NE/NY Elec Utilities)</i>

- ◆ Note that billing pools (with a few rare exceptions) are only used with O&M type charges.
- ◆ Billing pools are **not** appropriate for capital charges or for billable projects. Capital charges and billable charges would always be charged directly to specific companies.



## Time Entry System Sample (TDC Employee Illustration)

**NEESPROD**  
QW53270 Edit View Options Tools Help

DO09 Time Entry System  
\$E50781 Monthly Time Entry

Work Unit 37580 Work Date 09/01/10 VehNo  
Name ABARE, ANN M Emplid  
Co 00099 Location SYRACU99 Sch Hrs 40.00

Status EARF Title Supervisor T/C 7465

**Note: Originating and Charged departments should match unless otherwise instructed. If they do not match you should ask your supervisor for instruction**

**Originating "Home" Department** (points to Co 00099)

**All TDC employees should be charging company 99** (points to Co 00099)

**Charged Department** (points to VehNo 37570)

**Bill Pool** (points to 00382)

A/C/D	Hc	Rsn	Prm	Amount	VehNo	ChgCo	Actvty	Proj	Work Order	CWJ	BillP	Seg
01	---	REG	---	0.00	00099	AG0299				37570	00382	OTH
02	---	ONP	---	0.00	00099	AG0299				37570	00382	OTH
03	---	REG	---	0.00	00099	AG0730						

0.00 0.00

Enter=Exec F1=Help F3=Exit F5=Ref  
F9=Profile F10=Browse F11=Errlist F12=Car  
SF7=PrevDate SF8=NextDate SF9=PrevEmp SF10=Ne

**Important: You can not cross charge to a different group without permission because each group has a budget and it is important to understand that where you charge your time affects that budget.**

Connected to NEESPROD port 23 11/4 NUM 10:00:06 IBM-3278-2 - TCP01688



## Guidelines for Direct Charging vs. Cost Pools

---

### Charging of Labor

- **Services rendered for benefit of multiple affiliate companies:**
  - Typically – employees who render services for the benefit of multiple affiliate companies should charge the appropriate cost pool which corresponds to the mix of affiliate companies receiving the services.
    - This practice takes into account that at any moment in time an individual service rendered may be for the benefit of one affiliate company – however when aggregated over the course of a year these costs will be fairly spread across all affiliates as contemplated.
    - Attempting to track individual tasks for the purpose of direct charging for some employees would be impossible or represent an undue refinement of time accounting and could circumvent the contemplated spread of cost allocation pools.
  - Employees who normally direct charge to one affiliate company who render services of significant costs to a mix of affiliate companies should charge the appropriate cost pools for the services rendered.
- **Services rendered for benefit of one affiliate company:**
  - Employees who render services for the benefit of one affiliate company should direct charge to the one affiliate company receiving the services.
  - Employees who normally charge a cost pool that are given a special project or specific assignment of significant costs that is for the benefit of one company, then costs should be direct charged, (e.g. a manager in regulatory assigned to one affiliate rate case for six months).
  - Employees, who at any point in time conduct lobbying, civic or political activities, should direct charge in accordance with applicable FERC & State guidelines.



## Guidelines for Direct Charging vs. Cost Pools

---

### Charging of Expenses

- Procured goods, services, employee travel and business expenditures are generally one-off line entry transactions where greater refinement to cost allocation decisions are reasonable and required.
- **Services rendered for benefit of multiple affiliate companies:**
  - For any goods, services, employee travel & business expenses rendered for benefit to a mix of affiliate companies, costs should be charged to the appropriate corresponding cost pool for the mix of affiliate companies receiving the benefit.
    - A description of the cross affiliate benefit should be provided when a cost pool is used for expenses
- **Services rendered for benefit of one affiliate company:**
  - For any goods, services, employee travel & business expenses rendered for the benefit of one affiliate company, costs should be direct charged to the one affiliate company receiving the benefit.
  - Employees, who at any point in time who incur expenses while conducting lobbying, civic or political activities, should direct charge in accordance with applicable FERC & State guidelines.



## **National Grid USA: Cost Allocation Training**

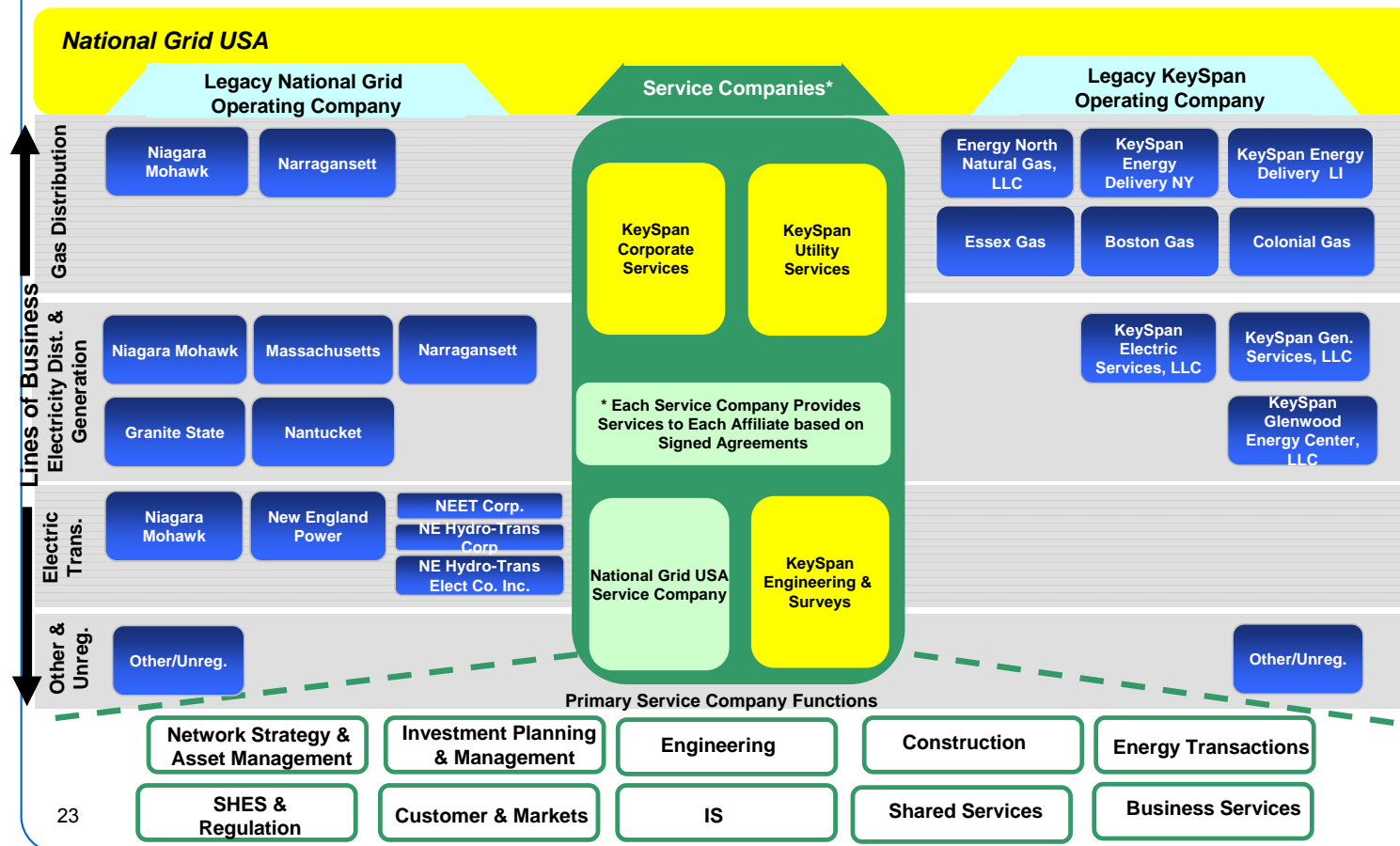
**Overview of Service Company structure  
and Oracle system process and procedure  
for cost allocations.**

**Legacy KeySpan Service Companies  
National Grid Corporate Services  
National Grid Utilities Services  
National Grid Engineering & Survey**

## Legacy KeySpan Service Company Overview

- **Accounting Code Block**
- **Service Company Allocations (Codes)**
- **Reporting Views/Hierarchy**
- **Payroll/Charging Philosophy**

## Service Company & Operating Company/Line of Business Structure



## Oracle CODE BLOCK



RCO	RCC	Activity	CT	Account	Project	PCC	PCO

- ♦ **RCO (Receiver Company):** This segment is used to identify which Company's set of books is recording the transaction
- ♦ **RCC (Receiver Cost Center):** identifies the specific responsibility / cost center being charged
- ♦ **Activity** The activity segment is used to provide/describe some specifics or details of the transaction being recorded. An Activity segment is used to further define or segregate the detail provided by the Project segment.
- ♦ **CT (Cost Type):** This segment is used to identify the lowest level of resource provided/expended in the transaction
- ♦ **Account:** This segment is used to identify the appropriate General Ledger Account in accordance with the FERC chart of accounts
- ♦ **Project:** the project segment is used to provide/describe some specifics/details of the transaction. In practice, the Project segment is often hierarchically superior to the activity segment and most times will identify a broad category which is then further defined/described by one or more activities.
- ♦ **PCC (Provider Cost Center):** This segment identifies the specific cost center providing the charge
- ♦ **PCO (Provider Company):** This segment identifies the Company providing the charge in the transaction. It is also referred to as the "Intercompany" segment as this segment is used to identify a transaction that has occurred between two companies.

## Allocation Theory



- 
- An allocation code identifies the basis used to allocate, the mix of operating companies receiving the allocation and the percentage distribution applicable to each operating company.
  - Allocation codes are designed to produce reasonable and consistent results and are assigned to cost pools in a manner consistent with the cost causation principles of sound cost allocation theory.
  - Our cost pools are specifically designed to maximize the assignment of direct allocation codes, (i.e. codes allocating 100% of the cost pool to a single operating company) and facilitate the assignment of indirect allocation codes that are based on the most appropriate cost causation method





## Service Company Cost Pools

- All costs charged by any value in these segments are included in the aggregate cost pool

CT	PCC	PCO
----	-----	-----

- These 5 segments define the level at which the cost pool is accumulated

RCO	RCC	Activity	Account	Project
-----	-----	----------	---------	---------

- Each unique combination of these 5 segments are assigned an allocation code that identifies the method of allocation as well as the specific operating companies to be charged

## Legacy KeySpan – Allocation Code Make Up & Allocation Basis

### ◆ Allocation Code Make up:

#### ◆ Made up of 3 digits:

- First digit – letter designating the basis used
- Second/Third digits = code # indicating what Co's dollars are allocating to.

#### ➤ Step 1: Direct Charge Wherever Possible (“A”)

#### ➤ Step 2: Utilize “Cost-Causal” Relationships Where Feasible

- Meters (“B”)
- Telephone Calls (“D”)
- Employees (“N”)
- Bills (“H”)
- Revenue (“K”)
- Sendout (“M”)
- Property (“I”)

#### ➤ Step 3: Use Three Point Formula (“G”) When applicable

- Revenues
- Assets
- O&M (Without Fuel)

## Allocated Charges – Direct Charge Allocation Code

An example of a direct charge allocation  
code: A66

### Allocation Group

**A – Direct Charge**

### Allocation Code

**66 – Nantucket Electric Company**

### Allocation Group

- A - Direct
- B - Number of Meters
- D - Number of Telephone Calls
- G - 3 Point Formula
- H - Number of bills
- I - Property
- J - Sq. Footage
- K - Revenues
- M - Sendout
- N - Number of Employees
- V - Vehicles

<u>Allocation Basis</u>	<u>Allocation Code</u>	<u>Company Code</u>	<u>Company Description</u>
"A" Direct – 100%	66	NB	Nantucket Electric Company

## Niagara Mohawk Direct Charges - Legacy KeySpan Employees

Niagara Mohawk - is a single operating company with multiple line of business segments (Distribution, Gas & Transmission). When performing a service for the benefit of Niagara Mohawk that transcends these lines of business you need to understand what your options are:

Separately allocate costs to each segment manually

Utilize one of three available predetermined allocation formulas (see below)\*

### Legacy KeySpan Service Company Allocation Code Matrix

<u>Allocation Basis</u>	<u>Allocation Code</u>	<u>Company Code</u>	<u>Company Description</u>
Direct "A"	80	NE	Niagara Mohawk Power Corp.-Electric Distr.
Direct "A"	81	NP	Niagara Mohawk Power Corp.-Gas
Direct "A"	82	NQ	Niagara Mohawk Power Corp.-Transmission

<u>Allocation Code</u>	<u>Oracle Company Code</u>	<u>PeopleSoft Company Code</u>	<u>Company Name</u>	<u>FY 2010</u>	<u>FY 2009</u>
G1010-NIMO All Segments	NE	00036	Niagara Mohawk Power Corp-Distr	73.00%	73.00%
	NP	00036	Niagara Mohawk Power Corp-Gas	17.00%	17.00%
	NQ	00036	Niagara Mohawk Power Corp-Trans	10.00%	10.00%
				100.00%	100.00%
G1020-NIMO All Electric	NE	00036	Niagara Mohawk Power Corp-Distr	88.00%	88.00%
	NQ	00036	Niagara Mohawk Power Corp-Trans	12.00%	12.00%
				100.00%	100.00%
G1030-NIMO Electric & Gas Distrib.	NE	00036	Niagara Mohawk Power Corp-Distr	83.00%	83.00%
	NP	00036	Niagara Mohawk Power Corp-Gas	17.00%	17.00%
				100.00%	100.00%

## Allocated Charges – Allocation Using Formula

In order to distribute the cost of services across multiple companies, an allocation group other than A – Direct must be used:

For example, if a department provided services to all Gas and Electric Distribution companies then the allocation code G58 would likely be used to facilitate the desired cost allocation.

### Allocation Group

**G – Allocation using 3-Point Formula**

### Allocation Code

**58 – Allocated to all Gas and Electric Distribution**

### Allocation Group

A	-	Direct
B	-	Number of Meters
D	-	Number of Telephone Calls
G	-	3 Point Formula
H	-	Number of Bills
I	-	Property
J	-	Sq. Footage
K	-	Revenues
M	-	Sendout
N	-	Number of Employees
V	-	Vehicles

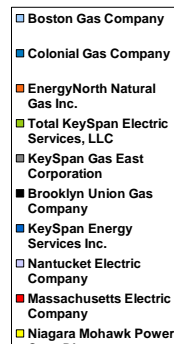
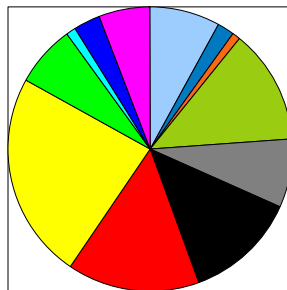
## Allocated Charges – Allocation Using Formula (cont.)

58 – Allocated to all Gas and Electric Distribution

Allocation Percentage for G58 is set up by Finance

Company	Allocation Percentage
Boston Gas Company	7.73%
Colonial Gas Company	1.80%
EnergyNorth Natural Gas Inc.	1.05%
Total KeySpan Electric Services, LLC	12.96%
KeySpan Gas East Corporation	8.30%
Brooklyn Union Gas Company	12.57%
KeySpan Energy Services Inc.	0.11%
Nantucket Electric Company	0.23%
Massachusetts Electric Company	14.59%
Niagara Mohawk Power Corp-Distr	24.35%
Niagara Mohawk Power Corp-Gas	6.68%
Granite State Electric Company	0.54%
Narragansett Gas Company	3.31%
Narragansett Electric Company	5.78%
<b>Total</b>	<b>100.00%</b>

<u>G-3PT Formula</u>	<u>Oracle Company Code</u>	<u>PeopleSoft Company Code</u>	<u>Company Name</u>	<u>FY2009</u>
G58 - Gas and Electric Distribution	01	01401	Boston Gas Company	7.73%
	03	01403	Colonial Gas Company	1.80%
	06	01406	EnergyNorth Natural Gas Inc.	1.05%
	34	01434	Total KeySpan Electric Services, LLC	12.96%
	37	01437	KeySpan Gas East Corporation	8.30%
	38	01438	Brooklyn Union Gas Company	12.57%
	57	01457	KeySpan Energy Services Inc.	0.11%
	NB	00004	Nantucket Electric Company	0.23%
	NC	00005	Massachusetts Electric Company	14.59%
	NE	00036	Niagara Mohawk Power Corp-Distr	24.35%
	NP	00036	Niagara Mohawk Power Corp-Gas	6.68%
	NF	00041	Granite State Electric Company	0.54%
	NG	00048	Narragansett Gas Company	3.31%
	NH	00049	Narragansett Electric Company	5.78%
				100.00%



## Legacy KeySpan - Line of Business Reporting View

- Operating company costs are charged directly to the associated business unit within each company (i.e. Gas, Electric, etc)
- Corporate costs are charged directly to the associated corporate cost center 997 within each company
  - OPEBs
  - Pensions
  - Other (PSC Assessment, Uncollectibles, etc)
- Other direct costs such as benefits, legal and workers compensation are charged directly to the associated service company business unit within each company
- Service Company costs are charged directly to the three service companies (Corporate Services, Utility Services & Engineering Services) and then allocated across the operating companies to the corporate cost center 997

## Legacy KeySpan – Payroll/Labor Charging

- **Each Employee has default Provider CC#, Project, Activity coded in PeopleSoft.**
  - Payroll for week will default to that acctg if nothing entered into Smarttime.
- **Employees enter payroll exceptions into Smarttime. (ie. sick, vacation)**
- **Employees can override the default acctg thru payroll entry in Smarttime.**
- **Labor charges in Oracle show employees providing CC#.**



## Legacy KeySpan – Labor Charging Philosophy

- **Cross Charging exists between Departments**
  
- **Operating Co. CC# can charge an Operating Co. Project/Activity.**
  - If different Co's then expenses are fully burdened.
  
- **Servco CC# cannot charge an Operating Co. Project/Activity. (this can be overridden with request to Acctg)**

## **Cost Allocation Responsibility - Employees**

**Every employee bears the responsibility of ensuring that their costs are properly allocated.**

**As we have instructed in the past, legacy NG “billing pools” and legacy KeySpan “allocation codes” should only be used where the resulting breakdown accurately reflects both the nature of the effort performed and the companies that benefit from such effort. The burden of making this determination is on the person preparing the source document.**

**When questions arise relative to the proper allocation of costs, you should consult with your respective Decision Support staff for guidance.**



## Cost Allocation Resources

Allocation Support Team  
Infonet Resources  
Reference Materials



## Allocation Support Team members

Cost Allocation Support Team Contacts					
Function	Sub-Function	Primary	Contact #	Secondary	Contact #
Corporate Services	Corporate Tax	Erica Borst	718-403-6354	Nadine Younge	718-403-5007
	Corporate Affairs	Anne Oliveira	781-907-1764		
	Energy Portfolio	Mike Nilsen	718-403-6122		
	Business Development / M&A	Mike Nilsen	718-403-6122		
	US Non - Regulated				
	Companies	Mike Nilsen	718-403-6122		
	Group Audit	Erica Borst	718-403-6354	Ann Marie Scaparro	631-844-3915
	Legal	Anne Ramer	516-545-5346	Erica Borst	718-403-6354
	Treasury Services	Gerard McEntee	718-403-3141	Wai Sang Chi	718-403-2137
	Global Risk Mgmt	Erica Borst	718-403-6354	Patricia Needham	781-907-2306
	Transaction Delivery Center	Steve Heywood	315-428-6148		
	Financial Services	Dawn Serpenti	516-474-9761	Christophe Chirol	718-403-2402
	Human Resource Services	Fred Surrey	718-403-2894	Donna Ladolcetta	718-403-5006
	Property Services	Steve Leyden	315-428-5769	Christophe Chirol	718-403-2402
	Procurement	Sean Stack	315-428-6100		
	Fleet	Ken Brann	315-428-5888		
	Inventory Mgmt	Donna Ladolcetta	718-403-5006		
Information Services	All Departments	Deb Lynch	781-907-2546	Avron Segal	781-907-2683
Customer Energy Solutions	Customer Markets-Executive	Fran LaRiviere	781-907-2332	Sarah L. Arcese	781-907-2334
	Energy Solutions Delivery	Maureen O'Loughlin	781-907-2357	Fran LaRiviere	781-907-2332
	Market Strategy & Implementation	Maureen O'Loughlin	781-907-2357	Fran LaRiviere	781-907-2332
	Energy Service Unregulated				
	Bus	Dina Kazis	781-907-2508	Fran LaRiviere	781-907-2332
	Econ Dev/Strategic Comm Init	Dina Kazis	781-907-2508	Fran LaRiviere	781-907-2332
Customer Energy Solutions	Energy Products - LIPA Energy				
	Products	Susan Suridis	631-755-4890	Dina Kazis	781-907-2508
	Energy Products - Other	Dina Kazis	781-907-2508	Fran LaRiviere	781-907-2332
Customer Service Operation	SVP Customer Service Ops	Ann Marie Callahan	781-907-2331	Matt Kennelly	718-403-3167
	CSO-Business Technology	Matt Kennelly	718-403-3167	Ann Marie Callahan	781-907-2331
	Customer Care	Ann Marie Callahan	781-907-2331	Matt Kennelly	718-403-3167
	WFM-Planning & Analysis	Ann Marie Callahan	781-907-2331	Matt Kennelly	718-403-3167
	Revenue Cycle Management	Matt Kennelly	718-403-3167	Ann Marie Callahan	781-907-2331



## Allocation Support Team members

Cost Allocation Support Team Contacts					
Function	Sub-Function	Primary	Contact #	Secondary	Contact #
Electric Distribution - COO	Regulatory Affairs	Felicia Midkiff	781-907-2306	Kristin DeSousa	781-907-2342
	COO	Claudia Rosen	781-907-2358	John Currie	781-907-2352
	Smart Grid	Dina Kazis	781-907-2508	John Currie	781-907-2352
	Ops Performance	Zalina Baskaeva	781-907-5726	John Currie	781-907-2352
	Dist Network Ops	Zalina Baskaeva	781-907-5726	John Currie	781-907-2352
	Transmission Network Ops	Zalina Baskaeva	781-907-5726	John Currie	781-907-2352
	Trans & Dist Svcs	Kathy Hammer	781-907-2371	John Currie	781-907-2352
	Operations & Maintenance - CMS	Millie Mercado	781-907-2361	Mark Collison	781-907-3295
	Operations & Maintenance - NE North	Lars Heimann	978-725-1462	Mark Collison	781-907-3295
	Operations & Maintenance - NE South	Art Edwards	401-784-7159	Mark Collison	781-907-3295
	Operations & Maintenance - NY Central	Ralph Modugno	315-452-7536	Mark Collison	781-907-3295
	Operations & Maintenance - NY East	Diana Gerard	518-433-3855	Mark Collison	781-907-3295
	Operations & Maintenance - NY West	David Rupp	716-831-7528	Mark Collison	781-907-3295
	Operations & Maintenance - Protection & Telecom	Paula Markarian	781-907-2350	Mark Collison	781-907-3295
	Operations & Maintenance - HVDC	Paula Markarian	781-907-2350	Mark Collison	781-907-3295
	LIPA	Terry Guleksen	516-545-3233	Robert Reith	516-545-5538
	Generation	Terry Guleksen	516-545-3233	Karen Compitello	516-545-4414
	Electric Distribution & Generation Finance	Kim Smith	781-907-2330	Kristin DeSousa	781-907-2342
	Distribution Asset Mgmt	Ryan Patnode	781-907-2356	John Currie	781-907-2352
	Project Mgmt & Const	Claudia Rosen	781-907-2358	John Currie	781-907-2352
	Program Mgmt	Ryan Patnode	781-907-2356	John Currie	781-907-2352
	SHE	Kim Smith	781-907-2330	Kristin DeSousa	781-907-2342
	Security	Deb Lynch	781-907-2546		
Gas Line of Business	All Departments	Jimmy Lee	718-403-2385	Dmitry Silman	718-403-2755
Transmission Line of Business	All Departments	Murielle Gerard	781-907-2373	William Bengier	781-907-2369

## On Line Resources – Infonetus/Site Index/ Financial Services/Allocations

Pages - default - Microsoft Internet Explorer provided by National Grid

File Edit View Favorites Tools Help

Back Forward Stop Home Search Favorites

Address <http://us2infonet/sites/Finance/Pages/Default.aspx> Go Links

**infonetus** infonet infonetuk nationalgrid.com

All Sites

Advance Search  
Sign In  
Report Problem

US Infonet | Financial Services

Home Communications Contacts

**LEDGER**

**Accounting Policies & Guidance**

- Allocations**
- Business Applications for Finance
- Claims
- Controls & Governance
- Financial Reports
- Plant Accounting
- Training and Technical Resources

**US Financial Services** is responsible for the Record to Report process, which takes financial transactions from source systems to present complete and correct financial statements and records for National Grid USA and subsidiary companies. Its primary purpose is to support the lines of business and their decision support teams by providing accurate financial information and specialist accounting and finance support. Also forming part of the Record to Report group are the Sarbanes-Oxley and Delegations of Authority compliance processes within the US, Non Income Tax management compliance, Claims and the back office functions of our Energy Trading operations.

**Select Allocations Overview for Reference Material**

**Andrew Sloey**  
CFO, US Financial Services  
[Personal Profile](#)

**Internal Quick Links**

- Cash Management
- Financial Services UK Site
- EXP System (Legacy KS)
- National Grid Investor Site

**Finance Team Update**  
[SAP](#)

**2009 Employee Survey Actions**  
We value your input in the last survey. Find out the changes we made.

start 7 Microsoft... 3 Internet... 3 Microsoft... Microsoft Po... Sloey testim... Local intranet 1:36 PM

## Cost Allocation Reference Materials

The link below will take you to a web site on Infonet US where information can be found related to:

- ◆ Legacy NG Cost Allocation Policy & Procedure
- ◆ Legacy KeySpan Cost Allocation Policy & Procedure
- ◆ Cost Allocation Drivers Summary
- ◆ Cost Allocation Roles & Responsibilities
- ◆ Cost Allocation Training Materials
- ◆ Legacy National Grid Billing Pool matrix
- ◆ Legacy KeySpan Allocation Code matrix

<http://us2infonet/sites/Finance/Pages/Default.aspx>



## **Cost Allocation Training Appendix:**

Overview of Overheads, Burdens & Clearing Accounts:  
PeopleSoft and Oracle system process and procedure for  
cost allocations.

10/8/2010



## Legacy NG Clearing Accounts – Payroll Overheads

Clearing accounts accumulate costs for payroll taxes and fringe benefits such as the items detailed below and are charged out based on actual payroll each month:

- ◆ Pensions
- ◆ Health insurance
- ◆ Workers compensations
- ◆ Group insurance
- ◆ Thrift plan (401k)
- ◆ Variable Pay plans
- ◆ Time not worked (vacation, sick time, holidays, etc)



## Legacy Grid – Burden/Loadings

### ➤ O&M Accts:

- Direct labor charges receive Paid Abs/Vacation only. (note: Other payroll loadings (e.g. Pension, OPEBs, etc) stay in Human Resources)
- Direct material from inventory charges receive the material inventory loadings.

### ➤ Capital Accts:

- Direct labor charges receive all payroll and benefit loadings.
- Capital Clearing (Capital Additions Distributable (CAD)) is a percent applied to ALL capital cost components excluding AFUDC and reimbursement cost types.
- Direct material from inventory charges receive the material inventory loading.

## Legacy Grid - Capital Clearing (CAD) Process

- **Capital Clearing (Capital Additions Distributable - CAD) is a loading % applied to all capital costs excluding AFUDC and reimbursements cost types.**
- **Dollars charged into this account are typically for Operations supervisors who oversee multiple work orders throughout their day.**
  - (Accounts charged through project #'s such as CAP036 (NiMo) and CAP048 (RI) for the Gas LOB.
- **Total actual charged to capital clearing in FY 2008 for Niagara Mohawk Gas was \$9.7m and Rhode Island Gas was \$3.0m.**
- **Accounting Services:**
  - Monitors the account on a monthly basis.
  - Adjusts the % as needed to minimize the balance in the clearing account.
  - Clears out any remaining balance at end of fiscal year.
- **The monthly capital clearing (CAD) percent is on the legacy Grid “Infonetus” intranet site. Click on “Site Index”, then “Financial Services”, and then “Allocations” > “Monthly Allocation Rates”.**

## Legacy NG Stores Handling Costs and Transportation Costs

### **The Stores clearing account accumulates costs associated with the handling of inventory**

- charges are cleared based on inventory issues

### **◆ Transportation clearing account accumulates the cost of maintaining the fleet**

- charges are cleared based on vehicle usage



Note: Stores clearings and Transportation clearings are the rare exceptions where occasionally a Service Company billing pool can be used with a charge that is something other than O&M

## Legacy Grid - Shared Services Allocations

- **Fleet – costs are “cleared” to the same accounting as payroll charges (O&M and Capital) for Dept’s that use STORMS work management system.**
- **Facilities – costs remain in the Facilities Dept as O&M. They are not “cleared” to the business units.**

## **NG USA Service Company Operating Costs, Profit and Taxes**

### **Operating Costs that are incurred during the operation of the Service Company as a corporate entity**

- Charged to a clearing account
- Allocated based on direct payroll charges for the month
- Examples – interest expense, gains and losses on investments, donations, etc.

### **The Service Company is allowed to include in its service charge to customers, an allowed rate of return on its Common Equity**

- Service Company is currently earning \$525,000 annually, or \$43,750 per month based on its current equity structure
- This amount, as well as Service Company tax expense, are charged to a clearing account and allocated as a percentage of base payroll

## **Legacy KeySpan Burdening - Service Companies different from Operating Companies**

- **SEC requires that all Service (Servco) Company expenses be fully burdened prior to being allocated to the Operating Companies**
- **Operating Companies are regulated and must follow specific PSC/FERC guidelines on classifying burden-related expenses. (ie. HR related expenses stay in HR - Benefits)**

## Legacy KeySpan – Burden/Loadings

### ➤ O&M Accts:

- Direct labor charges receive Paid Abs/Vacation and Incentive Comp (mgmt) or Gainsharing (barg) loadings.  
Note: Other payroll loadings (eg. Pension, OPEBs, etc) hit Corp CC# 997 in LOB.
- Direct material from inventory charges receive the material inventory loadings.

**Note: If Operating Co. CC is charging a different Operating Co. O&M project/activity then direct labor receives all payroll loadings. (ie. Co. 38 CC# is charging Co. 37 project/activity)**



## Legacy KeySpan – Burden/Loadings

### ➤ Clearing Accts:

- Direct labor charges receive all payroll loadings.
- Direct material from inventory charges receive the material inventory loading.

### ➤ Capital Accts:

- Direct labor charges receive all payroll and gas clearing loadings.
- Direct material from inventory charges receive the material inventory loading.
- Contractor charges (CT 300, 305, 320) receive gas clearing loading.

## Legacy KeySpan – O&M / Capital Gas Clearing Process

- Administrative type expenses charged to 184xx GL account (e.g. director, manager, supervisor, clerk, vehicles, building space, phones, etc.)
- Dollars in 184xx account are allocated by company to O&M and capital based upon the percentage of forecasted Field O&M and Capital work (e.g. LI 45% O&M, 55% Capital)
- Dollars allocated to capital go into 10798 capital gas clearing account.
- Dollars allocated to O&M go to pre-defined field related O&M GL accounts.
- Dollars are also direct charged 100% into the 10798 capital gas clearing account (e.g. engineering planning, project engineering, mapping & fixed assets/OCIP).
- Total dollars in the 10798 account are loaded to the Operating Company capital projects through the gas clearing burden. Servco capital projects do not get gas clearing burden.
- Gas clearing burden is applied to Direct Labor and Contractor Labor cost types. (ie. 300, 305, 320)

## Legacy KeySpan – Capital Gas Clearing Process

- Budgeted gas clearing burden percentages for each company are calculated as follows:

### 10798 Gas Clearing Account Budget Capital Direct Labor/Cont Labor Budget (Oper Co.)

- 10798 account is monitored by US Gas Finance on a monthly basis.
- Gas clearing burden is adjusted during the year based upon:
  - Dollars going into the 10798 account and/or
  - Direct labor/contractor labor capital spending
- 10798 account for each Gas Company is currently cleared out twice a year. Once at end of calendar year and once at end of fiscal year.

## Legacy KeySpan Shared Services Allocations - Fleet

➤ **Fleet – charges hit Gas O&M/Capital Clearing accts and multiple cost types for Gas, Lease and Maintenance:**

- **Gasoline (CT 565)** – straight pass thru to vehicles gas default acctg based upon gallons and price per gallon.
- **Leasing (CT 600)** - straight pass thru to vehicles gas default acctg based upon actual monthly lease payment.
- **Maintenance (CT 566)** – charged gang rate by Facilities Mgmt to gas default acctg based upon time spent on vehicle and parts used. (note: small customary parts are included in gang rate, specialty parts are additional charge)

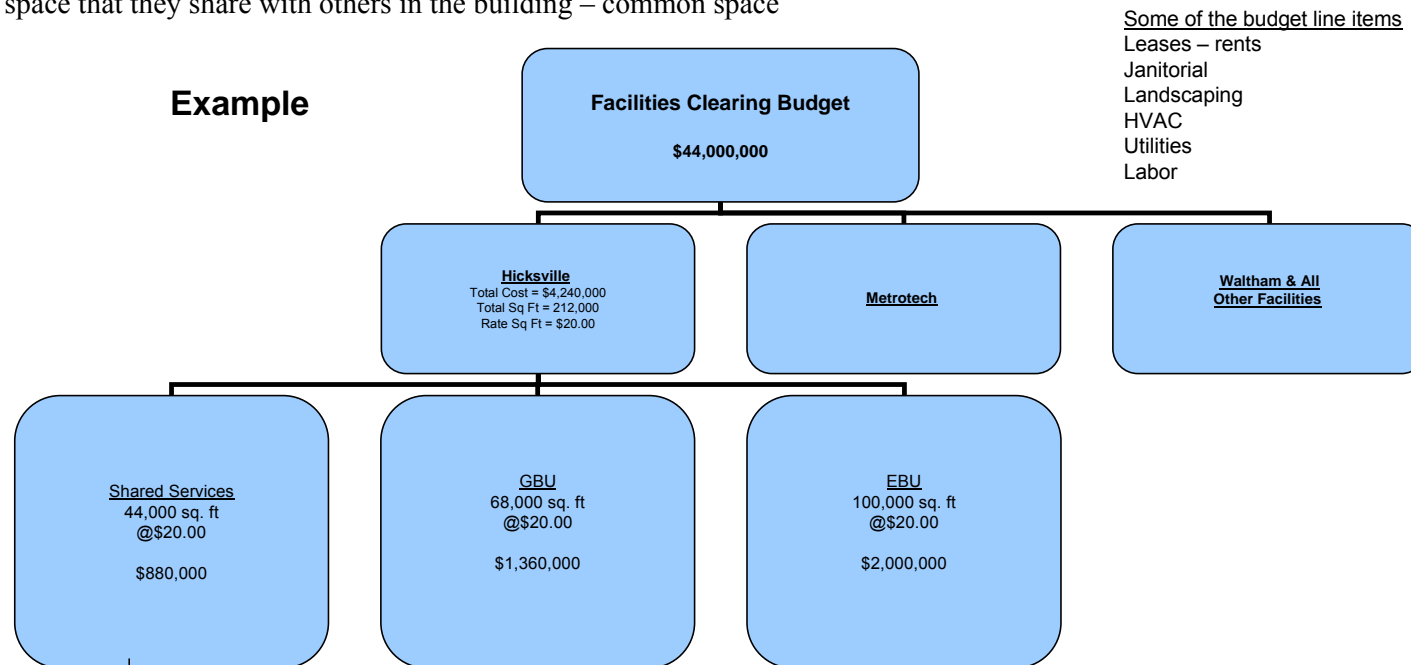
## **Legacy KeySpan Shared Services Allocations – Facilities (Building Space)**

➤ **Facilities (Building Space) – Charges based upon sq. footage occupied at each Co location. They hit gas O&M/Capital clearing acctg and multiple cost types based upon location:**

- Metrotech – cost type 821
- Hicksville – cost type 822
- Canarsie – cost type 827
- Boston Location 2 – cost type 831
- Second Ave, Waltham – cost type 853

## Legacy KeySpan - Facilities Clearing Budget

Facilities Clearing - Supports the maintenance and operation of KeySpan's owned facilities (& some leased facilities). The dollars in the Facilities Clearing budget are charged out based on a rate that is developed to represent the cost to support a square foot of the building. Occupants of the facilities are then charged for the space they occupy along with the space that they share with others in the building – common space



The \$880,000 is then allocated to the Business Units based on an allocation code

## Cost Allocation Compliance & Governance Program

### Cost Allocation Review Committee

**Objective:** A Cost Allocation Review Committee has been established to perform a quarterly review of Service Company Department's Operating Models compared to their Cost Allocations.

**Responsibility – Service Company Accounting, LOB Decision Support, Regulatory & Pricing and US Legal**

**Actions:**

- ♦ The Cost Allocation Review Committee will meet every quarter. Executive Sponsor is Andrew Sloey and Committee chairman is John O Shaughnessy, Director Service Company Accounting. Committee members are representatives from LOB Finance, US Legal and Regulatory & Pricing.
- ♦ Each targeted departmental representative along with associated Decision Support will meet with the committee to rationalize cost allocations in light of business plans and budgets for the upcoming period. A comparison of current cost allocations in use to the underlying services being performed and forward looking business plans will be conducted and any adjustments to existing cost allocations implemented as a result of this review.
- ♦ Communicate impact of remedial actions agreed with all stakeholders.
- ♦ MI/Reporting tools have been developed and the resultant queries are made available to Departments Heads/LOB Decision Support to provide the data on departmental employee labor & non labor cost allocations to facilitate the review.
- ♦ Legacy NG queries written to look across organizational hierarchies in PeopleSoft. Complete set of data captured in standard Business Objects query. Legacy KeySpan query written and an IS project is underway to include allocation code data within Oracle Datamart.

## Questions

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*Charles Arcieri*

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718-403-2438

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*John O Shaughnessy*

Director, Service Company Accounting

718-403-2664

john.oshaughnessy@us.ngrid.com





Division 11-17-ELEC/GAS

Request:

On p. 13 Mr. Laflamme states that the underlying metric data to arrive at cost causative allocators are calculated differently. Please describe these differences and indicate the percentage allocators provided by the two methods, when the metrics are different.

Response:

The referenced excerpt from the Direct Testimony of Company Witness Michael D. Laflamme relates solely to the accumulation of metric data used to derive the associated allocation percentages. For instance, the number of employees for legacy Keyspan Corporation and legacy National Grid operational companies were accumulated slightly differently. Although the accumulation of employee totals for each operating company was somewhat different, the result was still a single allocation method and a single set of allocation percentages based on employee totals for each operating company. The recommendation of the PA Consulting review (see Schedule MDL-2 starting at page 40) was to accumulate underlying metric data in a consistent fashion for both cost causative and general allocation purposes.

Division 11-19-ELEC/GAS

Request:

Please produce workpapers in the form of fully functioning spreadsheets in Excel format that list by FERC account and sub-account the revised allocation of costs from each KeySpan service company to all National Grid operating companies, including Narragansett Electric and Narragansett Gas. Please specify, by account, whether the revision was due to the change to the three-factor general allocator or something else.

Response:

The Company did not perform its reallocation study by individual FERC account or by individual service company. The reallocation analysis was performed by mapping accumulated test year "billing pool" data and remapping those individual billing pool amounts by function to the most appropriate "new billing pool". In some instances, a one for one match to a "new billing pool" was not possible. Consequently, the analysis did not retain visibility to FERC account detail.

In Attachment DIV 11-19-ELEC/GAS, the Company has provided its complete service company reallocation model in the form of a fully functioning spreadsheet. This model is the Excel version of the "Reallocation of Test Year Service Company Costs" provided in the Direct Testimony of Company Witness Michael D. Laflamme as Schedule MDL-2 at Pages 1 through 39.

Please note that Attachment DIV 11-19-ELEC/GAS includes revisions to Schedule MDL-2 in order to correct summation errors on Page 1 in the section titled "CY 2011 by Groups of Companies and Certain Individual Companies", on Page 2 in the section titled "As booked by groups of companies and certain individual companies", and on Page 3 in the section titled "As proposed by groups of companies and certain individual companies". These summation corrections have no impact on the Electric or Gas cost of service as originally filed in this proceeding.

Division 11-21-ELEC/GAS

Request:

Please produce workpapers in the form of fully functioning spreadsheets in Excel format that list by FERC account and sub-account the revised allocation of costs, if there was any reallocation of costs from NGSC, from each NGSC to all National Grid operating companies, including Narragansett Electric and Narragansett Gas.

Response:

Please refer to the Company's response to Division 11-19-ELEC/GAS.