

The Narragansett Electric Company

d/b/a National Grid

INVESTIGATION AS TO THE
PROPRIETY OF PROPOSED TARIFF
CHANGES

Schedules of:

Michael D. Laflamme

Book 4 of 11

April 27, 2012

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

Submitted by:

nationalgrid

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

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

Witness: Michael D. Laflamme

Schedule MDL-3-ELEC

Narragansett Electric Cost of Service

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

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

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

| | (a) | (b) | (a) + (b) (c) | (d) | (c) + (d) (e) | (f) | (e) + (f) (g) |
|---|------------------------|--------------------------------|---------------------------------|------------------------------|---------------------------|-------------------------------|----------------------------|
| | <u>Test Year Books</u> | <u>Normalizing Adjustments</u> | <u>Adjusted Test Year Books</u> | <u>Pro Forma Adjustments</u> | <u>Rate Year Adjusted</u> | <u>Proposed Rate Increase</u> | <u>After Rate Increase</u> |
| 1 Revenues | \$ 809,554,121 | \$ 9,648,547 | \$ 819,202,668 | \$ 3,725,866 | \$ 822,928,534 | \$ 31,448,278 | \$ 854,376,812 |
| 2 | | | | | | | |
| 3 Purchased Power & Other Reconciling Expense | 574,060,882 | 6,118,882 | 580,179,764 | 3,725,866 | 583,905,630 | | 583,905,630 |
| 4 | | | | | | | |
| 5 Net Distribution Revenues | \$ 235,493,239 | \$ 3,529,665 | \$ 239,022,904 | \$ - | \$ 239,022,904 | | \$ 270,471,182 |
| 6 | | | | | | | |
| 7 Operation & Maintenance Expense | 239,234,490 | (117,825,347) | 121,409,142 | 4,858,292 | 126,267,434 | 424,552 | 126,691,986 |
| 8 | | | | | | | |
| 9 Depreciation | 48,428,228 | (6,529,533) | 41,898,695 | 3,140,050 | 45,038,745 | | 45,038,745 |
| 10 | | | | | | | |
| 11 Amortization | 617,200 | 722,539 | 1,339,739 | (609,998) | 729,741 | | 729,741 |
| 12 | | | | | | | |
| 13 Gross Receipts Tax | 30,674,656 | (30,674,656) | - | - | - | | - |
| 14 | | | | | | | |
| 15 Taxes Other Than Income | 35,375,758 | (5,756,323) | 29,619,434 | 5,998,646 | 35,618,080 | | 35,618,080 |
| 16 | | | | | | | |
| 17 Interest on Customers Deposits | - | - | - | 160,814 | 160,814 | | 160,814 |
| 18 | | | | | | | |
| 19 Operating Income Before Income Taxes | \$ (118,837,093) | \$ 163,592,986 | \$ 44,755,893 | \$ (13,547,804) | \$ 31,208,090 | \$ 31,023,726 | \$ 62,231,816 |
| 20 | | | | | | | |
| 21 Income Taxes | | | 10,571,628 | (4,358,261) | 6,213,367 | 10,858,304 | 17,071,671 |
| 22 | | | | | | | |
| 23 Operating Income After Income Taxes | | | \$ 34,184,265 | \$ (9,189,542) | \$ 24,994,723 | \$ 20,165,422 | \$ 45,160,145 |
| 24 | | | | | | | |
| 25 Rate Base | | | \$ 534,507,213 | | \$ 575,087,373 | | \$ 575,087,373 |
| 26 | | | | | | | |
| 27 Rate Of Return | | | 6.40% | | 4.35% | | 7.85% |
| 28 | | | | | | | |
| 29 Cost of Capital | | | 7.85% | | | | 7.85% |
| 30 | | | | | | | |
| 31 | | | 1.45% | | | | 0.00% |

Line Notes

- 1 From Page 4 of 71, Line 37
- 3 From Page 6 of 71, Line 12
- 5 Line 1 - Line 3
- 7 From Page 6 of 71, Line 14
- 9 From Page 6 of 71, Line 20
- 11 From Page 6 of 71, Line 21
- 13 From Page 6 of 71, Line 22
- 15 From Page 6 of 71, Line 23
- 17 From Page 6 of 71, Line 25
- 19 Line 5 - the sum of Lines 7 to Line 16
- 21 From Page 60 of 71, Line 17
- 23 Line 19 - Line 21
- 25 From Page 63 of 71, Line 21
- 27 Line 23 / Line 25
- 29 From Page 61 of 71, Line 9
- 31 Line 27 - Line 29

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

| | | |
|----|---|-----------------------------|
| 1 | <u>Revenue Requirement Calculation</u> | <u>Total</u> |
| 2 | Rate Base | \$ 575,087,373 |
| 3 | Rate of Return | 4.35% |
| 4 | Required Return | 7.85% |
| 5 | | |
| 6 | Required Operating Income | 45,160,145 |
| 7 | Operating Income After Taxes | 24,994,723 |
| 8 | Shortfall/(Excess) | <u>\$ 20,165,422</u> |
| 9 | | |
| 10 | Gross up Factor for Taxes | 1.5595 |
| 11 | | |
| 12 | Revenue/(Excess) Requirement | <u>\$ 31,448,278</u> |
| 13 | | |
| 14 | | |
| 15 | Gross Up Factor Calculation | 100.00% |
| 16 | Uncollectibles | -1.35% |
| 17 | | 98.65% |
| 18 | Federal Income Taxes @ 35% | -34.53% |
| 19 | Net | 64.12% |
| 20 | Gross Up Factor | 1.5595 |

Line Notes

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

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

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

Schedule MDL-3-ELEC

Page 3 of 71

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

| | (a) = sum (b)-(j) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) |
|---|-------------------|-------------------|---|--|-----------------------------------|---|--------------------------------------|--------------------------|------------------|--------------------------|
| | Total | Base Rates | Base Revenues Storm Recovery Provision | Late Payment & Other Fees | Revenue Decoupling Adj | Infrastructure, Safety and Reliability (CapEx) | Other Revenue¹ | Commodity Related | | Energy Efficiency |
| | | | | | | | | Administrative | Commodity | Uncollectibles |
| 1 Revenues | \$ 822,928,534 | \$ 233,433,096 | | \$ 8,146,620 | \$ (6,018,564) | \$ 3,461,752 | \$151,643,096 | \$ 6,582,222 | \$ 376,831,161 | \$ 48,849,151 |
| 2 | | | | | | | | | | |
| 3 Purchased Power and Other Reconciling Expense | 583,905,630 | | | | | | 151,643,096 | 6,582,222 | 376,831,161 | 48,849,151 |
| 4 | | | | | | | | | | |
| 5 Base Distribution | 239,022,904 | 233,433,096 | - | 8,146,620 | (6,018,564) | 3,461,752 | - | - | - | - |
| 6 | | | | | | | | | | |
| 7 Operation & Maintenance Expense | 126,691,986 | 126,032,522 | | | | | | | | 659,464 |
| 8 | | | | | | | | | | |
| 9 Depreciation | 45,038,745 | 45,038,745 | | | | | | | | |
| 10 | | | | | | | | | | |
| 11 Amortization | 729,741 | 729,741 | | | | | | | | |
| 12 | | | | | | | | | | |
| 13 Gross Receipts Tax | - | - | | | | | | | | |
| 14 | | | | | | | | | | |
| 15 Taxes Other Than Income | 35,618,080 | 35,618,080 | | | | | | | | |
| 16 | | | | | | | | | | |
| 17 Interest on Customers Deposits | 160,814 | 160,814 | | | | | | | | |
| 18 | | | | | | | | | | |
| 19 Income Taxes | 17,071,671 | 17,071,671 | | | | | | | | |
| 20 | | | | | | | | | | |
| 21 Rate Base | 575,087,373 | 575,087,373 | | | | | | | | |
| 22 Cost of Capital | 7.85% | 7.85% | | | | | | | | |
| 23 Return on Rate Base | 45,160,145 | 45,160,145 | | | | | | | | |
| 24 | | | | | | | | | | |
| 25 Total Revenue Requirement | \$ 270,471,182 | \$ 269,811,718 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 659,464 |
| 26 | | | | | | | | | | |
| 27 | | | | | | | | | | |
| 28 Reallocation/Adjustments | | | | | | | | | | |
| 29 CapEx | - | - | - | 8,146,620 | | | | | | |
| 30 Late Payment Charges & Other Fees | - | (8,146,620) | | 8,146,620 | | | | | | |
| 31 Storm Cost Recovery | - | (2,400,000) | 2,400,000 | | | | | | | |
| 32 RDM | - | | | | | | | | | |
| 33 Sub-total Reallocation/Adjustments | - | (10,546,620) | 2,400,000 | 8,146,620 | | | | - | - | |
| 34 | | | | | | | | | | |
| 35 Final Rate Year Revenues | \$ 270,471,182 | \$ 259,265,098 | \$ 2,400,000 | \$ 8,146,620 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 659,464 |
| 36 | | | | | | | | | | |
| 37 Total Rate Increase | \$ 31,448,277 | \$ 25,832,002 | \$ 2,400,000 | \$ - | \$ 6,018,564 | \$ (3,461,752) | \$ - | \$ - | \$ - | \$ 659,464 |

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

Line Notes

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

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

| | (a) | (b) | (a) + (b) (c) | (d) | (c) + (d) (e) |
|---|------------------------------|------------------------------------|-------------------------------|----------------------------------|------------------------------|
| Description | Test Year Books | Normalizing Adjustments | Test Year Adjusted | Pro Forma Adjustments | Rate Year |
| 1 | | | | | |
| 2 Customer | \$ 47,878,742 | \$ (736,152) | \$ 47,142,590 | \$ 297,204 | \$ 47,439,794 |
| 3 Distribution | 193,411,625 | (9,847,184) | 183,564,441 | 2,428,861 | 185,993,302 |
| 4 ISR Cap Ex | 500,661 | 2,895,838 | 3,396,499 | 65,253 | 3,461,752 |
| 5 SOS Admin | (6,582,222) | 6,582,222 | - | - | - |
| 6 ISR O & M | (6,423,732) | 6,423,732 | - | - | - |
| 7 RDM | (1,438,455) | (1,788,791) | (3,227,246) | (2,791,318) | (6,018,564) |
| 8 | | | | | |
| 9 Total Base Distribution Revenues | <u>\$ 227,346,619</u> | <u>\$ 3,529,665</u> | <u>\$ 230,876,284</u> | <u>\$ -</u> | <u>\$ 230,876,284</u> |
| 10 | | | | | |
| 11 | | | | | |
| 12 Other Distribution Revenues: | | | | | |
| 13 Forfeited Discounts - Electric | 1,474,450 | - | 1,474,450 | - | 1,474,450 |
| 14 Misc Service Revenue - Electric | 805,548 | - | 805,548 | - | 805,548 |
| 15 Rent from Electric Property | 4,405,990 | - | 4,405,990 | - | 4,405,990 |
| 16 Other Electric Revenue - Misc | 1,460,632 | - | 1,460,632 | - | 1,460,632 |
| 17 Other Electric Revenue - Credit | - | - | - | - | - |
| 18 | | | | | |
| 19 Subtotal Distribution Revenue | <u>\$ 235,493,239</u> | <u>\$ 3,529,665</u> | <u>\$ 239,022,904</u> | <u>\$ -</u> | <u>\$ 239,022,904</u> |
| 20 | | | | | |
| 21 Other Delivery and Commodity Revenue: | | | | | |
| 22 SO Admin | 6,582,222 | - | 6,582,222 | - | 6,582,222 |
| 23 ISR O & M | 6,423,732 | 3,917,660 | 10,341,392 | 155,785 | 10,497,177 |
| 24 Transmission | 118,067,241 | 13,815,857 | 131,883,098 | 2,490,312 | 134,373,410 |
| 25 Transmission Related Uncollectible Revenue | 1,116,199 | 88,715 | 1,204,914 | 70,182 | 1,275,096 |
| 26 CTC (Transition) | (101,333) | 4,957,163 | 4,855,830 | 91,914 | 4,947,744 |
| 27 Commodity | 376,831,161 | - | 376,831,161 | - | 376,831,161 |
| 28 Energy Efficiency | 34,591,429 | 13,350,261 | 47,941,690 | 907,461 | 48,849,151 |
| 29 LTCRER | - | 539,457 | 539,457 | 10,212 | 549,669 |
| 30 Gross Receipts Tax | 30,550,231 | (30,550,231) | - | - | - |
| 31 | | | | | |
| 32 | | | | | |
| 33 Total Other Operating Revenues | <u>\$ 574,060,882</u> | <u>\$ 6,118,882</u> | <u>\$ 580,179,764</u> | <u>\$ 3,725,866</u> | <u>\$ 583,905,630</u> |
| 34 | | | | | |
| 35 | | | | | |
| 36 | | | | | |
| 37 Total Operating Revenues | <u><u>\$ 809,554,121</u></u> | <u><u>\$ 9,648,547</u></u> | <u><u>\$ 819,202,668</u></u> | <u><u>\$ 3,725,866</u></u> | <u><u>\$ 822,928,534</u></u> |

Line/Column Notes

Column(a) From Company Books
Column (b) From Page 5 of 71, Column (a)
Column(d) From Page 5 of 71, Column (b)
9 Sum of Line 2 through Line 7
19 Sum of Line 9 through Line 17
33 Sum of Line 21 through Line 31
37 Line 19 + Line 33

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

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

Line Notes

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

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

| | (a) | (b) | (a)+(b) (c) | (d) | (c) + (d) (e) |
|--|----------------------------|------------------------------------|---|----------------------------------|---|
| Description | Test Year Books | Normalizing Adjustments | Adjusted Test Year Books | Pro Forma Adjustments | Adjusted Rate Year Books |
| 1 Purchased Power | \$ 376,831,161 | | \$ 376,831,161 | | \$ 376,831,161 |
| 2 | | | | | |
| 3 SO Administration | 6,582,222 | | 6,582,222 | - | 6,582,222 |
| 4 O & M | 6,423,732 | 3,917,660 | 10,341,392 | 155,785 | 10,497,177 |
| 5 Transmission | 118,067,241 | 13,815,857 | 131,883,098 | 2,490,312 | 134,373,410 |
| 6 Transmission Related Uncollectible Revenue | 1,116,199 | 88,715 | 1,204,914 | 70,182 | 1,275,096 |
| 7 CTC (Transition) | (101,333) | 4,957,163 | 4,855,830 | 91,914 | 4,947,744 |
| 8 Energy Efficiency | 34,591,429 | 13,350,261 | 47,941,690 | 907,461 | 48,849,151 |
| 9 LTCRER | - | 539,457 | 539,457 | 10,212 | 549,669 |
| 10 GET | 30,550,231 | (30,550,231) | - | - | - |
| 11 | | | | | |
| 12 Total Commodity & Other Reconciling Costs | <u>\$ 574,060,882</u> | <u>\$ 6,118,882</u> | <u>\$ 580,179,764</u> | <u>\$ 3,725,866</u> | <u>\$ 583,905,630</u> |
| 13 | | | | | |
| 14 Other Operation and Maintenance Expenses | 239,234,490 | (117,825,347) | 121,409,142 | 4,858,292 | 126,267,434 |
| 15 Uncollectibles on Proposed Rate Increase | | | | 424,552 | 424,552 |
| 16 | | | | | |
| 17 Total Operation & Maintenance Expenses | <u>\$ 239,234,490</u> | <u>\$ (117,825,347)</u> | <u>\$ 121,409,142</u> | <u>\$ 5,282,843</u> | <u>\$ 126,691,986</u> |
| 18 | | | | | |
| 19 | | | | | |
| 20 Depreciation Expense | 48,428,228 | (6,529,533) | 41,898,695 | 3,140,050 | 45,038,745 |
| 21 Amortization | 617,200 | 722,539 | 1,339,739 | (609,998) | 729,741 |
| 22 Gross Receipts Tax | 30,674,656 | (30,674,656) | - | - | - |
| 23 Taxes Other Than Income | 35,375,758 | (5,756,323) | 29,619,434 | 5,998,646 | 35,618,080 |
| 24 Federal Income Tax | | | 10,571,628 | 6,500,043 | 17,071,671 |
| 25 Interest on Customer Deposits | | | - | 160,814 | 160,814 |
| 26 Operating Income After Taxes | | | 34,184,265 | 10,975,880 | 45,160,145 |
| 27 | | | | | |
| 28 | | | | | |
| 29 Total Cost of Service | <u><u>\$</u></u> | <u><u>\$</u></u> | <u><u>\$</u></u> | <u><u>\$</u></u> | <u><u>\$</u></u> |

Line Notes

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

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
Docket No. R.I.P.U.C. _____
Schedule MDL-3-ELEC
Page 7 of 71

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

| | | (a) | (b) | (c) | (d) | (e) |
|---|--|------------------------------|----------------------------|---|--------------------------|-----------------------|
| | Reference | Total Test Year Per Books | Normalizing Adjustments | Adjusted Books Year Ended December 31, 2011 | Pro Forma Adjustments | Rate Year Adjusted |
| Operation & Maintenance Expenses | | | | | | |
| 1 | Purchased Power | Page 6 of 71 | \$ 376,831,161 | \$ - | \$ 376,831,161 | \$ - |
| 2 | | | | | | |
| 3 | Labor | Page 10 of 71 | 49,296,024 | (9,294,058) | 40,001,966 | (1,390,934) |
| 4 | Healthcare | Page 23 of 71 | 6,023,664 | (428,290) | 5,595,374 | 399,650 |
| 5 | 401K Match | Page 24 of 71 | 1,096,289 | (134,243) | 962,046 | (103,649) |
| 6 | 401K Match Pensions | Page 25 of 71 | 3,023 | - | 3,023 | 178,575 |
| 7 | Donations | Page 26 of 71 | - | 401,142 | 401,142 | - |
| 8 | Computer Software | Page 27 of 71 | 3,739,868 | (118,592) | 3,621,276 | 5,591,668 |
| 9 | Regulatory Assessments | Page 28 of 71 | 3,009,083 | (93,768) | 2,915,315 | 1,077,066 |
| 10 | Facilities | Page 29 of 71 | 2,746,223 | (293,966) | 2,452,257 | 267,926 |
| 11 | Uninsured Claims | Page 30 of 71 | 2,480,624 | (76,333) | 2,404,291 | 319,541 |
| 12 | Insurance Premiums | Page 31 of 71 | 970,582 | 696 | 971,278 | 94,007 |
| 13 | Payroll Taxes | Page 33 of 71 | 414,744 | (32,015) | 382,729 | (105,751) |
| 14 | OPEB | Page 34 of 71 | 8,977,300 | (558,792) | 8,418,508 | (4,876,932) |
| 15 | Pensions | Page 35 of 71 | 9,258,180 | (699,569) | 8,558,611 | 1,676,080 |
| 16 | Postage | Page 36 of 71 | 2,014,865 | (488) | 2,014,377 | 83,418 |
| 17 | Energy Efficiency O&M | Page 37 of 71 | 34,495,893 | (34,495,893) | - | - |
| 18 | Environmental Response Fund | Page 38 of 71 | 3,078,000 | - | 3,078,000 | - |
| 19 | Storm Fund | Page 38 of 71 | - | - | - | 3,441,000 |
| 20 | Additional OPEX related to additional CAPEX | Page 39 of 71 | - | - | - | 848,908 |
| 21 | Advertising | Page 40 of 71 | 210,849 | (146,168) | 64,681 | 521,453 |
| 22 | Transmission O&M-Integrated Facilities Arrangement | Page 41 of 71 | (52,986,986) | 52,986,986 | - | - |
| 23 | Transmission O&M-Wheeling Costs-NEP | Page 42 of 71 | 117,809,444 | (117,809,444) | - | - |
| 24 | Rate Case Expense | Page 43 of 71 | - | - | - | 258,125 |
| 25 | Consumer Advocate | Page 44 of 71 | - | - | - | 158,021 |
| 26 | Additional US Foundations Support Staff | Page 45 of 71 | - | - | - | 240,326 |
| 27 | Uncollectibles - Commodity | Page 46 of 71 | - | 5,176,081 | 5,176,081 | (5,176,081) |
| 28 | Uncollectibles - Transmission | Page 46 of 71 | - | 1,796,688 | 1,796,688 | (1,796,688) |
| 29 | Uncollectibles - Conservation | Page 46 of 71 | - | 647,213 | 647,213 | 12,251 |
| 30 | Uncollectibles - Delivery | Page 46 of 71 | 11,314,819 | (8,088,868) | 3,225,951 | 38,924 |
| 31 | Productivity & Efficiency Savings | Page 47 of 71 | - | - | - | (2,590,836) |
| 32 | Reallocation of Service Company Costs | Page 48 of 71 | - | - | - | 4,514,843 |
| 33 | Paperless Billing Adjustment | Page 49 of 71 | - | - | - | 207,038 |
| 34 | Other O & M Expenses Subject to Inflation | Page 50 of 71 | 32,032,001 | (6,563,666) | 25,468,336 | 970,344 |
| 35 | Company Share of Net Merger Synergies | | 3,250,000 | | 3,250,000 | |
| 36 | Total Other Operation and Maintenance Expenses | | \$ 239,234,490 | \$ (117,825,347) | \$ 121,409,142 | \$ 4,858,292 |

Line Notes

36 Sum of Line 3 through Line 35

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

| | (a) Total Test Year Per Books | (b) Integrated Facilities Agreement | (c) Vegetation Management | (d) Inspection and Maintenance | (e) Storm Costs | (f) Expatriate Expenses | (g) Costs of Savings Initiatives | (h) Other | (i) Total Normalizing Adjustments | (j) Adjusted Books Year Ended December 31, 2011 |
|----|-------------------------------------|---|---------------------------------|--------------------------------------|--------------------|-------------------------------|---|------------------|--|--|
| 1 | \$ 376,831,161 | | | | | | | | \$ - | \$ 376,831,161 |
| 2 | | | | | | | | | | |
| 3 | | | | | | | | | | |
| 4 | 49,296,024 | (316,868) | (232,806) | (659,488) | (7,217,809) | | (843,052) | (24,034) | (9,294,058) | 40,001,966 |
| 5 | 6,023,664 | (125,960) | | | (302,330) | | | | (428,290) | 5,595,374 |
| 6 | 1,096,289 | (27,940) | | | (106,303) | | | | (134,243) | 962,046 |
| 7 | 3,023 | | | | | | | | 0 | 3,023 |
| 8 | - | | | | | | | | | |
| 9 | 3,739,868 | (37,664) | (274) | | (22,236) | | (558,259) | 401,142 | 401,142 | 401,142 |
| 10 | 3,009,083 | (93,768) | | | | | | (159) | (118,592) | 3,621,276 |
| 11 | 2,746,223 | (19,134) | | | | | | | (93,768) | 2,915,315 |
| 12 | 2,480,624 | (76,333) | | | | | | (274,812) | (293,966) | 2,452,257 |
| 13 | 970,582 | (27,615) | | | | | | | (76,333) | 2,404,291 |
| 14 | 414,744 | (8,625) | | | (23,390) | | | 28,311 | 696 | 971,278 |
| 15 | 8,977,300 | (227,012) | | | (331,780) | | | | (32,015) | 382,729 |
| 16 | 9,258,180 | (226,151) | | | (473,418) | | | | (558,792) | 8,418,508 |
| 17 | 2,014,865 | (488) | | | | | (537,630) | | (699,569) | 8,558,611 |
| 18 | 34,495,893 | | | | | | | (34,495,893) | (488) | 2,014,377 |
| 19 | 3,078,000 | | | | | | | | - | 3,078,000 |
| 20 | - | | | | | | | | - | - |
| 21 | - | | | | | | | | - | - |
| 22 | 210,849 | (4,871) | | | | | | (141,297) | (146,168) | 64,681 |
| 23 | (52,986,986) | 52,986,986 | | | | | | | 52,986,986 | - |
| 24 | 117,809,444 | | | | | | | (117,809,444) | (117,809,444) | - |
| 25 | - | | | | | | | | 5,176,081 | 5,176,081 |
| 26 | - | | | | | | | | 1,796,688 | 1,796,688 |
| 27 | - | | | | | | | | 647,213 | 647,213 |
| 28 | - | | | | | | | (8,088,868) | (8,088,868) | 3,225,951 |
| 29 | 11,314,819 | | | | | | | | - | 3,250,000 |
| 30 | \$3,250,000 | | | | | | | | - | - |
| 31 | \$ 207,202,488 | \$ 51,794,537 | \$ (233,081) | \$ (659,488) | \$ (8,477,266) | \$ - | \$ (938,941) | \$ (152,747,442) | \$ (111,261,682) | \$ 95,940,807 |
| 32 | | | | | | | | | | |
| 33 | | | | | | | | | | |
| 34 | 149,623 | (2,930) | | | | | | | (2,930) | 146,693 |
| 35 | 37,713,205 | (100,820) | (4,445,582) | (194,500) | (23,483,751) | (155,456) | (\$136,385) | (984,807) | (28,601,302) | 9,111,903 |
| 36 | 4,576,593 | (15,236) | (469) | (155,046) | (1,586,484) | | (\$11,985) | (12,788) | (1,782,007) | 2,794,586 |
| 37 | 382,442 | (38,034) | | (2,112) | (24,257) | | (\$1,410) | (50,874) | (116,687) | 265,755 |
| 38 | 6,403,551 | (190,911) | (7,722) | (5,734) | (773,366) | (3,201) | (\$25,630) | (52,798) | (1,059,363) | 5,344,188 |
| 39 | (26,659,965) | (233,774) | (4,237) | (12,130) | 32,055,832 | (28,790) | (\$770,251) | (\$3,488,559) | 27,518,091 | 858,126 |
| 40 | 5,996,619 | (155,311) | | | (104,973) | | (\$2,060,973) | (79,228) | (2,400,486) | 3,596,133 |
| 41 | 3,469,933 | (3,460) | (21,101) | (100,726) | 9,642 | | (\$17) | (\$3,300) | (118,962) | 3,350,971 |
| 42 | | (740,496) | (4,479,111) | (470,248) | 6,092,643 | (187,447) | (3,006,652) | (3,772,354) | (6,563,666) | 25,468,336 |
| 43 | | | | | | | | | | |
| 44 | \$ 239,234,490 | \$ 51,054,041 | \$ (4,712,192) | \$ (1,129,737) | \$ (2,384,624) | \$ (187,447) | \$ (3,945,593) | \$ (156,519,796) | \$ (117,825,347) | \$ 121,409,142 |

Column/Line Notes

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

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

| | | |
|----|--|--------------------------------|
| 1 | <u>Other Normalizing Labor Adjustments</u> | \$ (24,034) |
| 2 | | |
| 3 | <u>Elimination of costs recovered outside of Base Rates :</u> | |
| 4 | Energy Efficiency | (34,458,263) |
| 5 | Transmission O&M-Wheeling Costs-NEP | (117,809,444) |
| 6 | Commodity Related Uncollectible Expense | 5,176,081 |
| 7 | Transmission Related Uncollectible Expense | 1,796,688 |
| 8 | Conservation Related Uncollectible Expense (Energy Efficiency) | 647,213 |
| 9 | | <u>\$ (144,647,725)</u> |
| 10 | <u>Elimination of Non-recoverable costs:</u> | |
| 11 | Branding and Promotional non-recoverable advertising expenses | (141,297) |
| 12 | Remove NYPSC Service Company Allocation audit Costs | (50,874) |
| 13 | Non recoverable project expenses | (174,193) |
| 14 | Band A expenses and other employees expenses | (62,104) |
| 15 | | <u>\$ (428,468)</u> |
| 16 | <u>Out of period costs:</u> | |
| 17 | Contractor Services | (110,106) |
| 18 | Ernst & Young Service Company Allocation Adjustment | (630,168) |
| 19 | Sutton, MA CDC | (214,440) |
| 20 | Lock Box Fees | (169,762) |
| 21 | Write Off of old work orders | (907,052) |
| 22 | DOT Billing Dispute | (400,000) |
| 23 | ISO response program | (58,606) |
| 24 | Reallocation of 2010 Collection Expenses | (80,115) |
| 25 | Service Company Tax Adjustment | (262,325) |
| 26 | Out of period Merger CTA costs | (126,497) |
| 27 | Insurance 2007 Tax Accrual | 28,311 |
| 28 | | <u>\$ (2,930,760)</u> |
| 29 | | |
| 30 | <u>Other:</u> | |
| 31 | Reclassification of Rate Case expense related to Docket 4065 to amortization expense | (343,632) |
| 32 | Reclassification of Merger CTA to amortization expense | (397,079) |
| 33 | Reclassification of Donations to O&M expenses | 401,142 |
| 34 | Delivery Related Uncollectible Expense | (8,088,868) |
| 35 | Remove Westborough facilities costs | (60,372) |
| 36 | | <u>\$ (8,488,809)</u> |
| 37 | | |
| 38 | Total Other O&M Normalizing Adjustments | <u><u>\$ (156,519,796)</u></u> |

Line Notes

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

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

| | (a) | (b) | (c) | (d) | (e) |
|--------------------------------|------------------------------|----------------------------|--|--------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustments | Rate Year Adjusted |
| 1 Company Direct | \$ 23,528,661 | \$ (4,292,067) | \$ 19,236,594 | \$ 2,291,091 | \$ 21,527,685 |
| 2 KeySpan Corporate Services | 4,903,247 | (472,137) | 4,431,110 | (1,157,459) | 3,273,651 |
| 3 KeySpan Utility Services | 64,782 | (1,214) | 63,568 | (19,125) | 44,443 |
| 4 National Grid USA Service Co | 21,633,784 | (5,659,043) | 15,974,741 | (2,505,441) | 13,469,300 |
| 5 Other | (834,450) | 1,130,403 | 295,954 | - | 295,954 |
| 6 Total | <u>\$ 49,296,024</u> | <u>\$ (9,294,058)</u> | <u>\$ 40,001,966</u> | <u>\$ (1,390,934)</u> | <u>\$ 38,611,032</u> |

Line Notes

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

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

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

Line Notes

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

Column Notes

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

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
Docket No. R.I.P.U.C. _____
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| The Narragansett Electric Company d/b/a National Grid | | | | | | | |
|---|----------------------|---------------------|------------------|----------------------|-------------------|----------------------|--|
| Adjustments to Operating Expenses | | | | | | | |
| Test Year Ended December 31, 2011 | | | | | | | |
| O & M Labor Allocations | | | | | | | |
| | (a) | (b) | (c) | (d) | (e) | (f) | |
| | Company Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other | Total | |
| Union Labor | | | | | | | |
| Total Union & Mgmt Labor Cost | \$ 14,707,076 | \$ 2,704,679 | \$ 46,192 | \$ 11,348,832 | \$ 243,132 | \$ 29,049,910 | |
| Labor Union | | | | | | | |
| Labor - Union | \$ 10,662,656 | \$ 48,267 | \$ 11,543 | \$ 2,034,762 | \$ 90,461 | \$ 12,847,689 | |
| Labor - OT Union | \$ 2,947,564 | \$ 4,564 | \$ - | \$ 175,493 | \$ 68,225 | \$ 3,195,846 | |
| Total Labor Union | \$ 13,610,220 | \$ 52,831 | \$ 11,543 | \$ 2,210,255 | \$ 158,686 | \$ 16,043,535 | |
| Paid Absence & Vacation | \$ 3,938,490 | \$ 401,036 | \$ 7,202 | \$ 1,902,418 | \$ 52,517 | \$ 6,301,663 | |
| Union Allocation % | 92.54% | 1.95% | 24.99% | 19.48% | 65.27% | | |
| Total PAV | \$ 3,644,756 | \$ 7,834 | \$ 1,800 | \$ 370,508 | \$ 34,277 | \$ 4,059,175 | |
| Variable Pay | \$ 591,029 | \$ 1,325,395 | \$ 10,174 | \$ 2,723,490 | \$ 305 | \$ 4,650,393 | |
| Union Allocation % | 92.54% | 1.95% | 24.99% | 19.48% | 65.27% | | |
| Total Union Goals | \$ 546,950 | \$ 25,889 | \$ 2,542 | \$ 530,416 | \$ 199 | \$ 1,105,996 | |
| Salaries and Wages | \$ 17,254,976 | \$ 60,665 | \$ 13,343 | \$ 2,580,763 | \$ 192,963 | \$ 20,102,710 | |
| DSM Wages | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Veg Management Wages | \$ - | \$ - | \$ - | \$ - | \$ (173) | \$ (173) | |
| I & M Wages | \$ 413,926 | \$ - | \$ - | \$ 93,834 | \$ 22,066 | \$ 529,826 | |
| IFA Wages | \$ 444,046 | \$ 4,227 | \$ 296 | \$ 540,532 | \$ 24,741 | \$ 1,013,842 | |
| Union Goals | \$ 546,950 | \$ 25,889 | \$ 2,542 | \$ 530,416 | \$ 199 | \$ 1,105,996 | |
| DSM Union Goals | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Veg Management Union Goals | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| I & M Union Goals | \$ 22,224 | \$ - | \$ - | \$ 22,377 | \$ 1,165 | \$ 45,766 | |
| IFA Union Goals | \$ 38,244 | \$ 819 | \$ 50 | \$ 117,226 | \$ (2,212) | \$ 154,127 | |
| Grand Total Union | \$ 18,720,366 | \$ 91,600 | \$ 16,231 | \$ 3,885,148 | \$ 238,748 | \$ 22,952,093 | |
| Management Labor | | | | | | | |
| Total Union & Mgmt Labor Cost | \$ 14,707,076 | \$ 2,704,679 | \$ 46,192 | \$ 11,348,832 | \$ 243,132 | \$ 29,049,910 | |
| Labor Management | | | | | | | |
| Labor Management OT | \$ 150,525 | \$ 5,301 | \$ - | \$ 484,906 | \$ 51,505 | \$ 692,237 | |
| Labor Management | \$ 946,331 | \$ 2,646,547 | \$ 34,649 | \$ 8,653,671 | \$ 32,940 | \$ 12,314,139 | |
| Total Labor Management | \$ 1,096,856 | \$ 2,651,847 | \$ 34,649 | \$ 9,138,577 | \$ 84,445 | \$ 13,006,376 | |
| Paid Absence & Vacation | \$ 3,938,490 | \$ 401,036 | \$ 7,202 | \$ 1,902,418 | \$ 52,517 | \$ 6,301,663 | |
| Management Allocation % | 7.46% | 98.05% | 75.01% | 80.52% | 34.73% | | |
| Total PAV | \$ 293,733 | \$ 393,203 | \$ 5,402 | \$ 1,531,911 | \$ 18,240 | \$ 2,242,489 | |
| Variable Pay | \$ 591,029 | \$ 1,325,395 | \$ 10,174 | \$ 2,723,490 | \$ 305 | \$ 4,650,393 | |
| Management Allocation % | 7.46% | 98.05% | 75.01% | 80.52% | 34.73% | | |
| Total Variable Pay | \$ 44,079 | \$ 1,299,506 | \$ 7,632 | \$ 2,193,074 | \$ 106 | \$ 3,544,397 | |
| Salaries and Wages | \$ 1,390,589 | \$ 3,045,050 | \$ 40,051 | \$ 10,670,488 | \$ 102,685 | \$ 15,248,865 | |
| DSM Wages | \$ 369,128 | \$ 561,024 | \$ - | \$ 1,624,408 | \$ - | \$ 2,554,560 | |
| Veg Management Wages | \$ 2,153 | \$ - | \$ - | \$ 230,254 | \$ (121) | \$ 232,286 | |
| I & M Wages | \$ 7,252 | \$ - | \$ - | \$ 61,517 | \$ - | \$ 68,769 | |
| IFA Wages | \$ 65,229 | \$ 76,743 | \$ 743 | \$ 1,487,486 | \$ 118,186 | \$ 1,748,387 | |
| Variable Pay | \$ 44,079 | \$ 1,299,506 | \$ 7,632 | \$ 2,193,074 | \$ 106 | \$ 3,544,397 | |
| DSM Variable Pay | \$ 2,546 | \$ (15,937) | \$ - | \$ 464,699 | \$ - | \$ 451,308 | |
| Veg Management Variable Pay | \$ - | \$ - | \$ - | \$ 694 | \$ - | \$ 694 | |
| I & M Variable Pay | \$ 389 | \$ - | \$ - | \$ 14,683 | \$ - | \$ 15,072 | |
| IFA Variable Pay | \$ 5,618 | \$ 14,872 | \$ 125 | \$ 322,592 | \$ (10,567) | \$ 332,640 | |
| Grand Total Management | \$ 1,886,983 | \$ 4,981,258 | \$ 48,551 | \$ 17,069,895 | \$ 210,289 | \$ 24,196,977 | |
| Grand Total Labor | \$ 20,607,349 | \$ 5,072,859 | \$ 64,782 | \$ 20,955,043 | \$ 449,038 | \$ 47,149,070 | |
| Productive O & M Labor | | | | | | | |
| Labor - Management O & M | 1,834,351 | 3,682,817 | 40,794 | 14,074,153 | | | |
| Labor - Union O & M | 18,112,948 | 64,892 | 13,639 | 3,215,129 | | | |
| Salaries charged to Company O & M | 19,947,299 | 3,747,710 | 54,433 | 17,289,282 | | | |
| Total Management Salaries | | 150,898,874 | 7,010,687 | 216,689,732 | | | |
| Total Union Salaries | | 96,082,146 | 2,444,906 | 47,186,181 | | | |
| | | 246,981,020 | 9,455,593 | 263,875,913 | | | |
| Percentage Management Charged to Company | 100.00% | 2.51% | 0.58% | 9.18% | | | |
| Percentage Union Charged to Company | 100.00% | 0.07% | 0.56% | 16.15% | | | |
| Weighted Average Percentage Charged to Total Company | 100.00% | 1.56% | 0.58% | 10.43% | | | |
| Total Management Base Year Salaries - O & M & Capital | 3,140,625 | 3,794,184 | 40,792 | 19,895,741 | | | |
| Total Union Base Year Salaries - O & M & Capital | 30,874,546 | 65,148 | 13,641 | 7,618,931 | | | |
| Total Company Base Year Salaries - O & M & Capital | 34,015,171 | 3,859,332 | 54,433 | 27,514,672 | | | |
| Total Base Year Salaries to O&M | 19,947,299 | 3,747,710 | 54,433 | 17,289,282 | | | |
| O&M Portion Total Company | 58.64% | 97.11% | 100.00% | 62.84% | | | |
| O&M Portion Union | 58.67% | 99.61% | 99.98% | 42.20% | | | |
| O&M Portion Management | 58.41% | 97.06% | 100.00% | 70.74% | | | |

Line Notes

3 From Page 11 of 71, Sum of Lines 20 thru Line 23

7 From Page 11 of 71, Line 23

8 From Page 11 of 71, Line 22

9 Line 7 + Line 8

11 From Page 11 of 71, Line 24

12 Line 9 / Line 3

13 Line 11 x Line 12

15 From Page 11 of 71, Line 19

16 Line 12

17 Line 15 x Line 16

19 Line 9 + Line 13

20-23 From Company Books

24 Line 17

25-28 From Company Books

30 Sum of Line 19 thru Line 28

Line Notes (Continued)

34 Line 3

37 From Page 11 of 71, Line 20

38 From Page 11 of 71, Line 21

39 Line 37 + Line 38

41 Line 11

42 Line 39/Line 34

43 Line 41 x Line 42

45 Line 15

46 Line 42

47 Line 45 x Line 46

49 Line 39 + Line 43

50-53 From Company Books

54 Line 47

55-58 From Company Books

60 Sum of Line 49 thru Line 58

62 Line 30 + Line 60

Line Notes (Continued)

66 Sum of Line 49 thru Line 53

67 Sum of Line 19 thru Line 23

68 Line 66 + Line 67

70 From Company Books

71 From Company Books

72 Line 70 + Line 71

74(b)-(d) Line 78 / Line 70

75(b)-(d) Line 79 / Line 71

76(b)-(d) Line 80 / Line 72

78 From Company Books

79 From Company Books

80 Line 78 + Line 79

82 Line 68

83 Line 82 / Line 80

85 Line 67 / Line 79

87 Line 66 / Line 78

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

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

Schedule MDL-3-ELEC

Page 13 of 71

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

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

Line Notes

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

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

| | | (a) | (b) | (c) |
|----|-----------------------------------|-------------|---------------|-------------|
| | Base Pay | Union | Management | Adjustment |
| 1 | Company Direct Charges | 1,674,219 | 392,174 | 2,066,393 |
| 2 | | | | |
| 3 | KeySpan Corporate Services Direct | 2,122 | (205,757) | (203,635) |
| 4 | | | | |
| 5 | KeySpan Utility Services Direct | 91 | (1,087) | (996) |
| 6 | | | | |
| 7 | National Grid USA Service Co | (603,289) | (535,064) | (1,138,353) |
| 8 | | | | |
| 9 | Other | - | - | - |
| 10 | | | | |
| 11 | Sub Total | 1,073,143 | (349,734) | 723,409 |
| 12 | | | | |
| 13 | | | | |
| 14 | | Union | Management | Adjustment |
| 15 | Variable Pay | Goals | Variable Pay | |
| 16 | | | | |
| 17 | Company Direct Charges | 12,407 | 212,291 | 224,698 |
| 18 | | | | |
| 19 | KeySpan Corporate Services Direct | (62,932) | (890,892) | (953,824) |
| 20 | | | | |
| 21 | KeySpan Utility Services Direct | (14,965) | (3,164) | (18,129) |
| 22 | | | | |
| 23 | National Grid USA Service Co | (567,697) | (799,391) | (1,367,088) |
| 24 | | | | |
| 25 | Other | - | - | - |
| 26 | | | | |
| 27 | Sub Total | (633,187) | (1,481,156) | (2,114,343) |
| 28 | | | | |
| 29 | | | | |
| 30 | | Wages | Union Goals & | Total |
| 31 | Total Pay | Increase | Variable Pay | Adjustment |
| 32 | | | | |
| 33 | Company Direct Charges | 2,066,393 | 224,698 | 2,291,091 |
| 34 | | | | |
| 35 | KeySpan Corporate Services Direct | (203,635) | (953,824) | (1,157,459) |
| 36 | | | | |
| 37 | KeySpan Utility Services Direct | (996) | (18,129) | (19,125) |
| 38 | | | | |
| 39 | National Grid USA Service Co | (1,138,353) | (1,367,088) | (2,505,441) |
| 40 | | | | |
| 41 | Other | - | - | - |
| 42 | | | | |
| 43 | Grand Total | 723,409 | (2,114,343) | (1,390,934) |

Line Notes

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

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

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

Line Notes

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

Column Notes

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

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

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

Schedule MDL-3-ELEC

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

| | (a) | (b) | (c) | (d) | (e) | (f) |
|---|-------------------|----------------------------|--------------------------|------------------------------|-------------------------------|---------------------|
| | Direct | KeySpan Corporate Services | KeySpan Utility Services | National Grid USA Service Co | Other National Grid Companies | Total |
| 1 Annual Base Management Wages - End of Year Employees | 3,163,047 | 130,835,911 | 6,509,117 | 182,065,628 | | 322,573,703 |
| 2 Vacancies | 344,000 | 2,991,900 | - | 4,413,850 | | 7,749,750 |
| 3 Total Annual Management Wages | 3,507,047 | 133,827,811 | 6,509,117 | 186,479,478 | | 330,323,453 |
| 4 | | | | | | |
| 5 Percentage Increase | 5.12% | 5.12% | 5.12% | 5.12% | | |
| 6 | | | | | | |
| 7 Total Adjusted Management Wages | 3,686,607 | 140,679,795 | 6,842,384 | 196,027,227 | | 347,236,013 |
| 8 | | | | | | |
| 9 Percentage of Wages Charged to Company | 100.00% | 2.51% | 0.58% | 9.18% | | |
| 10 | | | | | | |
| 11 Percentage of Management Wages Charged to O & M | 58.41% | 97.06% | 100.00% | 70.74% | | |
| 12 | | | | | | |
| 13 Percentage of Management O & M Wages Charged to DSM | 20.12% | 15.23% | 0.00% | 11.54% | | |
| 14 | | | | | | |
| 15 Percentage of Management O & M Wages Charged to Veg Management | 0.12% | 0.00% | 0.00% | 1.64% | | |
| 16 | | | | | | |
| 17 Percentage of Management O & M Wages Charged to I & M | 0.40% | 0.00% | 0.00% | 0.44% | | |
| 18 | | | | | | |
| 19 Percentage of Management O & M Wages Charged to IFA | 3.56% | 2.08% | 1.82% | 10.57% | | |
| 20 | | | | | | |
| 21 Rate Year Base Management O & M Wages | 2,153,347 | 3,427,250 | 39,686 | 12,729,875 | | |
| 22 Plus: Annual OT Management Wages in Test Year | 150,525 | 5,301 | - | 484,906 | | |
| 23 Less: DSM Wages in Rate Year | (433,253) | (521,970) | - | (1,469,028) | | |
| 24 Less: Veg Management Wages in Rate Year | (2,584) | - | - | (208,770) | | |
| 25 Less: I & M Wages in Rate Year | (8,613) | - | - | (56,011) | | |
| 26 Less: IFA Wages in Rate Year | (76,659) | (71,287) | (722) | (1,345,548) | | |
| 27 | | | | | | |
| 28 Rate Year Management O & M Wages | 1,782,763 | 2,839,294 | 38,964 | 10,135,424 | 102,685 | 14,899,130 |
| 29 | | | | | | |
| 30 Test Year Wages | 1,390,589 | 3,045,050 | 40,051 | 10,670,488 | 102,685 | 15,248,865 |
| 31 | | | | | | |
| 32 Total Management Wage Adjustment | \$ 392,174 | \$ (205,757) | \$ (1,087) | \$ (535,064) | \$ - | \$ (349,734) |
| 33 | | | | | | |
| 34 Number of Employee Vacancies | 4 | 32 | | 50 | | |

Line Notes

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

Column Notes

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

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

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

Line Notes

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

Column Notes

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

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

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

Line Notes

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

Column Notes

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

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

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

Line Notes

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

Column Notes

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

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

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

Line Notes

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

Column Notes

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

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

| | (a) | (b) | (c) | (d) | (e) | (f) |
|--|------------|----------------------------------|-----------------------------|---------------------------------|----------------------------------|----------------|
| | Direct | KeySpan Corporate Services | KeySpan Utility Services | National Grid USA Service Co | Other National Grid Companies | Total |
| 1 Target Annual Variable Pay - End of Year Employees | 328,419 | 15,112,734 | 770,429 | 20,569,830 | | 36,781,412 |
| 2 Target Annual Variable Pay - Vacancies | 36,613 | 326,875 | | 458,739 | | |
| 3 Total Target Annual Variable Pay | 365,032 | 15,439,610 | 770,429 | 21,028,569 | | |
| 4 | | | | | | |
| 5 Percentage of Annual Wages Charged to Company | 100.00% | 2.51% | 0.58% | 9.18% | | |
| 6 Percentage of Management Wages Charged to O & M | 58.41% | 97.06% | 100.00% | 70.74% | | |
| 7 Percentage of Management O & M Wages Charged to DSM | 20.12% | 15.23% | 0.00% | 11.54% | | |
| 8 Percentage of Management O & M Wages Charged to Veg Management | 0.00% | 0.00% | 0.00% | 0.00% | | |
| 9 Percentage of Management O & M Wages Charged to I & M | 0.12% | 0.00% | 0.00% | 1.64% | | |
| 10 Percentage of Management O & M Wages Charged to IFA | 0.00% | 0.00% | 0.00% | 0.00% | | |
| 11 | | | | | | |
| 12 Target Variable Pay Charged to O&M | 213,215 | 376,141 | 4,468 | 1,365,581 | 106 | 1,959,511 |
| 13 | | | | | | |
| 14 Test Year Variable Pay charged to O&M | 44,079 | 1,299,506 | 7,632 | 2,193,074 | | |
| 15 Less: DSM Variable Pay in Rate Year | (42,899) | (32,473) | - | (24,605) | | |
| 16 Less: Veg Management Variable Pay in Rate Year | - | - | - | - | | |
| 17 Less: I & M Variable Pay in Rate Year | (256) | - | - | (3,497) | | |
| 18 Less: IFA Variable Pay in Rate Year | - | - | - | - | | |
| 19 Total Test Year Variable Pay charged to O&M | 924 | 1,267,033 | 7,632 | 2,164,972 | 106 | 3,440,667 |
| 20 | | | | | | |
| 21 Variable Pay Adjustments | \$ 212,291 | \$ (890,892) | \$ (3,164) | \$ (799,391) | \$ - | \$ (1,481,156) |

Line Notes

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

Column Notes

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

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

| | (a) | (b) | (c) | (d) | (e) | (f) |
|---|-----------|----------------------------------|-----------------------------|---------------------------------|-------------------------------------|-----------|
| | Direct | KeySpan Corporate Services | KeySpan Utility Services | National Grid USA Service Co | Other National Grid Companies | Total |
| 1 Target Annual Union Goals - End of Year Employees | 959,832 | 1,696,105 | 56,893 | 1,152,869 | | 3,865,699 |
| 2 Target Annual Union Goals - Minimum Union Staffing | 41,003 | | | | | |
| 3 Total Target Annual Union Goals | 1,000,835 | 1,696,105 | 56,893 | 1,152,869 | | |
| 4 | | | | | | |
| 5 Percentage of Annual Wages Charged to Company | 100.00% | 0.07% | 0.56% | 16.15% | | |
| 6 Percentage of Union Wages Charged to O & M | 58.67% | 99.61% | 99.98% | 42.20% | | |
| 7 Percentage of Union O & M Wages Charged to DSM | 0.00% | 0.00% | 0.00% | 0.00% | | |
| 8 Percentage of Union O & M Wages Charged to Veg Management | 0.00% | 0.00% | 0.00% | 0.00% | | |
| 9 Percentage of Union O & M Wages Charged to I & M | 2.29% | 0.00% | 0.00% | 2.92% | | |
| 10 Percentage of Union O & M Wages Charged to IFA | 2.45% | 6.51% | 2.17% | 16.81% | | |
| 11 | | | | | | |
| 12 Target Union Goals Charged to O&M | 587,190 | 1,183 | 319 | 78,572 | 199 | 667,463 |
| 13 | | | | | | |
| 14 Test Year Union Goals charged to O&M | 546,950 | 25,889 | 2,542 | 530,416 | | |
| 15 Less: DSM Union Goals in Rate Year | - | - | - | - | | |
| 16 Less: Veg Management Union Goals in Rate Year | - | - | - | - | | |
| 17 Less: I & M Union Goals in Rate Year | 13,447 | - | - | 17,146 | | |
| 18 Less: IFA Union Goals in Rate Year | 14,386 | 38,226 | 12,742 | 98,707 | | |
| 19 Total Test Year Union Goals charged to O&M | 574,783 | 64,115 | 15,284 | 646,269 | 199 | 1,300,650 |
| 20 | | | | | | |
| 21 Union Goals Adjustments | 12,407 | (62,932) | (14,965) | (567,697) | - | (633,187) |

Line Notes

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

Column Notes

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

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

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

| | (f) | (g) | (h) | (i) | (j) |
|---------------------------------|--------------------|--------------------|-----------------|---------------------|--------------------|
| | Company Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other |
| 10 Normalizing Adjustments | | | | | |
| 11 Reverse IFA Related Expenses | (54,324) | (16,713) | (387) | (52,327) | (2,209) |
| 12 Remove O & M Storm Expenses | - | (48,326) | - | (196,703) | (57,301) |
| 13 Total | <u>\$ (54,324)</u> | <u>\$ (65,039)</u> | <u>\$ (387)</u> | <u>\$ (249,030)</u> | <u>\$ (59,510)</u> |

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

| | (k) | (l) | (m) | (n) | (o) |
|---|-------------------|---------------------|-------------------|--------------------|-------------|
| | Company Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other |
| 35 Healthcare Increases | | | | | |
| 36 | | | | | |
| 37 RY Total Annual Medical and Dental - EOY Employees | 5,609,829 | 35,984,785 | 1,419,239 | 31,013,026 | - |
| 38 | | | | | |
| 39 Plus Additional Cost For Vacancies | 302,617 | 369,979 | - | 616,193 | - |
| 40 | | | | | |
| 41 Percentage of Labor Charged to Company | 100.00% | 1.56% | 0.58% | 10.43% | - |
| 42 | | | | | |
| 43 Percentage of Labor Charged to O & M | 58.64% | 97.11% | 100.00% | 62.84% | - |
| 44 | | | | | |
| 45 Rate Year Medical and Dental Expense | 3,467,058 | 550,744 | 8,232 | 2,073,046 | 57,007 |
| 46 | | | | | |
| 47 Less : Amount Applicable to IFA 2.64% | (91,557) | (14,544) | (217) | (54,744) | - |
| 48 | | | | | |
| 49 Total Distribution RateYear Medical and Dental Expense | 3,375,501 | 536,200 | 8,014 | 2,018,302 | 57,007 |
| 50 | | | | | |
| 51 Adjusted Test Year Healthcare Expense | 2,836,087 | 655,704 | 15,649 | 2,030,927 | 57,007 |
| 52 | | | | | |
| 53 Total Healthcare Expense Adjustment | <u>\$ 539,414</u> | <u>\$ (119,504)</u> | <u>\$ (7,635)</u> | <u>\$ (12,625)</u> | <u>\$ -</u> |

Line Notes

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

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

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

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

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

| | (n) | (o) | (p) | (q) | (r) |
|-------------------------------|-------------------------|-----------------------------------|-----------------------|-------------------------------------|-------------------------|
| | Rate Year Labor Cost | Adjusted Test Year Labor Costs | Difference | Average Expense Per Labor Dollar | Rate Year 401K Match |
| 28 December 2011 | | | | | |
| 31 Company Direct Charges | 21,527,685 | 19,236,594 | 2,291,091 | 0.97% | 22,224 |
| 32 KeySpan Corporate Services | 3,273,651 | 4,431,110 | (1,157,459) | 2.15% | (24,885) |
| 33 KeySpan Utility Services | 44,443 | 63,568 | (19,125) | 2.72% | (520) |
| 34 National Grid USA Services | 13,469,300 | 15,974,741 | (2,505,441) | 4.01% | (100,468) |
| 35 Other | 295,954 | 295,954 | - | N/A | - |
| 36 Total | <u>\$ 38,611,032</u> | <u>\$ 40,001,966</u> | <u>\$ (1,390,934)</u> | | <u>\$ (103,649)</u> |

Line Notes

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

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
Docket No. R.I.P.U.C. _____
Schedule MDL-3-ELEC
Page 25 of 71

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

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

Line Notes

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

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

| | (a) | (b) | (a) + (b) (c) | (d) | (c) + (e) (e) |
|------------------------------|---------------------------------------|----------------------------|--|--------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustment | Rate Year Adjusted |
| 1 Company Direct | - | 444,811 | 444,811 | - | 444,811 |
| 2 KeySpan Corporate Services | - | (34,032) | (34,032) | - | (34,032) |
| 3 KeySpan Utility Services | - | - | - | - | - |
| 4 National Grid USA Services | - | (9,637) | (9,637) | - | (9,637) |
| 5 Other | - | - | - | - | - |
| 6 Total | <u>\$ -</u> | <u>\$ 401,142</u> | <u>\$ 401,142</u> | <u>\$ -</u> | <u>\$ 401,142</u> |
| 7 | | | | | |
| 8 | | | | | |
| 9 | | | | | |
| 10 | | | | | |
| 11 | (f) | (g) | (h) | (i) | (j) |
| 12 | <u>Company Direct</u> | <u>KeySpan Corporate</u> | <u>KeySpan Utility</u> | <u>National Grid USA</u> | <u>Other</u> |
| 13 | Reclassify Donations to O & M 362,454 | | - | | - |
| 14 | Removal of Non Jurisdictional Costs | (34,032) | | (9,637) | |
| 15 | Additional Test Year Donations 82,357 | | | | |
| 16 | Total 444,811 | (34,032) | - | (9,637) | - |

Line Notes

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

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
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The Narragansett Electric Company d/b/a National Grid
Adjustments to Operating Expenses
Test Year Ended December 31, 2011
Computer Software Expenses

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

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

| | (k) | (l) | (m)=(k)+(l) |
|---|---|-------------------------|-----------------------|
| | Adjusted Books Year Ended December 31, 2011 | Inflation Adjustment | Rate Year Adjusted |
| 28 Purchased software | \$1,887,234 | \$71,904 | \$1,959,137 |
| 35 Software Rents: | | | |
| 36 IT Software Rents - existing projects | \$1,734,042 | \$240,640 | \$1,974,682 |
| 37 IT Software Rents - other new projects | \$0 | \$2,802,336 | \$2,802,336 |
| 38 IT Software Rents - US Foundations Project | | \$2,626,506 | \$2,626,506 |
| 40 Sub-total | <u>\$1,734,042</u> | <u>\$5,669,482</u> | <u>\$7,403,524</u> |
| 41 (q) | | | |
| 42 Less : Amount Applicable to IFA 2.64% | | (\$149,718) | (\$149,718) |
| 43 Total Software Rents | <u>\$1,734,042</u> | <u>\$5,519,765</u> | <u>\$7,253,806</u> |
| 45 Total Computer Software | <u>\$3,621,276</u> | <u>\$5,591,668</u> | <u>\$9,212,944</u> |

Line Notes

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

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

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

| | (f) | (g) | (h) | (i) | (j) |
|---------------------------------|----------|-------------------|-----------------|-------------------|-------|
| 14 Normalizing Adjustments | Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other |
| 15 Reverse IFA Related Expenses | (93,768) | - | - | - | - |
| 16 Total | (93,768) | - | - | - | - |

| | (f) | (g) | (h) | (i) | (j) |
|--|----------------|-------------------|-----------------|-------------------|-------|
| 19 Proforma Adjustments | Company Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other |
| 20 Regulatory Assessments for FY2012 pre-paid (Net of IFA) | 1,077,066 | - | - | - | - |
| 21 | 1,077,066 | - | - | - | - |

Line Notes

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

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

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

Facilities

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

| | (f) | (g) | (h) | (i) | (j) |
|---|-----------------|-------------------|-----------------|--------------------|---------------------|
| | Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other |
| 15 Normalizing Adjustments | | | | | |
| 16 Reverse IFA Related Expenses | (192) | - | - | (20,516) | 1,554 |
| 17 Out of period adjustment - Sutton CDC allocation | | | | | (214,440) |
| 18 Remove costs related to Westborough facility sold during test year | | | | (60,372) | |
| 19 Total | <u>\$ (192)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (80,888)</u> | <u>\$ (212,886)</u> |

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

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

Line Notes

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

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

| | (a) | (b) | (c) | (d) | (e) |
|--|------------------------------|----------------------------|--|--------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustments | Rate Year Adjusted |
| 1 Company Direct | 2,035,516 | (63,493) | 1,972,023 | 751,809 | 2,723,832 |
| 2 KeySpan Corporate Services | - | - | - | - | - |
| 3 KeySpan Utility Services | - | - | - | - | - |
| 4 National Grid USA Services | 445,139 | (12,840) | 432,299 | (432,299) | - |
| 5 Other | (30) | - | (30) | 30 | - |
| 6 Total | <u>\$ 2,480,624</u> | <u>\$ (76,333)</u> | <u>\$ 2,404,291</u> | <u>\$ 319,541</u> | <u>\$ 2,723,832</u> |
| 7 | | | | | |
| 8 | | | | | |
| 9 | | | | | |
| 10 | (f) | (g) | (h) | (i) | (j) |
| 11 Normalizing Adjustments | Company Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other |
| 12 Reverse IFA Related Expenses | (63,493) | - | - | (12,840) | - |
| 13 Total | (63,493) | - | - | (12,840) | - |
| 14 | | | | | |
| 15 | | (k) | (l) | (m) | |
| 16 | | General & Auto Liability | Workers Comp. | Total | |
| 17 | | | | | |
| 18 Actual Claims Paid, Years ending | 12/31/2007 | 2,787,696 | 548,410 | 3,336,105 | |
| 19 | 12/31/2008 | 3,606,969 | 796,535 | 4,403,504 | |
| 20 | 12/31/2009 | 886,162 | 850,541 | 1,736,703 | |
| 21 | 12/31/2010 | 646,016 | 911,108 | 1,557,124 | |
| 22 | 12/31/2011 | 1,534,883 | 794,316 | 2,329,199 | |
| 23 | | | | | |
| 24 5 Year Average | | | | | 2,672,527 |
| 25 | | | | | |
| 26 Add: Administrative Fees paid to third party claims administrator | | | | | 59,972 |
| 27 Total | | | | | <u>2,732,499</u> |
| 28 | | | | | |
| 29 Test Year Uninsured Claims | | | | | <u>2,404,291</u> |
| 30 | | | | | |
| 31 Adjustment for Uninsured Claims Before IFA | | | | | <u>328,208</u> |
| 32 | | | | | |
| 33 Less : Amount Applicable to IFA | | | | 2.64% | (8,667) |
| 34 | | | | | |
| 35 Adjustment for Uninsured Claims After IFA | | | | | <u>\$ 319,541</u> |

Line Notes

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

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

| | (a) | (b) | (c) | (d) | (e) |
|------------------------------|------------------------------|----------------------------|--|-------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustment | Rate Year Adjusted |
| 1 Company Direct | - | - | - | - | - |
| 2 KeySpan Corporate Services | - | - | - | - | - |
| 3 KeySpan Utility Services | - | - | - | - | - |
| 4 National Grid USA Services | 970,582 | 696 | 971,278 | 94,007 | 1,065,285 |
| 5 Other | - | - | - | - | - |
| 6 Total | <u>\$ 970,582</u> | <u>\$ 696</u> | <u>\$ 971,278</u> | <u>\$ 94,007</u> | <u>\$ 1,065,285</u> |

| | (f) | (g) | (h) | (i) | (j) |
|--|----------------|-------------------|-----------------|-------------------|-------|
| 15 Normalizing Adjustments | Company Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other |
| 16 Reverse IFA related expenses | - | - | - | (27,615) | - |
| 17 Reverse Credit for 2007 tax accrual | - | - | - | 28,311 | - |
| 18 Total | - | - | - | 696 | - |

Line Notes

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

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

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

Line Notes

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

Column Notes

- (a) From Company Books

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

Payroll Taxes Charged to O&M Accounts

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

| | (f) Company Direct | (g) KeySpan Corporate | (h) KeySpan Utility | (i) National Grid USA | (j) Other |
|---------------------------------|-----------------------|--------------------------|------------------------|--------------------------|--------------|
| 10 Normalizing Adjustments | | | | | |
| 11 Reverse IFA Related Expenses | (284) | (8,323) | (156) | - | 138 |
| 12 Remove O & M Storm Expenses | | (23,390) | | | |
| 13 Total | (284) | (31,713) | (156) | - | 138 |

| | (k) Adjusted Test Year Labor Cost | (l) Adjusted Test Year Total Payroll Tax Costs | (m) Average Expense Per Labor Dollar | (n) O & M % of Test Year Payroll Tax Cost | (o) Non O & M % of Test Year Payroll Tax Cost |
|-------------------------------|---|--|--|---|---|
| 18 Percentage Calculations | | | | | |
| 20 Company Direct Charges | 19,236,594 | 1,713,486 | 8.91% | -1.26% | 101.26% |
| 21 KeySpan Corporate Services | 4,431,110 | 363,011 | 8.19% | 100.00% | 0.00% |
| 22 KeySpan Utility Services | 63,568 | 7,083 | 11.14% | 100.00% | 0.00% |
| 23 National Grid USA Services | 15,974,741 | 2,064,899 | 12.93% | 1.93% | 98.07% |
| 24 Other | 295,954 | 82,504 | 27.88% | -6.64% | 106.64% |
| 25 Total | \$ 40,001,966 | \$ 4,230,983 | | | |

| | (p) Rate Year Labor Cost | (q) Adjusted Test Year Labor Costs | (r) Labor Cost Difference | (s) Average Expense Per Labor Dollar | (t) O & M Rate Year Payroll Tax Costs |
|-------------------------------|--------------------------------|--|---------------------------------|--|---|
| 29 Pro Forma Adjustments | | | | | |
| 31 Company Direct Charges | 21,527,685 | 19,236,594 | 2,291,091 | 8.91% | (2,572) |
| 32 KeySpan Corporate Services | 3,273,651 | 4,431,110 | (1,157,459) | 8.19% | (94,796) |
| 33 KeySpan Utility Services | 44,443 | 63,568 | (19,125) | 11.14% | (2,131) |
| 34 National Grid USA Services | 13,469,300 | 15,974,741 | (2,505,441) | 12.93% | (6,252) |
| 35 Other | 295,954 | 295,954 | - | 27.88% | - |
| 36 Total | \$ 38,611,032 | \$ 40,001,966 | \$ (1,390,934) | | \$ (105,751) |

Payroll Taxes Charged to Taxes Other Than Income

| | (u) | (v) | (u) + (v) (w) | (x) | (w) + (x) (y) |
|-------------------------------|------------------------------|----------------------------|--|--------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustments | Rate Year Adjusted |
| 45 Direct | 1,735,139 | - | 1,735,139 | 214,969 | 1,950,108 |
| 46 KeySpan Corporate Services | - | - | - | - | - |
| 47 KeySpan Utility Services | - | - | - | - | - |
| 48 National Grid USA Services | 2,189,465 | (164,335) | 2,025,130 | (301,564) | 1,723,566 |
| 49 Other | 130,589 | (42,604) | 87,985 | - | 87,985 |
| 50 Total | \$ 4,055,193 | \$ (206,939) | \$ 3,848,254 | \$ (86,594) | \$ 3,761,660 |

| | (z) Company Direct | (aa) KeySpan Corporate | (bb) KeySpan Utility | (cc) National Grid USA | (dd) Other |
|----------------------------|-----------------------|---------------------------|-------------------------|---------------------------|---------------|
| 53 Normalizing Adjustments | | | | | |
| 54 Remove Storm Expenses | | | | (164,335) | (42,604) |
| 55 Total | \$ - | \$ - | \$ - | \$ (164,335) | \$ (42,604) |

| | (ee) Labor Cost Difference | (ff) Average Expense Per Labor Dollar | (gg) Rate Year Payroll Tax Costs | (hh) Rate Year Consumer Advocates | (ii) Rate Year Add'l USFP Staff |
|-------------------------------|----------------------------------|---|--|---|---------------------------------------|
| 59 December 2011 | | | | | |
| 62 Company Direct | 2,291,091 | 8.91% | 206,708 | 8,261 | |
| 63 KeySpan Corporate Services | (1,157,459) | 8.19% | - | | |
| 64 KeySpan Utility Services | (19,125) | 11.14% | - | | |
| 65 National Grid USA Services | (2,505,441) | 12.93% | (317,701) | | 16,137 |
| 66 Other | - | 27.88% | - | | |
| 67 Total | (1,390,934) | | (110,993) | 8,261 | 16,137 |

Line Notes

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

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

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

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

| | (k) | (l) | (m) | (n) | (o) | (p) |
|---|----------------|-------------------|-----------------|-------------------|--------|-----------------------|
| | Company Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other | Total |
| 18 Total Company Test Year OPEB Costs to O&M | 5,627,811 | 593,082 | 18,133 | 2,098,323 | 81,158 | 8,418,508 |
| 20 Rate Year OPEB Total Cost | 3,092,216 | 41,827,049 | 3,821,419 | 15,125,146 | | |
| 21 Percentage Charged to Company- Total | 100.00% | 1.56% | 0.58% | 10.43% | | |
| 22 O & M Percentage Charged to Company Labor | 58.64% | 97.11% | 100.00% | 62.84% | | |
| 23 Total Company Rate Year FAS 106 Costs to O&M | 1,813,275 | 633,645 | 22,164 | 991,334 | 81,158 | 3,541,576 |
| 24 Adjustment for OPEB Expense | \$ (3,814,536) | \$ 40,563 | \$ 4,031 | \$ (1,106,989) | \$ - | <u>\$ (4,876,932)</u> |

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

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

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

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

Line Notes

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

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

Pensions

| | (a) | (b) | (a)+(b) (c) | (d) | (c)+(d) (e) | |
|---------------------------------|------------------------------|----------------------------|--|--------------------------|-----------------------|--|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustments | Rate Year Adjusted | |
| 1 Direct | 5,018,355 | (131,434) | 4,886,921 | 1,724,262 | 6,611,183 | |
| 2 KeySpan Corporate Services | 884,902 | (69,461) | 815,441 | 63,110 | 878,551 | |
| 3 KeySpan Utility Services | 23,905 | (528) | 23,377 | 5,297 | 28,674 | |
| 4 National Grid USA Services | 3,148,652 | (382,351) | 2,766,301 | (116,589) | 2,649,712 | |
| 5 Other | 182,366 | (115,795) | 66,571 | - | 66,571 | |
| 6 Total | <u>\$ 9,258,180</u> | <u>\$ (699,569)</u> | <u>\$ 8,558,611</u> | <u>\$ 1,676,080</u> | <u>\$ 10,234,691</u> | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 Normalizing Adjustments | <u>Company Direct</u> | <u>KeySpan Corporate</u> | <u>KeySpan Utility</u> | <u>National Grid USA</u> | <u>Other</u> | |
| 11 Reverse IFA related expenses | (131,434) | (17,251) | (528) | (73,907) | (3,031) | |
| 12 Remove O & M Storm Expenses | | (52,210) | | (308,444) | (112,764) | |
| 13 Total | <u>(131,434)</u> | <u>(69,461)</u> | <u>(528)</u> | <u>(382,351)</u> | <u>(115,795)</u> | |
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| | FY 2013 | FY 2014 |
|--|------------------|--------------------------------|
| Company Direct | | |
| FAS 87 Cost per Hewitt 3/21/2012 fcst | 11,860,837 | 10,020,031 |
| Fair Value Amortization | (3,766,366) | (3,223,635) |
| Total | <u>8,094,471</u> | <u>6,796,396</u> |
| | | 12 Mos End Jan 2014 |
| Company Direct Total Pension Cost | | <u>7,012,742</u> |

| | FY 2013 | FY 2014 |
|--|-------------------|--------------------------------|
| KeySpan Corporate Services | | |
| FAS 87 Cost per Hewitt 3/21/2012 fcst | 64,133,967 | 58,968,616 |
| Fair Value Amortization | - | - |
| Total | <u>64,133,967</u> | <u>58,968,616</u> |
| | | 12 Mos End Jan 2014 |
| KeySpan Corporate Services Total Pension Cost | | <u>59,829,508</u> |

| | FY 2013 | FY 2014 |
|--|------------------|--------------------------------|
| KeySpan Utility Services | | |
| FAS 87 Cost per Hewitt 3/21/2012 fcst | 5,457,100 | 4,903,419 |
| Fair Value Amortization | - | - |
| Total | <u>5,457,100</u> | <u>4,903,419</u> |
| | | 12 Mos End Jan 2014 |
| KeySpan Utility Services Total Pension Cost | | <u>4,995,699</u> |

| | FY 2013 | FY 2014 |
|---|-------------------|--------------------------------|
| National Grid Service Company | | |
| FAS 87 Cost per Hewitt 3/21/2012 fcst | 55,873,930 | 48,330,574 |
| Fair Value Amortization | (9,337,991) | (7,356,855) |
| Total | <u>46,535,939</u> | <u>40,973,719</u> |
| | | 12 Mos End Jan 2014 |
| National Grid Service Company Total Pension Cost | | <u>41,900,756</u> |

Line Notes

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

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

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

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

| | |
|--|---------------|
| 16 Postage Expense for the twelve months ended 12/31/11 | 2,014,377 |
| 18 Average Monthly Expense | 167,865 |
| 20 Postage Expense prior to April 17 increase | 598,774 |
| 22 Test Year Postage percentage increase (after April 17, 2011 Increase) | 1.70% |
| 24 Increased Postage Expense prior to April 17 | 608,953 |
| 26 Postage from April 18, 2011 through Dec 31, 2011 | 1,415,654 |
| 28 Normalized Postage Expense | 2,024,607 |
| 30 Postage Increase Effective January 22, 2012 | 2.10% |
| 32 GDP CPI estimated for 12/31/2012 | 228 |
| 33 GDP CPI estimated for 12/31/2013 | 233 |
| 34 Postage Rate Increase effective January 23, 2013 | 2.02% |
| 36 Portion of Rate Year in effect | 100.00% |
| 37 Rate year postage increase | 4.12% |
| 39 Rate Year Postage Expense | 2,108,025 |
| 41 Rate Year Adjustment for Postage Expense | <u>83,418</u> |

Line Notes

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

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

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

Line Notes

1(a)-5(a) From Company books

1(b)-5(b) Line 14

6 Sum of Line 1 through Line 5

12 From Page 8 of 71, Line 18(g)

13 From Page 8 of 71, Line 18(h)

14 Line 12 + Line 13

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

Environmental Response Fund

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

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

Storm Recovery Fund

| | (k) | (l) | (k) + (l) (m) | (n) | (m) + (n) (o) |
|-------------------------------|------------------------------|----------------------------|--|-------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustment | Rate Year Adjusted |
| 26 Company Direct | - | - | - | 3,441,000 | 3,441,000 |
| 27 KeySpan Corporate Services | - | - | - | - | - |
| 28 KeySpan Utility Services | - | - | - | - | - |
| 29 National Grid USA Services | - | - | - | - | - |
| 30 Other | - | - | - | - | - |
| 31 Total | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,441,000</u> | <u>\$ 3,441,000</u> |

| | (p) | (q) | (r) | (s) | (t) |
|---------------------------|---------------------|-------------------|-----------------|-------------------|-------------|
| Pro Forma Adjustments | Company Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other |
| Storm Fund Recovery | 1,041,000 | - | - | - | - |
| Storm Recovery Adjustment | 2,400,000 | - | - | - | - |
| 41 Total | <u>\$ 3,441,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Line Notes

- 1(a)-5(a) From Company books
6 Sum of Line 1 through Line 5
26(k) From Company books
26(n) Line 41
39 Storm Fund Contribution level that was suspended in Docket No. 4065
40 Proposed temporary Storm Recovery Adjustment (SRA)

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

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

Line Notes

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

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

| | (a) | (b) | (a)+(b) (c) | (d) | (c)+(d) (e) |
|------------------------------|------------------------------|----------------------------|--|-------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustment | Rate Year Adjusted |
| 1 Company Direct | - | - | - | - | - |
| 2 KeySpan Corporate Services | 208,009 | (143,328) | 64,681 | 521,453 | 586,134 |
| 3 KeySpan Utility Services | - | - | - | - | - |
| 4 National Grid USA Services | 2,840 | (2,840) | - | - | - |
| 5 Other | - | - | - | - | - |
| 6 Total | <u>210,849</u> | <u>(146,168)</u> | <u>64,681</u> | <u>521,453</u> | <u>586,134</u> |

| | (f) | (g) | (h) | (i) | (j) |
|---|-----------------------|--------------------------|------------------------|--------------------------|--------------|
| Normalizing Adjustments | <u>Company Direct</u> | <u>KeySpan Corporate</u> | <u>KeySpan Utility</u> | <u>National Grid USA</u> | <u>Other</u> |
| 13 Reverse IFA Related Expenses | - | (4,772) | - | (99) | - |
| 14 Removed Promtional/Branding advertising (Net of IFA) | - | (138,556) | - | (2,741) | - |
| 15 Total | - | <u>(143,328)</u> | - | <u>(2,840)</u> | - |

| | (f) | (g) | (h) | (i) | (j) |
|--|-----------------------|--------------------------|------------------------|--------------------------|--------------|
| Proforma Adjstments | <u>Company Direct</u> | <u>KeySpan Corporate</u> | <u>KeySpan Utility</u> | <u>National Grid USA</u> | <u>Other</u> |
| 20 Incremental Educational Advertising Expenses (Net of IFA) | - | 521,453 | - | - | - |
| 21 | - | <u>521,453</u> | - | - | - |

Line Notes

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

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

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

| | (f) | (g) | (h) | (i) | (k) | |
|---|-----------------------|----------------------------------|--------------------------------|----------------------------------|---------------------|----------------------|
| | Company Direct | KeySpan Corporate Services | KeySpan Utility Services | National Grid USA Services | Other | Total |
| 16 Normalizing Adjustments | | | | | | |
| 17 Elimination of the reimbursement from NEP related to IFA | (1,269,305) | (9,935) | - | (4,271,615) | 58,537,841 | 52,986,986 |
| 19 Reverse A&G related IFA Expenses | | | | | | |
| 20 Labor | (8,734) | (91,408) | (1,214) | (238,111) | 22,599 | (316,868) |
| 21 Health & Hospitalization | (54,324) | (16,713) | (387) | (52,327) | (2,209) | (125,960) |
| 22 Group Life Insurance | - | - | - | - | - | - |
| 23 401K Match | 1,158 | (1,784) | (33) | (26,248) | (1,033) | (27,940) |
| 24 Donations | | | | | | |
| 25 Computer Software Purchase | 71 | (895) | - | (36,840) | - | (37,664) |
| 26 Regulatory Assessments | (93,768) | - | - | - | - | (93,768) |
| 27 Lease - Non-Real Estate | (1,630) | (4,855) | (292) | (5,601) | (25,656) | (38,034) |
| 28 Facilities | (192) | - | - | (20,516) | 1,554 | (19,154) |
| 29 Uninsured Claims | (63,493) | - | - | (12,840) | - | (76,333) |
| 30 Insurance | - | - | - | (27,615) | - | (27,615) |
| 31 Payroll Taxes | (284) | (8,323) | (156) | - | 138 | (8,625) |
| 32 PBOP's | (157,022) | (12,896) | (451) | (53,494) | (3,149) | (227,012) |
| 33 Pensions | (131,434) | (17,251) | (528) | (73,907) | (3,031) | (226,151) |
| 34 Postage | - | (14) | - | (474) | - | (488) |
| 35 Residual O&M Expenses Subject to IFA | (298,926) | (89,245) | (600) | (311,037) | (7,525) | (707,333) |
| 36 Total A&G | <u>(808,578)</u> | <u>(243,384)</u> | <u>(3,661)</u> | <u>(859,010)</u> | <u>(18,312)</u> | <u>(1,932,945)</u> |
| 37 | | | | | | |
| 38 Total Integrated Facilities Agreement | <u>\$ (2,077,883)</u> | <u>\$ (253,319)</u> | <u>\$ (3,661)</u> | <u>\$ (5,130,625)</u> | <u>\$58,519,529</u> | <u>\$ 51,054,041</u> |
| 39 | | | | | | |
| 40 | | | | | | |

Line Notes

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

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

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

Line Notes

1(a)-5(a) From Company books

1(b)-5(b) Line 14

13 From Page 8 of 71, Line 24(h)

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

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

Line Notes

- 1 Line 32
5 Line 1 / Line 3

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

| | (a) | (b) | (c) | (d) | (e) |
|------------------------------|------------------------------|----------------------------|--|------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Proforma Adjustment | Rate Year Adjusted |
| 1 Company Direct | - | - | - | 158,021 | 158,021 |
| 2 KeySpan Corporate Services | - | - | - | - | - |
| 3 KeySpan Utility Services | - | - | - | - | - |
| 4 National Grid USA Services | - | - | - | - | - |
| 5 Other | - | - | - | - | - |
| 6 Total | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 158,021</u> | <u>\$ 158,021</u> |

| | Percentages (a) | Percentages/ Amount (b) | Amount (c) | Amount (d) |
|--|--------------------|-------------------------------|---------------|---------------|
| 11 <u>Description</u> | | | | |
| 14 Additional Customer Assistance Advocate Personnel 2 Positions at Narragansett Electric Co. Band E average | | | \$ 185,487 | |
| 16 Allocation to Electric business 50% | | | \$ 92,744 | |
| 18 Pension and Benefits, Rate Year Expense amount to NECO O&M: | | | | |
| 19 Variable Pay 0.99% | | \$ 213,215 | | |
| 20 Payroll Tax 8.91% | | 1,917,622 | | |
| 21 Medical and Dental Insurance 15.68% | | 3,375,501 | | |
| 22 Pension 30.71% | | 6,611,183 | | |
| 23 OPEB 8.42% | | 1,813,275 | | |
| 24 Other Employee Related Benefits & Expenses 18.23% | | 3,925,134 | | |
| 25 401K Match 0.97% | | 208,797 | | |
| 26 Total Benefits 83.91% | | \$ 18,064,727 | | |
| 28 NECO Employee Salaries and Wages to O&M | | \$ 21,527,685 | | |
| 30 Payroll Taxes, Pension and Benefits Cost as % of Base Salaries & Wages 83.91% | | | | |
| 32 Pension and Benefits for Consumer Advocate Personnel 75.01% | | | \$ 69,564 | |
| 34 Rate Year O&M Costs of Consumer Advocate Personnel | | | \$ 162,307 | |
| 36 Less : Amount Applicable to IFA 2.64% | | | \$ (4,286) | |
| 38 Total Distribution Rate Year O&M Costs of Consumer Advocate Personnel | | | \$ 158,021 | |
| 40 Rate Year Payroll Taxes (to Page 33 of 71) 8.91% | | | | \$ 8,261 |
| 42 Total Rate Year Costs of Consumer Advocate Personnel | | | | \$ 166,282 |

Line Notes

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

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

| | (a) | (b) | (c) | (d) | (e) |
|--|------------------------------|-----------------------------|--|-------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Proforma Adjustments | Rate Year Adjusted |
| 1 Company Direct | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 KeySpan Corporate Services | - | - | - | - | - |
| 3 KeySpan Utility Services | - | - | - | - | - |
| 4 National Grid USA Services | - | - | - | 240,326 | 240,326 |
| 5 Other | - | - | - | - | - |
| 6 Total | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 240,326</u> | <u>\$ 240,326</u> |
| 7 | | | | | |
| 8 | | | | | |
| 9 | | | | | |
| 10 | No. of Employees | Rate Year Average Salary | Amount | | |
| 11 Description | (f) | (g) | (h) | | |
| 12 | | | | | |
| 13 Additional US Foundations Personnel: | | | | | |
| 14 Band D | 2 | \$107,379 | \$ 214,758 | | |
| 15 Band E | 24 | \$82,317 | 1,975,601 | | |
| 16 Total | <u>26</u> | | <u>\$ 2,190,359</u> | | |
| 17 | | | | | |
| 18 Percentage charged to NGUSA Service Company O&M | | | 100% | | |
| 19 Percentage allocated to Company O&M | | | 5.70% | | |
| 20 | | | | | |
| 21 Total Additional USFP Support Staff payroll charged to Company O&M | | | \$ 124,850 | | |
| 22 | | | | | |
| 23 | | | | | |
| 24 | | | | | |
| 25 | Percentages | Percentages/ Amount | Amount | | |
| 26 Description | (i) | (j) | (k) | | |
| 27 | | | | | |
| 28 Pension and Benefits, Rate Year Expense amounts to NGUSA Service Company O&M: | | | | | |
| 29 Variable Pay | 10.1% | \$ 1,365,581 | | | |
| 30 Payroll Tax | 12.9% | 1,740,946 | | | |
| 31 Medical and Dental insurance | 15.0% | 2,018,302 | | | |
| 32 Pension | 19.7% | 2,649,712 | | | |
| 33 OPEB | 7.4% | 991,334 | | | |
| 34 Other Employee Related Benefits & Expenses | 35.4% | 4,773,634 | | | |
| 35 401K Match | 4.0% | 539,519 | | | |
| 36 401K Pension Replacement Program | 0.9% | 119,761 | | | |
| 37 Total Benefits | <u>105.4%</u> | <u>\$ 14,198,790</u> | | | |
| 38 | | | | | |
| 39 NGUSA Service Company Employee Salaries and Wages to O&M | | \$ 13,469,300 | | | |
| 40 | | | | | |
| 41 Payroll Taxes, Pension and Benefits Cost as % of Base Salaries & Wages | | 105.4% | | | |
| 42 | | | | | |
| 43 Pension and Benefits for Additional USFP Support Staff | | 92.5% | \$ 115,475 | | |
| 44 | | | | | |
| 45 Rate Year O&M Costs of Additional USFP Support Staff | | | | <u>\$ 240,326</u> | |
| 46 | | | | | |
| 47 | | | | | |
| 48 Rate Year Payroll Taxes (to Page 33) | | 12.9% | | <u>\$ 16,137</u> | |
| 49 | | | | | |
| 50 | | | | | |
| 51 Total Rate Year Costs of Additional USFP Support Staff | | | | \$ 256,463 | |

Line Notes

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

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

| | | Total Revenue | | | | | | | |
|--------------------|---|----------------------|-----------------------|---|---------------------------------------|---------------------------------|-----------------------------|-----------------------------|--------------------------|
| | | (a) | (b) | (c) | | | | | |
| Description | | Total Revenue | Net Write-Offs | % of Write-Offs Distribution Revenue | | | | | |
| 1 | Year: | | | | | | | | |
| 2 | | | | | | | | | |
| 3 | CY 2011 | \$802,881,950 | \$10,618,527 | 1.32% | | | | | |
| 4 | CY 2010 | \$879,874,473 | \$10,698,705 | 1.22% | | | | | |
| 5 | CY 2009 | \$906,112,250 | \$13,701,691 | 1.51% | | | | | |
| 6 | | | | | | | | | |
| 7 | Total | \$2,588,868,673 | \$35,018,924 | 1.35% | | | | | |
| 8 | | | | | | | | | |
| 9 | Three Year Weighted Average Of | | | | | | | | |
| 10 | Net Write-Offs as a % of Total Revenues | | | 1.35% | | | | | |
| 11 | | | | | | | | | |
| 12 | | | | | | | | | |
| 13 | | | | | (d) | (e) | (f) | (g) | (h) |
| 14 | | | | | Base Rate Distribution Revenue | GET & Other Revenues | Conservation Revenue | Transmission Revenue | Commodity Revenue |
| 15 | Test Year Normalized Revenues: | | | | | | | | |
| 16 | Test Year Revenues | | | \$241,689,694 | | \$30,676,175 | \$34,591,429 | \$119,183,440 | \$383,413,383 |
| 17 | Add: Normalizing Adjustments | | | (\$2,730,333) | | (\$14,875,952) | \$13,350,261 | \$13,904,572 | \$0 |
| 18 | | | | | | | | | |
| 19 | Total Adjusted Test Year Revenue | | | \$238,959,360 | | \$15,800,224 | \$47,941,690 | \$133,088,012 | \$383,413,383 |
| 20 | | | | | | | | | |
| 21 | Three Year Weighted Average Of Net Write-Offs | | | 1.35% | | | 1.350% | 1.350% | 1.350% |
| 22 | | | | | | | | | |
| 23 | Adjusted Test Year Bad Debt Expense | | | \$3,225,951 | | \$0 | \$647,213 | \$1,796,688 | \$5,176,081 |
| 24 | Less: Test Year Bad Debt Expense | | | \$6,240,507 | | | \$325,159 | \$1,116,199 | \$3,632,954 |
| 25 | | | | | | | | | |
| 26 | Test Year Normalization Adjustment for Bad Debt Expense | | | (\$3,014,555) | | \$0 | \$322,053 | \$680,489 | \$1,543,127 |
| 27 | | | | | | | | | |
| 28 | Total Adjusted Test Year Revenue | | | \$238,959,360 | | \$15,800,224 | \$47,941,690 | \$133,088,012 | \$383,413,383 |
| 29 | Add: Pro Forma Adjustments | | | \$2,883,232 | | (\$2,625,322) | \$907,461 | \$2,560,494 | \$0 |
| 30 | Total Rate Year Revenue | | | \$241,842,592 | | \$13,174,902 | \$48,849,151 | \$135,648,506 | \$383,413,383 |
| 31 | | | | | | | | | |
| 32 | | | | | | | | | |
| 33 | | | | | | | | | |
| 34 | Three Year Weighted Average Of Net Write-Offs | | | 1.35% | | | 1.35% | 1.35% | 1.35% |
| 35 | | | | | | | | | |
| 36 | Rate Year Allowable Bad Debt Expenses | | | \$ 3,264,875 | | \$ - | \$ 659,464 | \$ 1,831,255 | \$ 5,176,081 |
| 37 | Adjusted Test Year Bad Debt Expense | | | \$ 3,225,951 | | | 647,213 | 1,796,688 | 5,176,081 |
| 38 | | | | | | | | | |
| 39 | | | | | | | | | |
| 40 | Total Pro Forma Bad Debt Expense Adjustment | | | 38,924 | | - | 12,251 | 34,567 | - |
| 41 | | | | | | | | | |
| 42 | Total Adjustment | | | \$ (2,975,632) | | \$ - | \$ 334,304 | \$ 715,056 | \$ 1,543,127 |

Line Notes

| | | | |
|---------|-----------------------------|----|-----------------------------|
| 3-5 | Per Schedule EMK-1, Page 1 | | |
| 7(a) | Sum of Lines 3(a) - 5(a) | 26 | Line 24 - Line 23 |
| 7(b) | Sum of Lines 3(b) - 5(b) | 28 | Equals Line 19 |
| Col (c) | Column (b) / Column (a) | 29 | Per Page 4 of 71 Column (d) |
| 16 | Per Page 4 of 71 Column (a) | 30 | Line 28 + Line 29 |
| 17 | Per Page 4 of 71 Column (b) | 34 | Equals Line 21 |
| 19 | Line 16 + Line 17 | 36 | Line 34 * Line 30 |
| 21 | Equals Line 10 | 37 | Equals Line 23 |
| 23 | Line 19 * Line 21 | 40 | Line 37 - Line 36 |
| 24 | Per Company books | 42 | Line 26 + Line 40 |

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

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

Line Notes

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

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

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

Line Notes

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

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

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

Column Notes

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

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

| | | (a) | (b) | (c) |
|--------------------|--|-----------------|------------------|-------------------|
| | | Total Test Year | Normalizing | Adjusted Books |
| | | Per Books | Adjustments | Year Ended |
| | | | | December 31, 2011 |
| <u>Description</u> | | | | |
| 1 | Total Test Year Operations and Maintenance Expense | \$ 616,065,651 | \$ (117,825,347) | \$ 498,240,303 |
| 2 | | | | |
| 3 | Less Purchased Power | 376,831,161 | - | 376,831,161 |
| 4 | | | | |
| 5 | Total Test Year Operations and Maintenance Expense to be Adjusted | \$ 239,234,490 | \$ (117,825,347) | \$ 121,409,142 |
| 6 | | | | |
| 7 | <u>Test Year Amounts that are Specifically Adjusted:</u> | | | |
| 8 | | | | |
| 9 | Labor - Page 10 of 71 | \$ 49,296,024 | \$ (9,294,058) | \$ 40,001,966 |
| 10 | Healthcare - Page 23 of 71 | 6,023,664 | (428,290) | 5,595,374 |
| 11 | 401K - Page 24 of 71 | 1,096,289 | (134,243) | 962,046 |
| 12 | 401K Pensions - Page 25 of 71 | 3,023 | - | 3,023 |
| 13 | Donations - Page 26 of 71 | - | 401,142 | 401,142 |
| 14 | Computer Software - Page 27 of 71 | 3,739,868 | (118,592) | 3,621,276 |
| 15 | Regulatory Assessment Fees - Page 28 of 71 | 3,009,083 | (93,768) | 2,915,315 |
| 16 | Facilities - Page 29 of 71 | 2,746,223 | (293,966) | 2,452,257 |
| 17 | Insurance Claims- Page 30 of 71 | 2,480,624 | (76,333) | 2,404,291 |
| 18 | Insurance Premiums - Page 31 of 71 | 970,582 | 696 | 971,278 |
| 19 | Payroll Taxes - Page 33 of 71 | 414,744 | (32,015) | 382,729 |
| 20 | OPEB - Page 34 of 71 | 8,977,300 | (558,792) | 8,418,508 |
| 21 | Pensions - Page 35 of 71 | 9,258,180 | (699,569) | 8,558,611 |
| 22 | Postage - Page 36 of 71 | 2,014,865 | (488) | 2,014,377 |
| 23 | Energy Efficiency - Page 37 of 71 | 34,495,893 | (34,495,893) | - |
| 24 | Environmental Response Fund - Page 38 of 71 | 3,078,000 | - | 3,078,000 |
| 25 | Storm Fund - Page 38 of 71 | - | - | - |
| 26 | Additional OPEX related to additional CAPEX - Page 39 of 71 | - | - | - |
| 27 | Advertising - Page 40 of 71 | 210,849 | (146,168) | 64,681 |
| 28 | Transmission O&M - Integrated Facilities - Page 41 of 71 | (52,986,986) | 52,986,986 | - |
| 29 | Transmission O&M Wheeling Costs NEP - Page 42 of 71 | 117,809,444 | (117,809,444) | - |
| 30 | Uncollectibles - Commodity- Page 46 of 71 | 3,632,954 | 1,543,127 | 5,176,081 |
| 31 | Uncollectibles - Transmission- Page 46 of 71 | 1,116,199 | 680,489 | 1,796,688 |
| 32 | Uncollectibles - Conservation- Page 46 of 71 | \$325,159 | 322,053 | 647,213 |
| 33 | Uncollectibles - Delivery- Page 46 of 71 | 6,240,507 | (3,014,555) | 3,225,951 |
| 34 | Company Share of Net Merger Synergies | 3,250,000 | | 3,250,000 |
| 35 | | | | |
| 36 | O&M Expenses Specifically Adjusted | \$ 207,202,488 | \$ (111,261,682) | \$ 95,940,807 |
| 37 | | | | |
| 38 | Residual O&M Expenses Subject to Inflation | \$ 32,032,001 | \$ (6,563,666) | \$ 25,468,336 |
| 39 | | | | |
| 40 | Inflation Factor % | | | 3.81% |
| 41 | | | | |
| 42 | Total Inflation Adjustment | | | \$ 970,344 |
| 43 | | | | |
| 44 | | | | |
| 45 | <u>Calculation of Inflation Rate:</u> | | | |
| 46 | | GDPPI | CPI | |
| 47 | Index - Midpoint of Test Year June 2011 | 113.1 | 224.5 | |
| 48 | | | | |
| 49 | Index - Midpoint of Rate Year June 2013 | 117.3 | 233.3 | |
| 50 | | | | |
| 51 | Increase in Index From Midpoint Of The Test Year | | | |
| 52 | To The Midpoint of Rate Year | | | |
| 53 | Inflation Factor % | 3.72% | 3.90% | 3.81% |
| 54 | | | | |
| 55 | Source: Blue Chip Consensus | 1.86% | 1.95% | |

Line Notes

| | | |
|------|---|--|
| 1 | From Page 7 of 71, Line 1 + Line 36 | 40 Line 53(c) |
| 3 | From Page 7 of 71, Line 1 | 42 Line 38 x Line 40 |
| 5 | Line 1 - Line 3 | 47 NIPA: Chain-Type Price Index - GDP, (Index, |
| 9-33 | From Page 7 of 71, Line 3 through Line 33 | 2005=100, SA) Q2 2009 from Blue Chip Consensus |
| 34 | From Page 7 of 71, Line 35 | 49 NIPA: Chain-Type Price Index - GDP, (Index, |
| 36 | Sum of Line 9 through Line 34 | 2005=100, SA) Q2 2011 from Blue Chip Consensus |
| 38 | Line 5 - Line 36 | 53 Line 49 / Line 47 |

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

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

Line Notes

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

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

| Line No. | Description | Source Factor Or Function (a) | Amount (b) |
|----------|--|--|-------------------------------|
| 1 | Total Company Rate Year Distribution Depreciation Expense | Line 58 | \$ 45,038,745 |
| 2 | Test Year Depreciation Expense | Per Company books | 48,428,228 |
| 3 | Less : Test Year IFA related Depreciation Expense | Workpaper MDL-1 Page 1 Line 9 | (6,402,081) |
| 4 | Less: Reserve for write off of old work orders | | (127,452) |
| 5 | Adjusted Total Company Test Year Distribution Depreciation Expense | Sum of Line 2 through Line 4 | 41,898,695 |
| 6 | Depreciation Expense Adjustment | Line 1 - Line 5 | \$ 3,140,050 |
| 7 | | | |
| 8 | | | |
| 9 | <u>Test Year Depreciation Expense 12 Months Ended 12/31/12:</u> | | <u>Per Book Amount</u> |
| 10 | Total Distribution Utility Plant 12/31/11 | From Page 64 of 71 Line 1(e) | \$ 1,264,385,192 |
| 11 | Less Non Depreciable Plant | Workpaper MDL-19-ELEC Page 1, Line 49(g) | (14,110,472) |
| 12 | Depreciable Utility Plant 12/31/11 | Line 10 + Line 11 | 1,250,274,720 |
| 13 | | | |
| 14 | Plus: Added Plant 12 Mos Ended 12/31/12 | From Page 53 of 71 Line 13(c) | 58,602,472 |
| 15 | Less: Retired Plant 12 Months Ended 12/31/12 | Line 14 x Retirement rate | (10,220,271) |
| 16 | Depreciable Utility Plant 12/31/12 | Line 12 + Line 14 + Line 15 | 1,298,656,921 |
| 17 | | | |
| 18 | Average Depreciable Plant for Year Ended 12/31/12 | (Line 12 + Line 16)/2 | \$ 1,274,465,820 |
| 19 | | | |
| 20 | Composite Book Rate % | As approved per R.I.P.U.C Docket No 4065 | 3.40% |
| 21 | | | |
| 22 | Book Depreciation Reserve 12/31/11 | From Page 64 of 71 Line 5(e) | 554,328,227 |
| 23 | Plus: Book Depreciation Expense | Line 18 x Line 20 | 43,331,838 |
| 24 | Less: Net Cost of Removal/(Salvage) | Workpaper MDL-19-ELEC Page 2, Line 9(c) | (7,158,482) |
| 25 | Less: Retired Plant | Line 15 | (10,220,271) |
| 26 | Book Depreciation Reserve 12/31/12 | Sum of Line 22 through Line 25 | 580,281,311 |
| 27 | | | |
| 28 | <u>Depreciation Expense for January 31, 2013</u> | | |
| 29 | Depreciable Utility Plant 12/31/12 | Line 16 | 1,298,656,921 |
| 30 | | | |
| 31 | Plus: Plant Added in January 2013 | From Page 53 of 71 Line 13(d) | 4,606,682 |
| 32 | Less: Plant Retired in January 2013 | Line 31 x Retirement rate | 1/ (803,405) |
| 33 | Depreciable Utility Plant 1/31/2013 | Sum of Line 29 through Line 32 | 1,302,460,198 |
| 34 | | | |
| 35 | Average Depreciable Plant for Year Ended 1/31/13 | (Line 29 + Line 33)/2 | \$ 1,300,558,559 |
| 36 | | | |
| 37 | Composite Book Rate % | As approved per R.I.P.U.C Docket No 4065 | 3.40% |
| 38 | | | |
| 39 | Book Depreciation Reserve 12/31/12 | Line 26 | 580,281,311 |
| 40 | Plus: Book Depreciation Expense January 31, 2013 | Line 35 x Line 37 | 3,684,916 |
| 41 | Less: Net Cost of Removal/(Salvage) | Workpaper MDL-19-ELEC Page 2, Line 9(d) | (589,583) |
| 42 | Less: Retired Plant | Line 32 | (803,405) |
| 43 | Book Depreciation Reserve 1/31/13 | Sum of Line 39 through Line 42 | 582,573,239 |
| 44 | | | |
| 45 | <u>Rate Year Depreciation Expense 12 Months Ended 1/31/14:</u> | | |
| 46 | Depreciable Utility Plant 1/31/13 | Line 33 | 1,302,460,198 |
| 47 | | | |
| 48 | Plus: Added Plant Twelve Months Ended 1/31/14 | From Page 53 of 71 Line 13(e) | 53,800,321 |
| 49 | Less: Depreciable Retired Plant | Line 48 x Retirement rate | 1/ (9,382,776) |
| 50 | | | |
| 51 | Depreciable Utility Plant 1/31/14 | Sum of Line 46 through Line 49 | 1,346,877,743 |
| 52 | | | |
| 53 | Average Depreciable Plant for Rate Year Ended 1/31/14 | (Line 46 + Line 51)/2 | \$ 1,324,668,970 |
| 54 | | | |
| 55 | Composite Book Rate % | As approved per R.I.P.U.C Docket No 4065 | 3.40% |
| 56 | | | |
| 57 | Book Depreciation Reserve 1/31/13 | Line 43 | 582,573,239 |
| 58 | Plus: Book Depreciation Expense | Line 53 x Line 55 | 45,038,745 |
| 59 | Less: Net Cost of Removal/(Salvage) | Workpaper MDL-19-ELEC Page 2, Line 9(e) | (7,075,000) |
| 60 | Less: Retired Plant | Line 49 | (9,382,776) |
| 61 | Book Depreciation Reserve 1/31/14 | Sum of Line 57 through Line 60 | \$ 611,154,208 |

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

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

| Line No. | Distribution | (a) | (b) | (c) | (d) | (e) |
|-------------|--|----------------------|----------------------|----------------------|---------------------|---|
| | | January -March 2012 | April -December 2012 | CY 2012 | January 2013 | Rate Year February 1, 2013 - January 31, 2014 |
| 1 | FY 2012 Approved ISR | 16,631,200 | | 16,631,200 | | |
| 2 | FY 2013 Approved ISR | | 38,524,755 | 38,524,755 | 4,280,528 | 8,561,057 |
| 3 | FY 2014 Assumed FY 2013 ISR Level Amount | | | | | 42,805,284 |
| 4 | Total Distribution | <u>16,631,200</u> | <u>38,524,755</u> | <u>55,155,955</u> | <u>4,280,528</u> | <u>51,366,341</u> |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | Property Services | 140,000 | 3,125,000 | 3,265,000 | 335,000 | 2,500,000 |
| 8 | Fleet/Inventory Mgmt | 0 | 275,000 | 275,000 | - | 0 |
| 9 | Total General | <u>140,000</u> | <u>3,400,000</u> | <u>3,540,000</u> | <u>335,000</u> | <u>2,500,000</u> |
| 10 | Amount Applicable to Transmission | 2.64% <u>(3,697)</u> | <u>(89,786)</u> | <u>(93,483)</u> | <u>(8,847)</u> | <u>(66,019)</u> |
| 11 | Amount Applicable to Distribution | <u>136,303</u> | <u>3,310,214</u> | <u>3,446,517</u> | <u>326,153</u> | <u>2,433,981</u> |
| 12 | | | | | | |
| 13 | Distribution and General | <u>\$ 16,767,503</u> | <u>\$ 41,834,969</u> | <u>\$ 58,602,472</u> | <u>\$ 4,606,682</u> | <u>\$ 53,800,321</u> |

Line Notes

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

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

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

Line Notes

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

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

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

Line Notes

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

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

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

Line Notes

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

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

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

Line Notes

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

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

| Line No. | | (a) Total Test Year Per Books | (b) Normalizing Adjustments | (a) + (b) (c) Adjusted Books Year Ended December 31, 2011 | (d) Pro Forma Adjustments | (c) + (d) (e) Rate Year Adjusted |
|----------|--|-------------------------------------|-----------------------------------|---|---------------------------------|---|
| 1 | Property Taxes | 30,090,801 | (5,549,384) | 24,541,417 | 6,085,240 | 30,626,657 |
| 2 | Total Property Taxes | \$ 30,090,801 | \$ (5,549,384) | \$ 24,541,417 | \$ 6,085,240 | \$ 30,626,657 |
| 3 | | | | | | |
| 4 | Other Taxes | 1,229,764 | | 1,229,764 | | 1,229,764 |
| 5 | Total Other Taxes | \$ 1,229,764 | \$ - | \$ 1,229,764 | \$ - | \$ 1,229,764 |
| 6 | | | | | | |
| 7 | Payroll Taxes | 4,055,193 | (206,939) | 3,848,254 | (86,594) | 3,761,660 |
| 8 | Total Payroll Taxes | \$ 4,055,193 | \$ (206,939) | \$ 3,848,254 | \$ (86,594) | \$ 3,761,660 |
| 9 | | | | | | |
| 10 | Total Taxes Other than Income Taxes | \$ 35,375,758 | \$ (5,756,323) | \$ 29,619,434 | \$ 5,998,646 | \$ 35,618,080 |
| 11 | | | | | | |
| 12 | Gross Receipts Tax | 30,674,656 | (30,674,656) | - | - | - |
| 13 | Total Gross Receipts Tax | \$ 30,674,656 | \$ (30,674,656) | \$ - | \$ - | \$ - |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | | | | | | |
| 19 | | | | | | |
| 20 | Normalizing Adjustments | | | | | |
| 21 | Property Taxes Reverse IFA related expenses | | (5,549,384) | | | |
| 22 | Reverse amortization of Providence property tax settlement | | 0 | | | |
| 23 | Total | | \$ (5,549,384) | | | |
| 24 | | | | | | |

Line Notes

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

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

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

Line Notes

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

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

| | (a) | (b) | (c) | (d) | (c) + (d) |
|--|--------|-----------------------|----------------------|----------------------|----------------------|
| | | Test Year | Adjusted | Proposed | (e) |
| | | <u>Adjusted Books</u> | <u>Rate Year</u> | <u>Rate Increase</u> | <u>Rate Increase</u> |
| 1 Operating Income Before | | | | | |
| 2 Taxes per Page 1 of 71, Line 19 | | \$ 44,755,893 | \$ 31,208,090 | \$ 31,023,726 | \$ 62,231,816 |
| 3 | | | | | |
| 4 Less: | | | | | |
| 5 | | | | | |
| 6 Interest Costs | 2.51% | 13,425,458 | 14,444,728 | | 14,444,728 |
| 7 | | | | | |
| 8 | | | | | |
| 9 Taxable Income | | <u>\$ 31,330,435</u> | <u>\$ 16,763,362</u> | <u>\$ 31,023,726</u> | <u>\$ 47,787,088</u> |
| 10 | | | | | |
| 11 Federal Tax | 35.00% | \$ 10,965,652 | \$ 5,867,177 | \$ 10,858,304 | \$ 16,725,481 |
| 12 | | | | | |
| 13 Deferred income tax deficiency from Docket 4065 | | | 650,000 | | 650,000 |
| 14 | | | | | |
| 15 Amortization of Investment Tax Credits | | <u>(394,024)</u> | <u>(303,810)</u> | - | <u>(303,810)</u> |
| 16 | | | | | |
| 17 Net Federal Income Tax | | <u>\$ 10,571,628</u> | <u>\$ 6,213,367</u> | <u>\$ 10,858,304</u> | <u>\$ 17,071,671</u> |

Line Notes

- 2(b)-(e) Income Taxes per Page 1 of 71, Line 19
- 6(a) From Page 61 of 71, Line 1(e) + Line 3(e)
- 6(b) From Page 63 of 71, Line 21(a) x Line 6(a)
- 6(c)-(e) From Page 63 of 71, Line 21(c) x Line 6(a)
- 9 Line 2 - Line 6
- 11 Line 9 x Line 11, Column (a)
- 13 Deferred income tax deficiency from Docket 4065
- 15(b) From Page 57 of 71, Line 3
- 15(c) From Page 57 of 71, Line 8
- 15(d) Sum of Line 15 Column (c) thru Column (d)
- 17 Sum of Line 11 thru Line 15

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

| | | (a) | (b) | (c) | (d) | (e) |
|---|-----------------------------|--------------------------|------------------|----------------------------|--------------|---------------------------|
| | | <u>Capital Structure</u> | <u>Cost Rate</u> | <u>Weighted Return</u> | <u>Taxes</u> | <u>Pre-tax Return</u> |
| 1 | Short Term Debt | 1.20% | 0.80% | 0.01% | | 0.01% |
| 2 | | | | | | |
| 3 | Long Term Debt | 49.00% | 5.11% | 2.50% | | 2.50% |
| 4 | | | | | | |
| 5 | Preferred Stock | 0.20% | 4.50% | 0.01% | | 0.01% |
| 6 | | | | | | |
| 7 | Common Equity | 49.60% | 10.75% | 5.33% | 2.87% | 8.20% |
| 8 | | | | | | |
| 9 | Total Capitalization | <u>100.00%</u> | | <u>7.85%</u> | <u>2.87%</u> | <u>10.72%</u> |

Line Notes

See Testimony of Company Witness Robert B. Hevert

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

Panel A: Long-term debt

| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
|---|---------------|--------------------|-----------------------------------|---|---|---------------------------|--------------|
| | Interest Rate | Maturity Date | Amount Outstanding in \$000 | Annual Interest Expense in \$000 | Annual Amortization of DD&E in \$000 | Total Expense in \$000 | Cost of Debt |
| Unsecured notes: | | | | | | | |
| 1 Senior Note | 4.534% | March 15, 2020 | \$250,000 | \$11,335 | 105.7 | \$11,440.7 | 4.58% |
| 2 Senior Note | 5.638% | March 15, 2040 | 300,000 | 16,914 | 77.7 | 16,991.7 | 5.66% |
| 3 Subtotal | | | | | | | 5.17% |
| 4 | | | | | | | |
| 5 First mortgage bonds ¹ | | | | | | | |
| 6 FMB Series N | 9.630% | May 30, 2020 | 10,000 | 963 | 4.1 | 967.1 | 9.67% |
| 7 FMB Series O | 8.460% | September 30, 2022 | 12,500 | 1,058 | 4.3 | 1,061.8 | 8.49% |
| 8 FMB Series P | 8.090% | September 30, 2022 | 6,875 | 556 | 3.5 | 559.6 | 8.14% |
| 9 FMB Series R | 7.500% | December 15, 2025 | 10,500 | 788 | 4.1 | 791.6 | 7.54% |
| 10 FMB Series S | 6.820% | April 1, 2018 | 14,464 | 986 | 7.0 | 993.5 | 6.87% |
| 11 Subtotal | | | | | | | 8.05% |
| 12 | | | | | | | |
| 13 30-Year Senior Notes | 4.850% | November 1, 2042 | 150,000 | 7,275 | 37.5 | 7,312.5 | 4.88% |
| 14 | | | | - | - | | |
| 15 Total | | | \$754,339 | \$39,875 | \$244 | \$40,118 | 5.32% |
| 16 | | | | | | | |
| 17 Panel B: Weighted Average Cost of Debt by Segment | | | | | | | |
| 18 | | | | | | | |
| 19 | | | | | | | |
| 20 Electric Operations | 73% | | 553,637 | 28,096 | 175 | 28,271 | 5.11% |
| 21 Gas Operations | 27% | | 200,702 | 11,778 | 69 | 11,847 | 5.90% |
| 22 Total | | | \$754,339 | \$39,875 | \$244 | \$40,118 | 5.32% |

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

Line Notes

See Testimony of Company Witness Robert B. Hevert

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

| Line No. | Description | (a) Test Year End 12/31/11 5 Quarter Average | (b) Adjustments | (c) Rate Year End 1/31/14 5 Quarter Average |
|----------|---|--|--------------------|---|
| 1 | Utility Plant In Service | \$ 1,247,903,880 | \$ 90,875,562 | \$ 1,338,779,442 |
| 2 | | | | |
| 3 | Property Held for Future Use | - | - | - |
| 4 | Less: Contribution in Aid of Construction | 102,772 | - | 102,772 |
| 5 | Less: Accumulated Depreciation | 540,145,787 | 56,717,937 | 596,863,723 |
| 6 | | | | |
| 7 | Net Plant | \$ 707,655,322 | \$ 34,157,625 | \$ 741,812,947 |
| 8 | | | | |
| 9 | Materials and Supplies | \$ 4,555,793 | \$ 801,396 | \$ 5,357,189 |
| 10 | Prepayments | 569,604 | 943,948 | 1,513,552 |
| 11 | Loss on Reacquired Debt | 4,006,550 | (941,884) | 3,064,666 |
| 12 | Cash Working Capital | 4,975,475 | - | 4,975,475 |
| 13 | | | | |
| 14 | Subtotal | \$ 14,107,422 | \$ 803,460 | \$ 14,910,882 |
| 15 | | | | |
| 16 | Accumulated Deferred FIT | \$ 182,317,379 | \$ (7,886,922) | \$ 174,430,457 |
| 17 | Customer Deposits | 4,938,152 | 2,267,847 | 7,206,000 |
| 18 | | | | |
| 19 | Subtotal | \$ 187,255,531 | \$ (5,619,075) | \$ 181,636,456 |
| 20 | | | | |
| 21 | Rate Base | \$ 534,507,213 | \$ 40,580,160 | \$ 575,087,373 |

Column / Line Notes

- (a) Column (a) From Page 64 of 71 Column (f)
(b) Column (b) = Column (c) - Column (a)

- 1 (c) From Page 67 of 71 Line 28
4(c) From Page 69 of 71 Line 20
5(c) From Page 68 of 71 Line 30
7 Line 1 - Line 4 - Line 5
9(c) From Page 69 of 71 Line 21
10(c) From Page 69 of 71 Line 21
11(c) From Page 69 of 71 Line 21
12(c) From Page 71 of 71 Line 38
14 Sum of Line 9 through Line 12
16(c) From Page 70 of 71 Line 25
17(c) From Page 69 of 71 Line 21
19 Sum of Line 16 through Line 17
21 Line 7 + Line 14 - Line 19

THE NARRAGANSETT ELECTRIC COMPANY
Test Year Rate Base - Distribution
Five Quarter Average

| Line No. | Description | (a) December 2010 | (b) March 2011 | (c) June 2011 | (d) September 2011 | (e) December 2011 | (f) 5 Quarter Average |
|----------|---|-------------------------|----------------------|---------------------|--------------------------|-------------------------|-----------------------------|
| 1 | Utility Plant in Service | \$ 1,233,654,208 | \$ 1,238,179,889 | \$ 1,246,262,436 | \$ 1,257,037,677 | \$ 1,264,385,192 | \$ 1,247,903,880 |
| 2 | | | | | | | |
| 3 | Property Held for Future Use | - | - | - | - | - | - |
| 4 | Less: Contribution in Aid of Construction | 102,772 | 102,772 | 102,772 | 102,772 | 102,772 | 102,772 |
| 5 | Less: Accumulated Depreciation | 525,488,329 | 533,094,728 | 539,579,943 | 548,237,706 | 554,328,227 | 540,145,787 |
| 6 | | | | | | | |
| 7 | Net Plant in Service | \$ 708,063,108 | \$ 704,982,389 | \$ 706,579,721 | \$ 708,697,199 | \$ 709,954,193 | \$ 707,655,322 |
| 8 | | | | | | | |
| 9 | Plus: | | | | | | |
| 10 | Materials and Supplies | \$ 3,935,988 | \$ 4,191,741 | \$ 4,362,396 | \$ 4,952,801 | \$ 5,336,036 | \$ 4,555,793 |
| 11 | Prepayments | (52,775) | 789,414 | (103,125) | 700,954 | 1,513,552 | 569,604 |
| 12 | Loss on Recquired Debt | 4,195,952 | 4,153,340 | 4,034,799 | 3,902,355 | 3,746,306 | 4,006,550 |
| 13 | Cash Working Capital | 4,975,475 | 4,975,475 | 4,975,475 | 4,975,475 | 4,975,475 | 4,975,475 |
| 14 | | | | | | | |
| 15 | Subtotal | \$ 13,054,640 | \$ 14,109,970 | \$ 13,269,545 | \$ 14,531,586 | \$ 15,571,369 | \$ 14,107,422 |
| 16 | | | | | | | |
| 17 | Less: | | | | | | |
| 18 | Accumulated Deferred FTT | \$ 172,828,049 | \$ 181,042,337 | \$ 188,652,758 | \$ 192,314,243 | \$ 176,749,507 | \$ 182,317,379 |
| 19 | Customer Deposits | 3,409,639 | 4,254,110 | 5,517,422 | 5,724,922 | 5,784,669 | 4,938,152 |
| 20 | | | | | | | |
| 21 | Subtotal | \$ 176,237,688 | \$ 185,296,447 | \$ 194,170,180 | \$ 198,039,165 | \$ 182,534,177 | \$ 187,255,531 |
| 22 | | | | | | | |
| 23 | Rate Base | \$ 544,880,060 | \$ 533,795,911 | \$ 525,679,086 | \$ 525,189,620 | \$ 542,991,385 | \$ 534,507,213 |

Column/Line Notes

Column (a) = Column (a) from Page 66 of 71 minus Column (a) from Page 65 of 71
Column (b) = Column (b) from Page 66 of 71 minus Column (b) from Page 65 of 71
Column (c) = Column (c) from Page 66 of 71 minus Column (c) from Page 65 of 71
Column (d) = Column (d) from Page 66 of 71 minus Column (d) from Page 65 of 71
Column (e) = Column (e) from Page 66 of 71 minus Column (e) from Page 65 of 71
23 Line 7 + Line 15 - Line 23

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

| Line No. | Description | (a) December 2010 | (b) March 2011 | (c) June 2011 | (d) September 2011 | (e) December 2011 | (f) 5 Quarter Average |
|----------|---|-------------------------|----------------------|---------------------|--------------------------|-------------------------|--------------------------|
| 1 | Utility Plant in Service | \$ 291,737,455 | \$ 293,039,027 | \$ 296,780,648 | \$ 302,882,774 | \$ 324,533,645 | \$ 301,794,710 |
| 2 | | | | | | | |
| 3 | Property Held for Future Use | \$ 12,735,777 | \$ 12,735,777 | \$ 12,735,777 | \$ 12,735,777 | \$ 12,735,777 | \$ 12,735,777 |
| 4 | Less: Contribution in Aid of Construction | | | | | | |
| 5 | Less: Accumulated Depreciation | \$ 83,108,433 | \$ 83,683,819 | \$ 83,366,722 | \$ 82,110,822 | \$ 83,558,648 | \$ 83,165,689 |
| 6 | | | | | | | |
| 7 | Net Plant in Service | \$ 221,364,799 | \$ 222,090,985 | \$ 226,149,702 | \$ 233,507,729 | \$ 253,710,774 | \$ 231,364,798 |
| 8 | | | | | | | |
| 9 | Plus: | | | | | | |
| 10 | Materials and Supplies | \$ 1,060,303 | \$ 1,034,658 | \$ 1,076,818 | \$ 1,246,919 | \$ 1,418,965 | \$ 1,167,533 |
| 11 | Prepayments | 52,775 | 260,446 | 103,125 | 305,597 | 536,775 | 251,744 |
| 12 | Loss on Recaptured Debt | 1,130,333 | 1,025,180 | 995,954 | 982,458 | 996,222 | 1,026,029 |
| 13 | Cash Working Capital | 445,066 | 1,209,277 | 1,383,206 | 2,994,268 | (1,551,535) | 896,056 |
| 14 | | | | | | | |
| 15 | Subtotal | \$ 2,688,478 | \$ 3,529,561 | \$ 3,559,104 | \$ 5,529,243 | \$ 1,400,426 | \$ 3,341,362 |
| 16 | | | | | | | |
| 17 | Less: | | | | | | |
| 18 | Accumulated Deferred FIT | \$ 32,971,221 | \$ 32,617,308 | \$ 36,162,005 | \$ 40,863,875 | \$ 38,883,235 | \$ 36,299,529 |
| 19 | Customer Deposits | - | - | - | - | - | - |
| 20 | | | | | | | |
| 21 | Subtotal | \$ 32,971,221 | \$ 32,617,308 | \$ 36,162,005 | \$ 40,863,875 | \$ 38,883,235 | \$ 36,299,529 |
| 22 | | | | | | | |
| 23 | Rate Base | \$ 191,082,055 | \$ 193,003,238 | \$ 193,546,801 | \$ 198,173,096 | \$ 216,227,965 | \$ 198,406,631 |

Column/Line Notes

- 1 From Workpaper MDL-1 Page 3 Line 8
- 3 From Workpaper MDL-1 Page 3 Line 10
- 5 From Workpaper MDL-1 Page 3 Line 17
- 10 From Workpaper MDL-1 Page 3 Line 21
- 11 From Workpaper MDL-1 Page 3 Line 23
- 12 From Workpaper MDL-1 Page 3 Line 25
- 13 From Workpaper MDL-1 Page 3 Line 29
- 18 From Workpaper MDL-1 Page 3 Line 27
- 23 Line 7 + Line 15 - Line 21

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

| Line No. | Description | (a) December 2010 | (b) March 2011 | (c) June 2011 | (d) September 2011 | (e) December 2011 | (f) 5 Quarter Average |
|----------|---|-------------------------|----------------------|---------------------|--------------------------|-------------------------|--------------------------|
| 1 | Utility Plant in Service | \$ 1,525,391,663 | \$ 1,531,218,916 | \$ 1,543,043,084 | \$ 1,559,920,450 | \$ 1,588,918,837 | \$ 1,549,698,590 |
| 2 | | | | | | | |
| 3 | Property Held for Future Use | 12,735,777 | 12,735,777 | 12,735,777 | 12,735,777 | 12,735,777 | 12,735,777 |
| 4 | Less: Contribution in Aid of Construction | 102,772 | 102,772 | 102,772 | 102,772 | 102,772 | 102,772 |
| 5 | Less: Accumulated Depreciation | 608,596,762 | 616,778,547 | 622,946,665 | 630,348,528 | 637,886,875 | 623,311,475 |
| 6 | | | | | | | |
| 7 | Net Plant in Service | \$ 929,427,907 | \$ 927,073,374 | \$ 932,729,424 | \$ 942,204,928 | \$ 963,664,967 | \$ 926,284,343 |
| 8 | | | | | | | |
| 9 | Plus: | | | | | | |
| 10 | Materials and Supplies | 4,996,291 | 5,226,399 | 5,439,215 | 6,199,721 | 6,755,001 | 5,723,325 |
| 11 | Prepayments | - | 1,049,860 | - | 1,006,551 | 2,050,327 | 821,348 |
| 12 | Loss on Reacquired Debt | 5,326,285 | 5,178,519 | 5,030,753 | 4,884,814 | 4,742,527 | 5,032,580 |
| 13 | Cash Working Capital | 5,420,541 | 6,184,752 | 6,358,681 | 7,969,743 | 3,423,940 | 5,871,531 |
| 14 | | | | | | | |
| 15 | Subtotal | \$ 15,743,118 | \$ 17,639,531 | \$ 16,828,649 | \$ 20,060,828 | \$ 16,971,795 | \$ 17,448,784 |
| 16 | | | | | | | |
| 17 | Less: | | | | | | |
| 18 | Accumulated Deferred FTT | 205,799,270 | 213,659,646 | 224,814,763 | 233,178,118 | 215,632,743 | 218,616,908 |
| 19 | Customer Deposits | 3,409,639 | 4,254,110 | 5,517,422 | 5,724,922 | 5,784,669 | 4,938,152 |
| 20 | | | | | | | |
| 21 | Subtotal | \$ 209,208,909 | \$ 217,913,755 | \$ 230,332,185 | \$ 238,903,040 | \$ 221,417,412 | \$ 223,555,060 |
| 22 | | | | | | | |
| 23 | Rate Base | \$ 735,962,115 | \$ 726,799,149 | \$ 719,225,887 | \$ 723,362,717 | \$ 759,219,350 | \$ 720,178,067 |

Line Notes

Column (a) - (e) From Company books

23 Line 7 + Line 15 - Line 21

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

| Line No. | Description | Period | Distribution Plant In Service |
|----------|--|-------------|-------------------------------|
| 1 | Balance @ December 31, 2011 | | \$ 1,264,385,192 |
| 2 | | | |
| 3 | Plus: Plant Additions 12 Months Ended 12/31/12 | | 58,602,472 |
| 4 | Less: Plant Retirements 12 Months Ended 12/31/12 | | (10,220,271) |
| 5 | Net Increase | | \$ 48,382,201 |
| 6 | | | |
| 7 | Balance @ December 31, 2012 | | 1,312,767,393 |
| 8 | | | |
| 9 | Plus: Plant Additions for January 1/31/13 | | 4,606,682 |
| 10 | Less: Plant Retirements January 1/31/13 | | (803,405) |
| 11 | Net Increase | | \$ 3,803,277 |
| 12 | | | |
| 13 | Balance as of | 1/31/13 1/ | 1,316,570,670 |
| 14 | | | |
| 15 | | 2/28/13 1/ | \$ 1,320,272,132 |
| 16 | | 3/31/13 1/ | 1,323,973,594 |
| 17 | | 4/30/13 1/ | 1,327,675,056 |
| 18 | | 5/30/13 1/ | 1,331,376,518 |
| 19 | | 6/30/13 1/ | 1,335,077,980 |
| 20 | | 7/31/13 1/ | 1,338,779,442 |
| 21 | | 8/31/13 1/ | 1,342,480,904 |
| 22 | | 9/30/13 1/ | 1,346,182,367 |
| 23 | | 10/31/13 1/ | 1,349,883,829 |
| 24 | | 11/30/13 1/ | 1,353,585,291 |
| 25 | | 12/31/13 1/ | 1,357,286,753 |
| 26 | | 1/31/14 1/ | 1,360,988,215 |
| 27 | | | |
| 28 | Rate Year Plant in Service - 5 Quarter Average | | \$ 1,338,779,442 |
| 29 | | | |
| 30 | 1/ Adjustment Detail: | | |
| 31 | Plant Detail 12 Months Ended 1/31/14 | | |
| 32 | Plant Additions 12 Months Ended 1/31/14 | | \$ 53,800,321 |
| 33 | Plant Retirements 12 Months Ended 1/31/14 | | (9,382,776) |
| 34 | Net Increase / (Decrease) | | \$ 44,417,545 |
| 35 | | | |
| 36 | Monthly Increase / (Decrease) | | \$ 3,701,462 |

Line Notes

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

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

| Line No. | Description | Period | Accumulated Depreciation |
|----------|---|-------------|--------------------------|
| 1 | Balance @ December 31, 2011 | | \$ 554,328,227 |
| 2 | | | |
| 3 | Depreciation Expense 1/1/12 - 12/31/12 | | 43,331,838 |
| 4 | Less: Net Cost of Removal / (Salvage) | | (7,158,482) |
| 5 | Less: Retirements | | (10,220,271) |
| 6 | Net Increase | | \$ 25,953,084 |
| 7 | | | |
| 8 | Balance @ December 31, 2012 | | 580,281,311 |
| 9 | | | |
| 10 | Depreciation Expense 1/1/13 - 1/31/13 | | 3,684,916 |
| 11 | Less: Net Cost of Removal / (Salvage) | | (589,583) |
| 12 | Less: Retirements | | (803,405) |
| 13 | Net Increase / (Decrease) | | \$ 2,291,927 |
| 14 | | | |
| 15 | Balance as of: | 1/31/13 | 582,573,239 |
| 16 | | | |
| 17 | | 2/28/13 1/ | \$ 584,954,986 |
| 18 | | 3/31/13 1/ | 587,336,733 |
| 19 | | 4/30/13 1/ | 589,718,481 |
| 20 | | 5/30/13 1/ | 592,100,228 |
| 21 | | 6/30/13 1/ | 594,481,976 |
| 22 | | 7/31/13 1/ | 596,863,723 |
| 23 | | 8/31/13 1/ | 599,245,471 |
| 24 | | 9/30/13 1/ | 601,627,218 |
| 25 | | 10/31/13 1/ | 604,008,965 |
| 26 | | 11/30/13 1/ | 606,390,713 |
| 27 | | 12/31/13 1/ | 608,772,460 |
| 28 | | 1/31/14 1/ | 611,154,208 |
| 29 | | | |
| 30 | Rate Year Accumulated Depreciation - Five Quarter Average | | \$ 596,863,723 |
| 31 | | | |
| 32 | 1/ Rate Year Ended 1/31/14 Depreciation Reserve Detail: | | |
| 33 | Depreciation Expense | | \$ 45,038,745 |
| 34 | Net Cost of Removal / (Salvage) | | (7,075,000) |
| 35 | Less: Retirements | | (9,382,776) |
| 36 | Net Increase / (Decrease) | | \$ 28,580,969 |
| 37 | | | |
| 38 | Monthly Increase / (Decrease) | | \$ 2,381,747 |

Line Notes

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

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

| Line No. | Description | Period | (a) CIAC | (b) Materials and Supplies | (c) Prepayments | (d) Loss on Reacquired Debt | (e) Customer Deposits |
|----------|--|----------|-------------|-------------------------------|--------------------|--------------------------------|--------------------------|
| 1 | Distribution Only Balance @ December 31, 2011 | | \$ 102,772 | \$ 5,336,036 | \$ 1,513,552 | \$ 3,746,306 | \$ 5,784,669 |
| 2 | | | | | | | |
| 3 | Total 2012 Increase/(Decrease) | | - 1/ | 13,502 2/ | - 1/ | (443,434) 2/ | 907,232 2/ |
| 4 | | | | | | | |
| 5 | Distribution Only Balance @ December 31, 2012 | | \$ 102,772 | \$ 5,349,538 | \$ 1,513,552 | \$ 3,302,871 | \$ 6,691,901 |
| 6 | | | | | | | |
| 7 | | 1/31/13 | 102,772 | 5,350,663 | 1,513,552 | 3,267,378 | 6,767,504 |
| 8 | | 2/28/13 | 102,772 | 5,351,788 | 1,513,552 | 3,231,885 | 6,843,107 |
| 9 | | 3/31/13 | 102,772 | 5,352,913 | 1,513,552 | 3,196,392 | 6,918,710 |
| 10 | | 4/30/13 | 102,772 | 5,354,038 | 1,513,552 | 3,160,899 | 6,994,312 |
| 11 | | 5/31/13 | 102,772 | 5,355,163 | 1,513,552 | 3,125,406 | 7,069,915 |
| 12 | | 6/30/13 | 102,772 | 5,356,289 | 1,513,552 | 3,089,913 | 7,145,518 |
| 13 | | 7/31/13 | 102,772 | 5,357,414 | 1,513,552 | 3,054,420 | 7,221,120 |
| 14 | | 8/31/13 | 102,772 | 5,358,539 | 1,513,552 | 3,018,927 | 7,296,723 |
| 15 | | 9/30/13 | 102,772 | 5,359,664 | 1,513,552 | 2,985,396 | 7,372,326 |
| 16 | | 10/31/13 | 102,772 | 5,360,789 | 1,513,552 | 2,959,364 | 7,447,928 |
| 17 | | 11/30/13 | 102,772 | 5,361,914 | 1,513,552 | 2,933,333 | 7,523,531 |
| 18 | | 12/31/13 | 102,772 | 5,361,914 | 1,513,552 | 2,907,301 | 7,523,531 |
| 19 | | 1/31/14 | 102,772 | 5,363,039 | 1,513,552 | 2,881,269 | 7,599,134 |
| 20 | | | | | | | |
| 21 | Rate Year Amounts - Five Quarter Average | | \$ 102,772 | \$ 5,357,189 | \$ 1,513,552 | \$ 3,064,666 | \$ 7,206,000 |
| 22 | | | | | | | |
| 23 | Changes: | | | | | | |
| 24 | Total 2012 Increase/(Decrease) | | \$ - 1/ | \$ 16,910 2/ | \$ - 1/ | 3/ | \$ 907,232 2/ |
| 25 | | | | | | | |
| 26 | Percentage Applicable to IFA | | 0.00% | 20.16% | 20.16% | 20.16% | 0.00% |
| 27 | | | | | | | |
| 28 | Less Amount Applicable to IFA | | - | (3,409) | - | - | - |
| 29 | | | | | | | |
| 30 | Total 2012 Distribution Only Increase/(Decrease) | | - | 13,502 | - | - | 907,232 |
| 31 | | | | | | | |
| 32 | Monthly Change | | \$ - | \$ 1,125 | \$ - | \$ - | \$ 75,603 |
| 33 | | | | | | | |

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

Line Notes

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

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

| Line No. | Description | Period or Amount | Amount | Amount | Accumulated Deferred Income Tax |
|----------|--|------------------|---------------|-----------------------|---------------------------------|
| 1 | Balance as of December 31, 2011 | | | | \$ 176,749,507 |
| 2 | | | | | |
| 3 | Adjustment for Repairs Safe Harbor as of 3/31/12 | | | | (7,403,074) 1/ |
| 4 | Increase / (Decrease) 12 Months Ended 12/31/12 | | | | <u>5,546,828</u> |
| 5 | | | | | |
| 6 | Balance as of December 31, 2012 | | | | 174,893,261 |
| 7 | | | | | |
| 8 | Increase / (Decrease) 1 Months Ended 1/31/13 | | | | 521,151 2/ |
| 9 | | | | | |
| 10 | Balance as of: | 1/31/13 | | | 175,414,412 |
| 11 | | | | | |
| 12 | | 2/28/13 | | | 175,250,419 3/ |
| 13 | | 3/31/13 | | | 175,086,427 3/ |
| 14 | | 4/30/13 | | | 174,922,434 3/ |
| 15 | | 5/30/13 | | | 174,758,442 3/ |
| 16 | | 6/30/13 | | | 174,594,449 3/ |
| 17 | | 7/31/13 | | | 174,430,457 3/ |
| 18 | | 8/31/13 | | | 174,266,464 3/ |
| 19 | | 9/30/13 | | | 174,102,471 3/ |
| 20 | | 10/31/13 | | | 173,938,479 3/ |
| 21 | | 11/30/13 | | | 173,774,486 3/ |
| 22 | | 12/31/13 | | | 173,610,494 3/ |
| 23 | | 1/31/14 | | | <u>173,446,501 3/</u> |
| 24 | | | | | |
| 25 | Rate Year Accumulated Deferred Income Tax - Five Quarter Average | | | | <u>\$ 174,430,457</u> |
| 26 | | | | | |
| 27 | | | | | |
| 28 | 1/ <u>12 Months Ended 12/31/12:</u> | <u>Book</u> | <u>Tax</u> | <u>Difference</u> | |
| 29 | | (a) | (b) | (c) | |
| 30 | Depreciation | \$ 43,331,838 | \$ 59,179,916 | \$ 15,848,079 | |
| 31 | Income Tax Rate | | | 35.00% | |
| 32 | Annual Change to Accumulated Deferred Taxes | | | <u>\$ 5,546,828</u> | |
| 33 | | | | | |
| 34 | Adjustment for Repairs Safe Harbor as of March 31, 2012 | | | \$ (21,151,640) | |
| 35 | Income Tax Rate | | | 35.00% | |
| 36 | Decrease to Accumulated Deferred Taxes | | | <u>\$ (7,403,074)</u> | |
| 37 | | | | | |
| 38 | 2/ <u>1 Months Ended 1/31/13:</u> | | | | |
| 39 | | | | | |
| 40 | Depreciation | \$ 3,684,916 | \$ 5,173,919 | \$ 1,489,003 | |
| 41 | Income Tax Rate | | | 35% | |
| 42 | Annual Change to Accumulated Deferred Taxes | | | <u>\$ 521,151</u> | |
| 43 | | | | | |
| 44 | 3/ <u>12 Months Ended 1/31/14:</u> | | | | |
| 45 | | | | | |
| 46 | Depreciation | \$ 45,038,745 | \$ 39,416,143 | \$ (5,622,602) | |
| 47 | Income Tax Rate | | | 35.00% | |
| 48 | Annual Change to Accumulated Deferred Taxes | | | <u>\$ (1,967,911)</u> | |
| 49 | | | | | |
| 50 | Monthly Change to Accumulated Deferred Taxes | | | <u>\$ (163,993)</u> | |

Line Notes

| | | | |
|-------|---|-------|--|
| 1 | From Page 64 of 71 Line 18(e) | 40(a) | From Page 52 of 71 Line 40 |
| 3 | Line 36 | 40(b) | Workpaper MDL-22-ELEC Page 1, Line 11(b) |
| 4 | Line 32 | 40(c) | Line 40(a) - Line 40(b) |
| 6 | Sum of Line 1 thru Line 4 | 42 | Line 40(c) x Line 41 |
| 8 | Line 42 | 46(a) | From Page 52 of 71 Line 58 |
| 10 | Line 6 + Line 8 | 46(b) | Workpaper MDL-22-ELEC Page 1, Line 11(c) |
| 12-23 | Prior Month Balance + Monthly change at Line 50 | 46(c) | Line 46(a) - Line 46(b) |
| 25 | Average of Lines 10, 14, 17, 20 and 23 | 48 | Line 46(c) x Line 47 |
| 30(a) | From Page 52 of 71 Line 23 | 50 | Line 48 / 12 |
| 30(b) | Workpaper MDL-22-ELEC Page 1, Line 11(a) | | |
| 30(c) | Line 30(a) - Line 30(b) | | |
| 32 | Line 30(c) x Line 31 | | |
| 34 | From Tax Department | | |
| 36 | Line 34(c) x Line 35 | | |

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

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

Line Notes

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

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

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

Witness: Michael D. Laflamme

Schedule MDL-3-GAS

Narragansett Gas Cost of Service

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

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

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**The Narragansett Electric Company d/b/a National Grid
Revenue Deficiency Summary**

Test Year Ended December 31, 2011

| | (a) | (b) | (a) + (b) (c) | (d) | (c) + (d) (e) | (f) | (e) + (f) (g) |
|---|-----------------|----------------------------|-----------------------------|--------------------------|-----------------------|---------------------------|------------------------|
| | Test Year Books | Normalizing Adjustments | Adjusted Test Year Books | Pro Forma Adjustments | Rate Year Adjusted | Proposed Rate Increase | After Rate Increase |
| 1 Revenues | \$438,798,143 | (\$87,186,600) | \$351,611,543 | \$1,096,273 | \$352,707,816 | \$19,952,203 | \$372,660,019 |
| 2 | | | | | | | |
| 3 Cost of Gas | \$257,195,602 | (\$57,664,271) | \$199,531,331 | \$0 | \$199,531,331 | | \$199,531,331 |
| 4 | | | | | | | |
| 5 Margin | \$181,602,541 | (\$29,522,329) | \$152,080,212 | \$1,096,273 | \$153,176,486 | \$19,952,203 | \$173,128,689 |
| 6 | | | | | | | |
| 7 Operation & Maintenance Expense | \$109,200,887 | (\$16,662,644) | \$92,538,244 | (\$7,435,308) | \$85,102,935 | \$756,188 | \$85,859,124 |
| 8 | | | | | | | |
| 9 Depreciation & Amortization - Plant | \$22,015,861 | (\$190,627) | \$21,825,234 | \$6,301,991 | \$28,127,225 | | \$28,127,225 |
| 10 | | | | | | | |
| 11 Amortization of Other Assets | \$3,046,486 | (\$1,362,507) | \$1,683,979 | \$0 | \$1,683,979 | | \$1,683,979 |
| 12 | | | | | | | |
| 13 Gross Receipts Tax | \$11,282,572 | (\$11,282,572) | \$0 | \$0 | \$0 | | \$0 |
| 14 | | | | | | | |
| 15 Taxes Other Than Income | \$14,053,812 | (\$2,573) | \$14,051,239 | \$2,145,381 | \$16,196,620 | | \$16,196,620 |
| 16 | | | | | | | |
| 17 Interest on Customers Deposits | \$0 | \$0 | \$0 | \$127,506 | \$127,506 | | \$127,506 |
| 18 | | | | | | | |
| 19 Operating Income Before Income Taxes | \$22,002,923 | (\$21,406) | \$21,981,517 | (\$43,296) | \$21,938,220 | \$19,196,015 | \$41,134,235 |
| 20 | | | | | | | |
| 21 Income Taxes | | | \$4,591,638 | (\$670,897) | \$3,920,741 | \$6,718,606 | \$10,639,347 |
| 22 | | | | | | | |
| 23 Operating Income After Income Taxes | | | \$17,389,879 | \$627,601 | \$18,017,479 | \$12,477,410 | \$30,494,889 |
| 24 | | | | | | | |
| 25 Rate Base | | | \$305,386,511 | | \$369,945,459 | | \$369,945,459 |
| 26 | | | | | | | |
| 27 Rate Of Return | | | 5.69% | | 4.87% | | 8.24% |
| 28 | | | | | | | |
| 29 Cost of Capital | | | 8.24% | | | | 8.24% |
| 30 | | | | | | | |
| 31 Difference | | | 2.55% | | | | 0.00% |

Line Notes

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

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

| | | |
|----|---|---------------------|
| | <u>Revenue Requirement Calculation</u> | |
| 1 | Rate Base | \$369,945,459 |
| 2 | Rate of Return | 4.87% |
| 3 | Required Return | 8.24% |
| 4 | | |
| 5 | Required Operating Income | \$30,494,889 |
| 6 | Operating Income After Taxes | \$18,017,479 |
| 7 | Shortfall/(Excess) | \$12,477,410 |
| 8 | | |
| 9 | Gross up Factor for Taxes | 1.5991 |
| 10 | | |
| 11 | Revenue/(Excess) Requirement | \$19,952,203 |
| 12 | | |
| 13 | | |
| 14 | Gross Up Factor Calculation | 100.00% |
| 15 | Uncollectibles | -3.79% |
| 16 | | 96.21% |
| 17 | Federal Income Taxes @ 35% | -33.67% |
| 18 | Net | 62.54% |
| 19 | Gross Up Factor | 1.5991 |

Line Notes

| | |
|----|---|
| 1 | From Page 58 of 65 line 27(c) |
| 2 | From Page 1 of 65 line 27(e) |
| 3 | From Page 56 of 65, Line 9(c) |
| 5 | Line 1 x Line 3 |
| 6 | From Page 1 of 65 line 23(e) |
| 7 | Line 5 - Line 6 |
| 9 | Line 19 |
| 11 | Line 7 x Line 9 |
| 15 | From Page 45 of 65 line 9(c) |
| 16 | Line 14 - Line 15 |
| 17 | 35% (Federal Income Tax Rate) x line 16 |
| 18 | Line 16 - Line 17 |
| 19 | Line 14 / Line 18 |

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

| (a)=sum (b)-(f) | | | | | | | | | | | | | | |
|------------------------------------|---------------|-------------------|---|-------------|------------------------------|--------------------|-------------|-------------|---------------|---------------|-----|-----|--|-----|
| | (a) | (b) | | (c) | | (d) | (e) | (f) | (g) | | (h) | (i) | | (j) |
| | Total | Firm Tariff Rates | Base Revenues Gas Lighting & Special Contract | NF Margin | Late Payment & Other Fees | GCR Collections | Company Use | LNG O & M | ISR | DAC | RDM | | | |
| Revenues | \$352,707,816 | \$136,686,245 | \$201,837 | \$2,914,240 | \$199,531,330 | \$0 | \$0 | \$1,048,720 | \$6,924,425 | \$3,888,810 | | | | |
| Cost of Gas | \$199,531,331 | | | | | | | | | | | | | |
| Margin | \$153,176,486 | \$136,686,245 | \$201,837 | \$2,914,240 | \$199,531,330 | \$0 | \$0 | \$1,048,720 | \$6,924,425 | \$3,888,810 | | | | |
| Operation & Maintenance Expense | \$85,859,124 | \$84,434,186 | | | | | \$276,662 | \$1,148,276 | | | | | | |
| Depreciation | \$28,127,225 | \$28,127,225 | | | | | | | | | | | | |
| Amortization | \$1,683,979 | \$1,683,979 | | | | | | | | | | | | |
| Taxes Other Than Income | \$16,196,620 | \$16,196,620 | | | | | | | | | | | | |
| Interest on Customers Deposits | \$127,506 | \$127,506 | | | | | | | | | | | | |
| Income Taxes | \$10,639,347 | \$10,639,347 | | | | | | | | | | | | |
| Rate Base | \$369,945,459 | \$369,945,459 | | | | | | | | | | | | |
| Cost of Capital | 8.24% | | | | | | | | | | | | | |
| Return on Rate Base | \$30,494,889 | \$30,494,889 | | | | | | | | | | | | |
| Total Revenue Requirement | \$173,128,690 | \$171,703,752 | \$0 | \$0 | \$0 | \$0 | \$276,662 | \$1,148,276 | \$0 | \$0 | | | | |
| Reallocation/Adjustments | | | | | | | | | | | | | | |
| Special Contracts | \$0 | (\$201,837) | \$201,837 | \$2,914,240 | | | | | | | | | | |
| Late Payment Charges & Other Fees | \$0 | (\$2,914,240) | | | | | | | | | | | | |
| NF Margin | \$0 | (\$1,512,209) | \$1,512,209 | \$2,914,240 | | | | | | | | | | |
| Sub-total Reallocation/Adjustments | \$0 | (\$4,628,286) | \$201,837 | \$2,914,240 | | | | | | | | | | |
| Final Rate Year Revenues | \$173,128,690 | \$167,075,466 | \$1,512,209 | \$2,914,240 | \$0 | \$0 | \$276,662 | \$1,148,276 | \$0 | \$0 | | | | |
| Total Rate Increase | \$19,952,204 | \$30,389,221 | \$0 | \$0 | \$0 | \$0 | \$276,662 | \$99,556 | (\$6,924,425) | (\$3,888,810) | | | | |

Line Notes

| | |
|-----------|--|
| 1(b) | From Page 4 of 65, Sum of Line 4(e), Line 13(e), Line 15(e), and Line 16(e) |
| 1(c) | From Page 4 of 65, Line 5(e) |
| 1(d) | From Page 4 of 65, Sum of Line 37(e), Line 38(e), and Line 39(e) |
| 1(e) | From Page 4 of 65, Sum of Line 42(e), Line 45(e), Line 46(e), and Line 47(e) |
| 1(f) | From Page 4 of 65, Sum of Line 1(e), and Line 21(e) |
| 1(b) | From Page 4 of 65, Line 23(e) |
| 1(f) | From Page 4 of 65, Line 31(e) |
| 1(f) | From Page 4 of 65, Line 43(e) |
| 3(f) | From Page 6 of 65, Line 5(e) |
| 5 | Line 1 - Line 3 |
| 7(b)-7(f) | From Company books |
| 9(b) | From Page 6 of 65, Line 13(e) + Line 14(e) |
| 11(b) | From Page 6 of 65, Line 15(e) |
| 13(b) | From Page 6 of 65, Line 17(e) |
| 15(b) | From Page 6 of 65, Line 19(e) |
| 17(b) | From Page 6 of 65, Line 18(e) |
| 19(b) | From Page 58 of 65, Line 27(c) |
| 20(b) | From Page 56 of 65, Line 9(e) |
| 21(b) | Line 19 x Line 20 |
| 23 | Sum of Line 7 thru Line 17 + Line 21 |
| 27-31 | From Company books |
| 33 | Sum of Line 23 thru Line 31 |
| 35 | Line 33 - Line 5 |

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

| | (a) | (b) | (a) + (b) (c) Adjusted Test Year Books | (d) | (c) + (d) (e) Rate Year Adjusted |
|---|----------------------|----------------------------|--|--------------------------|---|
| | Test Year Books | Normalizing Adjustments | | Pro Forma Adjustments | |
| Firm Revenues: | | | | | |
| 1 Gas Cost Recovery (not including unbilled) | \$221,472,648 | \$0 | \$221,472,648 | \$0 | \$221,472,648 |
| 2 DAC Revenues | \$4,073,830 | \$0 | \$4,073,830 | \$0 | \$4,073,830 |
| 3 Energy Efficiency Revenues | \$7,932,760 | \$0 | \$7,932,760 | \$0 | \$7,932,760 |
| 4 Delivery- Base Revenues | \$134,233,623 | \$38,277 | \$134,271,900 | (\$979,554) | \$133,292,346 |
| 5 Interruptible Firm | \$3,513,358 | (\$3,513,358) | \$0 | \$1,512,209 | \$1,512,209 |
| 6 Off System Sales | \$54,883,515 | (\$54,883,515) | \$0 | \$0 | \$0 |
| 7 Unbilled Revenues & Cost | (\$3,441,157) | \$3,441,157 | \$0 | \$0 | \$0 |
| 8 | | | | | |
| 9 Total Firm Revenues | \$422,668,577 | (\$54,917,439) | \$367,751,138 | \$532,655 | \$368,283,793 |
| 10 | | | | | |
| 11 | | | | | |
| Other Operating Revenues: | | | | | |
| 12 LIAP in Base Rates | \$1,784,964 | \$0 | \$1,784,964 | \$0 | \$1,784,964 |
| 14 Energy Efficiency-Weatherization Program in Base Rates | \$0 | \$0 | \$0 | \$0 | \$0 |
| 15 Advanced Gas Technologies in Base Rates | \$299,255 | \$0 | \$299,255 | \$0 | \$299,255 |
| 16 Environmental Cost Recovery in Base Rates | \$1,309,680 | \$0 | \$1,309,680 | \$0 | \$1,309,680 |
| 17 | | | | | |
| 18 Gross Receipts Tax Revenues | \$11,149,139 | (\$11,149,139) | \$0 | \$0 | \$0 |
| 19 | | | | | |
| 20 GCR | \$0 | \$0 | \$0 | \$0 | \$0 |
| 21 GCR Deferral | (\$10,281,008) | (\$11,660,310) | (\$21,941,318) | \$0 | (\$21,941,318) |
| 22 Bad Debt | \$5,449,212 | \$1,452,749 | \$6,901,961 | (\$6,901,961) | \$0 |
| 23 LNG O&M | \$1,048,720 | \$0 | \$1,048,720 | \$0 | \$1,048,720 |
| 24 | | | | | |
| 25 EE Deferral | \$4,258,138 | (\$12,190,898) | (\$7,932,760) | \$0 | (\$7,932,760) |
| 26 EE Bad Debt | \$0 | \$265,747 | \$265,747 | (\$265,747) | \$0 |
| 27 | | | | | |
| 28 DAC Deferral | (\$3,732,597) | (\$341,233) | (\$4,073,830) | \$0 | (\$4,073,830) |
| 29 DAC B/D | \$0 | \$235,639 | \$235,639 | (\$235,639) | \$0 |
| 30 | | | | | |
| 31 Capital Tracker/ARP/ISR | \$1,644,936 | (\$1,395,556) | \$249,380 | \$6,675,045 | \$6,924,425 |
| 32 | | | | | |
| 33 Weather | (\$1,872,000) | \$1,872,000 | \$0 | \$0 | \$0 |
| 34 | | | | | |
| 35 FT-1 & FT-2 Pool Aggregation Charge | \$38,111 | (\$38,111) | \$0 | \$0 | \$0 |
| 36 | | | | | |
| 37 Dominion Virginia Power | \$49,470 | \$132,613 | \$182,083 | \$0 | \$182,083 |
| 38 Gas Lights | \$19,303 | \$0 | \$19,303 | \$0 | \$19,303 |
| 39 Other Revenues | \$27,102 | (\$26,651) | \$451 | \$0 | \$451 |
| 40 | | | | | |
| 41 | | | | | |
| 42 Account 493661 - Rental Expense | \$298,279 | \$6,899 | \$305,178 | \$0 | \$305,178 |
| 43 Revenue Decoupling Adjustment | \$2,596,890 | \$0 | \$2,596,890 | \$1,291,920 | \$3,888,810 |
| 44 Other Revenue Adjustment | \$1,200,833 | (\$1,200,833) | \$0 | \$0 | \$0 |
| 45 Algonquin LNG Displacement Agreement | \$841,139 | \$0 | \$841,139 | \$0 | \$841,139 |
| 46 Customer Arrearage (Account 419010) | \$0 | \$807,755 | \$807,755 | \$0 | \$807,755 |
| 47 AFUDC - Equity/Debt | \$0 | \$960,168 | \$960,168 | \$0 | \$960,168 |
| 48 | | | | | |
| 49 Total Other Operating Revenues | \$16,129,566 | (\$32,269,161) | (\$16,139,595) | \$563,618 | (\$15,575,977) |
| 50 | | | | | |
| 51 Total Operating Revenues | \$438,798,143 | (\$87,186,600) | \$351,611,543 | \$1,096,273 | \$352,707,816 |

Column Notes

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

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

| | (a) Normalizing Adjustments | (b) Pro Forma Adjustments |
|---|-----------------------------------|---------------------------------|
| Firm Revenues: | | |
| 1 Gas Cost Recovery (not including unbilled) | \$0 | \$0 |
| 2 DAC Revenues | \$0 | \$0 |
| 3 Energy Efficiency Revenues | \$0 | \$0 |
| 4 Delivery- Base Revenues | \$38,277 | (\$979,554) |
| 5 Interruptable Firm | (\$3,513,358) | \$1,512,209 |
| 6 Off System Sales | (\$54,883,515) | \$0 |
| 7 Unbilled Revenues & Cost | \$3,441,157 | \$0 |
| 8 | | |
| 9 Adjustments to Firm Revenues | (\$54,917,439) | \$532,655 |
| 10 | | |
| 11 | | |
| 12 Other Operating Revenues: | | |
| 13 LIAP in Base Rates | \$0 | \$0 |
| 14 Energy Efficiency-Weatherization Program in Base Rates | \$0 | \$0 |
| 15 Advanced Gas Technologies in Base Rates | \$0 | \$0 |
| 16 Environmental Cost Recovery in Base Rates | \$0 | \$0 |
| 17 | | |
| 18 Gross Receipts Tax Revenues | (\$11,149,139) | \$0 |
| 19 | | |
| 20 GCR | \$0 | \$0 |
| 21 GCR Deferral | (\$11,660,310) | \$0 |
| 22 Bad Debt | \$1,452,749 | (\$6,901,961) |
| 23 LNG O&M | \$0 | \$0 |
| 24 | | |
| 25 EE Deferral | (\$12,190,898) | \$0 |
| 26 EE Bad Debt | \$265,747 | (\$265,747) |
| 27 | | |
| 28 DAC Deferral | (\$341,233) | \$0 |
| 29 DAC B/D | \$235,639 | (\$235,639) |
| 30 | | |
| 31 Capital Tracker/ARP/ISR | (\$1,395,556) | \$6,675,045 |
| 32 | | |
| 33 Weather | \$1,872,000 | \$0 |
| 34 | | |
| 35 FT-1 & FT-2 Pool Aggregation Charge | (\$38,111) | \$0 |
| 36 | | |
| 37 Dominion Virginia Power | \$132,613 | \$0 |
| 38 Gas Lights | \$0 | \$0 |
| 39 Other Revenues | (\$26,651) | \$0 |
| 40 | | |
| 41 | | |
| 42 Account 493661 - Rental Expense | \$6,899 | \$0 |
| 43 Revenue Decoupling Adjustment | \$0 | \$1,291,920 |
| 44 Other Revenue Adjustment | (\$1,200,833) | \$0 |
| 45 Algonquin LNG Displacement Agreement | \$0 | \$0 |
| 46 Customer Arrearage (Account 419010) | \$807,755 | \$0 |
| 47 AFUDC - Equity/Debt | \$960,168 | \$0 |
| 48 | | |
| 49 Adjustments to Other Operating Revenues | (\$32,269,161) | \$563,618 |
| 50 | | |
| 51 Total Revenue Adjustments | (\$87,186,600) | \$1,096,273 |

Line Notes

From Company books

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

| | (a) | (b) | (a) + (b) (c) | (d) | (c) + (d) (e) |
|--|--------------------|----------------------------|--------------------------------|--------------------------|--------------------------------|
| | Test Year Books | Normalizing Adjustments | Adjusted Test Year Books | Pro Forma Adjustments | Adjusted Rate Year Books |
| 1 Cost of Gas-Retail | \$198,096,970 | \$1,434,361 | \$199,531,331 | \$0 | \$199,531,331 |
| 2 | | | | | |
| 3 -Optimization & Other Off System Sales | \$59,098,632 | (\$59,098,632) | \$0 | \$0 | \$0 |
| 4 | | | | | |
| 5 Total Cost of Gas | \$257,195,602 | (\$57,664,271) | \$199,531,331 | \$0 | \$199,531,331 |
| 6 | | | | | |
| 7 Other Operation and Maintenance Expenses | \$109,200,887 | (\$16,662,644) | \$92,538,244 | (\$7,435,308) | \$85,102,935 |
| 8 Uncollectibles on Proposed Rate Increase | | | | \$756,188 | \$756,188 |
| 9 | | | | | |
| 10 Total Operation & Maintenance Expenses | \$109,200,887 | (\$16,662,644) | \$92,538,244 | (\$6,679,120) | \$85,859,124 |
| 11 | | | | | |
| 12 | | | | | |
| 13 Depreciation Expense | \$20,770,785 | (190,627) | \$20,580,158 | \$ 6,301,991 | \$26,882,149 |
| 14 Amortization of Utility Plant | \$1,245,076 | \$0 | \$1,245,076 | \$0 | \$1,245,076 |
| 15 Amortization of Other Assets | \$3,046,486 | (\$1,362,507) | \$1,683,979 | \$0 | \$1,683,979 |
| 16 Gross Receipts Tax | \$11,282,572 | (\$11,282,572) | \$0 | \$0 | \$0 |
| 17 Taxes Other Than Income | \$14,053,812 | (\$2,573) | \$14,051,239 | \$2,145,381 | \$16,196,620 |
| 18 Federal & Deferred Income Tax | | | \$4,591,638 | \$6,047,709 | \$10,639,347 |
| 19 Interest on Customer Deposits | | | \$0 | \$127,506 | \$127,506 |
| 20 Operating Income After Taxes | | | \$17,389,879 | \$13,105,010 | \$30,494,889 |
| 21 | | | | | |
| 22 | | | | | |
| 23 Total Cost of Service | | | \$351,611,543 | \$21,048,477 | \$372,660,020 |

Line Notes

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

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

| | | (a) | (b) | (a) + (b) (c) | (d) | (c) + (d) (e) | |
|----|--|------------------------------|----------------------------|--|--------------------------|-----------------------|---------------|
| | | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustments | Rate Year Adjusted | |
| | Reference | | | | | | |
| 1 | Operation & Maintenance Expenses | | | | | | |
| 2 | Gas Cost | Page 6 of 65 | \$257,195,602 | (\$57,664,271) | \$199,531,331 | \$0 | \$199,531,331 |
| 3 | Labor | Page 10 of 65 | \$37,509,062 | (\$1,505,434) | \$36,003,627 | (\$4,282,315) | \$31,721,312 |
| 4 | Healthcare | Page 23 of 65 | \$4,834,351 | (\$81,151) | \$4,753,200 | \$11,578 | \$4,764,778 |
| 5 | 401K Match | Page 24 of 65 | \$728,561 | (\$6,982) | \$721,579 | (\$94,792) | \$626,787 |
| 6 | 401K Pension Replacement Plan | Page 25 of 65 | \$1,823 | \$0 | \$1,823 | \$110,181 | \$112,004 |
| 7 | Donations | Page 26 of 65 | \$0 | \$235,086 | \$235,086 | \$0 | \$235,086 |
| 8 | Computer Software Purchases | Page 27 of 65 | \$1,218,721 | (\$56,966) | \$1,161,756 | \$1,804,095 | \$2,965,851 |
| 9 | Regulatory Assessments | Page 28 of 65 | \$1,468,122 | \$0 | \$1,468,122 | (\$87,372) | \$1,380,750 |
| 10 | Facilities | Page 29 of 65 | \$2,736,138 | (\$104,590) | \$2,631,548 | \$237,620 | \$2,869,169 |
| 11 | Facilities Consolidation Savings | Page 30 of 65 | \$0 | \$0 | \$0 | (\$438,870) | (\$438,870) |
| 12 | Claims | Page 31 of 65 | \$395,202 | \$0 | \$395,202 | \$383,316 | \$778,518 |
| 13 | Insurance Premiums | Page 32 of 65 | \$620,945 | \$21,171 | \$642,116 | \$284 | \$642,400 |
| 14 | Payroll Taxes | Page 34 of 65 | \$550,730 | (\$42,963) | \$507,767 | (\$90,355) | \$417,412 |
| 15 | OPEB's | Page 35 of 65 | \$5,297,250 | (\$858,213) | \$4,439,037 | (\$116,233) | \$4,322,804 |
| 16 | Pensions | Page 36 of 65 | \$7,141,101 | (\$2,282,261) | \$4,858,840 | \$2,821,012 | \$7,679,852 |
| 17 | Postage | Page 37 of 65 | \$1,353,157 | (\$32) | \$1,353,126 | \$56,035 | \$1,409,161 |
| 18 | Energy Efficiency Expense | Page 38 of 65 | \$4,526,468 | (\$4,526,468) | \$0 | \$0 | \$0 |
| 19 | GCR-Related Operation & Maintenance | Page 39 of 65 | \$673,761 | \$0 | \$673,761 | \$25,670 | \$699,431 |
| 20 | LIAP Expense | Page 40 of 65 | \$1,663,666 | (\$78,666) | \$1,585,000 | \$0 | \$1,585,000 |
| 21 | Weatherization Expense | Page 40 of 65 | \$267,629 | (\$67,629) | \$200,000 | \$0 | \$200,000 |
| 22 | Rate Case Expense | Page 41 of 65 | \$0 | \$0 | \$0 | \$275,458 | \$275,458 |
| 23 | Consumer Advocate | Page 42 of 65 | - | - | - | 156,314 | \$156,314 |
| 24 | Additional US Foundations Support Staff | Page 43 of 65 | - | - | - | 92,126 | \$92,126 |
| 25 | Advertising | Page 44 of 65 | \$373,987 | (\$300,810) | \$73,177 | \$353,811 | \$426,988 |
| 26 | Uncollectibles - Commodity | Page 45 of 65 | \$0 | \$5,355,163 | \$5,355,163 | (\$5,355,163) | \$0 |
| 27 | Uncollectibles - DAC | Page 45 of 65 | \$0 | \$2,809 | \$2,809 | (\$2,809) | \$0 |
| 28 | Uncollectibles - Energy Efficiency | Page 45 of 65 | \$0 | \$299,896 | \$299,896 | (\$299,896) | \$0 |
| 29 | Uncollectibles - Distribution | Page 45 of 65 | \$10,533,193 | (\$7,142,484) | \$3,390,709 | \$1,854,662 | \$5,245,371 |
| 30 | Productivity & Efficiency Savings | Page 46 of 65 | \$0 | \$0 | \$0 | (\$1,134,002) | (\$1,134,002) |
| 31 | Reallocation of Service Company Charges | Page 47 of 65 | \$0 | \$0 | \$0 | (\$4,452,323) | (\$4,452,323) |
| 32 | Other O & M Expenses | Page 48 of 65 | \$24,857,020 | (\$5,522,121) | \$19,334,899 | \$736,660 | \$20,071,558 |
| 33 | Company Share of Net Merger Synergies | | \$2,450,000 | | \$2,450,000 | \$0 | \$2,450,000 |
| 34 | Total Other Operation and Maintenance Expenses | | \$109,200,887 | (\$16,662,644) | \$92,538,244 | (\$7,435,308) | \$85,102,935 |

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

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

Column/Line Notes

Column (g) = Sum of Column (b) thru Column (f)

Column (h) = Column (a) + Column (g)

28 Sum of Line 4 thru Line 27

43 Sum of Line 32 thru Line 41

45 Line 28 + Line 43

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

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

Line Notes

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

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

| | (a) | (b) | (a) + (b) (c) | (d) | (c) +(d) (e) |
|------------------------------|------------------------------|----------------------------|--|--------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustments | Rate Year Adjusted |
| 1 Company Direct | \$18,266,648 | (\$1,114,684) | \$17,151,964 | (\$1,193,851) | \$15,958,113 |
| 2 KeySpan Corporate Services | \$7,032,035 | (\$607,812) | \$6,424,223 | (\$1,086,699) | \$5,337,524 |
| 3 KeySpan Utility Services | \$70,488 | \$0 | \$70,488 | (\$4,548) | \$65,940 |
| 4 National Grid USA Services | \$12,456,710 | (\$1,376,769) | \$11,079,941 | (\$1,997,217) | \$9,082,725 |
| 5 Other | (\$316,819) | \$1,593,830 | \$1,277,011 | \$0 | \$1,277,011 |
| 6 Total | <u>\$37,509,062</u> | <u>(\$1,505,434)</u> | <u>\$36,003,627</u> | <u>(\$4,282,315)</u> | <u>\$31,721,312</u> |

Line Notes

1(a)-5(a) From Page 11 of 65, Line 7

1(b)-5(b) From Page 13 of 65, Line 35

1(d)-5(d) From Page 14 of 65, Line 33, Column (c) thru Line 41, Column (c)

6 Sum of Line 1 thru Line 5

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

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

Line Notes

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

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

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

Schedule MDL-3-GAS

Page 12 of 65

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

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

Line Notes

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

Line Notes (Continued)

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

Line Notes (Continued)

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

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

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

Line Notes

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

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

| | | (a) | (b) | (c) |
|----|-----------------------------------|-----------------------|-----------------------|-----------------------|
| | Base Pay | Union | Management | Adjustment |
| 1 | Company Direct Charges | \$ (862,549) | \$ (180,229) | \$ (1,042,778) |
| 2 | | | | |
| 3 | KeySpan Corporate Services Direct | 17,132 | (270,782) | (253,650) |
| 4 | | | | |
| 5 | KeySpan Utility Services Direct | 321 | (1,410) | (1,089) |
| 6 | | | | |
| 7 | National Grid USA Service Co | (718,258) | (491,466) | (1,209,725) |
| 8 | | | | |
| 9 | Other | - | - | - |
| 10 | | | | |
| 11 | Sub Total | \$ (1,563,354) | \$ (943,887) | \$ (2,507,241) |
| 12 | | | | |
| 13 | | | | |
| 14 | | Union | Management | |
| 15 | Variable Pay | Goals | Variable Pay | Adjustment |
| 16 | | | | |
| 17 | Company Direct Charges | \$ (203,402) | \$ 52,329 | \$ (151,073) |
| 18 | | | | |
| 19 | KeySpan Corporate Services Direct | (75,066) | (757,983) | (833,049) |
| 20 | | | | |
| 21 | KeySpan Utility Services Direct | (1,961) | (1,498) | (3,459) |
| 22 | | | | |
| 23 | National Grid USA Service Co | (478,493) | (308,999) | (787,492) |
| 24 | | | | |
| 25 | Other | - | - | - |
| 26 | | | | |
| 27 | Sub Total | \$ (758,923) | \$ (1,016,151) | \$ (1,775,074) |
| 28 | | | | |
| 29 | | | | |
| 30 | | Wages | Union Goals & | Total |
| 31 | Total Pay | Increase | Variable Pay | Adjustment |
| 32 | | | | |
| 33 | Company Direct Charges | \$ (1,042,778) | \$ (151,073) | \$ (1,193,851) |
| 34 | | | | |
| 35 | KeySpan Corporate Services Direct | (253,650) | (833,049) | (1,086,699) |
| 36 | | | | |
| 37 | KeySpan Utility Services Direct | (1,089) | (3,459) | (4,548) |
| 38 | | | | |
| 39 | National Grid USA Service Co | (1,209,725) | (787,492) | (1,997,217) |
| 40 | | | | |
| 41 | Other | - | - | - |
| 42 | | | | |
| 43 | Grand Total | \$ (2,507,241) | \$ (1,775,074) | \$ (4,282,315) |

Line Notes

- 1(a)-9(a) From Page 15 of 65, Line 18, Column (a) thru Column (e)
 1(b)-9(b) From Page 16 of 65, Line 24, Column (a) thru Column (e)
 1(c)-9(c) Sum of Column (a) + Column (b)
 11(a)-11(c) Sum of Line 1 thru Line 9
 17(a)-25(a) From Page 22 of 65 line 10, Column (a) thru Column (e)
 17(b)-25(b) From Page 21 of 65 line 15, Column (a) thru Column (e)
 17(c)-17(c) Sum of Column (a) + Column (b)
 33(a)-41(a) Line 1(c) thru Line 9(c)
 33(b)-41(b) Line 17(c) thru Line 25(c)
 33(c)-41(c) Sum of Column (a) + Column (b)

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

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

Line Notes

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

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
Docket No. R.I.P.U.C. _____
Schedule MDL-3-GAS
Page 16 of 65

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

| | (a) | (b) | (c) | (d) | (e) | (a)+(b)+(c)+(d)+(e) (f) |
|--|--------------|-------------------------------|-----------------------------|---------------------------------|----------------------------------|----------------------------|
| | Direct | KeySpan Corporate Services | KeySpan Utility Services | National Grid USA Service Co | Other National Grid Companies | Total |
| 1 Annual Base Management Wages - End of Year Employees | \$ 1,950,482 | \$ 130,835,911 | \$ 6,509,117 | \$ 182,065,628 | | \$ 321,361,138 |
| 2 Vacancies | - | 2,991,900 | - | 4,413,850 | | 7,405,750 |
| 3 | | | | | | |
| 4 Annual Base Management Wages - End of Year Employees | \$ 1,950,482 | \$ 133,827,811 | \$ 6,509,117 | \$ 186,479,478 | | \$ 328,766,888 |
| 5 | | | | | | |
| 6 Percentage Increase | 5.12% | 5.12% | 5.12% | 5.12% | | |
| 7 | | | | | | |
| 8 Total Adjusted Management Wages | \$ 2,050,347 | \$ 140,679,795 | \$ 6,842,384 | \$ 196,027,227 | | \$ 345,599,753 |
| 9 | | | | | | |
| 10 Percentage of Wages Charged to Company | 100.00% | 3.52% | 0.64% | 4.19% | | |
| 11 | | | | | | |
| 12 Percentage of Management Wages Charged to O & M | 62.82% | 92.35% | 100.00% | 72.33% | | |
| 13 | | | | | | |
| 14 Percentage of Management O & M Wages Charged to DSM | -0.38% | 3.37% | 0.00% | 6.97% | | |
| 15 | | | | | | |
| 16 Rate Year Base Management O&M Wages | \$ 1,288,028 | \$ 4,573,106 | \$ 43,791 | \$ 5,940,854 | | |
| 17 Plus: Annual OT Management Wages in Test Year | \$ 57,228 | \$ 57,865 | \$ - | \$ 126,865 | | |
| 18 Less: DSM Wages in Rate Year | \$ 4,895 | \$ (154,114) | \$ - | \$ (414,078) | | |
| 19 | | | | | | |
| 20 Total Rate Year Management O&M Wages | \$ 1,350,151 | \$ 4,476,857 | \$ 43,791 | \$ 5,653,641 | \$ 127,390 | \$ 11,651,830 |
| 21 | | | | | | |
| 22 Test Year Wages | \$ 1,530,380 | \$ 4,747,639 | \$ 45,201 | \$ 6,145,107 | \$ 127,390 | \$ 12,595,717 |
| 23 | | | | | | |
| 24 Total Management Wage Adjustment | \$ (180,229) | \$ (270,782) | \$ (1,410) | \$ (491,466) | \$ - | \$ (943,887) |
| 25 | | | | | | |
| 26 Number of Employee Vacancies | - | 32 | - | 50 | | |

Line Notes

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

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

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

Line Notes

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

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

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

Line Notes

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

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

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

Line Notes

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

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

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

Line Notes

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

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

| | | (a) | (b) | (c) | (d) | (e) | (a)+(b)+(c)+(d)+(e) (f) |
|----|---|------------|----------------------------------|--------------------------------|------------------------------------|-------------------------------------|----------------------------|
| | | Direct | KeySpan Corporate Services | KeySpan Utility Services | National Grid USA Service Co | Other National Grid Companies | Total |
| 1 | Target Annual Variable Pay - End of Year Employees | \$ 181,891 | \$ 15,112,734 | \$ 770,429 | \$ 20,569,830 | | \$36,634,884 |
| 2 | Target Annual Variable Pay - Vacancies | - | 326,875 | - | 458,739 | | |
| 3 | Total Target Annual Variable Pay | \$ 181,891 | \$ 15,439,610 | \$ 770,429 | \$ 21,028,569 | | |
| 4 | | | | | | | |
| 5 | Percentage of Annual Wages Charged to Company | 100.00% | 3.52% | 0.64% | 4.19% | | |
| 6 | Percentage of Management Wages Charged to O & M | 62.82% | 92.35% | 100.00% | 72.33% | | |
| 7 | Percentage of Management O & M Wages Charged to DSM | -0.38% | 3.37% | 0.00% | 6.97% | | |
| 8 | | | | | | | |
| 9 | Target Variable Pay Charged to O&M | \$ 114,264 | \$ 501,898 | \$ 4,931 | \$ 637,297 | \$ 5,360 | \$ 1,263,750 |
| 10 | | | | | | | |
| 11 | Test Year Variable Pay charged to O&M | \$ 61,701 | \$ 1,303,820 | \$ 6,429 | \$ 1,017,194 | \$ 5,360 | \$ 2,394,504 |
| 12 | Less: DSM Variable Pay in Rate Year | \$ 234 | \$ (43,939) | \$ - | \$ (70,898) | \$ - | \$ (114,603) |
| 13 | Test Year Variable Pay charged to O&M | \$ 61,935 | \$ 1,259,881 | \$ 6,429 | \$ 946,296 | \$ 5,360 | \$ 2,279,901 |
| 14 | | | | | | | |
| 15 | Variable Pay Adjustments | \$ 52,329 | \$ (757,983) | \$ (1,498) | \$ (308,999) | \$ - | \$ (1,016,151) |

Line Notes

1(a)-(d) From Workpaper MDL-3, Page 6 of 10

2(a)-(d) From Workpaper MDL-3, Page 7 of 10

3 Sum of Line 1 thru Line 2

5 From Page 12 of 65, Line 59

6 From Page 12 of 65, Line 72

7 From Page 12 of 65, Line 42 / Page 12 of 65, Line 51

9 Line 3 x Line 5 x Line 6

11 From Page 12 of 65, Line 43

12 - Line 7 x Line 11

13 Sum of Line 11 thru Line 12

15 Line 9 - Line 13

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

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

Line Notes

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

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

| | (a) | (b) | (a) + (b) (c) | (d) | (c) + (d) (e) |
|------------------------------|------------------------------|----------------------------|--|--------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustments | Rate Year Adjusted |
| 1 Company Direct | \$2,725,509 | \$0 | \$2,725,509 | (\$44,608) | \$2,680,901 |
| 2 KeySpan Corporate Services | \$936,149 | (\$79,045) | \$857,104 | (\$90,183) | \$766,921 |
| 3 KeySpan Utility Services | \$17,131 | \$0 | \$17,131 | (\$7,906) | \$9,225 |
| 4 National Grid USA Services | \$1,023,451 | \$0 | \$1,023,451 | \$154,275 | \$1,177,726 |
| 5 Other | \$132,111 | (\$2,106) | \$130,005 | \$0 | \$130,005 |
| 6 Total | <u>\$4,834,351</u> | <u>(\$81,151)</u> | <u>\$4,753,200</u> | <u>\$11,578</u> | <u>\$4,764,778</u> |

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

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

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

Line Notes

| | | | |
|-------------|---|---------------|--|
| 1(a)-5(a) | From Company books | 25 | (Line 23 + Line 24) x Line 22 |
| 1(b)-5(b) | Line 12 | 27 | Line 20 + Line 25 |
| 1(d)-5(d) | Line 45 | 33(k) - 33(n) | From Workpaper MDL-5 Page 1, Line 1(a) -Line (d) |
| 6 | Sum of Line 1 through line 5 | 35 | Line 27 |
| 11(f)-11(j) | From Page 8 of 65, Line 5(d) | 37 | From Page 12 of 65, Line 61 |
| 12 | Line 11 | 39 | From Page 12 of 65, Line 68 |
| 22 | From Page 16 of 65, Line 26 | 41 | (Line 33 + Line 35) x Line 37 x Line 39 |
| 23 | From Workpaper MDL-5 Page 1, Line 28(b) | 43(k) - 43(o) | Line 1(c) through Line 5(c) |
| 24 | From Workpaper MDL-5 Page 1, Line 29(b) | 45 | Line 41 - Line 43 |

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

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

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

| | (k) | (l) | (m) |
|-------------------------------|----------------------------------|----------------------------------|-------------------------------------|
| | Adjusted Test Year Labor Cost | Adjusted Test Year 401K Match | Average Expense Per Labor Dollar |
| 15 Adjustment for Vacancies | | | |
| 19 Company Direct Charges | \$ 17,151,964 | \$ 165,297 | 0.96% |
| 20 KeySpan Corporate Services | 6,424,223 | 124,542 | 1.94% |
| 21 KeySpan Utility Services | 70,488 | 2,106 | 2.99% |
| 22 National Grid USA Services | 11,079,941 | 344,894 | 3.11% |
| 23 Other | 1,277,011 | 84,741 | 6.64% |
| 24 Total | <u>\$ 36,003,627</u> | <u>\$ 721,579</u> | |

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

Line Notes

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

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

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

Line Notes

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

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

| | (a) | (b) | (a) + (b) (c) | (d) | (c) + (d) (e) |
|------------------------------|------------------------------|----------------------------|--|-------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustment | Rate Year Adjusted |
| 1 Company Direct | \$0 | \$262,436 | \$262,436 | \$0 | \$262,436 |
| 2 KeySpan Corporate Services | \$0 | (\$19,697) | (\$19,697) | \$0 | (\$19,697) |
| 3 KeySpan Utility Services | \$0 | \$0 | \$0 | \$0 | \$0 |
| 4 National Grid USA Services | \$0 | (\$5,153) | (\$5,153) | \$0 | (\$5,153) |
| 5 Other | \$0 | (\$2,500) | (\$2,500) | \$0 | (\$2,500) |
| 6 Total | <u>\$0</u> | <u>\$235,086</u> | <u>\$235,086</u> | <u>\$0</u> | <u>\$235,086</u> |

| | (f) | (g) | (h) | (i) | (j) |
|-----------------------------------|------------------|-------------------|-----------------|-------------------|------------------|
| | Company Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other |
| 11 Normalizing Adjustments | | | | | |
| 12 Reclassify Donations to O & M | \$212,284 | | | | |
| 13 Non Jurisdictional donations | | (\$19,697) | | (\$5,153) | (\$2,500) |
| 14 Additional test year donations | \$50,152 | | | | |
| 15 | | | | | |
| 16 Total | <u>\$262,436</u> | <u>(\$19,697)</u> | <u>\$0</u> | <u>(\$5,153)</u> | <u>(\$2,500)</u> |

Line Notes

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

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

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

| | (f) | (g) | (h) | (i) | (j) |
|----------------------------------|----------------|-------------------|-----------------|-------------------|-------------|
| | Company Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other |
| 15 Normalizing Adjustments | | | | (110) | |
| 16 Remove ProCard Charges - Hart | | | | (131) | |
| 17 Remove Project Expense | | | | | |
| 18 Remove Costs to Achieve | (2,912) | - | - | (36,211) | (17,601) |
| 19 Total | \$ (2,912) | \$ - | \$ - | \$ (36,452) | \$ (17,601) |

| | (k) | (l) | (m) = (k) + (l) |
|---|---|-------------------------|-----------------------|
| | Adjusted Books Year Ended December 31, 2011 | Inflation Adjustment | Rate Year Adjusted |
| 27 Purchased software | \$ 1,071,794 | \$ 40,835 | \$ 1,112,629 |
| | (n) | (o) = (p) - (n) | (p) |
| | Adjusted Books Year Ended December 31, 2011 | Pro Forma Adjustment | Rate Year Adjusted |
| 34 IT Software Rents - existing projects | 89,961 | 3,990 | 93,952 |
| 36 IT Software Rents - other new projects | - | 666,939 | 666,939 |
| 38 IT Software Rents - US Foundations project | - | 1,092,331 | 1,092,331 |
| 40 Total | \$ 1,161,756 | \$ 1,804,095 | \$ 2,965,851 |

Line Notes

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

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

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

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

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

Line Notes

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

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

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

Line Notes

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

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

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

Line Notes

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

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

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

Line Notes

- 1(a)-5(a) From Company books
6(d) Line 26
14-18 From Company books
24 Line 14(h) thru Line 18(h) / 5
22 From Company books
23 Line 20 + Line 22
25 Line 6(c)
26 Line 23 - Line 25

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

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

Line Notes

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

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

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

Line Notes

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

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

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

40 Line 36 - Line 38

Column Notes

(a) From Company books

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

Payroll Taxes Charged to O&M Accounts

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

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

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

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

Payroll Taxes Charged to Taxes Other Than Income

| | (u) | (v) | (w) | (x) | (y) |
|-------------------------------|------------------------------|----------------------------|--|--------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adj Test Year Ended December 31, 2011 | Pro Forma Adjustments | Rate Year Adjusted |
| 43 Direct | \$1,590,952 | \$0 | \$1,590,952 | (\$102,290) | \$1,488,662 |
| 44 KeySpan Corporate Services | \$0 | \$0 | \$0 | \$0 | \$0 |
| 45 KeySpan Utility Services | \$0 | \$0 | \$0 | \$0 | \$0 |
| 46 National Grid USA Services | \$506,423 | \$0 | \$506,423 | (\$88,772) | \$417,651 |
| 47 Other | \$298,228 | (\$2,573) | \$295,655 | \$0 | \$295,655 |
| 48 Total | \$2,395,603 | (\$2,573) | \$2,393,030 | (\$191,062) | \$2,201,968 |

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

| | (ee) | (ff) | (gg) | (hh) | (ii) |
|-------------------------------|--------------------------|-------------------------------------|--------------------------------|---------------------------------|---------------------------|
| Pro Forma Adjustments | Labor Cost Difference | Average Expense Per Labor Dollar | Rate Year Payroll Tax Costs | Rate Year Consumer Advocates | Rate Year USFP Support |
| 60 Company Direct | (\$1,193,851) | 9.11% | (\$110,739) | \$8,449 | \$0 |
| 61 KeySpan Corporate Services | (\$1,086,699) | 7.55% | \$0 | \$0 | \$0 |
| 62 KeySpan Utility Services | (\$4,548) | 11.49% | \$0 | \$0 | \$0 |
| 63 National Grid USA Services | (\$1,997,217) | 4.83% | (\$91,208) | \$0 | \$2,436 |
| 64 Other | \$0 | 24.22% | \$0 | \$0 | \$0 |
| 65 Total | (\$4,282,315) | | (\$201,947) | \$8,449 | \$2,436 |

Line Notes

| | | | |
|----------|---|-----------|---|
| 1-5(a) | From Company books | 30-34(t) | Column (r) x Column (s) x Column (n) |
| 1-5(b) | Line 12 | 43-47(u) | From Company books |
| 1-5(d) | Column (t) | 43-47(v) | Line 55 |
| 6 | Sum of Line 1 thru Line 5 | 43-47(w) | Column (u) + Column (v) |
| 11 | From Page 8 of 65, Line 14 | 43-47(x) | Column (gg) + Column (hh) + Column (ii) |
| 12 | Line 11 | 43-47(y) | Column Adj Test Year Ended + Column Pro Forma |
| 19-23(k) | From Page 10 of 65, Column (c) | 50 | Sum of Line 43 thru Line 47 |
| 19-23(l) | Line 1 thru Line 5(c) + Line 43 thru Line 47(w) | 54(z) | From Company books |
| 19-23(m) | Column (l) / Column (k) | 55 | Line 54 |
| 19-23(n) | Column (c) / Column (l) | 60-64(ee) | Column (r) |
| 19-23(o) | Column (w) / Column (l) | 60-64(ff) | Column (m) |
| 30-34(p) | From Page 10 of 65, Column (e) | 60-64(gg) | Column (ee) x Column (ff) x Column (o) |
| 30-34(q) | Column (k) | 60 (hh) | From Page 42 of 65, Line 50 |
| 30-34(r) | Column (p) - Column (q) | 63(ii) | From Page 43 of 65, Line 46 |
| 30-34(s) | Column (m) | 65 | Sum of Line 60 thru Line 64 |

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

| | (a) | (b) | (a) + (b) (c) | (d) | (c) + (d) (e) | |
|--|------------------------------|-----------------------------|--|---------------------------------------|-----------------------|---------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustments | Rate Year Adjusted | |
| 1 Direct | \$2,924,397 | (\$737,295) | \$2,187,102 | \$283,263 | \$2,470,365 | |
| 2 KeySpan Corporate Services | \$878,702 | (\$113,482) | \$765,220 | \$117,142 | \$882,362 | |
| 3 KeySpan Utility Services | \$22,292 | \$0 | \$22,292 | \$2,547 | \$24,839 | |
| 4 National Grid USA Services | \$1,082,376 | \$0 | \$1,082,376 | (\$519,185) | \$563,191 | |
| 5 Other | \$389,483 | (\$7,435) | \$382,048 | \$0 | \$382,048 | |
| 6 Total | <u>\$5,297,250</u> | <u>(\$858,213)</u> | <u>\$4,439,037</u> | <u>(\$116,233)</u> | <u>\$4,322,804</u> | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |
| 10 Normalizing Adjustments | (f) Company Direct | (g) KeySpan Corporate | (h) KeySpan Utility | (i) National Grid USA | (j) Other | |
| 11 Remove Costs for Westerly Event | | (\$113,482) | | | (\$7,435) | |
| 12 Remove Deferral Amortization Collected in DAC | (\$737,295) | | | | | |
| 13 Total | <u>(\$737,295)</u> | <u>(\$113,482)</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$7,435)</u> | |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | | | | | | (k)+(l)+(m)+(n)+(o) |
| 19 | (k) Company Direct | (l) KeySpan Service Company | (m) KeySpan Utility Company | (n) National Grid USA Service Company | (o) Other | (p) Total |
| 20 | | | | | | |
| 21 Total Company Test Year OPEB Costs to O&M | \$2,187,102 | \$765,220 | \$22,292 | \$1,082,376 | \$382,048 | \$4,439,037 |
| 22 | | | | | | |
| 23 Rate Year OPEB Total Cost | \$4,557,027 | \$41,827,049 | \$3,821,419 | \$15,125,146 | | |
| 24 Percentage Charged to Company- Total | 100.00% | 2.29% | 0.65% | 4.99% | | |
| 25 O & M Percentage Charged to Company Labor | 54.21% | 92.12% | 100.00% | 74.62% | | |
| 26 Total Company Rate Year FAS 106 Costs to O&M | <u>\$2,470,365</u> | <u>\$882,362</u> | <u>\$24,839</u> | <u>\$563,191</u> | <u>\$382,048</u> | <u>\$4,322,804</u> |
| 27 Adjustment for OPEB Expense | <u>\$283,263</u> | <u>\$117,142</u> | <u>\$2,547</u> | <u>(\$519,185)</u> | <u>\$0</u> | <u>(\$116,233)</u> |

| | | |
|----|--------------------------------------|-------------|
| 28 | (q) FY 2013 | (r) FY 2014 |
| 29 | Company Direct | |
| 30 | FAS 106 Cost per Hewitt | |
| 31 | Fair Value Amortization | |
| 32 | Total | |
| 33 | | |
| 34 | | |
| 35 | | |
| 36 | | |
| 37 | | |
| 38 | | |
| 39 | | |
| 40 | KeySpan Corporate Services | |
| 41 | FAS 106 Cost per Hewitt | |
| 42 | Fair Value Amortization | |
| 43 | Total | |
| 44 | | |
| 45 | | |
| 46 | | |
| 47 | | |
| 48 | | |
| 49 | | |
| 50 | | |
| 51 | KeySpan Utility Services | |
| 52 | FAS 106 Cost per Hewitt | |
| 53 | Fair Value Amortization | |
| 54 | Total | |
| 55 | | |
| 56 | | |
| 57 | | |
| 58 | | |
| 59 | | |
| 60 | | |
| 61 | | |
| 62 | National Grid Service Company | |
| 63 | FAS 106 Cost per Hewitt | |
| 64 | Fair Value Amortization | |
| 65 | Total | |
| 66 | | |
| 67 | | |
| 68 | | |
| 69 | | |

Line Notes

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

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

| | | Pensions | | | | | | |
|----|---|------------------------------|----------------------------|--|--------------------------------------|-----------------------|---------------------|-----|
| | | (a) | (b) | (a) + (b) (c) | (d) | (c) + (d) (e) | | |
| | | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustments | Rate Year Adjusted | | |
| 1 | Direct | \$4,230,977 | (\$2,163,142) | \$2,067,835 | 2,634,489 | \$4,702,324 | | |
| 2 | KeySpan Corporate Services | \$1,176,391 | (\$114,282) | \$1,062,109 | 154,767 | \$1,216,876 | | |
| 3 | KeySpan Utility Services | \$26,842 | \$0 | \$26,842 | 5,289 | \$32,131 | | |
| 4 | National Grid USA Services | \$1,476,317 | \$0 | \$1,476,317 | 26,467 | \$1,502,784 | | |
| 5 | Other | \$230,574 | (\$4,837) | \$225,737 | \$0 | \$225,737 | | |
| 6 | Total | \$7,141,101 | (\$2,282,261) | \$4,858,840 | 2,821,012 | \$7,679,852 | | |
| | | (f) | (g) | (h) | (i) | (j) | | |
| 9 | Normalizing Adjustments | Company Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other | | |
| 11 | Remove Costs for Westerly Event | | (\$114,282) | | | (\$4,837) | | |
| 12 | Remove Deferral Amortization Collected in DAC | (\$2,163,142) | | | | | | |
| 13 | Total | (\$2,163,142) | (\$114,282) | \$0 | \$0 | (\$4,837) | | |
| | | (k) | (l) | (m) | (n) | (o) | (k)+(l)+(m)+(n)+(o) | (p) |
| | | Company Direct | KeySpan Service Company | FAS87 Costs KeySpan Utility Company | National Grid USA Service Company | Other | Total | |
| 17 | Total Company Test Year Pension Costs to O&M | \$2,067,835 | \$1,062,109 | \$26,842 | \$1,476,317 | \$225,737 | 4,858,840 | |
| 20 | Rate Year Pension Total Cost | \$8,690,876 | \$59,829,508 | \$4,995,699 | \$41,900,756 | | | |
| 21 | Percentage Charged to Company- Total | 100.00% | 2.29% | 0.65% | 4.99% | | | |
| 22 | O & M Percentage Charged to Company Labor | 54.21% | 92.12% | 100.00% | 74.62% | | | |
| 23 | Total Actuarial Company Rate Year FAS 87 Costs to O&M | \$4,711,324 | \$1,262,132 | \$32,472 | \$1,560,191 | \$225,737 | \$7,791,856 | |
| 24 | 401K Pension Replacement Credit | (\$9,000) | (\$45,256) | (\$341) | (\$57,407) | | (\$112,004) | |
| 25 | Total Adjusted Pension | \$4,702,324 | \$1,216,876 | \$32,131 | \$1,502,784 | \$225,737 | \$7,679,852 | |
| 27 | Adjustment for Pension Expense | \$2,634,489 | \$154,767 | \$5,289 | \$26,467 | \$0 | \$2,821,012 | |
| | | (q) | (r) | | | | | |
| 30 | | FY | FY | | | | | |
| 31 | | 2013 | 2014 | | | | | |
| 32 | Company Direct | | | | | | | |
| 33 | FAS 87 Cost per Hewitt | \$5,140,490 | \$4,522,641 | | | | | |
| 34 | Fair Value Amortization | \$4,065,260 | \$4,065,260 | | | | | |
| 35 | Total | \$9,205,750 | \$8,587,901 | | | | | |
| 37 | | | 12 Mos End Jan | | | | | |
| 38 | | | 2014 | | | | | |
| 39 | Company Direct Total Pension Cost | | \$8,690,876 | | | | | |
| 41 | | FY | FY | | | | | |
| 42 | | 2013 | 2014 | | | | | |
| 43 | KeySpan Corporate Services | | | | | | | |
| 44 | FAS 87 Cost per Hewitt | \$64,133,967 | \$58,968,616 | | | | | |
| 45 | Fair Value Amortization | \$0 | \$0 | | | | | |
| 46 | Total | \$64,133,967 | \$58,968,616 | | | | | |
| 48 | | | 12 Mos End Jan | | | | | |
| 49 | | | 2014 | | | | | |
| 50 | KeySpan Corporate Services Total Pension Cost | | \$59,829,508 | | | | | |
| 52 | | FY | FY | | | | | |
| 53 | | 2013 | 2014 | | | | | |
| 54 | Keyspan Utility Company | | | | | | | |
| 55 | FAS 87 Cost per Hewitt | \$5,457,100 | \$4,903,419 | | | | | |
| 56 | Fair Value Amortization | | | | | | | |
| 57 | Total | \$5,457,100 | \$4,903,419 | | | | | |
| 59 | | | 12 Mos End Jan | | | | | |
| 60 | | | 2013 | | | | | |
| 61 | Keyspan Utility Serv Co. Total Pension Cost | | \$4,995,699 | | | | | |
| 63 | | FY | FY | | | | | |
| 64 | | 2013 | 2014 | | | | | |
| 65 | National Grid Service Company | | | | | | | |
| 66 | FAS 87 Cost per Hewitt | \$55,873,930 | \$48,330,574 | | | | | |
| 67 | Fair Value Amortization | (\$9,337,991) | (\$7,356,855) | | | | | |
| 68 | Total | \$46,535,939 | \$40,973,719 | | | | | |
| 70 | | | 12 Mos End Jan | | | | | |
| 71 | | | 2014 | | | | | |
| 72 | National Grid Service Company Total Pension Cost | | \$41,900,756 | | | | | |

Line Notes

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

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

Postage

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

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

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

Line Notes

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

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

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

Line Notes

1(a)-5(a) From Company books

1(b)-5(b) Line 13

6 Sum of Line 1 thru Line 5

12 From Page 8 of 65, Line 21(f)

14 Line 12

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

| | (a) | (b) | (a) x (b) (c) Pro Forma Adjustments | (a) + (c) (d) Rate Year |
|--|--------------------|------------|--|-------------------------------|
| | Test Year | Increase % | | |
| 1 Labor - Union | \$663,140 | 4.31% | \$28,549 | \$691,689 |
| 2 Labor - Management | \$10,719 | 5.12% | \$549 | \$11,268 |
| 3 | | | | |
| 4 | | | | |
| 5 Contractor Services | \$586,165 | 3.81% | \$22,333 | \$608,498 |
| 6 Lease - Non Real Estate | \$5,188 | 3.81% | \$198 | \$5,386 |
| 7 Materials & Supplies | \$51,801 | 3.81% | \$1,974 | \$53,775 |
| 8 Other | \$7,870 | 3.81% | \$300 | \$8,170 |
| 9 Other Employee Benefits and Expenses | \$5,443 | 3.81% | \$207 | \$5,650 |
| 10 Transportation | \$17,294 | 3.81% | \$659 | \$17,953 |
| 11 | | | | |
| 12 Total O & M Expense | <u>\$1,347,620</u> | | <u>\$54,768</u> | <u>\$1,402,388</u> |
| 13 | | | | |
| 14 GCR without Labor | <u>\$673,761</u> | | <u>\$25,670</u> | <u>\$699,431</u> |

Line Notes

- 1-10(a) From Company books
1(b) From Page 15 of 65, Line 3(a)
2(b) From Page 16 of 65, Line 6(a)
5-10(b) From Page 48 of 65, Line 39(c)
12 Sum of Line 1 thru Line 10
14 Sum of Line 5 thru Line 11

The Narragansett Electric Company d/b/a National Grid

Adjustments to Operating Expenses

Test Year Ended December 31, 2011

LIAP and Weatherization Expense

| | (a) | (b) | (a) + (b) (c) | (d) | (c) + (d) (e) |
|--|------------------------------|----------------------------|--|-------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustment | Rate Year Adjusted |
| LIAP | | | | | |
| 1 Company Direct | \$1,663,666 | (\$78,666) | \$1,585,000 | | \$1,585,000 |
| 2 KeySpan Corporate Services | \$0 | \$0 | \$0 | | \$0 |
| 3 KeySpan Utility Services | \$0 | \$0 | \$0 | | \$0 |
| 4 National Grid USA Services | \$0 | \$0 | \$0 | | \$0 |
| 5 Other | \$0 | \$0 | \$0 | | \$0 |
| 6 Total | <u>\$1,663,666</u> | <u>(\$78,666)</u> | <u>\$1,585,000</u> | <u>\$0</u> | <u>\$1,585,000</u> |
| | | | | | |
| | (f) | (g) | (h) | (i) | (j) |
| | Company Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other |
| 10 Normalizing Adjustments- LIAP | <u>(\$78,666)</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| 11 Adjust to Rate Allowance | | | | | |
| 12 Total - LIAP | <u>(\$78,666)</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| | | | | | |
| | (k) | (l) | (a) + (b) (m) | (n) | (c) + (d) (o) |
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustment | Rate Year Adjusted |
| Weatherization | | | | | |
| 20 Company Direct | \$267,629 | (\$67,629) | \$200,000 | | \$200,000 |
| 21 KeySpan Corporate Services | \$0 | \$0 | \$0 | | \$0 |
| 22 KeySpan Utility Services | \$0 | \$0 | \$0 | | \$0 |
| 23 National Grid USA Services | \$0 | \$0 | \$0 | | \$0 |
| 24 Other | \$0 | \$0 | \$0 | | \$0 |
| 25 Total | <u>\$267,629</u> | <u>(\$67,629)</u> | <u>\$200,000</u> | <u>\$0</u> | <u>\$200,000</u> |
| | | | | | |
| | (p) | (q) | (r) | (s) | (t) |
| | Company Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other |
| 29 Normalizing Adjustments- Weatherization | <u>(\$67,629)</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| 30 Adjust to Rate Allowance | | | | | |
| 31 Total Weatherization | <u>(\$67,629)</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

Line Notes

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

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

(a)

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

Line Notes

- 1 Line 32
5 Line 1 / 3

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

| | (a) | (b) | (c) | (d) | (e) |
|------------------------------|------------------------------|----------------------------|--|------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Proforma Adjustment | Rate Year Adjusted |
| 1 Company Direct | \$0 | \$0 | \$0 | \$156,314 | \$156,314 |
| 2 KeySpan Corporate Services | \$0 | \$0 | \$0 | \$0 | \$0 |
| 3 KeySpan Utility Services | \$0 | \$0 | \$0 | \$0 | \$0 |
| 4 National Grid USA Services | \$0 | \$0 | \$0 | \$0 | \$0 |
| 5 Other | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6 Total | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$156,314</u> | <u>\$156,314</u> |

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

| Description | Percentages (a) | Percentages/ Amount (b) | Amount (c) | Amount (d) |
|--|---------------------------------|-------------------------------|---------------|------------------|
| Additional Consumer Advocate Personnel | 2 Positions at average Band E - | Company Direct | \$185,487 | |
| Allocation to Gas business | 50% | | \$92,744 | |
| Pension and Benefits, Rate Year Expense amount to Company Direct O&M: | | | | |
| Payroll Tax | 9.11% | \$1,453,826 | | |
| Medical and Dental insurance | 16.80% | \$2,680,901 | | |
| Pension | 29.47% | \$4,702,324 | | |
| OPEB | 15.48% | \$2,470,365 | | |
| Other Employee Related Benefits & Expenses | 5.83% | \$930,959 | | |
| 401K Match | 0.96% | \$153,836 | | |
| 401K Pension Replacement Program | 0.06% | \$9,000 | | |
| Total Benefits | 77.71% | \$12,392,211 | | |
| Company Direct Employee Salaries and Wages to O&M | | \$15,958,113 | | |
| Payroll Taxes, Pension and Benefits Cost as % of Base Salaries & Wages | | 77.65% | | |
| Pension and Benefits for Consumer Advocate Personnel | | 68.54% | \$63,571 | |
| Rate Year O&M costs of Consumer Advocate Personnel | | | | <u>\$156,314</u> |
| Rate Year Payroll Taxes (to Page 34 of 65) | | 9.11% | | <u>\$8,449</u> |
| Total Rate Year Costs of Consumer Advocate Personnel | | | | \$164,763 |

Line Notes

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

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

| | | (a) | (b) | (c) | (d) | (e) |
|----|---|------------------------------|-----------------------------|--|------------------------|-----------------------|
| | | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Proforma Adjustment | Rate Year Adjusted |
| 1 | Company Direct | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | KeySpan Corporate Services | \$0 | \$0 | \$0 | \$0 | \$0 |
| 3 | KeySpan Utility Services | \$0 | \$0 | \$0 | \$0 | \$0 |
| 4 | National Grid USA Services | \$0 | \$0 | \$0 | \$92,126 | \$92,126 |
| 5 | Other | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6 | Total | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$92,126</u> | <u>\$92,126</u> |
| | | (k) | (l) | (m) | | |
| | | No. of Employees | Rate Year Average Salary | Amount | | |
| 10 | Description | | | | | |
| 11 | Additional US Foundations Personnel: | | | | | |
| 12 | | | | | | |
| 13 | Band D | 2 | \$107,379 | \$214,758 | | |
| 14 | Band E | 24 | \$82,317 | \$1,975,601 | | |
| 15 | Total | 26 | | \$2,190,359 | | |
| 16 | | | | | | |
| 17 | Percentage charged to NGUSA Service Co O&M | | | 100% | | |
| 18 | Percentage allocated to Company O&M | | | 2.30% | | |
| 19 | | | | | | |
| 20 | Total Additional USFP Support Staff Payroll Charged to Company O&M | | | \$50,378 | | |
| 21 | | | | | | |
| 22 | | (n) | (o) | (p) | (q) | |
| 23 | | | Percentages/ Amount | Amount | Amount | |
| 24 | Description | Percentages | | | | |
| 25 | | | | | | |
| 26 | Pension and Benefits, Rate Year Expense amounts to NGUSA Service Company O&M: | | | | | |
| 27 | Variable Pay | 17.32% | \$1,573,579 | | | |
| 28 | Payroll Tax | 4.84% | \$439,176 | | | |
| 29 | Medical and Dental insurance | 12.97% | \$1,177,726 | | | |
| 30 | Pension | 16.55% | \$1,502,784 | | | |
| 31 | OPEB | 6.20% | \$563,191 | | | |
| 32 | Other Employee Related Benefits & Expenses | 26.09% | \$2,369,301 | | | |
| 33 | 401K Match | 3.11% | \$282,781 | | | |
| 34 | 401K Pension Replacement Program | 0.63% | \$57,407 | | | |
| 35 | Total Benefits | 87.70% | \$7,965,945 | | | |
| 36 | | | | | | |
| 37 | NGUSA Service Co Employee Salaries and Wages to O&M | | \$9,082,725 | | | |
| 38 | | | | | | |
| 39 | Payroll Taxes, Pension and Benefits Cost as % of Base Salaries & Wages | | 87.70% | | | |
| 40 | | | | | | |
| 41 | Pension and Benefits for Consumer Advocate Personnel | | 82.87% | \$41,748 | | |
| 42 | | | | | | |
| 43 | Rate Year O&M costs of Consumer Advocate Personnel | | | | \$ | 92,126 |
| 44 | | | | | | |
| 45 | | | | | | |
| 46 | Rate Year Payroll Taxes (to Page 33) | | 4.84% | | \$ | 2,436 |
| 47 | | | | | | |
| 48 | | | | | | |
| 49 | Total Rate Year costs of additional US Foundations support staff | | | | \$ | 94,562 |

Line Notes

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

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

| | (a) | (b) | (a) + (b) (c) | (d) | (c) + (d) (e) |
|------------------------------|------------------------------|----------------------------|--|-------------------------|-----------------------|
| | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustment | Rate Year Adjusted |
| 1 Company Direct | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 KeySpan Corporate Services | \$372,087 | (\$298,910) | \$73,177 | 353,811 | \$426,988 |
| 3 KeySpan Utility Services | \$0 | \$0 | \$0 | \$0 | \$0 |
| 4 National Grid USA Services | \$1,900 | (\$1,900) | \$0 | \$0 | \$0 |
| 5 Other | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6 Total | \$373,987 | (\$300,810) | \$73,177 | \$353,811 | \$426,988 |

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

| | (f) | (g) | (h) | (i) | (j) |
|--|----------------|-------------------|-----------------|-------------------|-------|
| Proforma Adjustments | Company Direct | KeySpan Corporate | KeySpan Utility | National Grid USA | Other |
| 19 Incremental Educational/Instructional Advertising | | \$353,811 | | | |
| 20 Total | \$0 | \$353,811 | \$0 | \$0 | \$0 |

Line Notes

1-5(a) From Company books

1-5(b) Line 14

1-5(d) Line 20

6 Sum of Line 1 thru Line 5

13 From Page 8 of 65 Line 23

13 Workpaper MDL-13 GAS Page 1, Line 11(b)

14 Line 13

19 Workpaper MDL-13 GAS Page 1, Line 11(d)

20 Line 19

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

| | (a) Distribution Revenue | (b) Net Write-Offs | (c) % of Write-Offs Distribution Revenue | | | | | |
|---|--------------------------------|--------------------------|---|--|------------|--------------------|--------------------|---------------------------------|
| 1 Year: | | | | | | | | |
| 2 | | | | | | | | |
| 3 CY 2011 | \$378,977,027 | \$11,623,740 | 3.07% | | | | | |
| 4 CY 2010 | \$401,863,767 | \$15,515,379 | 3.86% | | | | | |
| 5 CY 2009 | \$447,952,657 | \$19,431,198 | 4.34% | | | | | |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | | | | | | | | |
| 9 Total | \$1,228,793,451 | \$46,570,317 | 3.79% | | | | | |
| 10 | | | | | | | | |
| 11 | | | | | | | | |
| 12 | | | | | | | | |
| 13 Three Year Average Net Write-Off Rate | | | 3.79% | | | | | |
| 14 | | | | | | | | |
| 15 | | | | | | | | |
| 16 | | | | | | | | |
| 17 | | | | | | | | |
| 18 Total Rate Year Adjusted Revenue | \$137,833,709 | | | (d) Distribution Base Rate Revenue | (e) GRT | (f) Gas Revenue | (g) DAC Revenue | (h) EE Revenue |
| 19 | | | | | | | | (i) = Sum of (d) through (h) |
| 20 | | | | | | | | |
| 21 | | | | | | | | |
| 22 Bad Debt Expense at Current Average Write off Rate Applied to Test Year Revent | \$3,390,709 | | | | \$0 | \$5,355,163 | \$2,809 | \$299,896 |
| 23 Less: Test Year Bad Debt Expense | \$4,779,294 | | | | \$0 | \$5,449,212 | \$109,541 | \$195,146 |
| 24 | | | | | | | | |
| 25 Test Year Normalization Adjustment for Bad Debt Expense | (\$1,388,585) | | | | \$0 | (\$94,049) | (\$106,732) | \$104,750 |
| 26 | | | | | | | | |
| 27 Total Rate Year Revenue | \$138,400,291 | | | | \$0 | \$200,580,050 | \$6,924,425 | \$0 |
| 28 | | | | | | | | |
| 29 Three Year Average Net Write-Off Rate | 3.79% | | | | 0.00% | 3.79% | 3.79% | 3.79% |
| 30 | | | | | | | | |
| 31 Rate Year Allowable Bad Debt Expenses | \$5,245,371 | | | | \$0 | \$7,601,984 | \$262,436 | \$0 |
| 32 Bad Debt Expense at Current Average Write off Rate Applied to Test Year Revent | \$3,390,709 | | | | \$0 | \$5,355,163 | \$2,809 | \$299,896 |
| 33 | | | | | | | | |
| 34 Total Pro Forma Bad Debt Expense Adjustment | \$1,854,662 | | | | \$0 | \$2,246,820 | \$259,627 | (\$299,896) |
| 35 | | | | | | | | |
| 36 Total Adjustment | \$466,077 | | | | \$0 | \$2,152,772 | \$152,895 | (\$195,146) |

Line Notes

- 3-5 From the testimony of Company witness Evelyn M. Kaye at Schedule EMK-1. Column (a) excludes Off-System sales and Miscellaneous Revenues.
 9 Cols (a) & (b) = Sum of Lines 3 through 5. Col (c) = Col (b) / Col (a)
 13 Line 9(c)
 18(d) From Page 4 of 65, Sum of Lines 4, 5, 7, 13, 15, 16, 35, 37, 38, and 39 Column (a)
 18(e) From Page 4 of 65, Line 18(a)
 18(f) From Page 4 of 65, Sum of Lines 1, 21, 22, and 23 Column (a)
 18(g) From Page 4 of 65, Sum of Lines 2, 28, 29, 31, and 33 Column (a)
 18(h) From Page 4 of 65, Sum of Lines 3, 25, and 26 Column (a)
 20 From Commission Order at Docket No. 3943, Appendix A Page 1 of 2, Line 11

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

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

Line Notes

1 From Workpaper MDL-15, Pages 1 & 11

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

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

Line Notes

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

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

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

Line Notes

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

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

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

Line Notes

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

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

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

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

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

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

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

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

Line Notes

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

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

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

Line Notes

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

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

| | | (a) + (b) | | | (c) + (d) | |
|----|-------------------------------------|------------------------------|----------------------------|--|--------------------------|-----------------------|
| | | Total Test Year Per Books | Normalizing Adjustments | Adjusted Test Year Ended December 31, 2011 | Pro Forma Adjustments | Rate Year Adjusted |
| | | (a) | (b) | (c) | (d) | (e) |
| 1 | Property Taxes | \$11,658,209 | \$0 | \$11,658,209 | \$2,336,443 | \$13,994,652 |
| 2 | Total Property Taxes | \$11,658,209 | \$0 | \$11,658,209 | \$2,336,443 | \$13,994,652 |
| 3 | | | | | | |
| 4 | Gross Receipts Tax | \$11,282,572 | (\$11,282,572) | \$0 | | \$0 |
| 5 | Total Gross Receipts Tax | \$11,282,572 | (\$11,282,572) | \$0 | | \$0 |
| 6 | | | | | | |
| 7 | Payroll Taxes | \$2,395,603 | (\$2,573) | \$2,393,030 | (\$191,062) | \$2,201,968 |
| 8 | Total Payroll Taxes | \$2,395,603 | (\$2,573) | \$2,393,030 | (\$191,062) | \$2,201,968 |
| 9 | | | | | | |
| 10 | Total Taxes Other than Income Taxes | \$25,336,384 | (\$11,285,145) | \$14,051,239 | \$2,145,381 | \$16,196,620 |

Line Notes

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

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

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

Line Notes

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

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

| | | (a) Total Test Year Per Books | (b) Adjusted Rate Year | (c) Proposed Rate Increase | (d) After Rate Increase |
|----|---------------------------------|-------------------------------------|------------------------------|----------------------------------|-------------------------------|
| 1 | Operating Income Before | | | | |
| 2 | Taxes per Page 1 of 65, Line 19 | \$21,981,517 | \$21,938,220 | \$19,196,015 | \$41,134,235 |
| 3 | | | | | |
| 4 | Less: | | | | |
| 5 | | | | | |
| 6 | Interest Costs | 2.90% \$8,862,552 | \$10,736,102 | | \$10,736,102 |
| 7 | | | | | |
| 8 | | | | | |
| 9 | Taxable Income | \$13,118,965 | \$11,202,118 | \$19,196,015 | \$30,398,133 |
| 10 | | | | | |
| 11 | Federal Tax | 35% \$4,591,638 | \$3,920,741 | \$6,718,605 | \$10,639,347 |
| 12 | | | | | |
| 13 | | | | | |
| 14 | | | | | |
| 15 | Net Federal Income Tax | \$4,591,638 | \$3,920,741 | \$6,718,605 | \$10,639,347 |

Line Notes

- 2(b)-(e) Income Taxes per Page 1 of 65 Line 19
6(a) From Page 56 of 65, Line 1(e) + Line 3(e)
6(b) From Page 58 of 65, Line 24(a)
6(c)-(d) From Page 58 of 65, Line 27(c)
9 Line 2 + Line 6
11 Line 9 x Line 11, Column
15 Line 11 + Line 13

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

| | (a) Capital Structure | (b) Cost Rate | (c) Weighted Return | (d) Taxes | (e) Pre-tax Return |
|------------------------|-----------------------------|---------------------|---------------------------|---------------------|--------------------------|
| 1 Short Term Debt | 1.20% | 0.80% | 0.01% | | 0.01% |
| 2 | | | | | |
| 3 Long Term Debt | 49.00% | 5.90% | 2.89% | | 2.89% |
| 4 | | | | | |
| 5 Preferred Stock | 0.20% | 4.50% | 0.01% | | 0.01% |
| 6 | | | | | |
| 7 Common Equity | <u>49.60%</u> | 10.75% | <u>5.33%</u> | <u>2.87%</u> | <u>8.20%</u> |
| 8 | | | | | |
| 9 Total Capitalization | <u><u>100.00%</u></u> | | <u><u>8.24%</u></u> | <u><u>2.87%</u></u> | <u><u>11.11%</u></u> |

Line Notes

See Testimony of Company Witness Robert B. Hevert

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

| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
|---|------------------|--------------------|-----------------------------------|--|---|---------------------------|--------------|
| Panel A: Long-term debt | | | | | | | |
| | Interest Rate | Maturity Date | Amount Outstanding in \$000 | Annual Interest Expense in \$000 | Annual Amortization of DD&E in \$000 | Total Expense in \$000 | Cost of Debt |
| 1 Unsecured notes: | | | | | | | |
| 2 Senior Note | 4.534% | March 15, 2020 | \$250,000 | \$11,335 | 105.7 | \$11,440.7 | 4.58% |
| 3 Senior Note | 5.638% | March 15, 2040 | 300,000 | 16,914 | 77.7 | 16,991.7 | 5.66% |
| 4 Subtotal | | | | | | | 5.17% |
| 5 | | | | | | | |
| 6 First mortgage bonds ¹ | | | | | | | |
| 7 FMB Series N | 9.630% | May 30, 2020 | 10,000 | 963 | 4.1 | 967.1 | 9.67% |
| 8 FMB Series O | 8.460% | September 30, 2022 | 12,500 | 1,058 | 4.3 | 1,061.8 | 8.49% |
| 9 FMB Series P | 8.090% | September 30, 2022 | 6,875 | 556 | 3.5 | 559.6 | 8.14% |
| 10 FMB Series R | 7.500% | December 15, 2025 | 10,500 | 788 | 4.1 | 791.6 | 7.54% |
| 11 FMB Series S | 6.820% | April 1, 2018 | 14,464 | 986 | 7.0 | 993.5 | 6.87% |
| 12 Subtotal | | | | | | | 8.05% |
| 13 | | | | | | | |
| 14 30-Year Senior Notes | 4.850% | November 1, 2042 | 150,000 | 7,275 | 37.5 | 7,312.5 | 4.88% |
| 15 | | | | | | | |
| 16 Total | | | <u>\$754,339</u> | <u>\$39,875</u> | <u>\$244</u> | <u>\$40,118</u> | <u>5.32%</u> |
| 17 | | | | | | | |
| 18 Panel B: Weighted Average Cost of Debt by Segment | | | | | | | |
| 19 | | | | | | | |
| 20 | | | | | | | |
| 21 Electric Operations | 73% | | 553,637 | 28,096 | 175 | 28,271 | 5.11% |
| 22 Gas Operations | 27% | | 200,702 | 11,778 | 69 | 11,847 | 5.90% |
| 23 Total | | | <u>\$754,339</u> | <u>\$39,875</u> | <u>\$244</u> | <u>\$40,118</u> | <u>5.32%</u> |

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

Line Notes

See Testimony of Company Witness Robert B. Hevert

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

| | <u>Description</u> | (a) <u>Test Year Books</u> | (b) <u>Adjustments</u> | (c) <u>Rate Year</u> |
|----|---|-------------------------------|---------------------------|-------------------------|
| | <u>Additions:</u> | | | |
| 1 | Gas Plant In Service | \$666,333,220 | \$107,218,729 | \$773,551,949 |
| 2 | CWIP | \$45,978,033 | \$20,092,116 | \$66,070,148 |
| 3 | Less: Accumulated Depreciation | \$310,353,578 | \$28,273,384 | \$338,626,962 |
| 4 | Less: Contribution in Aid of Construction | \$4,871,246 | \$713,198 | \$5,584,444 |
| 5 | | | | |
| 6 | Net Plant | \$397,086,429 | \$98,324,262 | \$495,410,691 |
| 7 | | | | |
| 8 | Materials and Supplies | \$2,749,036 | \$508,399 | \$3,257,435 |
| 9 | Prepaid Expenses, Excluding Taxes | \$180,036 | (\$180,036) | \$0 |
| 10 | Deferred Y2K | \$900,000 | (\$496,000) | \$404,000 |
| 11 | Cash Working Capital | \$8,974,216 | \$0 | \$8,974,216 |
| 12 | | | | |
| 13 | Total Additions | \$12,803,289 | (\$167,637) | \$12,635,651 |
| 14 | | | | |
| 15 | | | | |
| 16 | <u>Deductions:</u> | | | |
| 17 | Accumulated Deferred FIT | \$72,876,224 | \$35,128,097 | \$108,004,321 |
| 18 | Merger Hold Harmless Adjustment | \$27,053,832 | (\$1,578,145) | \$25,475,687 |
| 19 | Customer Deposits | \$4,573,150 | \$47,726 | \$4,620,876 |
| 20 | | | | |
| 21 | | | | |
| 22 | Total Deductions | \$104,503,206 | \$33,597,678 | \$138,100,884 |
| 23 | | | | |
| 24 | Rate Base | \$305,386,511 | \$64,558,947 | \$369,945,459 |
| 25 | | | | |
| 26 | | | | |
| 27 | Total Rate Base | | | \$369,945,459 |

Column/Line Notes

Column (a) From Page 59 of 65, Column (f)

Column (b) Column (c) - Column (a)

1(c) From Page 60 of 65, Line 29

2(c) From Page 62 of 65, Line 21(a)

3(c) From Page 61 of 65, Line 30

4(c) From Page 62 of 65, Line 21(b)

6 Line 1 + Line 2 - Line 3 - Line 4

8(c) From Page 62 of 65, Line 21(c)

9(c) From Page 62 of 65, Line 21(d)

10(c) From Page 62 of 65, Line 21(e)

11(c) From Page 59 of 65, Line 11(f)

13 Sum of Line 8 through Line 11

17(c) From Page 64 of 65, Line 24

18(c) From Page 63 of 65, Line 21

19(c) From Page 62 of 65, Line 21(f)

22 Sum of Line 17 through Line 19

24 Line 6 + Line 13 - Line 22

27 Line 24

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

| Line No | | (a) December 2010 | (b) March 2011 | (c) June 2011 | (d) September 2011 | (e) December 2011 | (f) Average |
|---------|---|-------------------------|-----------------------|-----------------------|--------------------------|-------------------------|-----------------------|
| 1 | Gas Plant In Service | \$ 655,078,494 | \$ 668,163,615 | \$ 659,376,450 | \$ 668,481,797 | \$ 680,565,745 | \$ 666,333,220 |
| 2 | CWIP | 29,382,159 | 31,591,072 | 45,154,069 | 57,692,714 | 66,070,148 | 45,978,033 |
| 3 | Less: Accumulated Depreciation | 309,170,951 | 312,514,872 | 305,632,291 | 310,098,873 | 314,350,902 | 310,353,578 |
| 4 | Less: Contribution in Aid of Construction | 2,496,154 | 4,938,533 | 5,212,623 | 6,124,476 | 5,584,444 | 4,871,246 |
| 5 | | | | | | | |
| 6 | Net Plant | \$ 372,793,547 | \$ 382,301,282 | \$ 393,685,605 | \$ 409,951,163 | \$ 426,700,546 | \$ 397,086,429 |
| 7 | | | | | | | |
| 8 | Materials and Supplies | 2,308,393 | 2,469,656 | 3,028,911 | 2,850,745 | 3,087,476 | 2,749,036 |
| 9 | Prepaid Expenses, Excluding Taxes | 262,500 | 387,682 | 0 | 250,000 | 0 | 180,036 |
| 10 | Deferred Y2K | 1,020,000 | 960,000 | 900,000 | 840,000 | 780,000 | 900,000 |
| 11 | Cash Working Capital | 8,974,216 | 8,974,216 | 8,974,216 | 8,974,216 | 8,974,216 | 8,974,216 |
| 12 | | | | | | | |
| 13 | Total Additions | \$ 12,565,109 | \$ 12,791,554 | \$ 12,903,127 | \$ 12,914,961 | \$ 12,841,692 | \$ 12,803,289 |
| 14 | | | | | | | |
| 15 | Accumulated Deferred FIT | 63,726,877 | 67,841,494 | 73,965,612 | 78,548,236 | 80,298,900 | 72,876,224 |
| 16 | Hold Harmless | 27,549,435 | 27,301,633 | 27,053,832 | 26,806,031 | 26,558,229 | 27,053,832 |
| 17 | Customer Deposits | 4,586,538 | 4,638,318 | 4,574,889 | 4,445,132 | 4,620,876 | 4,573,150 |
| 18 | | | | | | | |
| 19 | Total Deductions | \$ 95,862,849 | \$ 99,781,445 | \$ 105,594,333 | \$ 109,799,398 | \$ 111,478,005 | \$ 104,503,206 |
| 20 | | | | | | | |
| 21 | Rate Base | <u>\$ 289,495,806</u> | <u>\$ 295,311,391</u> | <u>\$ 300,994,399</u> | <u>\$ 313,066,726</u> | <u>\$ 328,064,234</u> | <u>\$ 305,386,511</u> |
| 22 | | | | | | | |
| 23 | | | | | | | |
| 24 | Total Rate Base | | | | | | <u>\$ 305,386,511</u> |

Notes:

- 1(a)-4(e) From Company books
1(f)-4(f) Average of Column (a) through Column (e)
6(a)-6(e) Line 1 + Line 2 - Line 3 - Line 4
6(f) Average of Column (a) through Column (e)
8(a)-11(e) From Company books
8(f)-11(f) Average of Column (a) through Column (e)
10 Reflects the amortization of Y2K related costs per Docket No. 3401 - Workpaper MDL-21-GAS Page 2
11 From Page 65 of 65, Line 36(c)
13 Sum of Line 8 through Line 11
15(a)-18(e) From Company books
15(f)-18(f) Average of Column (a) through Column (e)
16 Hold Harmless rate base credit per Docket No. 3859 - Workpaper MDL-25
19 Sum of Line 15 thru Line 17
21 Sum of Line 6, Line 13 and Line 19
24 Line 21

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

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

Line Notes

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

The Narragansett Electric Company d/b/a National Grid

Adjustments To Rate Base

Test Year Ended December 31, 2011

Accumulated Depreciation Forecast

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

Line Notes

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

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

| Line No. | | (a) <u>CWIP</u> | (b) <u>CIAC</u> | (c) Materials and <u>Supplies</u> | (d) <u>Prepayments</u> | (e) Deferred <u>Debits</u> | (f) Customer <u>Deposits</u> |
|----------|--|---------------------|--------------------|--|---------------------------|----------------------------------|------------------------------------|
| 1 | Balance at the end of the Test Year | \$66,070,148 | \$5,584,444 | \$3,087,476 | \$0 | \$780,000 | \$4,620,876 |
| 2 | | | | | | | |
| 3 | Increase / (Decrease) 12 Months Ended 12/31/12 | 0 | 0 | 21,790 | 0 | (240,000) | 0 |
| 4 | | | | | | | |
| 5 | Balance @ 12/31/12 | 66,070,148 | 5,584,444 | 3,109,266 | 0 | 540,000 | 4,620,876 |
| 6 | | | | | | | |
| 7 | | | | | | | |
| 8 | 1/31/13 | 66,070,148 | 5,584,444 | 3,131,056 | 0 | 520,000 | 4,620,876 |
| 9 | 2/28/13 | 66,070,148 | 5,584,444 | 3,152,845 | 0 | 500,000 | 4,620,876 |
| 10 | 3/31/13 | 66,070,148 | 5,584,444 | 3,174,635 | 0 | 480,000 | 4,620,876 |
| 11 | 4/30/13 | 66,070,148 | 5,584,444 | 3,196,424 | 0 | 460,000 | 4,620,876 |
| 12 | 5/31/13 | 66,070,148 | 5,584,444 | 3,218,214 | 0 | 440,000 | 4,620,876 |
| 13 | 6/30/13 | 66,070,148 | 5,584,444 | 3,240,004 | 0 | 420,000 | 4,620,876 |
| 14 | 7/31/13 | 66,070,148 | 5,584,444 | 3,261,793 | 0 | 400,000 | 4,620,876 |
| 15 | 8/31/13 | 66,070,148 | 5,584,444 | 3,283,583 | 0 | 380,000 | 4,620,876 |
| 16 | 9/30/13 | 66,070,148 | 5,584,444 | 3,305,372 | 0 | 360,000 | 4,620,876 |
| 17 | 10/31/13 | 66,070,148 | 5,584,444 | 3,327,162 | 0 | 340,000 | 4,620,876 |
| 17 | 11/30/13 | 66,070,148 | 5,584,444 | 3,327,162 | 0 | 340,000 | 4,620,876 |
| 18 | 12/31/13 | 66,070,148 | 5,584,444 | 3,348,952 | 0 | 320,000 | 4,620,876 |
| 19 | 1/31/14 | 66,070,148 | 5,584,444 | 3,370,741 | 0 | 300,000 | 4,620,876 |
| 20 | | | | | | | |
| 21 | Rate Year Amounts - Five Quarter Average | <u>\$66,070,148</u> | <u>\$5,584,444</u> | <u>\$3,257,435</u> | <u>\$0</u> | <u>\$404,000</u> | <u>\$4,620,876</u> |
| 22 | | | | | | | |
| 23 | Changes: | | | | | | |
| 24 | Annual | \$ - 1/ | \$ - 1/ | \$ 261,475 | \$ - 1/ | \$ (240,000) | \$ - 1/ |
| 25 | | | | | | | |
| 26 | Monthly | \$ - | \$ - | \$ 21,790 | \$ - | \$ (20,000) | \$ - |

1/ Assumes no change in 2011 balance

Line Notes

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

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

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

Line Notes

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

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

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

Line Notes

| | | | |
|--------|--|-------|--|
| 1 | From Page 59 of 65, Line 15(e) | 36(a) | From Page 50 of 65 Line 48 + Line 49 + Line 50 |
| 3 | Line 32 | 36(b) | From Workpaper MDL-22 GAS Page 1 11(b) |
| 5 | Line 1 + Line 3 | 42(a) | From Page 50 of 65 Line 72 + Line 73 + Line 74 |
| 7 | Line 38 | 42(b) | From Workpaper MDL-22 GAS Page 11(c) |
| 9 | Line 5 + Line 7 | | |
| 11-22 | Previous month balance plus Line 46 | | |
| 24 | Average of Lines 9, 13, 16, 19, 22 | | |
| 30 (a) | From Page 50 of 65 Line 25 + Line 26 + Line 27 | | |
| 30 (b) | From Workpaper MDL-22 GAS Page 1 11(a) | | |

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

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

Line Notes

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

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

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

Witness: Michael D. Laflamme

Schedule MDL-4-ELEC

Narragansett Electric Cash Working Capital Study

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Schedule List

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

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Summary**

| Line No. | CWC % | | | TEST YEAR | | Reference Page | | |
|-------------|---|--------------------|-----------------------|-----------|---|-------------------|---------|----|
| | Revenue Receipt | Expense Payment | Net Payment (Lead) | Total | CWC | | | |
| | Lag | (Lag) | Lag | Dollars | Dollars | | | |
| | (a) | (b) | (c) | (d) | (e) | | | |
| 1 | <u>Purchased Power</u> | 10.93% | -6.12% | 4.81% | Recovered Via Company Electric Retail Rate Filing | | 3 | |
| 2 | Operation & Maintenance Expense | 10.93% | -5.52% | 5.41% | 146,885,372 | 7,950,725 | 4 | |
| 3 | Transmission | 10.93% | -11.16% | -0.23% | 117,011,211 | (269,126) | 5 | |
| 4 | Federal Income Tax | 10.93% | -6.12% | 4.81% | 16,545,843 | 795,855 | 6 | |
| 5 | <u>Taxes Other than Income Taxes</u> | | | | | | | |
| 6 | Municipal Taxes | 10.93% | -31.40% | -20.47% | 29,012,357 | (5,938,830) | 7 | |
| 7 | Sales and Use Tax | 10.93% | -5.10% | 5.83% | 15,547,443 | 906,416 | 8 | |
| 8 | Gross Receipts Tax | 10.93% | 18.46% | 29.39% | 10,667,425 | 3,135,156 | 9 | |
| 8 | <u>Payroll Taxes - Company Portion</u> | | | | | | | |
| 9 | Federal Unemployment | 10.93% | -26.77% | -15.84% | 18,990 | (3,008) | 10 | |
| 10 | State Unemployment | 10.93% | -14.38% | -3.45% | 174,972 | (6,037) | 11 | |
| 11 | FICA Expense | Weekly | 10.93% | -0.41% | 10.52% | 2,617,052 | 275,314 | 12 |
| 12 | FICA Expense | Monthly | 10.93% | -0.50% | 10.43% | 399,546 | 41,673 | 13 |
| 13 | <u>Payroll Taxes and Other Withholding</u> | | | | | | | |
| 14 | FICA and Federal Withholding | Weekly | -0.42% | -0.42% | 7,917,015 | (33,251) | 14 | |
| 15 | FICA and Federal Withholding | Monthly | -0.49% | -0.49% | 1,412,777 | (6,923) | 15 | |
| 16 | State Income Tax Withholding | Weekly | -0.42% | -0.42% | 1,485,136 | (6,238) | 16 | |
| 17 | State Income Tax Withholding | Monthly | -0.49% | -0.49% | 279,843 | (1,371) | 17 | |
| 18 | Temporary Disability Ins. | Weekly | -11.68% | -11.68% | 253,695 | (29,632) | 18 | |
| 19 | Temporary Disability Ins. | Monthly | -15.21% | -15.21% | 45,142 | (6,866) | 19 | |
| 20 | Incentive Thrift | Weekly | -1.07% | -1.07% | 3,202,566 | (34,257) | 20 | |
| 21 | Incentive Thrift | Monthly | -1.77% | -1.77% | 439,536 | (7,769) | 21 | |
| 22 | TOTAL | | | | 353,915,923 | 6,761,832 | | |

Column Notes

- (a) Page 2, Line 23
- (b) From Schedule page in Column (f)
- (c) Column (a) + (b)
- (d) From Schedule in Column (f)
- (e) Column (c) x Column (d)

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Revenue Payment Lag

| | Service Period | Accounts Receivable | Sales of Electric Energy | Days in Month | Days of Sales in Accounts Receivable |
|----|---|------------------------|--------------------------------|------------------|---|
| | | (a) | (b) | (c) | (d) |
| | | | | | (a) / (b) x (c) |
| 1 | 1/31/11 | \$ 94,817,373 | \$ 80,066,769 | 31 | 36.71 |
| 2 | 2/28/11 | 98,805,928 | 75,660,519 | 28 | 36.57 |
| 3 | 3/31/11 | 87,485,842 | 69,727,234 | 31 | 38.90 |
| 4 | 4/30/11 | 85,567,544 | 63,512,255 | 30 | 40.42 |
| 5 | 5/31/11 | 77,063,087 | 56,257,188 | 31 | 42.46 |
| 6 | 6/30/11 | 77,863,594 | 60,561,771 | 30 | 38.57 |
| 7 | 7/31/11 | 90,396,881 | 74,516,977 | 31 | 37.61 |
| 8 | 8/31/11 | 90,797,373 | 81,820,639 | 31 | 34.40 |
| 9 | 9/30/11 | 87,896,308 | 72,139,553 | 30 | 36.55 |
| 10 | 10/31/11 | 79,989,494 | 62,009,077 | 31 | 39.99 |
| 11 | 11/30/11 | 78,038,617 | 59,626,791 | 30 | 39.26 |
| 12 | 12/31/11 | <u>79,618,772</u> | <u>60,774,448</u> | 31 | <u>40.61</u> |
| 13 | | | | | |
| 14 | Total | \$ 1,028,340,812 | \$ 816,673,221 | | <u>462.05</u> |
| 15 | | | | | |
| 16 | | | | | / 12 = |
| 17 | Average lag in days from date bill sent to | | | | <u>38.50</u> |
| 18 | customer to date bill is paid by customer | | Line 14 / Line 16 | | |
| 19 | Average lag in days from date meter is read | | | | <u>1.41</u> |
| 20 | to date bill is sent to customer | | | | |
| 21 | Average lag in days from date meter is read | | Line 17 + Line 19 | | <u>39.91</u> |
| 22 | to date bill is paid by customer | | | | |
| 23 | Customer payment lag - annual percent | | Line 23 / 365 | | <u>10.93%</u> |

Column Notes

- (a) From Company Financials
 (b) Data from monthly CSS Report CR97990A
 (d) (Column (a) ÷ Column (b)) x Column (c)

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Summary of Purchased Power**

| <u>Line No.</u> | <u>Description</u> | <u>Reference</u> | <u>CWC %</u> |
|---------------------|-------------------------------------|------------------|-------------------------|
| 1 | Net CWC Percent Lag | Line 7 | <u>4.81%</u> |
| 2 | Total Payments in year | | <u>\$ 364,550,585</u> |
| 3 | Total Weighted Dollar Days | | <u>\$ 8,145,278,241</u> |
| 4 | Payment Lag Days | Line 3 / Line 2 | <u>(22.34)</u> |
| 5 | Payment Lag Days as Percent of Year | Line 4 / 365 | <u>-6.12%</u> |
| 6 | Revenue Lag Days Percent | Page 2, Line 23 | <u>10.93%</u> |
| 7 | Net CWC Percent Lag | Line 5 + Line 6 | <u>4.81%</u> |

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Operating & Maintenance (O&M) Summary

| Line No. | Cost Category (a) | Amount (b) | NECO IFA (c) | Intrastate (d) | Lead Days (e) | Dollar Weighted Days (f) | Percentage Of total O&M (g) | Expense Payment % (Lag) (h) | Weighted Expense Payment % (i) | Page Reference (j) |
|----------|-------------------------|----------------|--------------|----------------|---------------|--------------------------|-----------------------------|-----------------------------|--------------------------------|--------------------|
| 1 | Payroll-Weekly | \$ 20,690,765 | \$964,550 | \$ 19,726,215 | (8.13) | (\$160,415,068) | 13.43% | -2.23% | -0.30% | 4a |
| 2 | Payroll-Monthly | 3,753,974 | 2,284,446 | 1,469,528 | (19.50) | (28,655,793) | 1.00% | -5.34% | -0.05% | 4b |
| 3 | Service Company Billing | \$ 81,301,706 | | \$ 81,301,706 | (30.36) | (2,468,319,808) | 55.35% | -8.32% | -4.61% | 4c |
| 4 | Other O&M | 50,953,408 | 6,565,484 | 44,387,923 | (6.75) | (299,653,992) | 30.22% | -1.85% | -0.56% | 4d |
| 5 | Total | \$ 156,699,853 | \$ 9,814,480 | \$ 146,885,372 | (19.04) | (\$2,796,629,593) | 100.00% | | -5.52% | |

Reconciliation to financial statements:

| | |
|---------------------|--|
| \$235,984,489 | Total O&M expenses per financials |
| (81,301,706) | Service Company Billing |
| (24,444,739) | Payroll expenses |
| (117,011,211) | Transmission Wheeling |
| 52,986,986 | Integrated Facilities Agreement Credit |
| (11,314,819) | Uncollectible expense allowance |
| (3,945,593) | Cost to achieve (CTA) |
| <u>\$50,953,408</u> | <u>Other O&M expenses</u> |

Column Notes

(d) Column (b) - Column (c)

(e) Annual average for expense lead/(lag) days

(f) Column (d) x Column (e)

(i) Column (g) x Column (h)

**National Grid - Narragansett Electric Company
For The Twelve Months Ended December 31, 2011
Weekly Payroll Data**

| | Liability Date | Payroll Date | Lag Days | |
|----|-----------------------------|-----------------|-------------|-------|
| | (a) | (b) | (c) | |
| 1 | 12/29/2010 | 01/06/2011 | 8 | |
| 2 | 01/05/2011 | 01/13/2011 | 8 | |
| 3 | 01/12/2011 | 01/20/2011 | 8 | |
| 4 | 01/19/2011 | 01/27/2011 | 8 | |
| 5 | 01/26/2011 | 02/03/2011 | 8 | |
| 6 | 02/02/2011 | 02/10/2011 | 8 | |
| 7 | 02/09/2011 | 02/17/2011 | 8 | |
| 8 | 02/16/2011 | 02/25/2011 | 9 | |
| 9 | 02/23/2011 | 03/03/2011 | 8 | |
| 10 | 03/02/2011 | 03/10/2011 | 8 | |
| 11 | 03/09/2011 | 03/17/2011 | 8 | |
| 12 | 03/16/2011 | 03/24/2011 | 8 | |
| 13 | 03/23/2011 | 03/31/2011 | 8 | |
| 14 | 03/30/2011 | 04/07/2011 | 8 | |
| 15 | 04/06/2011 | 04/14/2011 | 8 | |
| 16 | 04/13/2011 | 04/21/2011 | 8 | |
| 17 | 04/20/2011 | 04/28/2011 | 8 | |
| 18 | 04/27/2011 | 05/05/2011 | 8 | |
| 19 | 05/04/2011 | 05/12/2011 | 8 | |
| 20 | 05/11/2011 | 05/19/2011 | 8 | |
| 21 | 05/18/2011 | 05/26/2011 | 8 | |
| 22 | 05/25/2011 | 06/03/2011 | 9 | |
| 23 | 06/01/2011 | 06/09/2011 | 8 | |
| 24 | 06/08/2011 | 06/16/2011 | 8 | |
| 25 | 06/15/2011 | 06/23/2011 | 8 | |
| 26 | 06/22/2011 | 06/30/2011 | 8 | |
| 27 | 06/29/2011 | 07/08/2011 | 9 | |
| 28 | 07/06/2011 | 07/14/2011 | 8 | |
| 29 | 07/13/2011 | 07/21/2011 | 8 | |
| 30 | 07/20/2011 | 07/28/2011 | 8 | |
| 31 | 07/27/2011 | 08/04/2011 | 8 | |
| 32 | 08/03/2011 | 08/11/2011 | 8 | |
| 33 | 08/10/2011 | 08/18/2011 | 8 | |
| 34 | 08/17/2011 | 08/25/2011 | 8 | |
| 35 | 08/24/2011 | 09/01/2011 | 8 | |
| 36 | 08/31/2011 | 09/09/2011 | 9 | |
| 37 | 09/07/2011 | 09/15/2011 | 8 | |
| 38 | 09/14/2011 | 09/22/2011 | 8 | |
| 39 | 09/21/2011 | 09/29/2011 | 8 | |
| 40 | 09/28/2011 | 10/06/2011 | 8 | |
| 41 | 10/05/2011 | 10/13/2011 | 8 | |
| 42 | 10/12/2011 | 10/20/2011 | 8 | |
| 43 | 10/19/2011 | 10/27/2011 | 8 | |
| 44 | 10/26/2011 | 11/03/2011 | 8 | |
| 45 | 11/02/2011 | 11/10/2011 | 8 | |
| 46 | 11/09/2011 | 11/17/2011 | 8 | |
| 47 | 11/16/2011 | 11/25/2011 | 9 | |
| 48 | 11/23/2011 | 12/01/2011 | 8 | |
| 49 | 11/30/2011 | 12/08/2011 | 8 | |
| 50 | 12/07/2011 | 12/15/2011 | 8 | |
| 51 | 12/14/2011 | 12/22/2011 | 8 | |
| 52 | 12/21/2011 | 12/30/2011 | 9 | |
| 53 | 12/28/2011 | 01/06/2012 | 9 | |
| 54 | | | | |
| 55 | Average Weekly Payroll Data | | 8.13 | |
| 56 | | | | |
| 57 | | | | |
| 58 | Days of | Annual | Customer | |
| 59 | Cost | Percent | Payment | |
| 60 | | | Lag% | CWC % |
| 61 | (8.13) | -2.23% | 10.93% | 8.70% |
| 62 | | | | |

63 Column Notes64
65 (a) The payroll period is Saturday to Sunday of the following week

66 The weekly payroll liability date is mid-week, Wednesday

67 (b) Payroll dates are the actual dates on which payroll was paid.

68 Weekly payroll is dated Thursday for the work week ending the prior Saturday

69 (e.g. 1/13/11 for week ending 1/08/11). In Holiday weeks, checks are dated on Friday.

70 (c) Column (b) - Column (a)

National Grid - Narragansett Electric Company
For The Twelve Months Ended December 31, 2011
Monthly Payroll Data

| | Liability Date | Payroll Date | Lag Days | |
|----|---|-----------------|----------------|--------------|
| | (a) | (b) | (c) | |
| 1 | 01/01/2011 | 01/21/2011 | 20 | |
| 2 | 02/01/2011 | 02/18/2011 | 17 | |
| 3 | 03/01/2011 | 03/21/2011 | 20 | |
| 4 | 04/01/2011 | 04/21/2011 | 20 | |
| 5 | 05/01/2011 | 05/20/2011 | 19 | |
| 6 | 06/01/2011 | 06/21/2011 | 20 | |
| 7 | 07/01/2011 | 07/21/2011 | 20 | |
| 8 | 08/01/2011 | 08/19/2011 | 18 | |
| 9 | 09/01/2011 | 09/21/2011 | 20 | |
| 10 | 10/01/2011 | 10/21/2011 | 20 | |
| 11 | 11/01/2011 | 11/21/2011 | 20 | |
| 12 | 12/01/2011 | 12/21/2011 | <u>20</u> | |
| 13 | | | | |
| 14 | | | | |
| 15 | Average Monthly Payroll Lag Days | | <u>19.50</u> | |
| 16 | | | | |
| 17 | | | | |
| 18 | | | | |
| 19 | Days of | Annual | Customer | |
| 20 | <u>Cost</u> | <u>Percent</u> | <u>Paymnet</u> | <u>CWC %</u> |
| 21 | | | <u>Lag%</u> | |
| 22 | <u>(19.50)</u> | <u>-5.34%</u> | <u>10.93%</u> | <u>5.59%</u> |
| 23 | | | | |
| 24 | <u>Column Notes</u> | | | |
| 25 | | | | |
| 26 | (a) The payroll period is the 15th of each month to the 16th of the following month | | | |
| 27 | The monthly payroll liability date is mid period, thus the 1st of each month | | | |
| 28 | (b) Payroll dates are the actual dates on which payroll was paid | | | |
| 29 | (c) Column (b) - Column (a) | | | |

**National Grid - Narragansett Electric Company
For The Twelve Months Ended December 31, 2011
Service Company Billings Detail**

| Line No. | Svc Month (a) | Billing Date (b) | Payment Date (c) | Amount Paid (d) | % of Total (e) | % of Total for Year (f) | Elapsed Days (c - b) (g) | Weighted Elapsed Days (f * g) (h) |
|----------|---|---------------------|---------------------|----------------------|-------------------|-------------------------------|--------------------------------|---|
| 1 | January | 01/01/2011 | 01/22/2011 | \$13,560,000 | 85.14% | 5.75% | 21 | 1.21 |
| 2 | | | 02/19/2011 | \$1,265,076 | 7.94% | 0.54% | 49 | 0.26 |
| 3 | | | 02/12/2011 | <u>\$1,101,382</u> | <u>6.92%</u> | 0.47% | 42 | 0.20 |
| 4 | | | | \$15,926,459 | 100% | | | |
| 5 | | | | | | | | |
| 6 | February | 02/01/2011 | 03/17/2011 | \$13,597,000 | 102.97% | 5.77% | 44 | 2.54 |
| 7 | | | 03/17/2011 | -\$1,568,773 | -11.88% | -0.67% | 44 | (0.29) |
| 8 | | | 03/17/2011 | <u>\$1,176,839</u> | <u>8.91%</u> | 0.50% | 44 | 0.22 |
| 9 | | | | \$13,205,066 | 100% | | | |
| 10 | | | | | | | | |
| 11 | March | 03/01/2011 | 03/17/2011 | \$10,832,000 | 31.47% | 4.59% | 16 | 0.73 |
| 12 | | | 04/22/2011 | \$21,513,837 | 62.51% | 9.12% | 52 | 4.74 |
| 13 | | | 04/22/2011 | <u>\$2,073,221</u> | <u>6.02%</u> | 0.88% | 52 | 0.46 |
| 14 | | | | \$34,419,057 | 100% | | | |
| 15 | | | | | | | | |
| 16 | April | 04/01/2011 | 04/22/2011 | \$11,409,860 | 74.53% | 4.84% | 21 | 1.02 |
| 17 | | | 05/25/2011 | \$3,216,832 | 21.01% | 1.36% | 54 | 0.73 |
| 18 | | | 05/20/2011 | <u>\$682,938</u> | <u>4.46%</u> | 0.29% | 49 | 0.14 |
| 19 | | | | \$15,309,630 | 100% | | | |
| 20 | | | | | | | | |
| 21 | May | 05/01/2011 | 05/25/2011 | \$15,111,000 | 86.07% | 6.41% | 24 | 1.54 |
| 22 | | | 06/20/2011 | \$1,357,324 | 7.73% | 0.58% | 50 | 0.29 |
| 23 | | | 06/16/2011 | <u>\$1,088,935</u> | <u>6.20%</u> | 0.46% | 46 | 0.21 |
| 24 | | | | \$17,557,259 | 100% | | | |
| 25 | | | | | | | | |
| 26 | June | 06/01/2011 | 06/20/2011 | \$15,377,000 | 73.65% | 6.52% | 19 | 1.24 |
| 27 | | | 07/17/2011 | \$4,760,983 | 22.80% | 2.02% | 46 | 0.93 |
| 28 | | | 07/21/2011 | <u>\$741,777</u> | <u>3.55%</u> | 0.31% | 50 | 0.16 |
| 29 | | | | \$20,879,760 | 100.00% | | | |
| 30 | | | | | | | | |
| 31 | July | 07/01/2011 | 07/17/2011 | \$15,925,000 | 124.23% | 6.75% | 16 | 1.08 |
| 32 | | | 08/15/2011 | -\$3,764,976 | -29.37% | -1.60% | 45 | (0.72) |
| 33 | | | 08/21/2011 | <u>\$658,597</u> | <u>5.14%</u> | 0.28% | 51 | 0.14 |
| 34 | | | | \$12,818,621 | 100.00% | | | |
| 35 | | | | | | | | |
| 36 | August | 08/01/2011 | 08/15/2011 | \$15,952,000 | 53.52% | 6.77% | 14 | 0.95 |
| 37 | | | 09/23/2011 | \$12,779,368 | 42.87% | 5.42% | 53 | 2.87 |
| 38 | | | 09/21/2011 | <u>\$1,075,279</u> | <u>3.61%</u> | 0.46% | 51 | 0.23 |
| 39 | | | | \$29,806,648 | 100.00% | | | |
| 40 | | | | | | | | |
| 41 | September | 09/01/2011 | 09/23/2011 | \$17,467,000 | 66.18% | 7.41% | 22 | 1.63 |
| 42 | | | 10/22/2011 | \$7,925,301 | 30.03% | 3.36% | 51 | 1.71 |
| 43 | | | 10/22/2011 | <u>\$1,000,120</u> | <u>3.79%</u> | 0.42% | 51 | 0.21 |
| 44 | | | | \$26,392,421 | 100.00% | | | |
| 45 | | | | | | | | |
| 46 | October | 10/01/2011 | 10/22/2011 | \$18,509,000 | 95.87% | 7.85% | 21 | 1.65 |
| 47 | | | 11/18/2011 | -\$481,354 | -2.49% | -0.20% | 48 | (0.10) |
| 48 | | | 11/23/2011 | <u>1,277,986</u> | <u>6.62%</u> | 0.54% | 53 | 0.29 |
| 49 | | | | \$19,305,632 | 100.00% | | | |
| 50 | | | | | | | | |
| 51 | November | 11/01/2011 | 11/18/2011 | \$0 | 0.00% | 0.00% | 17 | 0.00 |
| 52 | | | 12/23/2011 | 8,396,249 | 92.08% | 3.56% | 52 | 1.85 |
| 53 | | | 12/16/2011 | <u>722,186</u> | <u>7.92%</u> | 0.31% | 45 | 0.14 |
| 54 | | | | \$9,118,435 | 100.00% | | | |
| 55 | | | | | | | | |
| 56 | December | 12/01/2011 | 12/23/2011 | \$19,706,000 | 93.65% | 8.36% | 22 | 1.84 |
| 57 | | | 01/21/2012 | -381,062 | -1.81% | -0.16% | 51 | (0.08) |
| 58 | | | 01/16/2012 | <u>1,718,320</u> | <u>8.17%</u> | 0.73% | 46 | 0.34 |
| 59 | | | | \$21,043,258 | 100.00% | | | |
| 60 | | | | | | | | |
| 61 | | | Annual Totals | <u>\$235,782,247</u> | | <u>100.0%</u> | | <u>30.36</u> |
| 62 | | | | | | | | |
| 63 | | | | | | | | |
| 64 | | | Days of | Annual | Customer | | | |
| 65 | | | Cost | Percent | Payment | | CWC % | |
| 66 | | | | | Lag % | | | |
| 67 | | | <u>-30.36</u> | <u>-8.32%</u> | <u>10.93%</u> | | <u>2.61%</u> | |
| 68 | | | | | | | | |
| 69 | | | | | | | | |
| 70 | | | | | | | | |
| 71 | Column Notes | | | | | | | |
| 72 | (c) Services are billed on an estimated basis in the month during which services are provided; trued-up to actual the following month. | | | | | | | |
| 73 | The result can be an additional payment or a reimbursement of an overpayment. | | | | | | | |
| 74 | (g) Column (c) - Column (b) | | | | | | | |
| 75 | (h) Column (f) x Column (g) | | | | | | | |

**National Grid - Narragansett Electric Company
Vendor Payment Lag
For The Twelve Months Ended December 31, 2011**

| Line No. | Service Period | Invoice Totals | % of Total | Payment Lag in Days | Weighted Payment Lag in Days | Dollar Weighted Days |
|----------|----------------|---------------------|----------------|---------------------|------------------------------|----------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | 01/31/2011 | \$1,467,643 | 2.78% | 10.96 | 0.30 | 16,091,464 |
| 2 | 02/28/2011 | 1,845,501 | 3.49% | 19.37 | 0.68 | 35,749,445 |
| 3 | 03/31/2011 | 4,192,118 | 7.94% | 5.76 | 0.46 | 24,157,284 |
| 4 | 04/30/2011 | 3,293,582 | 6.23% | 9.02 | 0.56 | 29,711,579 |
| 5 | 05/31/2011 | 2,231,193 | 4.22% | 8.92 | 0.38 | 19,896,435 |
| 6 | 06/30/2011 | 3,465,467 | 6.56% | 9.98 | 0.66 | 34,599,360 |
| 7 | 07/31/2011 | 3,152,971 | 5.97% | 6.86 | 0.41 | 21,625,631 |
| 8 | 08/31/2011 | 3,434,106 | 6.50% | 6.83 | 0.44 | 23,452,107 |
| 9 | 09/30/2011 | 4,803,481 | 9.09% | 7.78 | 0.71 | 37,354,816 |
| 10 | 10/31/2011 | 7,325,707 | 13.87% | 6.67 | 0.92 | 48,826,981 |
| 11 | 11/30/2011 | 5,151,775 | 9.75% | 4.38 | 0.43 | 22,579,170 |
| 12 | 12/31/2011 | <u>12,465,428</u> | <u>23.60%</u> | 3.42 | <u>0.81</u> | <u>42,625,251</u> |
| 13 | | | | | | |
| 14 | | <u>\$52,828,974</u> | <u>100.00%</u> | | <u>6.75</u> | <u>356,669,522</u> |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | | | | | | |
| 19 | Days of | Annual | Customer | | | |
| 20 | Cost | Percent | Payment | CWC % | | |
| 21 | | | Lag % | | | |
| 22 | <u>(6.75)</u> | <u>-1.85%</u> | <u>10.93%</u> | <u>9.08%</u> | | |
| 23 | | | | | | |
| 24 | | | | | | |

25 Column Notes

26 (d) Dollar weighted days divided by invoice totals.

27 (f) Monthly total of dollar weighted days (invoice amount x days lapsed from invoice date to payment date).

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

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**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Transmission Wheeling Expenses**

| <u>Line No.</u> | <u>Days of Cost</u> | <u>Annual Percent</u> | <u>Revenue Lag %</u> | <u>CWC %</u> |
|---------------------|-------------------------|---------------------------|--------------------------|--------------|
| 1 | (40.75) | -11.16% | 10.93% | -0.23% |

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

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

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**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Federal Income Taxes**

| Line No. | Payment Date | Days from Svc Period End | Percent Payment | Weighted Average Days From Year End |
|----------|--------------|--------------------------|-----------------|-------------------------------------|
| | (a) | (b) | (c) | (d) |
| 1 | 03/15/2011 | 291 | 25.00% | 72.75 |
| 2 | 07/15/2011 | 169 | 25.00% | 42.25 |
| 3 | 09/15/2011 | 107 | 25.00% | 26.75 |
| 4 | 12/15/2011 | 16 | <u>25.00%</u> | <u>4.00</u> |
| 5 | | | <u>100.00%</u> | <u>145.75</u> |

| Service Period | Days from Year End | Average Days from Year End |
|------------------------------------|--------------------|----------------------------|
| 01/31/2011 | 334 | |
| 02/28/2011 | 306 | |
| 03/31/2011 | 275 | |
| 04/30/2011 | 245 | |
| 05/31/2011 | 214 | |
| 06/30/2011 | 184 | |
| 07/31/2011 | 153 | |
| 08/31/2011 | 122 | |
| 09/30/2011 | 92 | |
| 10/31/2011 | 61 | |
| 11/30/2011 | 31 | |
| 12/31/2011 | 0 | |
| Average End of Service Period Date | <u>2,017</u> /12 = | <u>168.08</u> |

| | | |
|--|-------------------|-----------------|
| Weighted Average Payment | Line 5(d) | 145.75 |
| Average Days from End of Service Period for Payment of FIT | Line 26(d) | <u>(168.08)</u> |
| | Line 29 + Line 30 | <u>(22.33)</u> |

| Day of Cost | Annual Percent | Customer Payment Lag % | CWC % |
|----------------|----------------|------------------------|--------------|
| <u>(22.33)</u> | <u>-6.12%</u> | <u>10.93%</u> | <u>4.81%</u> |

40 Column Notes

- 41 (a)1-4 The Internal Revenue Service (Code Sec. 6655) requires estimated federal income tax payments, per this schedule, based on the fiscal year end.
- 42 Section 20 1.3-3 of IRCS code 6654: In the case of a fiscal year filer, the due dates are the
- 43 15th day of the 4th, 6th, 9th, and 12th month of the taxable year, as determined by the
- 44 last month of the chosen fiscal year.
- 45
- 46 (b)1-4 12/31/2011 - Column (a)1-4
- 47 (d)1-4 Column (c)1-4 x Column (b)1-4
- 48 (c)12-2 12/31/2011 - Column (a)12-23

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
Assessments for Statement Year 2011
Municipal Taxes

| Line No. | Payment Date | Days From Svc Per End | Amount Paid | Percent Payment | Weighted Average Days From Year End |
|----------|--------------|-----------------------|----------------------|-----------------|-------------------------------------|
| | (a) | (b) | (c) | (d) | (e) |
| 1 | 07/31/11 | 153 | \$ 4,726,168 | 16.29% | 24.92 |
| 2 | 08/31/11 | 122 | 3,671,112 | 12.65% | 15.43 |
| 3 | 09/30/11 | 92 | 1,421,269 | 4.90% | 4.51 |
| 4 | 10/31/11 | 61 | 2,119,903 | 7.31% | 4.46 |
| 5 | 11/30/11 | 31 | 3,924,078 | 13.53% | 4.19 |
| 6 | 12/31/11 | 0 | 13,106,814 | 45.18% | 0.00 |
| 7 | 01/31/12 | (31) | 43,014 | 0.15% | (0.05) |
| 8 | 02/28/12 | (59) | 0 | 0.00% | 0.00 |
| 9 | 03/31/12 | (91) | 0 | 0.00% | 0.00 |
| 10 | 04/30/12 | (121) | 0 | 0.00% | 0.00 |
| 11 | 05/31/12 | (152) | 0 | 0.00% | 0.00 |
| 12 | 06/30/12 | (182) | 0 | 0.00% | 0.00 |
| 13 | | | | | |
| 14 | | | <u>\$ 29,012,357</u> | 100.00% | <u>53.46</u> |

| Service Period | Days From Year End | Average Days From Year End |
|------------------------------------|--------------------|----------------------------|
| 1/31/11 | 334 | |
| 2/28/11 | 306 | |
| 3/31/11 | 275 | |
| 4/30/11 | 245 | |
| 5/31/11 | 214 | |
| 6/30/11 | 184 | |
| 7/31/11 | 153 | |
| 8/31/11 | 122 | |
| 9/30/11 | 92 | |
| 10/31/11 | 61 | |
| 11/30/11 | 31 | |
| 12/31/11 | <u>0</u> | |
| Average End of Service Period Date | <u>2,017</u> | <u>168.08</u> |

| | | |
|---|-------------------|-----------------|
| Weighted Payment Date From Year End | Line 14(e) | 53.46 |
| Average End of Service Period Date | Line 35(e) | (168.08) |
| Average days from End of Service Period Date for payment of Municipal Taxes | Line 39 + Line 40 | <u>(114.62)</u> |

| Days of Cost | Annual Percent | Customer Payment Lag % | CWC % |
|-----------------|----------------|------------------------|----------------|
| <u>(114.62)</u> | <u>-31.40%</u> | <u>10.93%</u> | <u>-20.47%</u> |

Column Notes

| | |
|----------|--------------------------------|
| (b)1-12 | 12/31/2011 - Column (a)1-12 |
| (e)1-12 | Column (b)1-12x Column (d)1-12 |
| (c)21-32 | 12/31/2011 - Column (a)21-32 |

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Sales and Use Tax**

| Line No. | Liability Date | Liability Paid | % of Total | Liability Date | Payment Date | Payment Lag Days | Weighted Payment Lag Days |
|----------|----------------|----------------------|----------------|----------------|--------------|------------------|---------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| 1 | 01/31/11 | \$ 1,410,800 | 9.07% | 01/31/11 | 02/18/11 | 18 | 1.63 |
| 2 | 02/28/11 | 1,342,089 | 8.63% | 02/28/11 | 03/18/11 | 18 | 1.55 |
| 3 | 03/31/11 | 1,289,573 | 8.29% | 03/31/11 | 04/19/11 | 19 | 1.58 |
| 4 | 04/30/11 | 1,195,919 | 7.69% | 04/30/11 | 05/19/11 | 19 | 1.46 |
| 5 | 05/31/11 | 1,151,411 | 7.41% | 05/31/11 | 06/17/11 | 17 | 1.26 |
| 6 | 06/30/11 | 1,228,152 | 7.90% | 06/30/11 | 07/19/11 | 19 | 1.50 |
| 7 | 07/31/11 | 1,416,219 | 9.11% | 07/31/11 | 08/19/11 | 19 | 1.73 |
| 8 | 08/31/11 | 1,510,684 | 9.72% | 08/31/11 | 09/19/11 | 19 | 1.85 |
| 9 | 09/30/11 | 1,395,406 | 8.98% | 09/30/11 | 10/19/11 | 19 | 1.71 |
| 10 | 10/31/11 | 1,251,929 | 8.05% | 10/31/11 | 11/18/11 | 18 | 1.45 |
| 11 | 11/30/11 | 1,171,087 | 7.53% | 11/30/11 | 12/19/11 | 19 | 1.43 |
| 12 | 12/31/11 | <u>1,184,174</u> | <u>7.62%</u> | 12/31/11 | 01/19/12 | 19 | <u>1.45</u> |
| 13 | | | | | | | |
| 14 | | <u>\$ 15,547,443</u> | <u>100.00%</u> | | | | <u>18.60</u> |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | | | Customer | | | | |
| 18 | Days of | Annual | Payment | | | | |
| 19 | <u>Cost.</u> | <u>Percent</u> | <u>Lag %</u> | <u>CWC %</u> | | | |
| 20 | | | | | | | |
| 21 | <u>(18.60)</u> | <u>-5.10%</u> | <u>10.93%</u> | <u>5.83%</u> | | | |
| 22 | | | | | | | |

23 Column Notes

- 24 (a)&(d) Sales and use tax liability is comprised primarily of sales tax collected from customers
25 on taxable sales each month. These taxable sales are reported on a calendar month
26 basis with the liability for each calendar month payable by the 20th of the following
27 calendar month. Since these taxable sales are spread uniformly throughout the month,
28 the average liability date for sales tax liability is assumed to be the end of each
29 calendar month. In addition to sales tax, a minor amount of use tax is paid on taxable
30 purchases from vendors. These amounts are individually small and are also incurred
31 uniformly throughout the month. Accordingly, the average date vendor invoices are
32 received (i.e. the end of the month as assumed elsewhere in this study) is used as the
33 average liability date for use tax in each calendar month. Since the average liability
34 and payment dates for sales and use tax are the same, both are combined in the above
35 analysis.
36 Rhode Island law (Sec. 44-19) requires monthly reporting and payment of sales and
37 use tax. The return for sales and use tax liability for the month, and payment of the
38 entire liability for that month are due no later than the 20th of the following month. Rhode
39 Island law (Sec. 44-1) states that liability and payment dates that fall upon a Saturday,
40 Sunday, or legal holiday are extended by law to the next business day. Also under
41 this Sec., payments are considered timely with evidence of mailing on or before the
42 due date.
43 (f) Column (e) - (d)
44 (g) Column (c) x Column (f)

Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Gross Earnings Tax

| Line No. | Gross Earnings Tax Payment Date (a) | Days From Service Period (b) | Percent Payment (c) | Payment Amount (d) | Weighted Average Days from Year End (e) |
|----------|--|---------------------------------|------------------------|-----------------------|--|
| 1 | 03/11/2011 | 295 | 39.68% | \$ 12,170,459 | 117.04 |
| 2 | 06/14/2011 | 200 | 59.46% | 18,240,000 | 118.93 |
| 3 | 09/15/2011 | 107 | 0.00% | 0 | 0.00 |
| 4 | 02/28/2012 | (59) | 0.86% | 264,197 | (0.51) |
| 5 | | | <u>100.00%</u> | \$ 30,674,656 | <u>235.46</u> |

| Service Period | Days from Year end | Average Days from Year end |
|------------------------------------|--------------------|----------------------------|
| 01/31/2011 | 334 | |
| 02/28/2011 | 306 | |
| 03/31/2011 | 275 | |
| 04/30/2011 | 245 | |
| 05/31/2011 | 214 | |
| 06/30/2011 | 184 | |
| 07/31/2011 | 153 | |
| 08/31/2011 | 122 | |
| 09/30/2011 | 92 | |
| 10/31/2011 | 61 | |
| 11/30/2011 | 31 | |
| 12/31/2011 | <u>0</u> | |
| Average End of Service Period Date | <u>2.017</u> | /12 = <u>168.08</u> |

| | | |
|---|-------------------|-----------------|
| Weighted Average Payment Days from Year End | Line 5(e) | 235.46 |
| Average Days from End of Service | Line 25(e) | <u>(168.08)</u> |
| Period for Payment of Gross Earnings Tax | Line 29 + Line 30 | <u>67.38</u> |

| Days of Cost | Annualized Percent | Customer Payment Lag % | CWC % |
|--------------|--------------------|------------------------|---------------|
| <u>67.38</u> | <u>18.46%</u> | <u>10.93%</u> | <u>29.39%</u> |

Column Notes

- (a)1-4 Rhode Island law (Sec. 44-26) requires the payment of estimated Corporate Gross Earnings Tax (GET) during the tax year. This code section also stipulates the above payment dates and minimum payment percentages. Code Sec. 44-1 extends the required payment dates that fall upon a Saturday, Sunday or legal holiday, to the next business day. Finally, payments are considered timely under Sec. 44-1 with evidence of mailing on or before the required date. The Company pays 40% of 85% of its prior year GET on March 15 and 60% of 85% of its prior year GET on June 15. Any remaining tax due for the calendar year is paid with its GET return on February 28 of the subsequent year.
- (b)1-4 12/31/2011 - Column (a)1-4
- (d)1-4 Because Gross receipts taxes are collected and remitted on a calendar year basis, this amount reflects gross receipts tax accrual for the twelve months ended December 31, 2011
- (e)1-4 Column (b)1-4 x Column (c)1-4
- (c)12-2 12/31/2011 - Column (a)12-23

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Federal Unemployment Tax**

| Line No. | Liability Date | Total Liability Amount | O & M % of Total | Payment Date | Payment Lag in Days | Weighted Payment Lag in Days |
|----------|----------------|------------------------|------------------|---------------|---------------------|------------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | 01/31/11 | \$ 20,881 | 109.96% | 04/29/11 | 88 | 96.76 |
| 2 | 02/28/11 | 870 | 4.58% | 04/29/11 | 60 | 2.75 |
| 3 | 03/31/11 | 45 | 0.24% | 04/29/11 | 29 | 0.07 |
| 4 | 04/30/11 | 195 | 1.03% | 08/01/11 | 93 | 0.95 |
| 5 | 05/31/11 | 574 | 3.02% | 08/01/11 | 62 | 1.87 |
| 6 | 06/30/11 | 581 | 3.06% | 08/01/11 | 32 | 0.98 |
| 7 | 07/31/11 | 50 | 0.26% | 10/28/11 | 89 | 0.24 |
| 8 | 08/31/11 | 33 | 0.17% | 10/28/11 | 58 | 0.10 |
| 9 | 09/30/11 | 31 | 0.16% | 10/28/11 | 28 | 0.05 |
| 10 | 10/31/11 | 53 | 0.28% | 01/31/12 | 92 | 0.26 |
| 11 | 11/30/11 | 446 | 2.35% | 01/31/12 | 62 | 1.46 |
| 12 | 12/31/11 | <u>(4,769)</u> | <u>-25.11%</u> | 01/31/12 | 31 | <u>-7.79</u> |
| 13 | | | | | | |
| 14 | | <u>\$ 18,990</u> | <u>100.00%</u> | | | <u>97.70</u> |
| 15 | | | | | | |
| 16 | | | | Customer | | |
| 17 | | Days of | Annual | Payment | | |
| 18 | | Cost | Percent | Lag % | CWC % | |
| 19 | | | | | | |
| 20 | | <u>(97.70)</u> | <u>-26.77%</u> | <u>10.93%</u> | <u>-15.84%</u> | |
| 21 | | | | | | |

Column Notes

- (a) For the purposes of this calculation, the weighted average liability date is deemed to be the end of each month. This is based on the fact that on average, salaries and wages (and the corresponding unemployment tax liabilities) accrue evenly throughout the month as employee hours are worked.
- (d) IRS Code Sec. 3301 stipulates quarterly payment of unemployment tax liability. 100% of the liability for each quarter must be paid by the last day of the first month following that quarter.
- (e) Column (d) - Column (a)
- (f) Column (c) x Column (e)

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
State Unemployment Tax

| Line No. | Liability Date ^{1/} | Total Liability Amount | O & M % of Total | Payment Date ^{2/} | Payment Lag in Days | Weighted Payment Lag in Days |
|----------|------------------------------|------------------------|------------------|----------------------------|---------------------|------------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | 01/31/2011 | \$ 62,385 | 35.65% | 04/13/2011 | 72 | 25.67 |
| 2 | 02/28/2011 | 45,223 | 25.85% | 04/13/2011 | 44 | 11.37 |
| 3 | 03/31/2011 | 23,500 | 13.43% | 04/13/2011 | 13 | 1.75 |
| 4 | 04/30/2011 | 6,302 | 3.60% | 07/21/2011 | 82 | 2.95 |
| 5 | 05/31/2011 | 25,015 | 14.30% | 07/21/2011 | 51 | 7.29 |
| 6 | 06/30/2011 | 3,088 | 1.77% | 07/21/2011 | 21 | 0.37 |
| 7 | 07/31/2011 | 1,555 | 0.89% | 10/31/2011 | 92 | 0.82 |
| 8 | 08/31/2011 | 1,442 | 0.82% | 10/31/2011 | 61 | 0.50 |
| 9 | 09/30/2011 | 2,054 | 1.17% | 10/31/2011 | 31 | 0.36 |
| 10 | 10/31/2011 | 651 | 0.37% | 01/31/2012 | 92 | 0.34 |
| 11 | 11/30/2011 | 2,340 | 1.34% | 01/31/2012 | 62 | 0.83 |
| 12 | 12/31/2011 | 1,415 | 0.81% | 01/31/2012 | 31 | 0.25 |
| 13 | | <u>\$ 174,972</u> | <u>100.00%</u> | | | <u>52.50</u> |
| 14 | | | | | | |
| 15 | | | | | | |
| 16 | | Days of | Annual | Payment | | |
| 17 | | Cost | Percent | Lag % | CWC % | |
| 18 | | | | | | |
| 19 | | <u>(52.50)</u> | <u>-14.38%</u> | <u>10.93%</u> | <u>-3.45%</u> | |
| 20 | | | | | | |
| 21 | | | | | | |

Column Notes

- 23 (a) For the purposes of this calculation, the weighted average liability
24 date is deemed to be the 15th of each month. This is based on the
25 fact that on average, salaries and wages (and the corresponding
26 unemployment tax liabilities) accrue evenly throughout the month
27 as employee hours are worked.
- 28 (d) Rhode Island law (Sec. 28-42 through 28-44) stipulates quarterly payment
29 of unemployment tax liability. 100% of the liability for each quarter
30 must be paid by the last day of the first month following
31 that quarter.
- 32 (e) Column (d) - Column (a)
- 33 (f) Column (c) x Column (e)

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
FICA Expense - Weekly Payroll

| Line No. | Amount Paid (a) | % of Total (b) | Payroll Date (c) | Payment Date (d) | Payment Lag in Days (e) | Weighted Payment Lag in Days (f) |
|----------|--|-------------------|---------------------|---------------------|----------------------------|-------------------------------------|
| 1 | \$ 9,574 | 0.37% | 01/06/2011 | 01/07/2011 | 1 | 0.00 |
| 2 | 41,845 | 1.60% | 01/13/2011 | 01/14/2011 | 1 | 0.02 |
| 3 | 58,316 | 2.23% | 01/20/2011 | 01/21/2011 | 1 | 0.02 |
| 5 | 47,487 | 1.81% | 01/27/2011 | 01/28/2011 | 1 | 0.02 |
| 6 | 50,138 | 1.92% | 02/03/2011 | 02/04/2011 | 1 | 0.02 |
| 7 | 50,875 | 1.94% | 02/10/2011 | 02/11/2011 | 1 | 0.02 |
| 8 | 43,150 | 1.65% | 02/17/2011 | 02/18/2011 | 1 | 0.02 |
| 9 | 49,671 | 1.90% | 02/25/2011 | 02/28/2011 | 3 | 0.06 |
| 10 | 50,254 | 1.92% | 03/03/2011 | 03/04/2011 | 1 | 0.02 |
| 11 | 42,741 | 1.63% | 03/10/2011 | 03/11/2011 | 1 | 0.02 |
| 12 | 48,007 | 1.83% | 03/17/2011 | 03/18/2011 | 1 | 0.02 |
| 13 | 45,552 | 1.74% | 03/24/2011 | 03/25/2011 | 1 | 0.02 |
| 14 | 44,294 | 1.69% | 03/31/2011 | 04/01/2011 | 1 | 0.02 |
| 15 | 46,305 | 1.77% | 04/07/2011 | 04/08/2011 | 1 | 0.02 |
| 16 | 48,614 | 1.86% | 04/14/2011 | 04/15/2011 | 1 | 0.02 |
| 17 | 43,697 | 1.67% | 04/21/2011 | 04/22/2011 | 1 | 0.02 |
| 18 | 43,779 | 1.67% | 04/28/2011 | 04/29/2011 | 1 | 0.02 |
| 19 | 48,442 | 1.85% | 05/05/2011 | 05/06/2011 | 1 | 0.02 |
| 20 | 43,563 | 1.66% | 05/12/2011 | 05/13/2011 | 1 | 0.02 |
| 21 | 58,144 | 2.22% | 05/19/2011 | 05/20/2011 | 1 | 0.02 |
| 22 | 45,608 | 1.74% | 05/26/2011 | 05/27/2011 | 1 | 0.02 |
| 23 | 48,558 | 1.86% | 06/03/2011 | 06/06/2011 | 3 | 0.06 |
| 24 | 62,926 | 2.40% | 06/09/2011 | 06/10/2011 | 1 | 0.02 |
| 25 | 60,632 | 2.32% | 06/16/2011 | 06/17/2011 | 1 | 0.02 |
| 26 | 58,625 | 2.24% | 06/23/2011 | 06/24/2011 | 1 | 0.02 |
| 27 | 48,699 | 1.86% | 06/30/2011 | 07/01/2011 | 1 | 0.02 |
| 28 | 45,542 | 1.74% | 07/08/2011 | 07/11/2011 | 3 | 0.05 |
| 29 | 48,038 | 1.84% | 07/14/2011 | 07/15/2011 | 1 | 0.02 |
| 30 | 48,456 | 1.85% | 07/21/2011 | 07/22/2011 | 1 | 0.02 |
| 31 | 56,157 | 2.15% | 07/28/2011 | 07/29/2011 | 1 | 0.02 |
| 32 | 53,583 | 2.05% | 08/04/2011 | 08/05/2011 | 1 | 0.02 |
| 33 | 47,901 | 1.83% | 08/11/2011 | 08/12/2011 | 1 | 0.02 |
| 34 | 47,268 | 1.81% | 08/18/2011 | 08/19/2011 | 1 | 0.02 |
| 35 | 55,346 | 2.11% | 08/25/2011 | 08/26/2011 | 1 | 0.02 |
| 36 | 64,540 | 2.47% | 09/01/2011 | 09/02/2011 | 1 | 0.02 |
| 37 | 181,882 | 6.95% | 09/09/2011 | 09/12/2011 | 3 | 0.21 |
| 38 | 79,006 | 3.02% | 09/15/2011 | 09/16/2011 | 1 | 0.03 |
| 39 | 44,051 | 1.68% | 09/22/2011 | 09/23/2011 | 1 | 0.02 |
| 40 | 42,938 | 1.64% | 09/29/2011 | 09/30/2011 | 1 | 0.02 |
| 41 | 42,259 | 1.61% | 10/06/2011 | 10/07/2011 | 1 | 0.02 |
| 42 | 39,780 | 1.52% | 10/13/2011 | 10/14/2011 | 1 | 0.02 |
| 43 | 39,817 | 1.52% | 10/20/2011 | 10/21/2011 | 1 | 0.02 |
| 44 | 41,631 | 1.59% | 10/27/2011 | 10/28/2011 | 1 | 0.02 |
| 45 | 40,200 | 1.54% | 11/03/2011 | 11/04/2011 | 1 | 0.02 |
| 46 | 97,236 | 3.72% | 11/10/2011 | 11/14/2011 | 4 | 0.15 |
| 47 | 42,016 | 1.61% | 11/17/2011 | 11/18/2011 | 1 | 0.02 |
| 48 | 33,387 | 1.28% | 11/25/2011 | 11/28/2011 | 3 | 0.04 |
| 49 | 29,451 | 1.13% | 12/01/2011 | 12/02/2011 | 1 | 0.01 |
| 50 | 28,883 | 1.10% | 12/08/2011 | 12/09/2011 | 1 | 0.01 |
| 51 | 28,542 | 1.09% | 12/15/2011 | 12/16/2011 | 1 | 0.01 |
| 52 | 27,066 | 1.03% | 12/22/2011 | 12/23/2011 | 1 | 0.01 |
| 53 | 26,754 | 1.02% | 12/30/2011 | 01/03/2012 | 4 | 0.04 |
| 54 | <u>45,825</u> | 1.75% | 01/06/2012 | 01/09/2012 | 3 | <u>0.05</u> |
| 55 | | | | | | |
| 56 | <u>\$ 2,617,052</u> | <u>100.00%</u> | | | | <u>1.51</u> |
| 57 | | | | | | |
| 58 | | | | | | |
| 59 | | Days of | Annual | Customer | | |
| 60 | | Cost | Percent | Payment | | |
| 61 | | | | Lag % | CWC % | |
| 62 | | <u>(1.51)</u> | <u>-0.41%</u> | <u>10.93%</u> | <u>10.52%</u> | |
| 63 | | | | | | |
| 64 | | | | | | |
| 65 | <u>Column Notes</u> | | | | | |
| 66 | (a) 1 Payroll for work week ended 01/01/2011, thus 1 work days included. | | | | | |
| 67 | (d) Payment of FICA expense is governed by the same rules as the other components of Federal | | | | | |
| 68 | payroll tax deposits. See notes on monthly FICA and FIT withholding. | | | | | |
| 69 | (e) Column (d) - Column (c) | | | | | |
| 70 | (f) Column (b) x (e) | | | | | |

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
FICA Expense - Monthly Payroll

| Line No. | Payment Amount | % of Total | Payroll Date | Payment Date | Lag Days | Weighted Lag Days |
|----------|-------------------|----------------|----------------|---------------|---------------|-------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | \$ 28,445 | 7.12% | 01/21/2011 | 01/24/2011 | 3 | 0.21 |
| 2 | 26,027 | 6.51% | 02/18/2011 | 02/22/2011 | 4 | 0.26 |
| 3 | 26,199 | 6.56% | 03/21/2011 | 03/22/2011 | 1 | 0.07 |
| 4 | 24,017 | 6.01% | 04/21/2011 | 04/22/2011 | 1 | 0.06 |
| 5 | 22,175 | 5.55% | 05/20/2011 | 05/23/2011 | 3 | 0.17 |
| 6 | 24,698 | 6.18% | 06/21/2011 | 06/22/2011 | 1 | 0.06 |
| 7 | 19,865 | 4.97% | 07/21/2011 | 07/22/2011 | 1 | 0.05 |
| 8 | 17,737 | 4.44% | 08/19/2011 | 08/22/2011 | 3 | 0.13 |
| 9 | 26,970 | 6.75% | 09/21/2011 | 09/22/2011 | 1 | 0.07 |
| 10 | 11,658 | 2.92% | 10/21/2011 | 10/24/2011 | 3 | 0.09 |
| 11 | 18,202 | 4.56% | 11/21/2011 | 11/22/2011 | 1 | 0.05 |
| 12 | 9,767 | 2.44% | 12/21/2011 | 12/22/2011 | 1 | 0.02 |
| 13 | 31,112 | 7.79% | 02/03/2011 | 02/04/2011 | 1 | 0.08 |
| 14 | 47,810 | 11.97% | 06/10/2011 | 06/13/2011 | 3 | 0.36 |
| 15 | 64,482 | 16.14% | 06/13/2011 | 06/14/2011 | 1 | 0.16 |
| 16 | 176 | 0.04% | 08/26/2011 | 08/29/2011 | 3 | 0.00 |
| 17 | 185 | 0.05% | 12/10/2011 | 12/12/2011 | 2 | 0.00 |
| 18 | <u>22</u> | 0.01% | 12/08/2011 | 12/12/2011 | 4 | <u>0.00</u> |
| 19 | | | | | | |
| 20 | <u>\$ 399,546</u> | <u>100.00%</u> | | | | <u>1.84</u> |
| 21 | | | | Customer | | |
| 22 | | Days of | Annual | Payment | | |
| 23 | | <u>Cost</u> | <u>Percent</u> | <u>Lag %</u> | <u>CWC %</u> | |
| 24 | | | | | | |
| 25 | | <u>(1.84)</u> | <u>-0.50%</u> | <u>10.93%</u> | <u>10.43%</u> | |
| 26 | | | | | | |
| 27 | | | | | | |

28 Column Notes

- 29 (a) Two different types of monthly payroll are paid: regular monthly
30 (i.e. salaries) and manual/misc. (e.g. termination pay).
31 Since these different payrolls are paid on different dates, separate
32 weighted payment lags for each have been calculated.
33 (c) Payroll dates are the actual dates on which payroll was paid.
34 (d) Payment of FICA expense is governed by the same rules as the other
35 components of Federal payroll tax deposits (see notes on monthly
36 FICA and Federal Income Tax withholding).
37 (e) Column (d) - Column (c)
38 (f) Column (e) x Column (b)

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Employee FIT and FICA Withholding - Weekly Payroll**

| Line No. | Withholding Amount | % of Total | Payroll Date | Payment Date | Payment Lag in Days | Weighted Payment Lag in Days |
|----------|---------------------|----------------|--------------|--------------|---------------------|------------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | \$ 31,817 | 0.40% | 01/06/2011 | 01/07/2011 | 1 | 0.00 |
| 2 | 114,019 | 1.44% | 01/13/2011 | 01/14/2011 | 1 | 0.01 |
| 3 | 181,841 | 2.30% | 01/20/2011 | 01/21/2011 | 1 | 0.02 |
| 4 | 136,989 | 1.73% | 01/27/2011 | 01/28/2011 | 1 | 0.02 |
| 5 | 71,884 | 0.91% | 02/03/2011 | 02/04/2011 | 1 | 0.01 |
| 6 | 137,545 | 1.74% | 02/10/2011 | 02/11/2011 | 1 | 0.02 |
| 7 | 110,160 | 1.39% | 02/17/2011 | 02/18/2011 | 1 | 0.01 |
| 8 | 134,831 | 1.70% | 02/25/2011 | 02/28/2011 | 3 | 0.05 |
| 9 | 136,880 | 1.73% | 03/03/2011 | 03/04/2011 | 1 | 0.02 |
| 10 | 108,311 | 1.37% | 03/10/2011 | 03/11/2011 | 1 | 0.01 |
| 11 | 128,570 | 1.62% | 03/17/2011 | 03/18/2011 | 1 | 0.02 |
| 12 | 118,676 | 1.50% | 03/24/2011 | 03/25/2011 | 1 | 0.02 |
| 13 | 113,952 | 1.44% | 03/31/2011 | 04/01/2011 | 1 | 0.01 |
| 14 | 121,679 | 1.54% | 04/07/2011 | 04/08/2011 | 1 | 0.02 |
| 15 | 147,002 | 1.86% | 04/14/2011 | 04/15/2011 | 1 | 0.02 |
| 16 | 111,222 | 1.40% | 04/21/2011 | 04/22/2011 | 1 | 0.01 |
| 17 | 110,519 | 1.40% | 04/28/2011 | 04/29/2011 | 1 | 0.01 |
| 18 | 129,487 | 1.64% | 05/05/2011 | 05/06/2011 | 1 | 0.02 |
| 19 | 109,992 | 1.39% | 05/12/2011 | 05/13/2011 | 1 | 0.01 |
| 20 | 200,932 | 2.54% | 05/19/2011 | 05/20/2011 | 1 | 0.03 |
| 21 | 116,568 | 1.47% | 05/26/2011 | 05/27/2011 | 1 | 0.01 |
| 22 | 127,485 | 1.61% | 06/03/2011 | 06/06/2011 | 3 | 0.05 |
| 23 | 192,274 | 2.43% | 06/09/2011 | 06/10/2011 | 1 | 0.02 |
| 24 | 173,056 | 2.19% | 06/16/2011 | 06/17/2011 | 1 | 0.02 |
| 25 | 164,046 | 2.07% | 06/23/2011 | 06/24/2011 | 1 | 0.02 |
| 26 | 155,343 | 1.96% | 06/30/2011 | 07/01/2011 | 1 | 0.02 |
| 27 | 115,386 | 1.46% | 07/08/2011 | 07/11/2011 | 3 | 0.04 |
| 28 | 125,685 | 1.59% | 07/14/2011 | 07/15/2011 | 1 | 0.02 |
| 29 | 127,348 | 1.61% | 07/21/2011 | 07/22/2011 | 1 | 0.02 |
| 30 | 158,707 | 2.00% | 07/28/2011 | 07/29/2011 | 1 | 0.02 |
| 31 | 148,501 | 1.88% | 08/04/2011 | 08/05/2011 | 1 | 0.02 |
| 32 | 125,872 | 1.59% | 08/11/2011 | 08/12/2011 | 1 | 0.02 |
| 33 | 123,683 | 1.56% | 08/18/2011 | 08/19/2011 | 1 | 0.02 |
| 34 | 205,411 | 2.59% | 08/25/2011 | 08/26/2011 | 1 | 0.03 |
| 35 | 234,564 | 2.96% | 09/01/2011 | 09/02/2011 | 1 | 0.03 |
| 36 | 728,600 | 9.20% | 09/09/2011 | 09/12/2011 | 3 | 0.28 |
| 37 | 269,737 | 3.41% | 09/15/2011 | 09/16/2011 | 1 | 0.03 |
| 38 | 123,197 | 1.56% | 09/22/2011 | 09/23/2011 | 1 | 0.02 |
| 39 | 121,284 | 1.53% | 09/29/2011 | 09/30/2011 | 1 | 0.02 |
| 40 | 116,243 | 1.47% | 10/06/2011 | 10/07/2011 | 1 | 0.01 |
| 41 | 106,837 | 1.35% | 10/13/2011 | 10/14/2011 | 1 | 0.01 |
| 42 | 110,904 | 1.40% | 10/20/2011 | 10/21/2011 | 1 | 0.01 |
| 43 | 123,148 | 1.56% | 10/27/2011 | 10/28/2011 | 1 | 0.02 |
| 44 | 115,486 | 1.46% | 11/03/2011 | 11/04/2011 | 1 | 0.01 |
| 45 | 433,649 | 5.48% | 11/10/2011 | 11/14/2011 | 4 | 0.22 |
| 46 | 156,423 | 1.98% | 11/17/2011 | 11/18/2011 | 1 | 0.02 |
| 47 | 110,880 | 1.40% | 11/25/2011 | 11/28/2011 | 3 | 0.04 |
| 48 | 101,458 | 1.28% | 12/01/2011 | 12/02/2011 | 1 | 0.01 |
| 49 | 103,309 | 1.30% | 12/08/2011 | 12/09/2011 | 1 | 0.01 |
| 50 | 108,381 | 1.37% | 12/15/2011 | 12/16/2011 | 1 | 0.01 |
| 51 | 110,860 | 1.40% | 12/22/2011 | 12/23/2011 | 1 | 0.01 |
| 52 | 106,402 | 1.34% | 12/30/2011 | 01/03/2012 | 4 | 0.05 |
| 53 | <u>119,980</u> | <u>1.52%</u> | 01/06/2012 | 01/09/2012 | 3 | 0.05 |
| 54 | | | | | | |
| 55 | <u>\$ 7,917,015</u> | <u>100.00%</u> | | | | <u>1.53</u> |
| 56 | | | | | | |
| 57 | | | | Annual CWC % | | <u>-0.42%</u> |
| 58 | | | | | | |
| 59 | | | | | | |

Column Notes

- 61 (a) Withholding dollars exclude minor monthly amounts for manual checks to weekly employees,
62 small in amount and not generally associated with specific payroll dates.
63 (a) Payroll for work week ended 01/01/2011, thus 1 work days included.
64 (c) Payroll dates are the actual dates on which payroll was paid.
65 (d) The IRS Code stipulates payment of all withheld FICA and Federal
66 Income Tax within one banking day under the \$100,000 One-Day Rule.
67 100% of the withholding must be deposited in a Federal Depository
68 Bank within one day of the date payments are made. Payment
69 due dates which fall upon a Saturday, Sunday, or holiday (i.e.
70 non-banking day) are extended until the next banking day.
71 (e) Column (d) - Column (c)
72 (f) Column (b) x Column (e)

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Employee FIT and FICA Withholding - Monthly Payroll

| Line No. | Withholding Amount | % of Total | Payroll Date 1/ | Payment Date 2/ | Lag Days | Weighted Lag Days |
|----------|---------------------|----------------|-----------------|-----------------|----------|-------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | \$ 85,519 | 6.05% | 01/21/2011 | 01/24/2011 | 3 | 0.18 |
| 2 | 62,375 | 4.42% | 02/18/2011 | 02/22/2011 | 4 | 0.18 |
| 3 | 70,048 | 4.96% | 03/21/2011 | 03/22/2011 | 1 | 0.05 |
| 4 | 63,327 | 4.48% | 04/21/2011 | 04/22/2011 | 1 | 0.04 |
| 5 | 58,389 | 4.13% | 05/20/2011 | 05/23/2011 | 3 | 0.12 |
| 6 | 72,078 | 5.10% | 06/21/2011 | 06/22/2011 | 1 | 0.05 |
| 7 | 55,750 | 3.95% | 07/21/2011 | 07/22/2011 | 1 | 0.04 |
| 8 | 53,081 | 3.76% | 08/19/2011 | 08/22/2011 | 3 | 0.11 |
| 9 | 89,498 | 6.33% | 09/21/2011 | 09/22/2011 | 1 | 0.06 |
| 10 | 40,210 | 2.85% | 10/21/2011 | 10/24/2011 | 3 | 0.09 |
| 11 | 102,149 | 7.23% | 11/21/2011 | 11/22/2011 | 1 | 0.07 |
| 12 | 52,600 | 3.72% | 12/21/2011 | 12/22/2011 | 1 | 0.04 |
| 13 | 132,779 | 9.40% | 02/03/2011 | 02/04/2011 | 1 | 0.09 |
| 14 | 225,491 | 15.96% | 06/10/2011 | 06/13/2011 | 3 | 0.48 |
| 15 | 246,059 | 17.42% | 06/13/2011 | 06/14/2011 | 1 | 0.17 |
| 16 | 288 | 0.02% | 08/26/2011 | 08/29/2011 | 3 | 0.00 |
| 17 | 504 | 0.04% | 12/10/2011 | 12/12/2011 | 2 | 0.00 |
| 18 | <u>2,634</u> | <u>0.19%</u> | 12/08/2011 | 12/12/2011 | 4 | <u>0.01</u> |
| 19 | | | | | | |
| 20 | <u>\$ 1,412,777</u> | <u>100.00%</u> | | | | <u>1.78</u> |
| 21 | | | | | | |
| 22 | | | | Annual CWC% | | <u>-0.49%</u> |

23 Column Notes

- 24 (a) Two different types of monthly payroll are paid: regular monthly
25 (i.e. salaries) and manual/misc. (e.g. termination pay).
26 Since these different payrolls are paid on different dates, separate
27 weighted payment lags for each have been calculated above.
28 (c) Payroll dates are the actual dates on which payroll was paid.
29 (d) The IRS Code stipulates payment of all withheld FICA and Federal
30 Income Tax within one banking day under the \$100,000 One-Day Rule.
31 100% of the withholding must be deposited in a Federal Depository
32 Bank within one day of the date payments are made. Payment
33 due dates which fall upon a Saturday, Sunday, or holiday (i.e.
34 non-banking day) are extended until the next banking day.
35 (e) Column (d) - Column (c)
36 (f) Column (b) x Column (e)

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
State Income Tax Withholding - Weekly Payroll

| Line No. | Withholding Amount (a) | % of Total (b) | Payroll Date (c) | Payment Date (d) | Lag Days (e) | Weighted Lag Days (f) |
|-------------|------------------------------|----------------------|------------------------|------------------------|--------------------|--------------------------------|
| 1 | \$ 6,442 | 0.43% | 01/06/2011 | 01/07/2011 | 1 | 0.00 |
| 2 | 21,711 | 1.46% | 01/13/2011 | 01/14/2011 | 1 | 0.01 |
| 3 | 36,147 | 2.43% | 01/20/2011 | 01/21/2011 | 1 | 0.02 |
| 4 | 26,462 | 1.78% | 01/27/2011 | 01/28/2011 | 1 | 0.02 |
| 5 | 24,625 | 1.66% | 02/03/2011 | 02/04/2011 | 1 | 0.02 |
| 6 | 24,917 | 1.68% | 02/10/2011 | 02/11/2011 | 1 | 0.02 |
| 7 | 20,403 | 1.37% | 02/17/2011 | 02/18/2011 | 1 | 0.01 |
| 8 | 23,750 | 1.60% | 02/25/2011 | 02/28/2011 | 3 | 0.05 |
| 9 | 24,666 | 1.66% | 03/03/2011 | 03/04/2011 | 1 | 0.02 |
| 10 | 20,054 | 1.35% | 03/10/2011 | 03/11/2011 | 1 | 0.01 |
| 11 | 23,448 | 1.58% | 03/17/2011 | 03/18/2011 | 1 | 0.02 |
| 12 | 22,235 | 1.50% | 03/24/2011 | 03/25/2011 | 1 | 0.02 |
| 13 | 20,949 | 1.41% | 03/31/2011 | 04/01/2011 | 1 | 0.01 |
| 14 | 22,341 | 1.50% | 04/07/2011 | 04/08/2011 | 1 | 0.02 |
| 15 | 29,750 | 2.00% | 04/14/2011 | 04/15/2011 | 1 | 0.02 |
| 16 | 20,599 | 1.39% | 04/21/2011 | 04/22/2011 | 1 | 0.01 |
| 17 | 20,490 | 1.38% | 04/28/2011 | 04/29/2011 | 1 | 0.01 |
| 18 | 23,800 | 1.60% | 05/05/2011 | 05/06/2011 | 1 | 0.02 |
| 19 | 20,364 | 1.37% | 05/12/2011 | 05/13/2011 | 1 | 0.01 |
| 20 | 39,672 | 2.67% | 05/19/2011 | 05/20/2011 | 1 | 0.03 |
| 21 | 21,557 | 1.45% | 05/26/2011 | 05/27/2011 | 1 | 0.01 |
| 22 | 23,488 | 1.58% | 06/03/2011 | 06/06/2011 | 3 | 0.05 |
| 23 | 33,078 | 2.23% | 06/09/2011 | 06/10/2011 | 1 | 0.02 |
| 24 | 30,896 | 2.08% | 06/16/2011 | 06/17/2011 | 1 | 0.02 |
| 25 | 30,467 | 2.05% | 06/23/2011 | 06/24/2011 | 1 | 0.02 |
| 26 | 30,265 | 2.04% | 06/30/2011 | 07/01/2011 | 1 | 0.02 |
| 27 | 21,337 | 1.44% | 07/08/2011 | 07/11/2011 | 3 | 0.04 |
| 28 | 23,073 | 1.55% | 07/14/2011 | 07/15/2011 | 1 | 0.02 |
| 29 | 23,362 | 1.57% | 07/21/2011 | 07/22/2011 | 1 | 0.02 |
| 30 | 28,614 | 1.93% | 07/28/2011 | 07/29/2011 | 1 | 0.02 |
| 31 | 26,932 | 1.81% | 08/04/2011 | 08/05/2011 | 1 | 0.02 |
| 32 | 23,193 | 1.56% | 08/11/2011 | 08/12/2011 | 1 | 0.02 |
| 33 | 22,902 | 1.54% | 08/18/2011 | 08/19/2011 | 1 | 0.02 |
| 34 | 41,111 | 2.77% | 08/25/2011 | 08/26/2011 | 1 | 0.03 |
| 35 | 46,427 | 3.13% | 09/01/2011 | 09/02/2011 | 1 | 0.03 |
| 36 | 120,645 | 8.12% | 09/09/2011 | 09/12/2011 | 3 | 0.24 |
| 37 | 48,043 | 3.23% | 09/15/2011 | 09/16/2011 | 1 | 0.03 |
| 38 | 23,531 | 1.58% | 09/22/2011 | 09/23/2011 | 1 | 0.02 |
| 39 | 22,650 | 1.53% | 09/29/2011 | 09/30/2011 | 1 | 0.02 |
| 40 | 22,539 | 1.52% | 10/06/2011 | 10/07/2011 | 1 | 0.02 |
| 41 | 20,933 | 1.41% | 10/13/2011 | 10/14/2011 | 1 | 0.01 |
| 42 | 21,849 | 1.47% | 10/20/2011 | 10/21/2011 | 1 | 0.01 |
| 43 | 24,254 | 1.63% | 10/27/2011 | 10/28/2011 | 1 | 0.02 |
| 44 | 22,925 | 1.54% | 11/03/2011 | 11/04/2011 | 1 | 0.02 |
| 45 | 77,817 | 5.24% | 11/10/2011 | 11/14/2011 | 4 | 0.21 |
| 46 | 31,164 | 2.10% | 11/17/2011 | 11/18/2011 | 1 | 0.02 |
| 47 | 22,887 | 1.54% | 11/25/2011 | 11/28/2011 | 3 | 0.05 |
| 48 | 21,245 | 1.43% | 12/01/2011 | 12/02/2011 | 1 | 0.01 |
| 49 | 21,611 | 1.46% | 12/08/2011 | 12/09/2011 | 1 | 0.01 |
| 50 | 22,511 | 1.52% | 12/15/2011 | 12/16/2011 | 1 | 0.02 |
| 51 | 23,130 | 1.56% | 12/22/2011 | 12/23/2011 | 1 | 0.02 |
| 52 | 22,323 | 1.50% | 12/30/2011 | 01/03/2012 | 4 | 0.06 |
| 53 | <u>21,991</u> | 1.48% | 01/06/2012 | 01/09/2012 | 3 | <u>0.04</u> |
| 54 | | | | | | |
| 55 | <u>\$ 1,485,136</u> | <u>100.00%</u> | | | | <u>1.54</u> |
| 56 | | | | | | |
| 57 | | | | Annual CWC % | | <u>-0.42%</u> |
| 58 | | | | | | |

59 **Column Notes**

60 (a)1 Payroll for work week ended 01/01/2011, thus 1 work days included.

61 (c) Payroll dates are the actual dates on which payroll was paid.

62 (d) Rhode Island law (Sec. 44-30) stipulates payment of all withheld State Income Tax within three
63 banking days after the end of each quarter-monthly liability period. 100% of the withholding
64 on all payroll paid during each quarter-monthly period must be paid no later than the third
65 banking day after the end of that period. Under Sec. 44-1, payment due dates which fall upon
66 Saturday, Sunday, or a legal holiday, are extended until the next banking day. In addition,
67 payment is considered timely with evidence of mailing by the due date.

68 (e) Column (d) - Column(c)

69 (f) Column (b) x Column (e)

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
State Income Tax Withholding - Monthly Payroll**

| Line No. | Withholding Amount | % of Total | Payroll Date ^{1/} | Payment Date ^{2/} | Lag Days | Weighted Lag Days |
|----------|--------------------|---------------|----------------------------|----------------------------|----------|-------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | \$ 16,551 | 5.91% | 01/21/2011 | 01/24/2011 | 3 | 0.18 |
| 2 | 12,665 | 4.53% | 02/18/2011 | 02/22/2011 | 4 | 0.18 |
| 3 | 12,832 | 4.59% | 03/21/2011 | 03/22/2011 | 1 | 0.05 |
| 4 | 11,581 | 4.14% | 04/21/2011 | 04/22/2011 | 1 | 0.04 |
| 5 | 10,723 | 3.83% | 05/20/2011 | 05/23/2011 | 3 | 0.11 |
| 6 | 13,048 | 4.66% | 06/21/2011 | 06/22/2011 | 1 | 0.05 |
| 7 | 10,476 | 3.74% | 07/21/2011 | 07/22/2011 | 1 | 0.04 |
| 8 | 9,832 | 3.51% | 08/19/2011 | 08/22/2011 | 3 | 0.11 |
| 9 | 16,780 | 6.00% | 09/21/2011 | 09/22/2011 | 1 | 0.06 |
| 10 | 8,727 | 3.12% | 10/21/2011 | 10/24/2011 | 3 | 0.09 |
| 11 | 20,599 | 7.36% | 11/21/2011 | 11/22/2011 | 1 | 0.07 |
| 12 | 11,305 | 4.04% | 12/21/2011 | 12/22/2011 | 1 | 0.04 |
| 13 | 28,466 | 10.17% | 02/03/2011 | 02/04/2011 | 1 | 0.10 |
| 14 | 45,575 | 16.29% | 06/10/2011 | 06/13/2011 | 3 | 0.49 |
| 15 | 47,544 | 16.99% | 06/13/2011 | 06/14/2011 | 1 | 0.17 |
| 16 | 2,545 | 0.91% | 07/25/2011 | 07/26/2011 | 1 | 0.01 |
| 17 | 27 | 0.01% | 08/26/2011 | 08/29/2011 | 3 | 0.00 |
| 18 | 114 | 0.04% | 12/10/2011 | 12/12/2011 | 2 | 0.00 |
| 19 | <u>453</u> | <u>0.16%</u> | 12/08/2011 | 12/12/2011 | 4 | <u>0.01</u> |
| 20 | | | | | | |
| 21 | <u>\$ 279,843</u> | <u>100.0%</u> | | | | <u>1.80</u> |
| 22 | | | | | | |
| 23 | | | | | | |
| 24 | | | | Annual CWC% | | <u>-0.49%</u> |
| 25 | | | | | | |

Column Notes

- 1 (a) Two different types of monthly payroll are paid: regular monthly
2 (i.e. salaries) and manual/misc. (e.g. termination pay).
3 Since these different payrolls are paid on different dates, separate
4 weighted payment lags for each have been calculated on the attached
5 schedules. This schedule simply summarizes these two separate
6 calculations.
26 (c) 1/ Payroll dates are the actual dates on which payroll was paid
27 (d) 2/ Rhode Island law (Sec. 44-30) stipulates payment of all withheld State
28 Income Tax within three banking days after the end of each quarter-
29 monthly liability period. 100% of the withholding on all payroll
30 paid during each quarter-monthly period must be paid no later than the
31 third banking day after the end of that period. Under Sec. 44-1,
32 payment due dates which fall upon Saturday, Sunday, or a legal holiday,
33 are extended until the next banking day. In addition, payment is
34 considered timely with evidence of mailing by the due date.
35 (e) Column (d) - Column (c)
36 (f) Column (e) x Column (b)

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Temporary Disability Insurance - Weekly Payroll**

| Line No. | Withholding Amount | % of Total | Liability Date | Payment Date | Payment Lag in Days | Weighted Payment Lag in Days |
|----------|--|---------------|----------------|--------------|---------------------|------------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | \$ 30,409 | 0.1199 | 01/15/2011 | 04/13/2011 | 88 | 10.55 |
| 2 | 32,319 | 0.1274 | 02/15/2011 | 04/13/2011 | 57 | 7.26 |
| 3 | 34,905 | 0.1376 | 03/15/2011 | 04/13/2011 | 29 | 3.99 |
| 4 | 26,929 | 0.1061 | 04/15/2011 | 07/21/2011 | 97 | 10.29 |
| 5 | 27,213 | 0.1073 | 05/15/2011 | 07/21/2011 | 67 | 7.19 |
| 6 | 35,572 | 0.1402 | 06/15/2011 | 07/21/2011 | 36 | 5.05 |
| 7 | 19,406 | 0.0765 | 07/15/2011 | 10/31/2011 | 108 | 8.26 |
| 8 | 13,570 | 0.0535 | 08/15/2011 | 10/31/2011 | 77 | 4.12 |
| 9 | 17,855 | 0.0704 | 09/15/2011 | 10/31/2011 | 46 | 3.24 |
| 10 | 5,945 | 0.0234 | 10/15/2011 | 01/31/2011 | -257 | -6.01 |
| 11 | 5,654 | 0.0223 | 11/15/2011 | 01/31/2011 | -288 | -6.42 |
| 12 | 3,919 | 0.0154 | 12/15/2011 | 01/31/2011 | -318 | -4.90 |
| 13 | | | | | | |
| 14 | <u>\$ 253,695</u> | <u>100.0%</u> | | | | <u>42.62</u> |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | | | | | CWC % | <u>-11.68%</u> |
| 19 | <u>Column Notes</u> | | | | | |
| 20 | (c) For the purposes of this calculation, the weighted average liability | | | | | |
| 21 | (withholding) date is deemed to be the 15th of each month. This is based | | | | | |
| 22 | on the fact that on average, weekly salaries and wages (and the corresponding | | | | | |
| 23 | Temp. Disability Ins. liabilities) accrue evenly throughout the month | | | | | |
| 24 | as employee hours are worked. | | | | | |
| 25 | (d) 2/ Rhode Island's Temporary Disability Insurance Act (Title 28 of R.I. law) stipulates | | | | | |
| 26 | quarterly payment of Temporary Disability Insurance withheld. 100% of the liability | | | | | |
| 27 | for each quarter must be paid by the last day of the first month after that quarter | | | | | |
| 28 | ends. Under Sec. 44-1, payment dates which fall upon a Saturday, Sunday or legal | | | | | |
| 29 | holiday are extended to the next business day. Payments are considered timely | | | | | |
| 30 | with evidence of mailing by the required date. | | | | | |
| 31 | (e) Column (d) - Column(c) | | | | | |
| 32 | (f) Column (e) x Column (b) | | | | | |

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Temporary Disability Insurance - Monthly Payroll**

| Line No. | Withholding Amount | % of Total | Payroll Date | Payment Date | Payment Lag in Days | Weighted Payment Lag in Days |
|----------|--------------------|----------------|--------------|--------------|---------------------|------------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | \$ 4,125 | 9.14% | 01/21/2011 | 04/13/2011 | 82 | 7.49 |
| 2 | 4,354 | 9.65% | 02/18/2011 | 04/13/2011 | 54 | 5.21 |
| 3 | 4,147 | 9.19% | 03/21/2011 | 04/13/2011 | 23 | 2.11 |
| 4 | 3,522 | 7.80% | 04/21/2011 | 07/21/2011 | 91 | 7.10 |
| 5 | 3,888 | 8.61% | 05/20/2011 | 07/21/2011 | 62 | 5.34 |
| 6 | 1,238 | 2.74% | 06/21/2011 | 07/21/2011 | 30 | 0.82 |
| 7 | 409 | 0.91% | 07/21/2011 | 10/31/2011 | 102 | 0.93 |
| 8 | 131 | 0.29% | 08/19/2011 | 10/31/2011 | 73 | 0.21 |
| 9 | 387 | 0.86% | 09/21/2011 | 10/31/2011 | 40 | 0.34 |
| 10 | 70 | 0.15% | 10/21/2011 | 01/31/2012 | 102 | 0.15 |
| 11 | 1,320 | 2.92% | 11/21/2011 | 01/31/2012 | 71 | 2.07 |
| 12 | 751 | 1.66% | 12/21/2011 | 01/31/2012 | 41 | 0.68 |
| 13 | 4,880 | 10.81% | 02/03/2011 | 04/13/2011 | 69 | 7.46 |
| 14 | 5,564 | 12.33% | 06/10/2011 | 07/21/2011 | 41 | 5.06 |
| 15 | 9,426 | 20.88% | 06/13/2011 | 07/21/2011 | 38 | 7.93 |
| 16 | 898 | 1.99% | 06/24/2011 | 10/31/2011 | 129 | 2.57 |
| 17 | 33 | <u>0.07%</u> | 12/10/2011 | 01/31/2012 | 52 | <u>0.04</u> |
| 18 | | | | | | |
| 19 | <u>\$ 45,142</u> | <u>100.00%</u> | | | | <u>55.51</u> |
| 20 | | | | | | |
| 21 | | | | | | |
| 22 | | | | Annual CWC % | | <u>-15.21%</u> |

23 Column Notes

24 (a) Two different types of monthly payroll are paid: regular monthly
25 (i.e. salaries) and manual/misc. (e.g. termination pay).
26 Since these different payrolls are paid on different dates, separate
27 weighted payment lags for each have been calculated on the attached
28 schedules. This schedule simply summarizes these three separate
29 calculations.

30 (c) Payroll dates are the actual dates on which payroll was paid.

31 (d) Rhode Island's Temporary Disability Insurance Act (Title 28 of R.I. law) stipulates
32 quarterly payment of Temporary Disability Insurance withheld. 100% of the liability
33 for each quarter must be paid by the last day of the first month after that quarter
34 ends. Under Sec. 44-1, payment dates which fall upon a Saturday, Sunday or legal
35 holiday are extended to the next business day. Payments are considered timely
36 with evidence of mailing by the required date.

37 (e) Column (d) - Column(c)

38 (f) Column (e) x Column (b)

**National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Incentive Thrift Withholding - Weekly Payroll**

| Line No. | Withholding Amount (a) | % of Total (b) | Liability Date (c) | Payment Date (d) | Payment Lag in Days (e) | Weighted Payment Lag in Days (f) |
|----------|---------------------------|-------------------|-----------------------|---------------------|----------------------------|-------------------------------------|
| 1 | \$ 10,138 | 0.32% | 01/06/2011 | 01/10/2011 | 4 | 0.01 |
| 2 | 54,696 | 1.71% | 01/13/2011 | 01/18/2011 | 5 | 0.09 |
| 3 | 66,919 | 2.09% | 01/20/2011 | 01/24/2011 | 4 | 0.08 |
| 4 | 59,888 | 1.87% | 01/27/2011 | 01/31/2011 | 4 | 0.07 |
| 5 | 61,730 | 1.93% | 02/03/2011 | 02/07/2011 | 4 | 0.08 |
| 6 | 64,240 | 2.01% | 02/10/2011 | 02/14/2011 | 4 | 0.08 |
| 7 | 56,604 | 1.77% | 02/17/2011 | 02/22/2011 | 5 | 0.09 |
| 8 | 63,002 | 1.97% | 02/25/2011 | 02/28/2011 | 3 | 0.06 |
| 9 | 64,891 | 2.03% | 03/03/2011 | 03/07/2011 | 4 | 0.08 |
| 10 | 56,846 | 1.78% | 03/10/2011 | 03/14/2011 | 4 | 0.07 |
| 11 | 61,350 | 1.92% | 03/17/2011 | 03/21/2011 | 4 | 0.08 |
| 12 | 58,960 | 1.84% | 03/24/2011 | 03/28/2011 | 4 | 0.07 |
| 13 | 58,406 | 1.82% | 03/31/2011 | 04/04/2011 | 4 | 0.07 |
| 14 | 59,323 | 1.85% | 04/07/2011 | 04/11/2011 | 4 | 0.07 |
| 15 | 57,777 | 1.80% | 04/14/2011 | 04/18/2011 | 4 | 0.07 |
| 16 | 57,336 | 1.79% | 04/21/2011 | 04/25/2011 | 4 | 0.07 |
| 17 | 57,507 | 1.80% | 04/28/2011 | 05/02/2011 | 4 | 0.07 |
| 18 | 59,739 | 1.87% | 05/05/2011 | 05/09/2011 | 4 | 0.07 |
| 19 | 57,105 | 1.78% | 05/12/2011 | 05/16/2011 | 4 | 0.07 |
| 20 | 58,330 | 1.82% | 05/19/2011 | 05/23/2011 | 4 | 0.07 |
| 21 | 59,596 | 1.86% | 05/26/2011 | 05/31/2011 | 5 | 0.09 |
| 22 | 62,296 | 1.95% | 06/03/2011 | 06/06/2011 | 3 | 0.06 |
| 23 | 73,295 | 2.29% | 06/09/2011 | 06/13/2011 | 4 | 0.09 |
| 24 | 74,188 | 2.32% | 06/16/2011 | 06/20/2011 | 4 | 0.09 |
| 25 | 63,513 | 1.98% | 06/23/2011 | 06/27/2011 | 4 | 0.08 |
| 26 | 59,657 | 1.86% | 06/30/2011 | 07/05/2011 | 5 | 0.09 |
| 27 | 60,579 | 1.89% | 07/08/2011 | 07/11/2011 | 3 | 0.06 |
| 28 | 61,998 | 1.94% | 07/14/2011 | 07/18/2011 | 4 | 0.08 |
| 29 | 61,631 | 1.92% | 07/21/2011 | 07/25/2011 | 4 | 0.08 |
| 30 | 67,866 | 2.12% | 07/28/2011 | 08/01/2011 | 4 | 0.08 |
| 31 | 65,554 | 2.05% | 08/04/2011 | 08/08/2011 | 4 | 0.08 |
| 32 | 62,322 | 1.95% | 08/11/2011 | 08/15/2011 | 4 | 0.08 |
| 33 | 60,149 | 1.88% | 08/18/2011 | 08/22/2011 | 4 | 0.08 |
| 34 | 60,561 | 1.89% | 08/25/2011 | 08/29/2011 | 4 | 0.08 |
| 35 | 61,952 | 1.93% | 09/01/2011 | 09/02/2011 | 1 | 0.02 |
| 36 | 157,921 | 4.93% | 09/09/2011 | 09/12/2011 | 3 | 0.15 |
| 37 | 87,308 | 2.73% | 09/15/2011 | 09/19/2011 | 4 | 0.11 |
| 38 | 58,116 | 1.81% | 09/22/2011 | 09/26/2011 | 4 | 0.07 |
| 39 | 53,407 | 1.67% | 09/29/2011 | 10/03/2011 | 4 | 0.07 |
| 40 | 53,467 | 1.67% | 10/06/2011 | 10/11/2011 | 5 | 0.08 |
| 41 | 52,167 | 1.63% | 10/13/2011 | 10/17/2011 | 4 | 0.07 |
| 42 | 52,858 | 1.65% | 10/20/2011 | 10/24/2011 | 4 | 0.07 |
| 43 | 53,735 | 1.68% | 10/27/2011 | 10/31/2011 | 4 | 0.07 |
| 44 | 53,448 | 1.67% | 11/03/2011 | 11/07/2011 | 4 | 0.07 |
| 45 | 88,528 | 2.76% | 11/10/2011 | 11/14/2011 | 4 | 0.11 |
| 46 | 56,936 | 1.78% | 11/17/2011 | 11/21/2011 | 4 | 0.07 |
| 47 | 48,008 | 1.50% | 11/25/2011 | 11/28/2011 | 3 | 0.04 |
| 48 | 46,970 | 1.47% | 12/01/2011 | 12/05/2011 | 4 | 0.06 |
| 49 | 45,913 | 1.43% | 12/08/2011 | 12/12/2011 | 4 | 0.06 |
| 50 | 45,379 | 1.42% | 12/15/2011 | 12/19/2011 | 4 | 0.06 |
| 51 | 45,970 | 1.44% | 12/22/2011 | 12/27/2011 | 5 | 0.07 |
| 52 | 43,778 | 1.37% | 12/30/2011 | 01/03/2012 | 4 | 0.05 |
| 53 | <u>58,715</u> | <u>1.83%</u> | 01/06/2012 | 01/09/2012 | 3 | <u>0.06</u> |
| 54 | <u>\$ 3,202,566</u> | <u>100.00%</u> | | | | <u>3.90</u> |
| 55 | | | | | CWC % | <u>-1.07%</u> |

Column Notes

- (c) Date payroll is actually paid.
(d) Incentive thrift withholdings for weekly payroll are deposited weekly, generally during the week following the payroll.
(e) Column (d) - Column(c)
(f) Column (e) x Column (b)

National Grid - Narragansett Electric Company
Cash Working Capital Requirements
For The Twelve Months Ended December 31, 2011
Incentive Thrift Withholding - Monthly Payroll

| Line No. | Withholding Amount | % of Total | Liability Date | Payment Date | Payment Lag in Days | Weighted Payment Lag in Days |
|----------|--------------------|----------------|----------------|--------------|---------------------|------------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | \$ 36,689 | 8.35% | 01/21/2011 | 01/24/2011 | 3 | 0.25 |
| 2 | 37,210 | 8.47% | 02/18/2011 | 02/28/2011 | 10 | 0.85 |
| 3 | 36,778 | 8.37% | 03/21/2011 | 03/28/2011 | 7 | 0.59 |
| 4 | 34,554 | 7.86% | 04/21/2011 | 04/25/2011 | 4 | 0.31 |
| 5 | 31,463 | 7.16% | 05/20/2011 | 05/23/2011 | 3 | 0.21 |
| 6 | 114,391 | 26.03% | 06/21/2011 | 06/27/2011 | 6 | 1.56 |
| 7 | 30,617 | 6.97% | 07/21/2011 | 07/31/2011 | 10 | 0.70 |
| 8 | 21,522 | 4.90% | 08/19/2011 | 08/29/2011 | 10 | 0.49 |
| 9 | 25,459 | 5.79% | 09/21/2011 | 09/26/2011 | 5 | 0.29 |
| 10 | 17,780 | 4.05% | 10/21/2011 | 10/31/2011 | 10 | 0.40 |
| 11 | 32,235 | 7.33% | 11/21/2011 | 11/28/2011 | 7 | 0.51 |
| 12 | <u>20,838</u> | 4.74% | 12/21/2011 | 12/27/2011 | 6 | 0.28 |
| 13 | <u>\$ 439,536</u> | <u>100.00%</u> | | | | <u>6.45</u> |
| CWC % | | | | | | <u>-1.77%</u> |

Column Notes

(c) Date payroll is actually paid.

(d) Incentive thrift withholdings for weekly payroll are deposited weekly, generally during the week following the payroll.

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

(f) Column (e) x Column (b)

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID

Docket No. R.I.P.U.C. _____
Witness: Michael D. Laflamme

Schedule MDL-4-GAS

Narragansett Gas Cash Working Capital Study

National Grid - Narragansett Gas Company
Cash Working Capital Requirement
For The Twelve Months Ended December 31, 2011
Schedule List

| Line # | Schedule Name | Page |
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| 3 | Summary of Gas Purchases | 3 |
| 4 | Operating & Maintenance (O&M) Summary | 4 |
| 4a | Weekly Payroll Lag | 4a |
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| 11 | FICA Expense - Weekly Payroll | 11 |
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| 17 | Temporary Disability Insurance - Weekly Payroll | 17 |
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National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Summary

| Line No. | | CWC% | | | Test Year | | Reference page: (f) |
|-------------|---|---------|---------|-------------|--|-------------|------------------------|
| | | Revenue | Expense | Net Payment | Total | CWC | |
| | | Receipt | Payment | (Lead) | Dollars | Dollars | |
| | | Lag | (Lag) | Lag | | | |
| | | (a) | (b) | (c) | (d) | (e) | |
| 1 | Gas Purchases | 12.52% | -6.62% | 5.90% | Recovered Via Company Gas Cost Recovery Filing | | 3 |
| 2 | Operation & Maintenance Expense | 12.52% | -5.60% | 6.92% | 91,591,161 | 6,338,694 | 4 |
| 3 | Federal Income Tax | 12.52% | -6.12% | 6.40% | 5,492,909 | 351,342 | 5 |
| 4 | <u>Taxes Other than Income Taxes</u> | | | | | | |
| 5 | Municipal Taxes | 12.52% | -25.32% | -12.80% | 11,658,289 | (1,492,694) | 6 |
| 6 | Sales and Use Tax | 12.52% | -5.06% | 7.46% | 4,907,479 | 365,916 | 7 |
| 7 | Gross Earnings Tax | 12.52% | 15.18% | 27.70% | 11,267,932 | 3,120,799 | 8 |
| 8 | <u>Payroll Taxes - Company Portion</u> | | | | | | |
| 9 | Federal Unemployment | 12.52% | -26.28% | -13.76% | 16,615 | (2,287) | 9 |
| 10 | State Unemployment | 12.52% | -13.20% | -0.68% | 152,905 | (1,045) | 10 |
| 11 | FICA Expense | Weekly | 12.52% | -0.39% | 2,161,070 | 262,058 | 11 |
| 12 | FICA Expense | Monthly | 12.52% | -0.50% | 278,194 | 33,429 | 12 |
| 13 | <u>Payroll Taxes and Other Withholding</u> | | | | | | |
| 14 | FICA and Federal Withholding | Weekly | | -0.42% | 6,021,715 | (25,291) | 13 |
| 15 | FICA and Federal Withholding | Monthly | | -0.49% | 811,297 | (3,975) | 14 |
| 16 | State Income Tax Withholding | Weekly | | -0.41% | 1,135,573 | (4,656) | 15 |
| 17 | State Income Tax Withholding | Monthly | | -0.48% | 157,572 | (756) | 16 |
| 18 | Temporary Disability Insurance | Weekly | | -11.35% | 223,937 | (25,417) | 17 |
| 19 | Temporary Disability Insurance | Monthly | | -20.99% | 36,779 | (7,720) | 18 |
| 20 | Incentive Thrift Withholding | Weekly | | -1.08% | 3,042,909 | (32,761) | 19 |
| 21 | Incentive Thrift Withholding | Monthly | | -1.79% | 428,579 | (7,653) | 20 |
| 22 | Total | | | | \$139,384,915 | \$8,867,982 | |

Column Notes

- (a) Page 2, Line 19
- (b) From Schedule page in Column (f)
- (c) Column (a) + (b)
- (d) From Schedule in Column (f)
- (e) Column (c) x Column (d)

**National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Gas Revenue Lag**

| Line No. | Service Period | Utility Service Receivables (Net of Uncollectible Reserves) |
|----------|---|--|
| | (a) | (b) |
| 1 | January 2011 | \$65,739,686 |
| 2 | February 2011 | 79,734,893 |
| 3 | March 2011 | 78,953,493 |
| 4 | April 2011 | 72,902,952 |
| 5 | May 2011 | 53,572,185 |
| 6 | June 2011 | 43,612,412 |
| 7 | July 2011 | 38,557,342 |
| 8 | August 2011 | 32,585,445 |
| 9 | September 2011 | 29,724,383 |
| 10 | October 2011 | 25,976,400 |
| 11 | November 2011 | 31,283,511 |
| 12 | December 2011 | 39,087,764 |
| 13 | Total (Sum of lines 1 through 12) | \$591,730,464 |
| 14 | Monthly Average (Line 13 / 12 mo.) | \$49,310,872 |
| 15 | Average Daily Revenue From Page 2a, Line 6 | \$1,188,659 |
| 16 | Collection Lag days (Line 14 / line 15) | 41.48 |
| 17 | Billing Lag days | 4.20 |
| 18 | Total Revenue Lag days (Sum of lines 16 through 17) | 45.68 |
| 19 | Revenue Lag % (Line 18 / 365 days) | 12.52% |

Column Notes

(b) From Company financials

THE NARRAGANSETT GAS COMPANY

d/b/a NATIONAL GRID

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

Schedule MDL-4-GAS

Page 2a of 20

**National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Average Daily Revenue**

| Line No. | Description (a) | Gas Revenue (b) |
|-------------|-----------------------|----------------------------------|
| 1 | Gas Revenues | \$407,350,589 |
| 2 | Transportation | \$26,509,953 |
| 3 | | |
| 4 | Total Gas Revenue | Line 1 + Line 2 \$433,860,542 |
| 5 | | |
| 6 | Average Daily Revenue | Line 4 ÷ 365 days \$1,188,659 |

Column Notes

(b)1-2 From Company financials
,

**National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Summary of Gas Purchases**

| <u>Line No.</u> | <u>Description</u> | <u>Reference</u> | <u>CWC %</u> |
|---------------------|-------------------------------------|-------------------|------------------------|
| 1 | Net CWC Percent Lag | Line 7 | <u>5.90%</u> |
| 2 | Total Payments in year | | <u>\$ 197,528,414</u> |
| 3 | Total Weighted Dollar Days | | <u>\$4,774,492,185</u> |
| 4 | Payment Lag Days | Line 3 / Line 2 | <u>(24.17)</u> |
| 5 | Payment Lag Days as Percent of Year | Line 4 / 365 days | <u>-6.62%</u> |
| 6 | Revenue Lag Days Percent | Page 2, Line 19 | <u>12.52%</u> |
| 7 | Net CWC Percent Lag | Line 5 + Line 6 | <u>5.90%</u> |

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Total Operation and Maintenance (O&M) Expense Summary

| Line No. | Cost Category (a) | Amount (b) | Lead Days (c) | Weighted Lead Days (d) | Percentage Of total O&M (e) | Expense Payment % (Lag) (f) | Weighted Expense Payment % (g) | Page Reference (h) |
|----------|-------------------------|--------------|---------------|------------------------|-----------------------------|-----------------------------|--------------------------------|--------------------|
| 1 | Payroll-Weekly | \$15,012,811 | (8.13) | (\$122,085,309) | 16.39% | -2.23% | -0.37% | 4a |
| 2 | Payroll-Monthly | 3,254,146 | (19.50) | (63,455,856) | 3.55% | -5.34% | -0.19% | 4b |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | Service Company Billing | 47,022,459 | (21.46) | (1,009,101,972) | 51.34% | -5.88% | -3.02% | 4c |
| 6 | | | | | | | | |
| 7 | Other O&M | 26,301,745 | (25.71) | (676,223,132) | 28.72% | -7.04% | -2.02% | 4d |
| 8 | | | | | | | | |
| 9 | Total | \$91,591,161 | (19.09) | (\$1,748,780,960) | 100% | | -5.60% | |

Reconciliation to financial statements:

| | |
|---------------------|-----------------------------------|
| \$106,750,889 | Total O&M expenses per financials |
| (\$10,533,193) | Uncollectible expense |
| (\$1,347,620) | Cost to achieve (CTA) |
| (\$1,931,295) | Base Recovery |
| (\$1,347,620) | Gas Related to O&M |
| <u>\$26,301,745</u> | <u>Other O&M expenses</u> |

Column Notes

(c) Annual average for expense lead/(lag) days from reference page in Column (h)

(d) Column (c) x Column (b)

(f) Annual percent for expense lead/(lag) days from reference page in Column (h)

(g) Column (e) x Column (f)

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Weekly Payroll Data

| | Liability Date | Payroll Date | Lag Days | |
|----|-----------------------------|-----------------|-------------|--------|
| | (a) | (b) | (c) | |
| 1 | 12/29/2010 | 01/06/2011 | 8 | |
| 2 | 01/05/2011 | 01/13/2011 | 8 | |
| 3 | 01/12/2011 | 01/20/2011 | 8 | |
| 4 | 01/19/2011 | 01/27/2011 | 8 | |
| 5 | 01/26/2011 | 02/03/2011 | 8 | |
| 6 | 02/02/2011 | 02/10/2011 | 8 | |
| 7 | 02/09/2011 | 02/17/2011 | 8 | |
| 8 | 02/16/2011 | 02/25/2011 | 9 | |
| 9 | 02/23/2011 | 03/03/2011 | 8 | |
| 10 | 03/02/2011 | 03/10/2011 | 8 | |
| 11 | 03/09/2011 | 03/17/2011 | 8 | |
| 12 | 03/16/2011 | 03/24/2011 | 8 | |
| 13 | 03/23/2011 | 03/31/2011 | 8 | |
| 14 | 03/30/2011 | 04/07/2011 | 8 | |
| 15 | 04/06/2011 | 04/14/2011 | 8 | |
| 16 | 04/13/2011 | 04/21/2011 | 8 | |
| 17 | 04/20/2011 | 04/28/2011 | 8 | |
| 18 | 04/27/2011 | 05/05/2011 | 8 | |
| 19 | 05/04/2011 | 05/12/2011 | 8 | |
| 20 | 05/11/2011 | 05/19/2011 | 8 | |
| 21 | 05/18/2011 | 05/26/2011 | 8 | |
| 22 | 05/25/2011 | 06/03/2011 | 9 | |
| 23 | 06/01/2011 | 06/09/2011 | 8 | |
| 24 | 06/08/2011 | 06/16/2011 | 8 | |
| 25 | 06/15/2011 | 06/23/2011 | 8 | |
| 26 | 06/22/2011 | 06/30/2011 | 8 | |
| 27 | 06/29/2011 | 07/08/2011 | 9 | |
| 28 | 07/06/2011 | 07/14/2011 | 8 | |
| 29 | 07/13/2011 | 07/21/2011 | 8 | |
| 30 | 07/20/2011 | 07/28/2011 | 8 | |
| 31 | 07/27/2011 | 08/04/2011 | 8 | |
| 32 | 08/03/2011 | 08/11/2011 | 8 | |
| 33 | 08/10/2011 | 08/18/2011 | 8 | |
| 34 | 08/17/2011 | 08/25/2011 | 8 | |
| 35 | 08/24/2011 | 09/01/2011 | 8 | |
| 36 | 08/31/2011 | 09/09/2011 | 9 | |
| 37 | 09/07/2011 | 09/15/2011 | 8 | |
| 38 | 09/14/2011 | 09/22/2011 | 8 | |
| 39 | 09/21/2011 | 09/29/2011 | 8 | |
| 40 | 09/28/2011 | 10/06/2011 | 8 | |
| 41 | 10/05/2011 | 10/13/2011 | 8 | |
| 42 | 10/12/2011 | 10/20/2011 | 8 | |
| 43 | 10/19/2011 | 10/27/2011 | 8 | |
| 44 | 10/26/2011 | 11/03/2011 | 8 | |
| 45 | 11/02/2011 | 11/10/2011 | 8 | |
| 46 | 11/09/2011 | 11/17/2011 | 8 | |
| 47 | 11/16/2011 | 11/25/2011 | 9 | |
| 48 | 11/23/2011 | 12/01/2011 | 8 | |
| 49 | 11/30/2011 | 12/08/2011 | 8 | |
| 50 | 12/07/2011 | 12/15/2011 | 8 | |
| 51 | 12/14/2011 | 12/22/2011 | 8 | |
| 52 | 12/21/2011 | 12/30/2011 | 9 | |
| 53 | 12/28/2011 | 01/06/2012 | 9 | |
| 54 | | | | |
| 55 | Average Weekly Payroll Data | | 8.13 | |
| 56 | | | | |
| 57 | | | Customer | |
| 58 | Days of | Annual | Payment | |
| 59 | Cost | Percent | Lag% | CWC % |
| 60 | | | | |
| 61 | (8.13) | -2.23% | 12.52% | 10.29% |
| 62 | | | | |

Column Notes

- 65 (a) The payroll period is Saturday to Sunday of the following week
66 The weekly payroll liability date is mid-week, Wednesday
67 (b) Payroll dates are the actual dates on which payroll was paid.
68 Weekly payroll is dated Thursday for the work week ending the prior Saturday
69 (e.g. 1/13/11 for week ending 1/08/11). In Holiday weeks, checks are dated on Friday.
70 (c) Column (b) - Column (a)

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Monthly Payroll Data

| | Liability Date (a) | Payroll Date (b) | Lag Days (c) | |
|----|----------------------------------|------------------------|---------------------|--------------|
| 1 | 01/01/2011 | 01/21/2011 | 20 | |
| 2 | 02/01/2011 | 02/18/2011 | 17 | |
| 3 | 03/01/2011 | 03/21/2011 | 20 | |
| 4 | 04/01/2011 | 04/21/2011 | 20 | |
| 5 | 05/01/2011 | 05/20/2011 | 19 | |
| 6 | 06/01/2011 | 06/21/2011 | 20 | |
| 7 | 07/01/2011 | 07/21/2011 | 20 | |
| 8 | 08/01/2011 | 08/19/2011 | 18 | |
| 9 | 09/01/2011 | 09/21/2011 | 20 | |
| 10 | 10/01/2011 | 10/21/2011 | 20 | |
| 11 | 11/01/2011 | 11/21/2011 | 20 | |
| 12 | 12/01/2011 | 12/21/2011 | <u>20</u> | |
| 13 | | | | |
| 14 | | | | |
| 15 | Average Monthly Payroll Lag Days | | <u>19.50</u> | |
| 16 | | | | |
| 17 | | | | |
| 18 | | | | |
| 19 | | | | |
| 20 | | | | |
| 21 | Days of | Annual | Customer | |
| 22 | <u>Cost</u> | <u>Percent</u> | <u>Payment</u> | <u>CWC %</u> |
| 23 | | | <u>Lag%</u> | |
| 24 | <u>(19.50)</u> | <u>-5.34%</u> | <u>12.52%</u> | <u>7.18%</u> |
| 25 | | | | |

26 Column Notes

- 27
- 28 (a) The payroll period is the 15th of each month to the 16th of the following month
- 29 The monthly payroll liability date is mid period, thus the 1st of each month
- 30 (b) Payroll dates are the actual dates on which payroll was paid
- 31 (c) Column (b) - Column (a)

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Service Company Billings Detail

| Line No. | Svc Month | Billing Date | Payment Date | Amount Paid | % of Total | % of Total for Year | Elapsed Days (c - b) | Weighted Elapsed Days (f * g) |
|----------|--|--------------|----------------|----------------------|---------------|---------------------|----------------------|-------------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
| 1 | January | 01/01/2011 | 01/20/2011 | \$5,858,000 | 67.57% | 5.50% | 19 | 1.05 |
| 2 | | | 02/17/2011 | \$1,300,455 | 15.00% | 1.22% | 47 | 0.57 |
| 3 | | | 01/20/2011 | <u>\$1,511,335</u> | <u>17.43%</u> | 1.42% | 19 | 0.27 |
| 4 | | | | \$8,669,791 | 100.00% | | | |
| 5 | | | | | | | | |
| 6 | February | 02/01/2011 | 02/17/2011 | \$6,146,000 | 85.25% | 5.77% | 16 | 0.92 |
| 7 | | | 03/15/2011 | (\$352,095) | -4.88% | -0.33% | 42 | (0.14) |
| 8 | | | 02/12/2011 | <u>\$1,415,338</u> | <u>19.63%</u> | 1.33% | 11 | 0.15 |
| 9 | | | | \$7,209,244 | 100.00% | | | |
| 10 | | | | | | | | |
| 11 | March | 03/01/2011 | 03/15/2011 | \$6,196,000 | 58.50% | 5.81% | 14 | 0.81 |
| 12 | | | 04/20/2011 | \$2,945,363 | 27.81% | 2.76% | 50 | 1.38 |
| 13 | | | 03/17/2011 | <u>\$1,450,642</u> | <u>13.70%</u> | 1.36% | 16 | 0.22 |
| 14 | | | | \$10,592,005 | 100.00% | | | |
| 15 | | | | | | | | |
| 16 | April | 04/01/2011 | 04/20/2011 | \$5,585,400 | 66.60% | 5.24% | 19 | 1.00 |
| 17 | | | 05/23/2011 | (\$476,388) | -5.68% | -0.45% | 52 | (0.23) |
| 18 | | | 04/22/2011 | <u>\$3,277,179</u> | <u>39.08%</u> | 3.08% | 21 | 0.65 |
| 19 | | | | \$8,386,191 | 100.00% | | | |
| 20 | | | | | | | | |
| 21 | May | 05/01/2011 | 05/23/2011 | \$6,518,000 | 91.97% | 6.12% | 22 | 1.35 |
| 22 | | | 06/20/2011 | (\$356,381) | -5.03% | -0.33% | 50 | (0.17) |
| 23 | | | 05/20/2011 | <u>\$925,807</u> | <u>13.06%</u> | 0.87% | 19 | 0.17 |
| 24 | | | | \$7,087,426 | 100.00% | | | |
| 25 | | | | | | | | |
| 26 | June | 06/01/2011 | 06/20/2011 | \$6,595,000 | 60.67% | 6.19% | 19 | 1.18 |
| 27 | | | 07/17/2011 | \$2,745,774 | 25.26% | 2.58% | 46 | 1.19 |
| 28 | | | 06/16/2011 | <u>\$1,528,682</u> | <u>14.06%</u> | 1.43% | 15 | 0.21 |
| 29 | | | | \$10,869,456 | 100.0% | | | |
| 30 | | | | | | | | |
| 31 | July | 07/01/2011 | 07/17/2011 | \$6,839,000 | 72.38% | 6.42% | 16 | 1.03 |
| 32 | | | 08/15/2011 | \$1,488,690 | 15.76% | 1.40% | 45 | 0.63 |
| 33 | | | 07/21/2011 | <u>\$1,120,459</u> | <u>11.86%</u> | 1.05% | 20 | 0.21 |
| 34 | | | | \$9,448,148 | 100.00% | | | |
| 35 | | | | | | | | |
| 36 | August | 08/01/2011 | 08/15/2011 | \$7,032,000 | 75.67% | 6.60% | 14 | 0.92 |
| 37 | | | 09/23/2011 | \$1,329,639 | 14.31% | 1.25% | 53 | 0.66 |
| 38 | | | 08/21/2011 | <u>\$931,075</u> | <u>10.02%</u> | 0.87% | 20 | 0.17 |
| 39 | | | | \$9,292,714 | 100.00% | | | |
| 40 | | | | | | | | |
| 41 | September | 09/01/2011 | 09/23/2011 | \$7,132,000 | 80.60% | 6.69% | 22 | 1.47 |
| 42 | | | 10/22/2011 | \$192,170 | 2.17% | 0.18% | 51 | 0.09 |
| 43 | | | 09/21/2011 | <u>\$1,524,296</u> | <u>17.23%</u> | 1.43% | 20 | 0.29 |
| 44 | | | | \$8,848,466 | 100.00% | | | |
| 45 | | | | | | | | |
| 46 | October | 10/01/2011 | 10/22/2011 | \$7,031,000 | 89.50% | 6.60% | 21 | 1.39 |
| 47 | | | 11/18/2011 | \$284,798 | 3.63% | 0.27% | 48 | 0.13 |
| 48 | | | 10/22/2011 | <u>\$540,119</u> | <u>6.88%</u> | 0.51% | 21 | 0.11 |
| 49 | | | | \$7,855,917 | 100.0% | | | |
| 50 | | | | | | | | |
| 51 | November | 11/01/2011 | 11/18/2011 | \$7,110,000 | 80.74% | 6.67% | 17 | 1.13 |
| 52 | | | 12/23/2011 | \$159,108 | 1.81% | 0.15% | 52 | 0.08 |
| 53 | | | 11/23/2011 | <u>\$1,536,490</u> | <u>17.45%</u> | 1.44% | 22 | 0.32 |
| 54 | | | | \$8,805,597 | 100.00% | | | |
| 55 | | | | | | | | |
| 56 | December | 12/01/2011 | 12/23/2011 | \$7,175,000 | 75.60% | 6.73% | 22 | 1.48 |
| 57 | | | 01/21/2012 | \$1,305,748 | 13.76% | 1.23% | 51 | 0.63 |
| 58 | | | 12/16/2011 | <u>\$1,009,525</u> | <u>10.64%</u> | 0.95% | 15 | 0.14 |
| 59 | | | | \$9,490,273 | 100.00% | | | |
| 60 | | | | | | | | |
| 61 | | | Annual Totals | <u>\$106,555,227</u> | | <u>100.0%</u> | | <u>21.46</u> |
| 62 | | | | | | | | |
| 63 | | | | | | | | |
| 64 | | | | | | | | |
| 65 | | | Days of | Annual | Customer | | | |
| 66 | | | Cost | Percent | Payment | CWC % | | |
| 67 | | | | | Lag % | | | |
| 68 | | | <u>(21.46)</u> | <u>-5.88%</u> | <u>12.52%</u> | <u>6.64%</u> | | |
| 69 | | | | | | | | |
| 70 | Column Notes | | | | | | | |
| 71 | (c) Services are billed on an estimated basis in the month during which services are provided; true-up to actual the following month. | | | | | | | |
| 72 | The result can be an additional payment or a reimbursement of an overpayment. | | | | | | | |
| 73 | (g) Column (c) - Column (b) | | | | | | | |
| 74 | (h) Column (f) x Column (g) | | | | | | | |

National Grid - Narragansett Gas Company
For the Twelve Months Ended December 31, 2011
Vendor Payment Lag

| Line No. | Service Period | Invoice Totals | % of Total | Payment Lag in Days | Weighted Payment Lag in Days | Dollar Weighted Days |
|----------|----------------|--------------------|----------------|---------------------|------------------------------|----------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | 01/31/2011 | \$703,274 | 7.23% | 39.65 | 2.87 | \$27,882,038 |
| 2 | 02/28/2011 | 629,526 | 6.47% | 39.71 | 2.57 | 24,999,763 |
| 3 | 03/31/2011 | 959,628 | 9.86% | 25.42 | 2.51 | 24,392,816 |
| 4 | 04/30/2011 | 826,965 | 8.50% | 20.33 | 1.73 | 16,813,601 |
| 5 | 05/31/2011 | 629,687 | 6.47% | 17.58 | 1.14 | 11,069,388 |
| 6 | 06/30/2011 | 757,210 | 7.78% | 32.52 | 2.53 | 24,623,957 |
| 7 | 07/31/2011 | 777,244 | 7.99% | 20.73 | 1.66 | 16,114,220 |
| 8 | 08/31/2011 | 747,632 | 7.69% | 37.07 | 2.85 | 27,718,172 |
| 9 | 09/30/2011 | 1,001,254 | 10.29% | 23.84 | 2.45 | 23,871,982 |
| 10 | 10/31/2011 | 757,804 | 7.79% | 23.73 | 1.85 | 17,983,327 |
| 11 | 11/30/2011 | 766,192 | 7.88% | 27.97 | 2.20 | 21,429,486 |
| 12 | 12/31/2011 | <u>1,172,003</u> | <u>12.05%</u> | 11.28 | <u>1.36</u> | <u>13,218,901</u> |
| 13 | | | | | | |
| 14 | | <u>\$9,728,418</u> | <u>100.00%</u> | | <u>25.71</u> | <u>\$250,117,651</u> |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | Days of | Annual | Payment | | | |
| 19 | <u>Cost</u> | <u>Percent</u> | <u>Lag %</u> | <u>CWC %</u> | | |
| 20 | | | | | | |
| 21 | <u>(25.71)</u> | <u>-7.04%</u> | <u>12.52%</u> | <u>5.48%</u> | | |
| 22 | | | | | | |
| 23 | | | | | | |
| 24 | | | | | | |

25 Column Notes

26 (d) Dollar weighted days divided by invoice totals.

27 (f) Monthly total of dollar weighted days (invoice amount x days lapsed from invoice date to payment date).

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Federal Income Tax

| Line No. | Payment Date | Days from Service Period End | Percent Payment | Weighted Average Days From Year End |
|----------|--------------|------------------------------|-----------------|-------------------------------------|
| | (a) | (b) | (c) | (d) |
| 1 | 03/15/2011 | 291 | 25.00% | 72.75 |
| 2 | 07/15/2011 | 169 | 25.00% | 42.25 |
| 3 | 09/15/2011 | 107 | 25.00% | 26.75 |
| 4 | 12/15/2011 | 16 | <u>25.00%</u> | <u>4.00</u> |
| 5 | | | <u>100.00%</u> | <u>145.75</u> |

| | | | | |
|----|------------------------------------|--------------------|----------------------------|---------------|
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |
| 9 | Service Period | Days from Year End | Average Days from Year End | |
| 10 | | | | |
| 11 | | | | |
| 12 | 01/31/2011 | 334 | | |
| 13 | 02/28/2011 | 306 | | |
| 14 | 03/31/2011 | 275 | | |
| 15 | 04/30/2011 | 245 | | |
| 16 | 05/31/2011 | 214 | | |
| 17 | 06/30/2011 | 184 | | |
| 18 | 07/31/2011 | 153 | | |
| 19 | 08/31/2011 | 122 | | |
| 20 | 09/30/2011 | 92 | | |
| 21 | 10/31/2011 | 61 | | |
| 22 | 11/30/2011 | 31 | | |
| 23 | 12/31/2011 | 0 | | |
| 24 | | | | |
| 25 | Average End of Service Period Date | <u>2,017</u> /12 = | | <u>168.08</u> |

| | | | | |
|----|--|-------------------|--|-----------------|
| 26 | | | | |
| 27 | | | | |
| 28 | | | | |
| 29 | Weighted Average Payment | Line 5(d) | | 145.75 |
| 30 | Average Days from End of Service Period for Payment of FIT | Line 26(d) | | <u>(168.08)</u> |
| 31 | | Line 29 + Line 30 | | <u>(22.33)</u> |

| | | | | |
|----|----------------|----------------|------------------------|--------------|
| 32 | | | | |
| 33 | | | | |
| 34 | | | Customer Payment Lag % | CWC % |
| 35 | Day of Cost | Annual Percent | | |
| 36 | | | | |
| 37 | | | | |
| 38 | <u>(22.33)</u> | <u>-6.12%</u> | <u>12.52%</u> | <u>6.40%</u> |

- 39
- 40 Column Notes
- 41 (a)1-4 The Internal Revenue Service (Code Sec. 6655) requires estimated federal income tax
- 42 payments, per this schedule, based on the fiscal year end.
- 43 Section 20 1.3-3 of IRCS code 6654: In the case of a fiscal year filer, the due dates are the
- 44 15th day of the 4th, 6th, 9th, and 12th month of the taxable year, as determined by the
- 45 last month of the chosen fiscal year.
- 46 (b)1-4 12/31/2011 - Column (a)1-4
- 47 (d)1-4 Column (c)1-4 x Column (b)1-4
- 48 (c)12-23 12/31/2011 - Column (a)12-23

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
Assessments for Statement Year 2011
Municipal Taxes

| Line No. | Payment Date | Days From Svc Per End | Amount Paid | Percent Payment | Weighted Average Days From Year End |
|----------|--------------|-----------------------|---------------------|-----------------|-------------------------------------|
| | (a) | (b) | (c) | (d) | (e) |
| 1 | 07/31/2011 | 153 | \$2,868,079 | 24.60% | 38 |
| 2 | 08/31/2011 | 122 | 1,420,706 | 12.19% | 15 |
| 3 | 09/30/2011 | 92 | 2,495,653 | 21.41% | 20 |
| 4 | 10/31/2011 | 61 | 2,438 | 0.02% | 0 |
| 5 | 11/30/2011 | 31 | 1,300,158 | 11.15% | 3 |
| 6 | 12/31/2011 | 0 | 3,571,255 | 30.63% | 0 |
| 7 | 01/31/2012 | (31) | 0 | 0.00% | 0 |
| 8 | 02/28/2012 | (59) | 0 | 0.00% | 0 |
| 9 | 03/31/2012 | (91) | 0 | 0.00% | 0 |
| 10 | 04/30/2012 | (121) | 0 | 0.00% | 0 |
| 11 | 05/31/2012 | (152) | 0 | 0.00% | 0 |
| 12 | 06/30/2012 | (182) | 0 | 0.00% | 0 |
| 13 | | | | | |
| 14 | | | <u>\$11,658,289</u> | 100.00% | <u>76</u> |

| Service Period | Days From Year End | Average Days From Year End |
|------------------------------------|--------------------|----------------------------|
| 01/31/2011 | | |
| 02/28/2011 | 306 | |
| 03/31/2011 | 275 | |
| 04/30/2011 | 245 | |
| 05/31/2011 | 214 | |
| 06/30/2011 | 184 | |
| 07/31/2011 | 153 | |
| 08/31/2011 | 122 | |
| 09/30/2011 | 92 | |
| 10/31/2011 | 61 | |
| 11/30/2011 | 31 | |
| 12/31/2011 | 0 | |
| Average End of Service Period Date | <u>2017</u> | <u>168.08</u> |

| | | |
|---|-------------------|----------------|
| Weighted Payment Date From Year End | Line 14(e) | 75.68 |
| Average End of Service Period Date | Line 35(e) | (168.08) |
| Average days from End of Service Period Date for payment of Municipal Taxes | Line 39 + Line 40 | <u>(92.40)</u> |

| Days of Cost | Annual Percent | Customer Payment Lag % | CWC % |
|--------------|----------------|------------------------|---------|
| (92.40) | -25.32% | 12.52% | -12.80% |

| Column Notes | |
|--------------|---------------------------------|
| (b)1-12 | 12/31/2011 - Column (a)1-12 |
| (e)1-12 | Column (b)1-12x Column (d)1-12 |
| (c) 21-32 | 12/31/2011 - Column (a)21-32 |

**National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Sales and Use Tax**

| Line No. | Liability Date (a) | Liability Paid (b) | % of Total (c) | Liability Date (d) | Payment Date (e) | Payment Lag Days (f) | Weighted Payment Lag Days (g) |
|----------|-----------------------|-----------------------|----------------------|-----------------------|---------------------|-------------------------|----------------------------------|
| 1 | 01/31/2011 | \$829,774 | 16.91% | 01/31/2011 | 02/18/2011 | 18 | 3.04 |
| 2 | 02/28/2011 | 830,004 | 16.91% | 02/28/2011 | 03/18/2011 | 18 | 3.04 |
| 3 | 03/31/2011 | 734,688 | 14.97% | 03/31/2011 | 04/19/2011 | 19 | 2.84 |
| 4 | 04/30/2011 | 551,254 | 11.23% | 04/30/2011 | 05/19/2011 | 19 | 2.13 |
| 5 | 05/31/2011 | 309,142 | 6.30% | 05/31/2011 | 06/17/2011 | 17 | 1.07 |
| 6 | 06/30/2011 | 211,667 | 4.31% | 06/30/2011 | 07/19/2011 | 19 | 0.82 |
| 7 | 07/31/2011 | 167,953 | 3.42% | 07/31/2011 | 08/19/2011 | 19 | 0.65 |
| 8 | 08/31/2011 | 149,597 | 3.05% | 08/31/2011 | 09/19/2011 | 19 | 0.58 |
| 9 | 09/30/2011 | 184,304 | 3.76% | 09/30/2011 | 10/19/2011 | 19 | 0.71 |
| 10 | 10/31/2011 | 194,367 | 3.96% | 10/31/2011 | 11/18/2011 | 18 | 0.71 |
| 11 | 11/30/2011 | 320,296 | 6.53% | 11/30/2011 | 12/19/2011 | 19 | 1.24 |
| 12 | 12/31/2011 | <u>424,432</u> | <u>8.65%</u> | 12/31/2011 | 01/19/2012 | 19 | <u>1.64</u> |
| 13 | | | | | | | |
| 14 | | <u>\$4,907,479</u> | <u>100.00%</u> | | | | <u>18.47</u> |
| 15 | | | | | | | |
| 16 | | | | | | | |
| 17 | | | | | | | |
| 18 | Days of | Annual | Customer | | | | |
| 19 | <u>Cost</u> | <u>Percent</u> | <u>Payment Lag %</u> | <u>CWC %</u> | | | |
| 20 | | | | | | | |
| 21 | <u>(18.47)</u> | <u>-5.06%</u> | <u>12.52%</u> | <u>7.46%</u> | | | |
| 22 | | | | | | | |

23 **Column Notes**

- 24 (a)& Sales and use tax liability is comprised primarily of sales tax collected from customers
25 on taxable sales each month. These taxable sales are reported on a calendar month
26 basis with the liability for each calendar month payable by the 20th of the following
27 calendar month. Since these taxable sales are spread uniformly throughout the month,
28 the average liability date for sales tax liability is assumed to be the end of each
29 calendar month. In addition to sales tax, a minor amount of use tax is paid on taxable
30 purchases from vendors. These amounts are individually small and are also incurred
31 uniformly throughout the month. Accordingly, the average date vendor invoices are
32 received (i.e. the end of the month as assumed elsewhere in this study) is used as the
33 average liability date for use tax in each calendar month. Since the average liability
34 and payment dates for sales and use tax are the same, both are combined in the above
35 analysis.
- 36 Rhode Island law (Sec. 44-19) requires monthly reporting and payment of sales and
37 use tax. The return for sales and use tax liability for the month, and payment of the
38 entire liability for that month are due no later than the 20th of the following month. Rhode
39 Island law (Sec. 44-1) states that liability and payment dates that fall upon a Saturday,
40 Sunday, or legal holiday are extended by law to the next business day. Also under
41 this Sec., payments are considered timely with evidence of mailing on or before the
42 due date.
- 43 (f) Column (e) - (d)
44 (g) Column (c) x Column (f)

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Gross Earnings Tax

| Line No. | Gross Earnings Tax Payment Date | Days From Service Period | Percent Payment | Payment Amount | Weighted Average Days from Year End |
|----------|---------------------------------|--------------------------|-----------------|-----------------|-------------------------------------|
| 1 | 03/11/2011 | 295 | 38.12% | \$4,294,922 | 112.44 |
| 2 | 06/14/2011 | 200 | 56.98% | \$6,420,000 | 113.95 |
| 3 | 09/15/2011 | 107 | 0.00% | \$0 | 0.00 |
| 4 | 02/28/2012 | (59) | 4.91% | \$553,010 | (2.90) |
| 5 | | | 100.00% | \$11,267,932 2/ | 223.49 |

| Service Period | Days from Year end | Average Days from Year end |
|------------------------------------|--------------------|----------------------------|
| 01/31/2011 | 334 | |
| 02/28/2011 | 306 | |
| 03/31/2011 | 275 | |
| 04/30/2011 | 245 | |
| 05/31/2011 | 214 | |
| 06/30/2011 | 184 | |
| 07/31/2011 | 153 | |
| 08/31/2011 | 122 | |
| 09/30/2011 | 92 | |
| 10/31/2011 | 61 | |
| 11/30/2011 | 31 | |
| 12/31/2011 | 0 | |
| Average End of Service Period Date | 2,017 | /12 = 168.08 |

| | | |
|---|-------------------|----------|
| Weighted Average Payment Days from Year End | Line 5(e) | 223.49 |
| Average Days from End of Service Period for Payment of Gross Earnings Tax | Line 25(e) | (168.08) |
| | Line 29 + Line 30 | 55.41 |

| Days of Cost | Annualized Percent | Customer Payment Lag % | CWC % |
|--------------|--------------------|------------------------|--------|
| 55.41 | 15.18% | 12.52% | 27.70% |

Column Notes

- (a)1-4 Rhode Island law (Sec. 44-26) requires the payment of estimated Corporate Gross Earnings Tax (GET) during the tax year. This code section also stipulates the above payment dates and minimum payment percentages. Code Sec. 44-1 extends the required payment dates that fall upon a Saturday, Sunday or legal holiday, to the next business day. Finally, payments are considered timely under Sec. 44-1 with evidence of mailing on or before the required date. The Company pays 40% of 85% of its prior year GET on March 15 and 60% of 85% of its prior year GET on June 15. Any remaining tax due for the calendar year is paid with its GET return on February 28 of the subsequent year.
- (b)1-4 12/31/2011 - Column (a)1-4
- (d)1-4 Because Gross receipts taxes are collected and remitted on a calendar year basis, this amount reflects gross receipts tax accrual for the twelve months ended December 31, 2011
- (e)1-4 Column (b)1-4 x Column (c)1-4
- (c)12-23 12/31/2011 - Column (a)12-23

**National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Federal Unemployment Tax**

| Line No. | Liability Date | Total Liability Amount | O & M % of Total | Payment Date | Payment Lag in Days | Weighted Payment Lag in Days |
|----------|---------------------|--|------------------|---------------|---------------------|------------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | 01/31/2011 | \$17,403 | 104.74% | 04/29/2011 | 88 | 92.17 |
| 2 | 02/28/2011 | 2,367 | 14.25% | 04/29/2011 | 60 | 8.55 |
| 3 | 03/31/2011 | 111 | 0.67% | 04/29/2011 | 29 | 0.19 |
| 4 | 04/30/2011 | 80 | 0.48% | 08/01/2011 | 93 | 0.45 |
| 5 | 05/31/2011 | 105 | 0.63% | 08/01/2011 | 62 | 0.39 |
| 6 | 06/30/2011 | 309 | 1.86% | 08/01/2011 | 32 | 0.60 |
| 7 | 07/31/2011 | 84 | 0.51% | 10/28/2011 | 89 | 0.45 |
| 8 | 08/31/2011 | 141 | 0.85% | 10/28/2011 | 58 | 0.49 |
| 9 | 09/30/2011 | 119 | 0.72% | 10/28/2011 | 28 | 0.20 |
| 10 | 10/31/2011 | 0 | 0.00% | 01/31/2012 | 92 | 0.00 |
| 11 | 11/30/2011 | 56 | 0.34% | 01/31/2012 | 62 | 0.21 |
| 12 | 12/31/2011 | (4,161) | -25.04% | 01/31/2012 | 31 | -7.76 |
| 13 | | | | | | |
| 14 | | <u>16615.18</u> | <u>100.00%</u> | | | <u>95.94</u> |
| 15 | | | | | | |
| 16 | | | | Customer | | |
| 17 | | Days of | Annual | Payment | | |
| 18 | | Cost | Percent | Lag % | CWC % | |
| 19 | | | | | | |
| 20 | | <u>(95.94)</u> | <u>-26.28%</u> | <u>12.52%</u> | <u>-13.76%</u> | |
| 21 | | | | | | |
| 22 | | | | | | |
| 23 | <u>Column Notes</u> | | | | | |
| 24 | (a) | For the purposes of this calculation, the weighted average liability | | | | |
| 25 | | date is deemed to be the end of each month. This is based on the | | | | |
| 26 | | fact that on average, salaries and wages (and the corresponding | | | | |
| 27 | | unemployment tax liabilities) accrue evenly throughout the month | | | | |
| 28 | (d) | as employee hours are worked. | | | | |
| 29 | | IRS Code Sec. 3301 stipulates quarterly payment of unemployment | | | | |
| 30 | | tax liability. 100% of the liability for each quarter must be paid | | | | |
| 31 | (e) | by the last day of the first month following that quarter. | | | | |
| 32 | (f) | Column (d) - Column (a) | | | | |
| | | Column (c) x Column (e) | | | | |

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
State Unemployment Tax

| Line No. | Liability Date | Total Liability Amount | O & M % of Total | Payment Date | Payment Lag in Days | Weighted Payment Lag in Days |
|----------|----------------|------------------------|------------------|---------------|---------------------|------------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | 01/31/2011 | \$40,758 | 26.66% | 04/13/2011 | 72 | 19.20 |
| 2 | 02/28/2011 | 40,835 | 26.71% | 04/13/2011 | 44 | 11.75 |
| 3 | 03/31/2011 | 33,562 | 21.95% | 04/13/2011 | 13 | 2.85 |
| 4 | 04/30/2011 | 9,554 | 6.25% | 07/21/2011 | 82 | 5.13 |
| 5 | 05/31/2011 | 21,425 | 14.01% | 07/21/2011 | 51 | 7.15 |
| 6 | 06/30/2011 | 2,371 | 1.55% | 07/21/2011 | 21 | 0.33 |
| 7 | 07/31/2011 | 705 | 0.46% | 10/31/2011 | 92 | 0.42 |
| 8 | 08/31/2011 | 944 | 0.62% | 10/31/2011 | 61 | 0.38 |
| 9 | 09/30/2011 | 920 | 0.60% | 10/31/2011 | 31 | 0.19 |
| 10 | 10/31/2011 | 695 | 0.45% | 01/31/2012 | 92 | 0.41 |
| 11 | 11/30/2011 | 769 | 0.50% | 01/31/2012 | 62 | 0.31 |
| 12 | 12/31/2011 | <u>367</u> | <u>0.24%</u> | 01/31/2012 | 31 | <u>0.07</u> |
| 13 | | <u>\$152,905</u> | <u>100.00%</u> | | | <u>48.19</u> |
| 14 | | | | | | |
| 15 | | | | Customer | | |
| 16 | | Days of | Annual | Payment | | |
| 17 | | Cost | Percent | Lag % | CWC % | |
| 18 | | | | | | |
| 19 | | <u>(48.19)</u> | <u>-13.20%</u> | <u>12.52%</u> | <u>-0.68%</u> | |
| 20 | | | | | | |
| 21 | | | | | | |

Column Notes

- (a) For the purposes of this calculation, the weighted average liability date is deemed to be the 15th of each month. This is based on the fact that on average, salaries and wages (and the corresponding unemployment tax liabilities) accrue evenly throughout the month as employee hours are worked.
- (d) Rhode Island law (Sec. 28-42 through 28-44) stipulates quarterly payment of unemployment tax liability. 100% of the liability for each quarter must be paid by the last day of the first month following that quarter.
- (e) Column (d) - Column (a)
- (f) Column (c) x Column (e)

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
FICA Expense Weekly Payroll

| Line No. | Amount Paid (a) | % of Total (b) | Payroll Date (c) | Payment Date (d) | Payment Lag in Days (e) | Payment Lag in Days (f) |
|----------|---|-------------------|---------------------|---------------------|----------------------------|----------------------------|
| 1 | \$5,802 | 0.27% | 01/06/2011 | 01/07/2011 | 1 | 0.00 |
| 2 | 42,246 | 1.95% | 01/13/2011 | 01/14/2011 | 1 | 0.02 |
| 3 | 38,541 | 1.78% | 01/20/2011 | 01/21/2011 | 1 | 0.02 |
| 4 | 39,326 | 1.82% | 01/27/2011 | 01/28/2011 | 1 | 0.02 |
| 5 | 42,257 | 1.96% | 02/03/2011 | 02/04/2011 | 1 | 0.02 |
| 6 | 42,507 | 1.97% | 02/10/2011 | 02/11/2011 | 1 | 0.02 |
| 7 | 41,254 | 1.91% | 02/17/2011 | 02/18/2011 | 1 | 0.02 |
| 8 | 42,752 | 1.98% | 02/25/2011 | 02/28/2011 | 3 | 0.06 |
| 9 | 43,839 | 2.03% | 03/03/2011 | 03/04/2011 | 1 | 0.02 |
| 10 | 46,676 | 2.16% | 03/10/2011 | 03/11/2011 | 1 | 0.02 |
| 11 | 41,683 | 1.93% | 03/17/2011 | 03/18/2011 | 1 | 0.02 |
| 12 | 41,294 | 1.91% | 03/24/2011 | 03/25/2011 | 1 | 0.02 |
| 13 | 39,936 | 1.85% | 03/31/2011 | 04/01/2011 | 1 | 0.02 |
| 14 | 41,688 | 1.93% | 04/07/2011 | 04/08/2011 | 1 | 0.02 |
| 15 | 40,953 | 1.90% | 04/14/2011 | 04/15/2011 | 1 | 0.02 |
| 16 | 43,714 | 2.02% | 04/21/2011 | 04/22/2011 | 1 | 0.02 |
| 17 | 40,760 | 1.89% | 04/28/2011 | 04/29/2011 | 1 | 0.02 |
| 18 | 40,622 | 1.88% | 05/05/2011 | 05/06/2011 | 1 | 0.02 |
| 19 | 41,330 | 1.91% | 05/12/2011 | 05/13/2011 | 1 | 0.02 |
| 20 | 41,839 | 1.94% | 05/19/2011 | 05/20/2011 | 1 | 0.02 |
| 21 | 41,503 | 1.92% | 05/26/2011 | 05/27/2011 | 1 | 0.02 |
| 22 | 44,418 | 2.06% | 06/03/2011 | 06/06/2011 | 3 | 0.06 |
| 23 | 41,134 | 1.90% | 06/09/2011 | 06/10/2011 | 1 | 0.02 |
| 24 | 40,602 | 1.88% | 06/16/2011 | 06/17/2011 | 1 | 0.02 |
| 25 | 38,825 | 1.80% | 06/23/2011 | 06/24/2011 | 1 | 0.02 |
| 26 | 38,629 | 1.79% | 06/30/2011 | 07/01/2011 | 1 | 0.02 |
| 27 | 38,570 | 1.78% | 07/08/2011 | 07/11/2011 | 3 | 0.05 |
| 28 | 37,723 | 1.75% | 07/14/2011 | 07/15/2011 | 1 | 0.02 |
| 29 | 38,566 | 1.78% | 07/21/2011 | 07/22/2011 | 1 | 0.02 |
| 30 | 37,383 | 1.73% | 07/28/2011 | 07/29/2011 | 1 | 0.02 |
| 31 | 38,816 | 1.80% | 08/04/2011 | 08/05/2011 | 1 | 0.02 |
| 32 | 39,543 | 1.83% | 08/11/2011 | 08/12/2011 | 1 | 0.02 |
| 33 | 37,770 | 1.75% | 08/18/2011 | 08/19/2011 | 1 | 0.02 |
| 34 | 64,929 | 3.00% | 08/25/2011 | 08/26/2011 | 1 | 0.03 |
| 35 | 39,964 | 1.85% | 09/01/2011 | 09/02/2011 | 1 | 0.02 |
| 36 | 74,884 | 3.47% | 09/09/2011 | 09/12/2011 | 3 | 0.10 |
| 37 | 36,773 | 1.70% | 09/15/2011 | 09/16/2011 | 1 | 0.02 |
| 38 | 39,748 | 1.84% | 09/22/2011 | 09/23/2011 | 1 | 0.02 |
| 39 | 37,792 | 1.75% | 09/29/2011 | 09/30/2011 | 1 | 0.02 |
| 40 | 42,547 | 1.97% | 10/06/2011 | 10/07/2011 | 1 | 0.02 |
| 41 | 41,804 | 1.93% | 10/13/2011 | 10/14/2011 | 1 | 0.02 |
| 42 | 45,102 | 2.09% | 10/20/2011 | 10/21/2011 | 1 | 0.02 |
| 43 | 40,376 | 1.87% | 10/27/2011 | 10/28/2011 | 1 | 0.02 |
| 44 | 40,755 | 1.89% | 11/03/2011 | 11/04/2011 | 1 | 0.02 |
| 45 | 43,174 | 2.00% | 11/10/2011 | 11/14/2011 | 4 | 0.08 |
| 46 | 41,665 | 1.93% | 11/17/2011 | 11/18/2011 | 1 | 0.02 |
| 47 | 37,606 | 1.74% | 11/25/2011 | 11/28/2011 | 3 | 0.05 |
| 48 | 33,142 | 1.53% | 12/01/2011 | 12/02/2011 | 1 | 0.02 |
| 49 | 35,855 | 1.66% | 12/08/2011 | 12/09/2011 | 1 | 0.02 |
| 50 | 33,258 | 1.54% | 12/15/2011 | 12/16/2011 | 1 | 0.02 |
| 51 | 34,228 | 1.58% | 12/22/2011 | 12/23/2011 | 1 | 0.02 |
| 52 | 46,278 | 2.14% | 12/30/2011 | 01/03/2012 | 4 | 0.09 |
| 53 | 38,691 | 1.79% | 01/06/2012 | 01/09/2012 | 3 | 0.05 |
| 54 | | | | | | |
| 55 | <u>\$2,161,070</u> | <u>100.00%</u> | | | | <u>1.43</u> |
| 56 | | | | | | |
| 57 | | | | Customer | | |
| 58 | | Days of | Annual | Payment | | |
| 59 | | Cost | Percent | Lag % | CWC % | |
| 60 | | | | | | |
| 61 | | <u>(1.43)</u> | <u>-0.39%</u> | <u>12.52%</u> | <u>12.13%</u> | |
| 62 | | | | | | |
| 63 | | | | | | |
| 64 | | | | | | |
| 65 | <u>Column Notes</u> | | | | | |
| 66 | (a)1 Payroll for work week ended 01/01/2011, thus 1 work days included. | | | | | |
| 67 | (d) Payment of FICA expense is governed by the same rules as the other components of Federal payroll tax deposits. See notes on monthly FICA and FIT withholding. | | | | | |
| 68 | (e) Column (d) - Column (c) | | | | | |
| 69 | (f) Column (b) x (e) | | | | | |

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
FICA Expense Weekly Payroll

| Line No. | Payment Amount | % of Total | Payroll Date | Payment Date | Lag Days | Weighted Lag Days |
|----------|------------------|----------------|--------------|--------------|----------|-------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | \$17,445 | 6.27% | 01/21/2011 | 01/24/2011 | 3 | 0.19 |
| 2 | 17,668 | 6.35% | 02/18/2011 | 02/22/2011 | 4 | 0.25 |
| 3 | 17,666 | 6.35% | 03/21/2011 | 03/22/2011 | 1 | 0.06 |
| 4 | 17,429 | 6.26% | 04/21/2011 | 04/22/2011 | 1 | 0.06 |
| 5 | 16,832 | 6.05% | 05/20/2011 | 05/23/2011 | 3 | 0.18 |
| 6 | 15,807 | 5.68% | 06/21/2011 | 06/22/2011 | 1 | 0.06 |
| 7 | 15,333 | 5.51% | 07/21/2011 | 07/22/2011 | 1 | 0.06 |
| 8 | 12,957 | 4.66% | 08/19/2011 | 08/22/2011 | 3 | 0.14 |
| 9 | 15,050 | 5.41% | 09/21/2011 | 09/22/2011 | 1 | 0.05 |
| 10 | 8,016 | 2.88% | 10/21/2011 | 10/24/2011 | 3 | 0.09 |
| 11 | 13,841 | 4.98% | 11/21/2011 | 11/22/2011 | 1 | 0.05 |
| 12 | 10,626 | 3.82% | 12/21/2011 | 12/22/2011 | 1 | 0.04 |
| 13 | 5,121 | 1.84% | 02/03/2011 | 02/04/2011 | 1 | 0.02 |
| 14 | 31,054 | 11.16% | 06/10/2011 | 06/13/2011 | 3 | 0.33 |
| 15 | 63,072 | 22.67% | 06/13/2011 | 06/14/2011 | 1 | 0.23 |
| 16 | 0 | 0.00% | 08/26/2011 | 08/29/2011 | 3 | 0.00 |
| 17 | 278 | 0.10% | 12/10/2011 | 12/12/2011 | 2 | 0.00 |
| 18 | <u>0</u> | <u>0.00%</u> | 12/08/2011 | 12/12/2011 | 4 | <u>0.00</u> |
| 19 | | | | | | |
| 20 | <u>\$278,194</u> | <u>100.00%</u> | | | | <u>1.81</u> |

| | | | | | |
|----|---------------|---------------|---------------|---------------|--|
| 22 | | | | Customer | |
| 23 | Days of | Annual | Payment | | |
| 24 | Cost | Percent | Lag % | CWC % | |
| 25 | | | | | |
| 26 | <u>(1.81)</u> | <u>-0.50%</u> | <u>12.52%</u> | <u>12.02%</u> | |

27

28 Column Notes

- 29 (a) Two different types of monthly payroll are paid: regular monthly
- 30 (i.e. salaries) and manual/misc. (e.g. termination pay).
- 31 Since these different payrolls are paid on different dates, separate
- 32 weighted payment lags for each have been calculated.
- 33 (c) Payroll dates are the actual dates on which payroll was paid.
- 34 (d) Payment of FICA expense is governed by the same rules as the other
- 35 components of Federal payroll tax deposits (see notes on monthly
- 36 FICA and Federal Income Tax withholding.
- 37 (e) Column (d) - Column (c)
- 38 (f) Column (e) x Column (b)

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Employee FIT and FICA Withholding - Weekly Payroll

| Line No. | Withholding Amount | % of Total | Payroll Date | Payment Date | Payment Lag in Days | Weighted Payment Lag in Days |
|----------|--|--------------|--------------|--------------|---------------------|------------------------------|
| (a) | (b) | (c) | (d) | (e) | (f) | |
| 1 | \$ 16,126 | 0.27% | 01/06/2011 | 01/07/2011 | 1 | 0.00 |
| 2 | 119,438 | 1.98% | 01/13/2011 | 01/14/2011 | 1 | 0.02 |
| 3 | 103,682 | 1.72% | 01/20/2011 | 01/21/2011 | 1 | 0.02 |
| 4 | 107,397 | 1.78% | 01/27/2011 | 01/28/2011 | 1 | 0.02 |
| 5 | 65,397 | 1.09% | 02/03/2011 | 02/04/2011 | 1 | 0.01 |
| 6 | 110,670 | 1.84% | 02/10/2011 | 02/11/2011 | 1 | 0.02 |
| 7 | 106,252 | 1.76% | 02/17/2011 | 02/18/2011 | 1 | 0.02 |
| 8 | 111,345 | 1.85% | 02/25/2011 | 02/28/2011 | 3 | 0.06 |
| 9 | 115,767 | 1.92% | 03/03/2011 | 03/04/2011 | 1 | 0.02 |
| 10 | 127,638 | 2.12% | 03/10/2011 | 03/11/2011 | 1 | 0.02 |
| 11 | 108,089 | 1.79% | 03/17/2011 | 03/18/2011 | 1 | 0.02 |
| 12 | 106,828 | 1.77% | 03/24/2011 | 03/25/2011 | 1 | 0.02 |
| 13 | 101,656 | 1.69% | 03/31/2011 | 04/01/2011 | 1 | 0.02 |
| 14 | 108,179 | 1.80% | 04/07/2011 | 04/08/2011 | 1 | 0.02 |
| 15 | 105,718 | 1.76% | 04/14/2011 | 04/15/2011 | 1 | 0.02 |
| 16 | 116,192 | 1.93% | 04/21/2011 | 04/22/2011 | 1 | 0.02 |
| 17 | 105,267 | 1.75% | 04/28/2011 | 04/29/2011 | 1 | 0.02 |
| 18 | 104,930 | 1.74% | 05/05/2011 | 05/06/2011 | 1 | 0.02 |
| 19 | 107,779 | 1.79% | 05/12/2011 | 05/13/2011 | 1 | 0.02 |
| 20 | 109,813 | 1.82% | 05/19/2011 | 05/20/2011 | 1 | 0.02 |
| 21 | 108,458 | 1.80% | 05/26/2011 | 05/27/2011 | 1 | 0.02 |
| 22 | 119,304 | 1.98% | 06/03/2011 | 06/06/2011 | 3 | 0.06 |
| 23 | 113,018 | 1.88% | 06/09/2011 | 06/10/2011 | 1 | 0.02 |
| 24 | 107,067 | 1.78% | 06/16/2011 | 06/17/2011 | 1 | 0.02 |
| 25 | 100,189 | 1.66% | 06/23/2011 | 06/24/2011 | 1 | 0.02 |
| 26 | 99,467 | 1.65% | 06/30/2011 | 07/01/2011 | 1 | 0.02 |
| 27 | 99,057 | 1.64% | 07/08/2011 | 07/11/2011 | 3 | 0.05 |
| 28 | 97,106 | 1.61% | 07/14/2011 | 07/15/2011 | 1 | 0.02 |
| 29 | 100,751 | 1.67% | 07/21/2011 | 07/22/2011 | 1 | 0.02 |
| 30 | 95,460 | 1.59% | 07/28/2011 | 07/29/2011 | 1 | 0.02 |
| 31 | 100,781 | 1.67% | 08/04/2011 | 08/05/2011 | 1 | 0.02 |
| 32 | 104,319 | 1.73% | 08/11/2011 | 08/12/2011 | 1 | 0.02 |
| 33 | 98,251 | 1.63% | 08/18/2011 | 08/19/2011 | 1 | 0.02 |
| 34 | 281,231 | 4.67% | 08/25/2011 | 08/26/2011 | 1 | 0.05 |
| 35 | 105,378 | 1.75% | 09/01/2011 | 09/02/2011 | 1 | 0.02 |
| 36 | 242,944 | 4.03% | 09/09/2011 | 09/12/2011 | 3 | 0.12 |
| 37 | 94,100 | 1.56% | 09/15/2011 | 09/16/2011 | 1 | 0.02 |
| 38 | 105,340 | 1.75% | 09/22/2011 | 09/23/2011 | 1 | 0.02 |
| 39 | 98,481 | 1.64% | 09/29/2011 | 09/30/2011 | 1 | 0.02 |
| 40 | 117,468 | 1.95% | 10/06/2011 | 10/07/2011 | 1 | 0.02 |
| 41 | 115,721 | 1.92% | 10/13/2011 | 10/14/2011 | 1 | 0.02 |
| 42 | 164,584 | 2.73% | 10/20/2011 | 10/21/2011 | 1 | 0.03 |
| 43 | 111,010 | 1.84% | 10/27/2011 | 10/28/2011 | 1 | 0.02 |
| 44 | 115,705 | 1.92% | 11/03/2011 | 11/04/2011 | 1 | 0.02 |
| 45 | 131,605 | 2.19% | 11/10/2011 | 11/14/2011 | 4 | 0.09 |
| 46 | 129,772 | 2.16% | 11/17/2011 | 11/18/2011 | 1 | 0.02 |
| 47 | 112,449 | 1.87% | 11/25/2011 | 11/28/2011 | 3 | 0.06 |
| 48 | 97,754 | 1.62% | 12/01/2011 | 12/02/2011 | 1 | 0.02 |
| 49 | 110,635 | 1.84% | 12/08/2011 | 12/09/2011 | 1 | 0.02 |
| 50 | 100,814 | 1.67% | 12/15/2011 | 12/16/2011 | 1 | 0.02 |
| 51 | 108,521 | 1.80% | 12/22/2011 | 12/23/2011 | 1 | 0.02 |
| 52 | 176,138 | 2.93% | 12/30/2011 | 01/03/2012 | 4 | 0.12 |
| 53 | <u>100,675</u> | <u>1.67%</u> | 01/06/2012 | 01/09/2012 | 3 | <u>0.05</u> |
| 54 | | | | | | |
| 55 | \$ 6,021,715 | 100.00% | | | | <u>1.52</u> |
| 56 | | | | | | |
| 57 | | | | CWC % | | <u>-0.42%</u> |
| 58 | | | | | | |
| 59 | | | | | | |
| 60 | <u>Column Notes</u> | | | | | |
| 61 | (a) Withholding dollars exclude minor monthly amounts for manual checks to weekly employees, | | | | | |
| 62 | small in amount and not generally associated with specific payroll dates. | | | | | |
| 63 | (a) Payroll for work week ended 01/01/2011, thus 1 work days included. | | | | | |
| 64 | (c) Payroll dates are the actual dates on which payroll was paid. | | | | | |
| 65 | (d) The IRS Code stipulates payment of all withheld FICA and Federal | | | | | |
| 66 | Income Tax within one banking day under the \$100,000 One-Day Rule. | | | | | |
| 67 | 100% of the withholding must be deposited in a Federal Depository | | | | | |
| 68 | Bank within one day of the date payments are made. Payment | | | | | |
| 69 | due dates which fall upon a Saturday, Sunday, or holiday (i.e. | | | | | |
| 70 | non-banking day) are extended until the next banking day. | | | | | |
| 71 | (e) Column (d) - Column (c) | | | | | |
| 72 | (f) Column (b) x Column (e) | | | | | |

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Employee FIT and FICA Withholding - Monthly Payroll

| Line No. | Withholding Amount | % of Total | Payroll Date | Payment Date | Lag Days | Weighted Lag Days |
|----------|--|----------------|--------------|--------------|----------|-------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | \$ 43,638 | 5.38% | 01/21/2011 | 01/24/2011 | 3 | 0.16 |
| 2 | 36,242 | 4.47% | 02/18/2011 | 02/22/2011 | 4 | 0.18 |
| 3 | 41,196 | 5.08% | 03/21/2011 | 03/22/2011 | 1 | 0.05 |
| 4 | 40,247 | 4.96% | 04/21/2011 | 04/22/2011 | 1 | 0.05 |
| 5 | 38,631 | 4.76% | 05/20/2011 | 05/23/2011 | 3 | 0.14 |
| 6 | 35,654 | 4.39% | 06/21/2011 | 06/22/2011 | 1 | 0.04 |
| 7 | 33,574 | 4.14% | 07/21/2011 | 07/22/2011 | 1 | 0.04 |
| 8 | 30,140 | 3.71% | 08/19/2011 | 08/22/2011 | 3 | 0.11 |
| 9 | 39,246 | 4.84% | 09/21/2011 | 09/22/2011 | 1 | 0.05 |
| 10 | 30,312 | 3.74% | 10/21/2011 | 10/24/2011 | 3 | 0.11 |
| 11 | 37,962 | 4.68% | 11/21/2011 | 11/22/2011 | 1 | 0.05 |
| 12 | 26,359 | 3.25% | 12/21/2011 | 12/22/2011 | 1 | 0.03 |
| 13 | 21,855 | 2.69% | 02/03/2011 | 02/04/2011 | 1 | 0.03 |
| 14 | 122,242 | 15.07% | 06/10/2011 | 06/13/2011 | 3 | 0.45 |
| 15 | 233,427 | 28.77% | 06/13/2011 | 06/14/2011 | 1 | 0.29 |
| 16 | 0 | 0.00% | 08/26/2011 | 08/29/2011 | 3 | 0.00 |
| 17 | 572 | 0.07% | 12/10/2011 | 12/12/2011 | 2 | 0.00 |
| 18 | <u>0</u> | <u>0.00%</u> | 12/08/2011 | 12/12/2011 | 4 | <u>0.00</u> |
| 19 | | | | | | |
| 20 | <u>\$811,297</u> | <u>100.00%</u> | | | | <u>1.78</u> |
| 21 | | | | | | |
| 22 | | | | CWC % | | <u>-0.49%</u> |
| 23 | | | | | | |
| 24 | <u>Column Notes</u> | | | | | |
| 25 | (a) Two different types of monthly payroll are paid: regular monthly | | | | | |
| 26 | (i.e. salaries) and manual/misc. (e.g. termination pay). | | | | | |
| 27 | Since these different payrolls are paid on different dates, separate | | | | | |
| 28 | weighted payment lags for each have been calculated above. | | | | | |
| 29 | (c) Payroll dates are the actual dates on which payroll was paid. | | | | | |
| 30 | (d) The IRS Code stipulates payment of all withheld FICA and Federal | | | | | |
| 31 | Income Tax within one banking day under the \$100,000 One-Day Rule. | | | | | |
| 32 | 100% of the withholding must be deposited in a Federal Depository | | | | | |
| 33 | Bank within one day of the date payments are made. Payment | | | | | |
| 34 | due dates which fall upon a Saturday, Sunday, or holiday (i.e. | | | | | |
| 35 | non-banking day) are extended until the next banking day. | | | | | |
| 36 | (e) Column (d) - Column (c) | | | | | |
| 37 | (f) Column (b) x Column (e) | | | | | |

**National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
State Income Tax Withholding - Weekly Payroll**

| Line No. | Withholding Amount (a) | % of Total (b) | Payroll Date (c) | Payment Date (d) | Lag Days (e) | Weighted Lag Days (f) |
|----------|---------------------------|-------------------|---------------------|---------------------|-----------------|--------------------------|
| 1 | \$ 3,142 | 0.28% | 01/06/2011 | 01/07/2011 | 1 | 0.00 |
| 2 | 23,273 | 2.05% | 01/13/2011 | 01/14/2011 | 1 | 0.02 |
| 3 | 19,922 | 1.75% | 01/20/2011 | 01/21/2011 | 1 | 0.02 |
| 4 | 20,782 | 1.83% | 01/27/2011 | 01/28/2011 | 1 | 0.02 |
| 5 | 20,170 | 1.78% | 02/03/2011 | 02/04/2011 | 1 | 0.02 |
| 6 | 20,397 | 1.80% | 02/10/2011 | 02/11/2011 | 1 | 0.02 |
| 7 | 19,706 | 1.74% | 02/17/2011 | 02/18/2011 | 1 | 0.02 |
| 8 | 20,522 | 1.81% | 02/25/2011 | 02/28/2011 | 3 | 0.05 |
| 9 | 21,218 | 1.87% | 03/03/2011 | 03/04/2011 | 1 | 0.02 |
| 10 | 23,192 | 2.04% | 03/10/2011 | 03/11/2011 | 1 | 0.02 |
| 11 | 20,233 | 1.78% | 03/17/2011 | 03/18/2011 | 1 | 0.02 |
| 12 | 19,747 | 1.74% | 03/24/2011 | 03/25/2011 | 1 | 0.02 |
| 13 | 18,862 | 1.66% | 03/31/2011 | 04/01/2011 | 1 | 0.02 |
| 14 | 19,944 | 1.76% | 04/07/2011 | 04/08/2011 | 1 | 0.02 |
| 15 | 19,489 | 1.72% | 04/14/2011 | 04/15/2011 | 1 | 0.02 |
| 16 | 21,394 | 1.88% | 04/21/2011 | 04/22/2011 | 1 | 0.02 |
| 17 | 19,426 | 1.71% | 04/28/2011 | 04/29/2011 | 1 | 0.02 |
| 18 | 19,279 | 1.70% | 05/05/2011 | 05/06/2011 | 1 | 0.02 |
| 19 | 19,776 | 1.74% | 05/12/2011 | 05/13/2011 | 1 | 0.02 |
| 20 | 20,142 | 1.77% | 05/19/2011 | 05/20/2011 | 1 | 0.02 |
| 21 | 19,909 | 1.75% | 05/26/2011 | 05/27/2011 | 1 | 0.02 |
| 22 | 21,670 | 1.91% | 06/03/2011 | 06/06/2011 | 3 | 0.06 |
| 23 | 20,694 | 1.82% | 06/09/2011 | 06/10/2011 | 1 | 0.02 |
| 24 | 19,613 | 1.73% | 06/16/2011 | 06/17/2011 | 1 | 0.02 |
| 25 | 18,526 | 1.63% | 06/23/2011 | 06/24/2011 | 1 | 0.02 |
| 26 | 18,394 | 1.62% | 06/30/2011 | 07/01/2011 | 1 | 0.02 |
| 27 | 18,390 | 1.62% | 07/08/2011 | 07/11/2011 | 3 | 0.05 |
| 28 | 18,051 | 1.59% | 07/14/2011 | 07/15/2011 | 1 | 0.02 |
| 29 | 18,589 | 1.64% | 07/21/2011 | 07/22/2011 | 1 | 0.02 |
| 30 | 17,750 | 1.56% | 07/28/2011 | 07/29/2011 | 1 | 0.02 |
| 31 | 18,555 | 1.63% | 08/04/2011 | 08/05/2011 | 1 | 0.02 |
| 32 | 19,278 | 1.70% | 08/11/2011 | 08/12/2011 | 1 | 0.02 |
| 33 | 18,226 | 1.60% | 08/18/2011 | 08/19/2011 | 1 | 0.02 |
| 34 | 57,116 | 5.03% | 08/25/2011 | 08/26/2011 | 1 | 0.05 |
| 35 | 19,337 | 1.70% | 09/01/2011 | 09/02/2011 | 1 | 0.02 |
| 36 | 42,284 | 3.72% | 09/09/2011 | 09/12/2011 | 3 | 0.11 |
| 37 | 17,722 | 1.56% | 09/15/2011 | 09/16/2011 | 1 | 0.02 |
| 38 | 19,739 | 1.74% | 09/22/2011 | 09/23/2011 | 1 | 0.02 |
| 39 | 18,595 | 1.64% | 09/29/2011 | 09/30/2011 | 1 | 0.02 |
| 40 | 21,931 | 1.93% | 10/06/2011 | 10/07/2011 | 1 | 0.02 |
| 41 | 21,749 | 1.92% | 10/13/2011 | 10/14/2011 | 1 | 0.02 |
| 42 | 33,120 | 2.92% | 10/20/2011 | 10/21/2011 | 1 | 0.03 |
| 43 | 20,857 | 1.84% | 10/27/2011 | 10/28/2011 | 1 | 0.02 |
| 44 | 21,665 | 1.91% | 11/03/2011 | 11/04/2011 | 1 | 0.02 |
| 45 | 24,464 | 2.15% | 11/10/2011 | 11/14/2011 | 4 | 0.09 |
| 46 | 24,348 | 2.14% | 11/17/2011 | 11/18/2011 | 1 | 0.02 |
| 47 | 21,406 | 1.89% | 11/25/2011 | 11/28/2011 | 3 | 0.06 |
| 48 | 19,004 | 1.67% | 12/01/2011 | 12/02/2011 | 1 | 0.02 |
| 49 | 21,507 | 1.89% | 12/08/2011 | 12/09/2011 | 1 | 0.02 |
| 50 | 19,790 | 1.74% | 12/15/2011 | 12/16/2011 | 1 | 0.02 |
| 51 | 20,999 | 1.85% | 12/22/2011 | 12/23/2011 | 1 | 0.02 |
| 52 | 33,089 | 2.91% | 12/30/2011 | 01/03/2012 | 4 | 0.12 |
| 53 | 18,591 | 1.64% | 01/06/2012 | 01/09/2012 | 3 | 0.05 |
| 54 | | | | | | |
| 55 | <u>\$1,135,573</u> | <u>100.00%</u> | | | | <u>1.51</u> |
| 56 | | | | | | |
| 57 | | | | CWC % | | <u>-0.41%</u> |
| 58 | | | | | | |
| 59 | | | | | | |

Column Notes

- (a) Payroll for work week ended 01/01/2011, thus 1 work days included.
(c) Payroll dates are the actual dates on which payroll was paid.
(d) Rhode Island law (Sec. 44-30) stipulates payment of all withheld State Income Tax within three banking days after the end of each quarter-monthly liability period. 100% of the withholding on all payroll paid during each quarter-monthly period must be paid no later than the third banking day after the end of that period. Under Sec. 44-1, payment due dates which fall upon Saturday, Sunday, or a legal holiday, are extended until the next banking day. In addition, payment is considered timely with evidence of mailing by the due date.
(e) Column (d) - Column (c)
(f) Column (b) x Column (e)

**National Grid - Narragansett Gas Company
Cash Working Capital Requirements
State Income Tax Withholding - Monthly Payroll
For the Twelve Months Ended December 31, 2011**

| Line No. | Withholding Amount | % of Total | Payroll Date | Payment Date | Lag Days | Weighted Lag Days |
|----------|---------------------|---|--------------|--------------|----------|-------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | \$ 8,077 | 5.13% | 01/21/2011 | 01/24/2011 | 3 | 0.15 |
| 2 | 7,998 | 5.08% | 02/18/2011 | 02/22/2011 | 4 | 0.20 |
| 3 | 7,949 | 5.04% | 03/21/2011 | 03/22/2011 | 1 | 0.05 |
| 4 | 7,849 | 4.98% | 04/21/2011 | 04/22/2011 | 1 | 0.05 |
| 5 | 7,600 | 4.82% | 05/20/2011 | 05/23/2011 | 3 | 0.14 |
| 6 | 6,956 | 4.41% | 06/21/2011 | 06/22/2011 | 1 | 0.04 |
| 7 | 6,536 | 4.15% | 07/21/2011 | 07/22/2011 | 1 | 0.04 |
| 8 | 5,922 | 3.76% | 08/19/2011 | 08/22/2011 | 3 | 0.11 |
| 9 | 7,491 | 4.75% | 09/21/2011 | 09/22/2011 | 1 | 0.05 |
| 10 | 5,450 | 3.46% | 10/21/2011 | 10/24/2011 | 3 | 0.10 |
| 11 | 7,151 | 4.54% | 11/21/2011 | 11/22/2011 | 1 | 0.05 |
| 12 | 5,220 | 3.31% | 12/21/2011 | 12/22/2011 | 1 | 0.03 |
| 13 | 4,686 | 2.97% | 02/03/2011 | 02/04/2011 | 1 | 0.03 |
| 14 | 23,794 | 15.10% | 06/10/2011 | 06/13/2011 | 3 | 0.45 |
| 15 | 44,767 | 28.41% | 06/13/2011 | 06/14/2011 | 1 | 0.28 |
| 16 | 0 | 0.00% | 07/25/2011 | 07/26/2011 | 1 | 0.00 |
| 17 | 0 | 0.00% | 08/26/2011 | 08/29/2011 | 3 | 0.00 |
| 18 | 127 | 0.08% | 12/10/2011 | 12/12/2011 | 2 | 0.00 |
| 19 | 0 | 0.00% | 12/08/2011 | 12/12/2011 | 4 | 0.00 |
| 20 | | | | | | |
| 21 | <u>\$157,572</u> | <u>100.0%</u> | | | | <u>1.77</u> |
| 22 | | | | | | |
| 23 | | | | | | |
| 24 | | | | CWC % | | <u>-0.48%</u> |
| 25 | <u>Column Notes</u> | | | | | |
| 26 | (a) | Two different types of monthly payroll are paid: regular monthly | | | | |
| 27 | | (i.e. salaries) and manual/misc. (e.g. termination pay). | | | | |
| 28 | | Since these different payrolls are paid on different dates, separate | | | | |
| 29 | | weighted payment lags for each have been calculated on the attached | | | | |
| 30 | | schedules. This schedule simply summarizes these two separate | | | | |
| 31 | | calculations. | | | | |
| 32 | (c) | 1/ Payroll dates are the actual dates on which payroll was paid | | | | |
| 33 | (d) | 2/ Rhode Island law (Sec. 44-30) stipulates payment of all withheld State | | | | |
| 34 | | Income Tax within three banking days after the end of each quarter- | | | | |
| 35 | | monthly liability period. 100% of the withholding on all payroll | | | | |
| 36 | | paid during each quarter-monthly period must be paid no later than the | | | | |
| 37 | | third banking day after the end of that period. Under Sec. 44-1, | | | | |
| 38 | | payment due dates which fall upon Saturday, Sunday, or a legal holiday, | | | | |
| 39 | | are extended until the next banking day. In addition, payment is | | | | |
| 40 | | considered timely with evidence of mailing by the due date. | | | | |
| 41 | (e) | Column (d) - Column (c) | | | | |
| 42 | (f) | Column (e) x Column (b) | | | | |

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
Temporary Disability Insurance Withholding - Weekly Payroll
For the Twelve Months Ended December 31, 2011

| Line No. | Withholding Amount | % of Total | Liability Date | Payment Date | Payment Lag in Days | Weighted Payment Lag in Days |
|-------------|--|---------------|-------------------|-----------------|---------------------------|---------------------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | 22244 | 0.0993 | 40558 | 40646 | 88 | 8.74 |
| 2 | 27342 | 0.1221 | 40589 | 40646 | 57 | 6.96 |
| 3 | 32278 | 0.1441 | 40617 | 40646 | 29 | 4.18 |
| 4 | 24916 | 0.1113 | 40648 | 40745 | 97 | 10.8 |
| 5 | 24738 | 0.1105 | 40678 | 40745 | 67 | 7.4 |
| 6 | 28062 | 0.1253 | 40709 | 40745 | 36 | 4.51 |
| 7 | 17211 | 0.0769 | 40739 | 40847 | 108 | 8.31 |
| 8 | 15154 | 0.0677 | 40770 | 40847 | 77 | 5.21 |
| 9 | 17308 | 0.0773 | 40801 | 40847 | 46 | 3.56 |
| 10 | 7248 | 0.0324 | 40831 | 40574 | -257 | -8.33 |
| 11 | 4685 | 0.0209 | 40862 | 40574 | -288 | -6.02 |
| 12 | 2751 | 0.0123 | 40892 | 40574 | -318 | -3.91 |
| 13 | | | | | | |
| 14 | <u>\$223,937</u> | <u>100.0%</u> | | | | <u>41.41</u> |
| 15 | | | | | | |
| 16 | | | | | | |
| 17 | | | | | | |
| 18 | | | | | CWC % | <u>-11.35%</u> |
| 19 | | | | | | |
| 20 | Column Notes | | | | | |
| 21 (c) | For the purposes of this calculation, the weighted average liability | | | | | |
| 22 | (withholding) date is deemed to be the 15th of each month. This is based | | | | | |
| 23 | on the fact that on average, weekly salaries and wages (and the corresponding | | | | | |
| 24 | Temp. Disability Ins. liabilities) accrue evenly throughout the month | | | | | |
| 25 | as employee hours are worked. | | | | | |
| 26 (d) | 2/ Rhode Island's Temporary Disability Insurance Act (Title 28 of R.I. law) stipulates | | | | | |
| 27 | quarterly payment of Temporary Disability Insurance withheld. 100% of the liability | | | | | |
| 28 | for each quarter must be paid by the last day of the first month after that quarter | | | | | |
| 29 | ends. Under Sec. 44-1, payment dates which fall upon a Saturday, Sunday or legal | | | | | |
| 30 | holiday are extended to the next business day. Payments are considered timely | | | | | |
| 31 | with evidence of mailing by the required date. | | | | | |
| 32 (e) | Column (d) - Column(c) | | | | | |
| 33 (f) | Column (e) x Column (b) | | | | | |

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
Temporary Disability Insurance Withholding - Monthly Payroll
For the Twelve Months Ended December 31, 2011

| Line No. | Withholding Amount | % of Total | Payroll Date | Payment Date | Payment Lag in Days | Weighted Payment Lag in Days |
|----------|---|---------------|--------------|--------------|---------------------|------------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | \$2,694 | 7.32% | 01/21/2011 | 04/13/2011 | 82 | 6.00 |
| 2 | 2,965 | 8.06% | 02/18/2011 | 04/13/2011 | 54 | 4.35 |
| 3 | 2,737 | 7.44% | 03/21/2011 | 04/13/2011 | 23 | 1.71 |
| 4 | 2,893 | 7.87% | 04/21/2011 | 07/21/2011 | 91 | 7.16 |
| 5 | 2,506 | 6.81% | 05/20/2011 | 07/21/2011 | 62 | 4.22 |
| 6 | 2,102 | 5.72% | 06/21/2011 | 07/21/2011 | 30 | 1.72 |
| 7 | 2,083 | 5.66% | 07/21/2011 | 10/31/2011 | 102 | 5.77 |
| 8 | 2,129 | 5.79% | 08/19/2011 | 10/31/2011 | 73 | 4.23 |
| 9 | 860 | 2.34% | 09/21/2011 | 10/31/2011 | 40 | 0.94 |
| 10 | 607 | 1.65% | 10/21/2011 | 01/31/2012 | 102 | 1.68 |
| 11 | 221 | 0.60% | 11/21/2011 | 01/31/2012 | 71 | 0.43 |
| 12 | 111 | 0.30% | 12/21/2011 | 01/31/2012 | 41 | 0.12 |
| 13 | 803 | 2.18% | 02/03/2011 | 04/13/2011 | 69 | 1.50 |
| 14 | 168 | 0.46% | 06/10/2011 | 07/21/2011 | 41 | 0.19 |
| 15 | 4,918 | 13.37% | 06/13/2011 | 07/21/2011 | 38 | 5.08 |
| 16 | 8,978 | 24.41% | 06/24/2011 | 10/31/2011 | 129 | 31.49 |
| 17 | <u>4</u> | <u>0.01%</u> | 12/10/2011 | 01/31/2012 | 52 | <u>0.01</u> |
| 18 | | | | | | |
| 19 | <u>\$36,779</u> | <u>100.0%</u> | | | | <u>76.60</u> |
| 20 | | | | | | |
| 21 | | | | | | |
| 22 | | | | | | |
| 23 | | | | CWC % | | <u>-20.99%</u> |
| 24 | | | | | | |
| 25 | <u>Column Notes</u> | | | | | |
| 26 | (a) Two different types of monthly payroll are paid: regular monthly | | | | | |
| 27 | (i.e. salaries) and manual/misc. (e.g. termination pay). | | | | | |
| 28 | Since these different payrolls are paid on different dates, separate | | | | | |
| 29 | weighted payment lags for each have been calculated on the attached | | | | | |
| 30 | schedules. This schedule simply summarizes these three separate | | | | | |
| 31 | calculations. | | | | | |
| 32 | (c) Payroll dates are the actual dates on which payroll was paid. | | | | | |
| 33 | (d) Rhode Island's Temporary Disability Insurance Act (Title 28 of R.I. law) stipulates | | | | | |
| 34 | quarterly payment of Temporary Disability Insurance withheld. 100% of the liability | | | | | |
| 35 | for each quarter must be paid by the last day of the first month after that quarter | | | | | |
| 36 | ends. Under Sec. 44-1, payment dates which fall upon a Saturday, Sunday or legal | | | | | |
| 37 | holiday are extended to the next business day. Payments are considered timely | | | | | |
| 38 | with evidence of mailing by the required date. | | | | | |
| 39 | (e) Column (d) - Column(c) | | | | | |
| 40 | (f) Column (e) x Column (b) | | | | | |

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Incentive Thrift Withholding - Weekly Payroll

| Line No. | Withholding Amount | % of Total | Liability Date | Payment Date | Payment Lag in Days | Weighted Payment Lag in Days |
|----------|--------------------|---------------|----------------|--------------|---------------------|------------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | \$56,935 | 1.87% | 01/06/2011 | 01/10/2011 | 4 | 0.07 |
| 2 | 57,214 | 1.88% | 01/13/2011 | 01/18/2011 | 5 | 0.09 |
| 3 | 54,975 | 1.81% | 01/20/2011 | 01/24/2011 | 4 | 0.07 |
| 4 | 55,472 | 1.82% | 01/27/2011 | 01/31/2011 | 4 | 0.07 |
| 5 | 57,637 | 1.89% | 02/03/2011 | 02/07/2011 | 4 | 0.08 |
| 6 | 59,953 | 1.97% | 02/10/2011 | 02/14/2011 | 4 | 0.08 |
| 7 | 58,267 | 1.91% | 02/17/2011 | 02/22/2011 | 5 | 0.10 |
| 8 | 59,998 | 1.97% | 02/25/2011 | 02/28/2011 | 3 | 0.06 |
| 9 | 62,279 | 2.05% | 03/03/2011 | 03/07/2011 | 4 | 0.08 |
| 10 | 64,505 | 2.12% | 03/10/2011 | 03/14/2011 | 4 | 0.08 |
| 11 | 57,279 | 1.88% | 03/17/2011 | 03/21/2011 | 4 | 0.08 |
| 12 | 58,315 | 1.92% | 03/24/2011 | 03/28/2011 | 4 | 0.08 |
| 13 | 56,559 | 1.86% | 03/31/2011 | 04/04/2011 | 4 | 0.07 |
| 14 | 58,666 | 1.93% | 04/07/2011 | 04/11/2011 | 4 | 0.08 |
| 15 | 57,843 | 1.90% | 04/14/2011 | 04/18/2011 | 4 | 0.08 |
| 16 | 60,295 | 1.98% | 04/21/2011 | 04/25/2011 | 4 | 0.08 |
| 17 | 57,193 | 1.88% | 04/28/2011 | 05/02/2011 | 4 | 0.08 |
| 18 | 57,773 | 1.90% | 05/05/2011 | 05/09/2011 | 4 | 0.08 |
| 19 | 58,727 | 1.93% | 05/12/2011 | 05/16/2011 | 4 | 0.08 |
| 20 | 57,974 | 1.91% | 05/19/2011 | 05/23/2011 | 4 | 0.08 |
| 21 | 57,786 | 1.90% | 05/26/2011 | 05/31/2011 | 5 | 0.09 |
| 22 | 61,400 | 2.02% | 06/03/2011 | 06/06/2011 | 3 | 0.06 |
| 23 | 56,975 | 1.87% | 06/09/2011 | 06/13/2011 | 4 | 0.07 |
| 24 | 54,978 | 1.81% | 06/16/2011 | 06/20/2011 | 4 | 0.07 |
| 25 | 53,601 | 1.76% | 06/23/2011 | 06/27/2011 | 4 | 0.07 |
| 26 | 53,735 | 1.77% | 06/30/2011 | 07/05/2011 | 5 | 0.09 |
| 27 | 53,336 | 1.75% | 07/08/2011 | 07/11/2011 | 3 | 0.05 |
| 28 | 52,039 | 1.71% | 07/14/2011 | 07/18/2011 | 4 | 0.07 |
| 29 | 53,988 | 1.77% | 07/21/2011 | 07/25/2011 | 4 | 0.07 |
| 30 | 53,369 | 1.75% | 07/28/2011 | 08/01/2011 | 4 | 0.07 |
| 31 | 56,184 | 1.85% | 08/04/2011 | 08/08/2011 | 4 | 0.07 |
| 32 | 54,742 | 1.80% | 08/11/2011 | 08/15/2011 | 4 | 0.07 |
| 33 | 52,567 | 1.73% | 08/18/2011 | 08/22/2011 | 4 | 0.07 |
| 34 | 56,021 | 1.84% | 08/25/2011 | 08/29/2011 | 4 | 0.07 |
| 35 | 56,768 | 1.87% | 09/01/2011 | 09/02/2011 | 1 | 0.02 |
| 36 | 98,586 | 3.24% | 09/09/2011 | 09/12/2011 | 3 | 0.10 |
| 37 | 52,916 | 1.74% | 09/15/2011 | 09/19/2011 | 4 | 0.07 |
| 38 | 55,877 | 1.84% | 09/22/2011 | 09/26/2011 | 4 | 0.07 |
| 39 | 53,530 | 1.76% | 09/29/2011 | 10/03/2011 | 4 | 0.07 |
| 40 | 59,752 | 1.96% | 10/06/2011 | 10/11/2011 | 5 | 0.10 |
| 41 | 56,847 | 1.87% | 10/13/2011 | 10/17/2011 | 4 | 0.07 |
| 42 | 54,505 | 1.79% | 10/20/2011 | 10/24/2011 | 4 | 0.07 |
| 43 | 58,374 | 1.92% | 10/27/2011 | 10/31/2011 | 4 | 0.08 |
| 44 | 59,379 | 1.95% | 11/03/2011 | 11/07/2011 | 4 | 0.08 |
| 45 | 63,060 | 2.07% | 11/10/2011 | 11/14/2011 | 4 | 0.08 |
| 46 | 60,484 | 1.99% | 11/17/2011 | 11/21/2011 | 4 | 0.08 |
| 47 | 54,717 | 1.80% | 11/25/2011 | 11/28/2011 | 3 | 0.05 |
| 48 | 48,512 | 1.59% | 12/01/2011 | 12/05/2011 | 4 | 0.06 |
| 49 | 53,485 | 1.76% | 12/08/2011 | 12/12/2011 | 4 | 0.07 |
| 50 | 48,707 | 1.60% | 12/15/2011 | 12/19/2011 | 4 | 0.06 |
| 51 | 50,336 | 1.65% | 12/22/2011 | 12/27/2011 | 5 | 0.08 |
| 52 | 65,888 | 2.17% | 12/30/2011 | 01/03/2012 | 4 | 0.09 |
| 53 | <u>52,608</u> | <u>1.73%</u> | 01/06/2012 | 01/09/2012 | 3 | <u>0.05</u> |
| 54 | | | | | | |
| 55 | <u>\$3,042,909</u> | <u>100.0%</u> | | | | <u>3.93</u> |
| 56 | | | | | | |
| 57 | | | | | CWC % | <u>-0.01</u> |
| 58 | | | | | | |

Column Notes

- 60 (c) Date payroll is actually paid.
61 (d) Incentive thrift withholdings for weekly payroll are deposited weekly, generally
62 during the week following the payroll.
63 (e) Column (d) - Column(c)
64 (f) Column (e) x Column (b)

National Grid - Narragansett Gas Company
Cash Working Capital Requirements
For the Twelve Months Ended December 31, 2011
Incentive Thrift Withholding - Monthly Payroll

| Line No. | Withholding Amount | % of Total | Liability Date | Payment Date | Payment Lag in Days | Weighted Payment Lag in Days |
|-------------|-----------------------|----------------|-------------------|-----------------|---------------------------|---------------------------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | \$ 30,951 | 7.22% | 1/21/11 | 1/24/11 | 3 | 0.22 |
| 2 | 31,815 | 7.42% | 2/18/11 | 2/28/11 | 10 | 0.74 |
| 3 | 32,646 | 7.62% | 3/21/11 | 3/28/11 | 7 | 0.53 |
| 4 | 32,662 | 7.62% | 4/21/11 | 4/25/11 | 4 | 0.30 |
| 5 | 31,437 | 7.34% | 5/20/11 | 5/23/11 | 3 | 0.22 |
| 6 | 131,918 | 30.78% | 6/21/11 | 6/27/11 | 6 | 1.85 |
| 7 | 37,602 | 8.77% | 7/21/11 | 7/31/11 | 10 | 0.88 |
| 8 | 23,800 | 5.55% | 8/19/11 | 8/29/11 | 10 | 0.56 |
| 9 | 20,992 | 4.90% | 9/21/11 | 9/26/11 | 5 | 0.24 |
| 10 | 17,171 | 4.01% | 10/21/11 | 10/31/11 | 10 | 0.40 |
| 11 | 21,099 | 4.92% | 11/21/11 | 11/28/11 | 7 | 0.34 |
| 12 | <u>16,486</u> | 3.85% | 12/21/11 | 12/27/11 | 6 | 0.23 |
| 13 | <u>\$ 428,579</u> | <u>100.00%</u> | | | | <u>6.52</u> |
| CWC % | | | | | | <u>-1.79%</u> |

Column Notes

- (c) Date payroll is actually paid.
- (d) Incentive thrift withholdings for weekly payroll are deposited weekly, generally during the week following the payroll.
- (e) Column (d) - Column(c)
- (f) Column (e) x Column (b)

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

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

Witness: Michael D. Laflamme

Schedule MDL-5

Illustrative Pension/OPEB Tracker

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

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

Line Notes:

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

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

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

Line Notes:

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

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

| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
|---|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | Mar-2012 | Jun-2012 | Sep-2012 | Dec-2012 | Mar-2013 | |
| Customer Funding | | | | | | | |
| 1 Base Rate Recovery: | | | | | | | |
| 2 Direct | \$6,611,183 | - | - | - | - | \$1,101,864 | |
| 3 Servco | \$3,623,508 | - | - | - | - | \$603,918 | |
| 4 | | | | | | | |
| 5 PAM Surcharge Recovery: | | - | - | - | - | - | |
| 6 | | | | | | | |
| 7 Pension Capitalized Amount: | | | | | | | |
| 8 Direct | \$2,875,224 | - | - | - | - | \$479,204 | |
| 9 Servco | \$17,298,165 | - | - | - | - | \$2,883,027 | |
| 10 | | | | | | | |
| 11 Total Customer Funding: | | - | - | - | - | \$5,068,013 | |
| 12 | | | | | | | |
| Company Contributions | | | | | | | |
| 13 Pension | | - | - | - | - | - | |
| 14 | | | | | | | |
| 15 Service Company Allocated Costs | | - | - | - | - | \$3,486,945 | |
| 16 | | | | | | 3,486,945 | |
| 17 | | | | | | | |
| 18 Under/(Over) Funding | | - | - | - | - | \$1,581,068 | |
| 19 | | | | | | | |
| 20 Cumulative Under/(Over) Funding | | - | - | - | - | \$1,581,068 | |
| 21 | | | | | | | |
| 22 Five Quarter Average | | | | | | | \$316,214 |
| 23 | | | | | | | |
| 24 Base for Carrying Charge (greater of line 22 or zero) | | | | | | | \$316,214 |
| 25 Pre-tax WACC | | | | | | | 10.72% |
| 26 Carrying Charge | | | | | | | \$33,898 |
| 27 | | | | | | | |
| 28 | | | | | | | |
| Customer Funding | | Mar-2013 | Jun-2013 | Sep-2013 | Dec-2013 | Mar-2014 | |
| 29 | | | | | | | |
| 30 Base Rate Recovery: | | | | | | | |
| 31 Direct | | \$1,101,864 | \$1,652,796 | \$1,652,796 | \$1,652,796 | \$1,652,796 | |
| 32 Servco | | \$603,918 | \$905,877 | \$905,877 | \$905,877 | \$905,877 | |
| 33 | | | | | | | |
| 34 PAM Surcharge Recovery: | \$12,000 | | | | \$3,000 | \$3,000 | |
| 35 | | | | | | | |
| 36 Pension Capitalized Amount: | | | | | | | |
| 37 Direct | | \$479,204 | \$718,806 | \$718,806 | \$718,806 | \$718,806 | |
| 38 Servco | | \$2,883,027 | \$4,324,541 | \$4,324,541 | \$4,324,541 | \$4,324,541 | |
| 39 | | | | | | | |
| 40 Total Customer Funding: | | \$5,068,013 | \$7,602,020 | \$7,602,020 | \$7,605,020 | \$7,605,020 | |
| 41 | | | | | | | |
| 42 | | | | | | | |
| Company Contributions | | | | | | | |
| 43 Pension | | - | \$3,581,068 | \$1,000,000 | \$3,000,000 | \$3,400,000 | |
| 44 | | | | | | | |
| 45 Service Company Allocated Costs | | \$3,486,945 | \$5,230,418 | \$5,230,418 | \$5,230,418 | \$5,230,418 | |
| 46 | | \$3,486,945 | \$8,811,486 | \$6,230,418 | \$8,230,418 | \$8,630,418 | |
| 47 | | | | | | | |
| 48 Under/(Over) Funding | | \$1,581,068 | (\$1,209,466) | \$1,371,602 | (\$625,398) | (\$1,025,398) | |
| 49 | | | | | | | |
| 50 Cumulative Under/(Over) Funding | | \$1,581,068 | \$371,602 | \$1,743,204 | \$1,117,805 | \$92,407 | |
| 51 | | | | | | | |
| 52 Five Quarter Average | | | | | | | \$1,414,301 |
| 53 | | | | | | | |
| 54 Base for Carrying Charge (greater of line 53 or zero) | | | | | | | \$1,414,301 |
| 55 Pre-tax WACC | | | | | | | 10.72% |
| 56 Carrying Charge | | | | | | | \$151,613 |
| 57 | | | | | | | |
| 58 | | | | | | | |
| Customer Funding | | Mar-2014 | Jun-2014 | Sep-2014 | Dec-2014 | Mar-2015 | |
| 59 | | | | | | | |
| 60 Base Rate Recovery: | | | | | | | |
| 61 Direct | | \$1,652,796 | \$1,652,796 | \$1,652,796 | \$1,652,796 | \$1,652,796 | |
| 62 Servco | | \$905,877 | \$4,324,541 | \$4,324,541 | \$4,324,541 | \$4,324,541 | |
| 63 | | | | | | | |
| 64 PAM Surcharge Recovery: | \$150,000 | \$3,000 | \$3,000 | \$3,000 | \$37,500 | \$37,500 | |
| 65 | | | | | | | |
| 66 Pension Capitalized Amount: | | | | | | | |
| 67 Direct | | \$718,806 | \$718,806 | \$718,806 | \$718,806 | \$718,806 | |
| 68 Servco | | \$4,324,541 | \$4,324,541 | \$4,324,541 | \$4,324,541 | \$4,324,541 | |
| 69 | | | | | | | |
| 70 Total Customer Funding: | | \$7,605,020 | \$11,023,684 | \$11,023,684 | \$11,058,184 | \$11,058,184 | |
| 71 | | | | | | | |
| 72 | | | | | | | |
| Company Contributions | | | | | | | |
| 73 Pension | | 3,400,000 | \$9,659,814 | - | - | - | |
| 74 | | | | | | | |
| 75 Service Company Allocated Costs | | \$5,230,418 | \$8,649,082 | \$8,649,082 | \$8,649,082 | \$8,649,082 | |
| 76 | | 8,630,418 | 18,308,897 | 8,649,082 | 8,649,082 | 8,649,082 | |
| 77 | | | | | | | |
| 78 Under/(Over) Funding | | (\$1,025,398) | (\$7,285,213) | \$2,374,602 | \$2,409,102 | \$2,409,102 | |
| 79 | | | | | | | |
| 80 Cumulative Under/(Over) Funding | | \$92,407 | (\$7,192,805) | (\$4,818,204) | (\$2,409,102) | \$0 | |
| 81 | | | | | | | |
| 82 Five Quarter Average | | | | | | | (\$1,420,080) |
| 83 | | | | | | | |
| 84 Base for Carrying Charge (greater of line 84 or zero) | | | | | | | 0 |
| 85 Pre-tax WACC | | | | | | | 10.72% |
| 86 Carrying Charge | | | | | | | 0 |

Line Notes

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

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

| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
|---|-------------|-------------|---------------|---------------|-------------|-------------|-------------|
| | | Mar-2012 | Jun-2012 | Sep-2012 | Dec-2012 | Mar-2013 | |
| Customer Funding | | | | | | | |
| 1 Base Rate Recovery: | | | | | | | |
| 2 Direct | \$1,813,275 | - | - | - | - | \$302,213 | |
| 3 Servco | \$1,728,301 | - | - | - | - | \$288,050 | |
| 4 | | | | | | | |
| 5 PAM Surcharge Recovery: | | - | - | - | - | - | |
| 6 | | | | | | | |
| 7 OPEB Capitalized Amount: | | | | | | | |
| 8 Direct | \$1,267,809 | - | - | - | - | \$211,301 | |
| 9 Servco | \$6,851,115 | - | - | - | - | \$1,141,853 | |
| 10 | | | | | | | |
| 11 Total Customer Funding: | | - | - | - | - | \$1,943,417 | |
| 12 | | | | | | | |
| Company Contributions | | | | | | | |
| 13 OPEB | | - | - | - | - | - | |
| 14 | | | | | | | |
| 15 Service Company Allocated Costs | | - | - | - | - | \$1,429,903 | |
| 16 | | | | | | 1,429,903 | |
| 17 | | | | | | | |
| 18 Under/(Over) Funding | | - | - | - | - | \$513,514 | |
| 19 | | | | | | | |
| 20 Cumulative Funding Under/(Over) Funding | | - | - | - | - | \$513,514 | |
| 21 | | | | | | | \$102,703 |
| 22 Five Quarter Average | | | | | | | |
| 23 | | | | | | | |
| 24 Base for Carrying Charge (greater of line 22 or zero) | | | | | | | \$102,703 |
| 25 Pre-tax WACC | | | | | | | 10.72% |
| 26 Carrying Charge | | | | | | | \$11,010 |
| 27 | | | | | | | |
| 28 | | | | | | | |
| Customer Funding | | Mar-2013 | Jun-2013 | Sep-2013 | Dec-2013 | Mar-2014 | |
| 29 | | | | | | | |
| 30 Base Rate Recovery: | | | | | | | |
| 31 Direct | | \$302,213 | \$453,319 | \$453,319 | \$453,319 | \$453,319 | |
| 32 Servco | | \$288,050 | \$432,075 | \$432,075 | \$432,075 | \$432,075 | |
| 33 | | | | | | | |
| 34 PAM Surcharge Recovery: | \$12,000 | | | | \$3,000 | \$3,000 | |
| 35 | | | | | | | |
| 36 OPEB Capitalized Amount: | | | | | | | |
| 37 Direct | | \$211,301 | \$316,952 | \$316,952 | \$316,952 | \$316,952 | |
| 38 Servco | | \$1,141,853 | \$1,712,779 | \$1,712,779 | \$1,712,779 | \$1,712,779 | |
| 39 | | | | | | | |
| 40 Total Customer Funding: | | \$1,943,417 | \$2,915,125 | \$2,915,125 | \$2,918,125 | \$2,918,125 | |
| 41 | | | | | | | |
| 42 | | | | | | | |
| Company Contributions | | | | | | | |
| 43 OPEB | | - | \$613,514 | \$500,000 | \$1,000,000 | \$500,000 | |
| 44 | | | | | | | |
| 45 Service Company Allocated Costs | | \$1,429,903 | \$2,144,854 | \$2,144,854 | \$2,144,854 | \$2,144,854 | |
| 46 | | \$1,429,903 | \$2,758,368 | \$2,644,854 | \$3,144,854 | \$2,644,854 | |
| 47 | | | | | | | |
| 48 Under/(Over) Funding | | \$513,514 | \$156,757 | \$270,271 | (\$226,729) | \$273,271 | |
| 49 | | | | | | | |
| 50 Cumulative Funding Under/(Over) Funding | | \$513,514 | \$670,271 | \$940,542 | \$713,813 | \$987,084 | |
| 51 | | | | | | | \$957,016 |
| 52 Five Quarter Average | | | | | | | |
| 53 | | | | | | | |
| 54 Base for Carrying Charge (greater of line 53 or zero) | | | | | | | \$957,016 |
| 55 Pre-tax WACC | | | | | | | 10.72% |
| 56 Carrying Charge | | | | | | | \$102,592 |
| 57 | | | | | | | |
| 58 | | | | | | | |
| Customer Funding | | Mar-2014 | Jun-2014 | Sep-2014 | Dec-2014 | Mar-2015 | |
| 59 | | | | | | | |
| 60 Base Rate Recovery: | | | | | | | |
| 61 Direct | | \$453,319 | \$453,319 | \$453,319 | \$453,319 | \$453,319 | |
| 62 Servco | | \$432,075 | \$1,712,779 | \$1,712,779 | \$1,712,779 | \$1,712,779 | |
| 63 | | | | | | | |
| 64 PAM Surcharge Recovery: | \$150,000 | \$3,000 | \$3,000 | \$3,000 | \$37,500 | \$37,500 | |
| 65 | | | | | | | |
| 66 OPEB Capitalized Amount: | | | | | | | |
| 67 Direct | | \$316,952 | \$316,952 | \$316,952 | \$316,952 | \$316,952 | |
| 68 Servco | | \$1,712,779 | \$1,712,779 | \$1,712,779 | \$1,712,779 | \$1,712,779 | |
| 69 | | | | | | | |
| 70 Total Customer Funding: | | \$2,918,125 | \$4,198,829 | \$4,198,829 | \$4,233,329 | \$4,233,329 | |
| 71 | | | | | | | |
| 72 | | | | | | | |
| Company Contributions | | | | | | | |
| 73 OPEB | | 500,000 | \$4,149,167 | - | - | - | |
| 74 | | | | | | | |
| 75 Service Company Allocated Costs | | \$2,144,854 | \$3,425,558 | \$3,425,558 | \$3,425,558 | \$3,425,558 | |
| 76 | | 2,644,854 | 7,574,725 | 3,425,558 | 3,425,558 | 3,425,558 | |
| 77 | | | | | | | |
| 78 Under/(Over) Funding | | \$273,271 | (\$3,375,896) | \$773,271 | \$807,771 | \$807,771 | |
| 79 | | | | | | | |
| 80 Cumulative Funding Under/(Over) Funding | | \$987,084 | (\$2,388,813) | (\$1,615,542) | (\$807,771) | \$0 | |
| 81 | | | | | | | (\$280,346) |
| 82 Five Quarter Average | | | | | | | |
| 83 | | | | | | | |
| 84 Base for Carrying Charge (greater of line 84 or zero) | | | | | | | 0 |
| 85 Pre-tax WACC | | | | | | | 10.72% |
| 86 Carrying Charge | | | | | | | 0 |

Line Notes

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

THE NARRAGANSETT ELECTRIC COMPANY

d/b/a NATIONAL GRID

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

Witness: Michael D. Laflamme

Schedule MDL-6

Illustrative Property Tax Tracker

The Narragansett Electric Company d/b/a National Grid
Illustrative Property Tax Expense Annual Reconciliation
For the Fiscal Years ended March 31

| Line No. | | Feb -Mar <u>FY 2013</u> (a) | Apr-Mar <u>FY 2014</u> (b) | Apr-Mar <u>FY 2015</u> (c) |
|-------------|--|-----------------------------------|----------------------------------|----------------------------------|
| | <u>Rate Allowance:</u> | | | |
| 1 | Distribution Rate Allowance | \$ 4,957,221 | \$ 29,743,324 | \$ 29,743,324 |
| 2 | Prior Year Regulatory Expense Reconciliation | - | 60,000 | 1,000,000 |
| 3 | Total Rate Allowance | <u>\$ 4,957,221</u> | <u>\$ 29,803,324</u> | <u>\$ 30,743,324</u> |
| 4 | | | | |
| 5 | <u>Expense Reconciliation:</u> | | | |
| 6 | Fiscal Year Actual Property Tax Expense | \$ 5,017,221 | \$ 30,803,324 | \$ 33,883,656 |
| 7 | | | | |
| 8 | Rate Allowance | <u>4,957,221</u> | <u>29,803,324</u> | <u>30,743,324</u> |
| 9 | | | | |
| 10 | Current Year Regulatory Expense Reconciliation | <u><u>\$ 60,000</u></u> | <u><u>\$ 1,000,000</u></u> | <u><u>\$ 3,140,332</u></u> |

Line Notes:

- 1 Per Schedule MDL-3-ELEC, Page 59 Line 12. Column (a) = two months at 1/12th of the proposed rate year expense.
- 2 Col (a) - not applicable for the stub period. Cols (b) & (c) - Equals the prior fiscal year's Line 10.
- 6 Illustrative; actual amounts would be per Company financials.
- 8 Equals Line 3
- 10 Line 6 - Line 8