

Granite State Electric Company (d/b/a National Grid)
Docket No. DG 06-107
Annual Earnings Report
For the twelve months ended December 31, 2011

Line No.	Description	Total
1	Operating Revenues for 12 months	\$83,243,723
2		
3	Operating Expenses for 12 months:	
4	Purchased Power expenses	\$43,801,989
5	Production Expenses	\$0
6	Distribution Expenses	\$5,816,073
7	Transmission Expenses	\$14,587,105
8	Customer Accounts	\$1,727,771
9	Customer Service & Information	\$290,221
10	General and Administrative	\$7,148,600
11	Less: Merger Costs to Achieve charged in 2011, not yet deferred	(\$12,479) (1)
12	Less: Band A Variable Compensation	(\$17,650)
13	Depreciation	\$4,788,998
14	Amortization of Merger Costs to Achieve	\$239,487
15	Federal and State Income Taxes	\$0 (2)
16	Property Taxes	\$2,913,228
17	Other Taxes	\$370,041
18	Interest on Customer Deposits	\$18,924 (3)
19	Donations	\$10,913 (3)
20	Total Operating Expenses (Sum of Lines 4 Through Line 19)	<u>\$81,683,221</u>
21		
22	Operating Income Before Taxes (Line 1 - Line 20)	\$1,560,502
23	Adjusted for DSM Incentives	(\$19,453)
24	Adjusted Operating Income Before Taxes	<u>\$1,541,049</u>
25		
26	Interest Charges (From Page 1 Line 28)	\$2,297,825 (4)
27		
28	Net Taxable Income (Line 24 - Line 26)	<u>(\$756,776)</u>
29		
30	Income Taxes	(\$265,574) (5)
31	Amortization ITC	(\$37,854)
32	Flowthrough Items (From Page 1 Line 37)	\$85,680
33	Net Income Taxes (Line 28 + Line 30 + Line 31 - Line 32)	<u>(\$217,748)</u>
34		
35	Earnings Available for Common Equity (Line 28 - Line 33)	<u>(\$539,028)</u>
36		
37		
38	Average Common Equity 5 Quarter Average (From Page 1 Line 23)	\$30,475,126
39		
40	Rate of Return on Adjusted Average Common Equity (Line 35/Line 38)	-1.77%

- (1) Per 2011 CTA Annual Report
(2) Calculated using imputed capital structure as stated in Docket No. DG 06-107, Sec.3C.
(3) Below the line items brought above the line for ratemaking purposes.
(4) Calculation: Rate Base x weighted cost rate for long term debt.
\$60,950,251 x 3.77% = \$2,297,825; (3.77% = 50% x 7.54%)
(5) Calculation: Taxable Income x Federal income and State Unitary Income Tax Rates of 35% and 1.68% (of 8.50% of NH Unitary tax) , respect
\$756,776 x 35.0928% = \$265,574; (35.09% = ((100% - .14% x 35%) + .14%)

Granite State Electric Company (d/b/a National Grid)
Docket DG 06-107
Rate Base Calculation for Annual Earnings Report
For the twelve months ended December 31, 2011

Line No.	Description	12/31/10	03/31/11	06/30/11	09/30/11	12/31/11	5-Quarter Average
1	Utility Plant in Service	\$129,412,983	\$130,673,431	\$132,249,216	\$132,788,610	\$133,551,517	\$131,735,151
2	Accumulated Depreciation	(\$52,630,083)	(\$53,280,369)	(\$53,992,379)	(\$54,787,464)	(\$55,632,411)	(\$54,064,541)
3	Materials and Supplies	\$493,715	\$499,369	\$540,089	\$575,920	\$607,904	\$543,399
4	Cash Working Capital Requirement	(1) \$3,188,719	\$3,442,099	\$3,591,176	\$3,575,351	\$3,645,588	\$3,488,587
5	Prepayments	(2) \$17,400	\$20,546	(\$282)	\$28,049	\$18,666	\$16,876
6	Customer Deposits	(\$326,425)	(\$544,970)	(\$644,541)	(\$649,156)	(\$653,995)	(\$563,817)
7	Customer Advances for Construction	\$0	\$0	\$0	\$0	\$0	\$0
8	Unamortized Debt Expense	\$34,637	\$33,983	\$33,328	\$32,673	\$32,018	\$33,328
9	Net Deferred Income Tax Reserve	(3) (\$19,858,345)	(\$20,019,599)	(\$20,402,021)	(\$20,408,224)	(\$20,505,475)	(\$20,238,733)
10							
11		<u>\$60,332,600</u>	<u>\$60,824,490</u>	<u>\$61,374,586</u>	<u>\$61,155,759</u>	<u>\$61,063,812</u>	<u>\$60,950,251</u>

Notes:

(1) Represents 45/365 days of non-purchase power O&M expenses for the period.

(2) Excludes Adjustment to Federal Tax Reserves for Prior Periods.

(3) Deferred Income Tax Reserve Calculation:

Accumulated deferred income taxes in FERC 282	(\$19,923,956)	(\$16,981,112)	(\$17,363,535)	(\$17,369,738)	(\$17,466,714)
Less: FAS 109 in FERC 282	\$1,168,033	\$1,214,488	\$1,214,487	\$1,214,487	\$1,214,487
Add: Reserve in FERC 283	(\$467,215)	(\$3,524,858)	(\$3,524,858)	(\$3,524,858)	(\$3,524,858)
Add: Deferred tax asset-NOL in FERC 236	\$1,700,559	\$1,700,559	\$1,700,559	\$1,700,559	\$1,700,584
Add: Deferred tax asset-CIAC in FERC 190	\$300	\$300	\$300	\$300	\$0
Add: Deferred tax asset-M&S in FERC 190	\$0	\$0	\$0	\$0	\$0
Total	<u>(\$19,858,345)</u>	<u>(\$20,019,599)</u>	<u>(\$20,402,021)</u>	<u>(\$20,408,224)</u>	<u>(\$20,505,475)</u>

Granite State Electric Company (d/b/a National Grid)
Calculation of Interim Cumulative Earnings Calculation at December 31, 2011
(\$000)

<u>Line</u>					
1	Actual Earnings Available for Common - CY 2008	\$1,159	(a)		
2	Actual Earnings Available for Common - CY 2009	(\$399)	(b)		
3	Actual Earnings Available for Common - CY 2010	\$1,123	(c)		
4	Estimated Earnings Available for Common - CY 2011	(\$539)	(d)		
5	Estimated Earnings Available for Common - CY 2012	n/a			
6					
7	Four Year Average			\$470	
8					
9	Actual Average Common Equity - 2008	\$30,733	(a)		
10	Actual Average Common Equity - 2009	\$30,844	(b)		
11	Actual Average Common Equity - 2010	\$31,017	(c)		
12	Estimated Average Common Equity - 2011	\$30,475	(d)		
13	Estimated Average Common Equity - 2012	n/a			
14					
15	Four Year Average			\$30,767	
16					Customer
17	Average Annual Return			<u>1.53%</u>	Share
18					
19	ROE >11.00% shared 50% with customers			0.00% * 50.00% =	0.00%
20					
21					
22	Total Customer ROE Sharing				0.00%
23	Annual Average Equity				<u>\$30,767</u>
24					
25	Average Annual Customer Shared Earnings				\$0
26	Tax Gross-up				<u>/ 64.91%</u>
27					
28	Average Annual Customer Shared Earnings - Pre-tax				\$0
29	Number of Years				<u>x 4</u>
30					
31	Total Customer Shared Earnings 1/1/2008 - 12/31/2012				<u><u>\$0</u></u>
(a)	December 31, 2008 Earnings Report - submitted May 1, 2009				
(b)	December 31, 2009 Earnings Report - submitted May 1, 2010				
(c)	December 31, 2010 Earnings Report - submitted May 2, 2011				
(d)	December 31, 2011 Earnings Report - submitted May 1, 2012				