

Granite State Electric Company
Docket DG 06-107
Return on Rate Base and Common Equity
For the twelve months ended December 31, 2012

Line No.	<u>Description</u>	<u>% of Total</u>	<u>Allowed per Docket DG 06-107 Merger Settlement Agreement</u>			<u>% of Total</u>	<u>Ceiling Cost</u>	<u>Weighted Cost</u>
1	Common stock equity	50.00%	9.67%	4.84%	50.00%	11.00%	5.500%	
2	Preferred stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
3	Long-term debt	<u>50.00%</u>	5.89%	<u>2.95%</u>	<u>50.00%</u>	5.89%	<u>2.9450%</u>	
4								
5		<u>100.00%</u>		<u>7.78%</u>	<u>100.00%</u>		<u>8.45%</u>	
6								
7	Five Quarter		<u>Earned</u>					
8	Average	<u>%</u>		<u>Weighted</u>			<u>Pre-Tax</u>	
9	Rate Base	<u>of Total</u>	<u>Cost</u>	<u>Cost</u>		<u>Taxes</u>	<u>Weighted Cost</u>	
10								
11	\$32,869,209 Common stock equity	50.00%	-7.16%	-3.58%		-1.83% (a)	-5.41%	
12	\$0 Preferred stock	0.00%	0.00%	0.00%		0.00%	0.00%	
13	<u>\$32,869,210</u> Long-term debt	<u>50.00%</u>	5.89%	<u>2.95%</u>		<u>0.00%</u>	<u>2.95%</u>	
14								
15	<u>\$65,738,419</u>	<u>100.00%</u>		<u>-0.64%</u>		<u>-1.83%</u>	<u>-2.47%</u>	
16								
17								
18								
19			Interest Expense and Federal Income Tax					
20			Calculated Using Imputed Capital Structure					
21			Per Docket No. DG 06-107 Merger Settlement Agreement					
22								
23								
24						\$(000)		
25	Interest:	\$65,738,419	X	2.95%	=	\$1,936		
26								
27	FIT and NH Business Profits Tax:	\$65,738,419	X	-1.94% (b)	=	(1,273)		
28								
29			Plus: (Flowthrough Items)/64.91%-(Flowthrough Items)			64.91%	69 (c)	
30			Total Federal and State Income Taxes				(\$1,204)	
31								
32			(a) includes adjustment for Flowthrough items					
33			(b) (2.41%/(1-0.35)/(1-0.00138261))-2.41%)					
34			(c) Flowthrough Items:					
35			ITC Amortization				\$0	
36			ITC Basis Reduction and AFC Equity Depreciation				150	
37			Medicare Act of 2003				<u>(23)</u>	
38							<u><u>\$128</u></u>	

Granite State Electric Company
Docket No. DG 06-107
Annual Earnings Report
For the twelve months ended December 31, 2012

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Total</u>
1	Operating revenues for 12 months	\$78,226,535
2		
3	Operating expenses for 12 months:	
4	Purchased power expenses	\$36,983,140
5	Production expenses	\$0
6	Distribution expenses	\$5,319,667
7	Transmission expenses	\$15,622,966
8	Customer accounts	\$1,322,827
9	Customer service & information	\$174,901
10	General and administrative	\$12,137,897
11	Less: Band A Variable Compensation	\$0
12	Depreciation	\$4,867,175
13	Amortization of Merger Costs to Achieve	\$36,499
14	Federal and state income taxes	\$0 (1)
15	Property taxes	\$2,778,746
16	Other taxes	\$387,295
17	Interest on customer deposits	\$21,448 (2)
18	Donations	\$10,913 (2)
19		
20	Total operating expenses (Sum of Lines 4 through 19)	\$79,663,474
21		
22	Net Operating Income Before Taxes (Line 1 - Line 21)	(\$1,436,939)
23	Adjusted for DSM Incentives	(\$57,036)
24	Adjusted Operating Income Before Taxes (Sum of Line 23 and Line 24)	<u>(\$1,493,975)</u>
25		
26	Interest Charges	\$1,935,996 (3)
27		
28	Net Taxable Income (Line 24 - Line 26)	<u>(\$3,429,971)</u>
29		
30	Income Taxes	(1,203,573) (4)
31	Amortization of ITC	0
32	Flowthrough items (see details on Page 1 of 4)	\$127,535
33	Net Income Taxes (Line 28+Line 30+Line 31-Line 32)	<u>(1,076,038)</u>
34		
35		
36	Earnings Available for Common Equity (Line 29-Line 31)	(\$2,353,934)
37		
38	Average Common Equity 5 Quarter Average (from Page 1 of 4)	\$32,869,209
39		
40	Rate of Return on Adjusted Average Common Equity (Line 33/Line 35)	-7.16%

(1) Calculated using imputed capital structure as stated in Docket No. DG 06-107, Sec.3C.

(2) Below the line items brought above the line for ratemaking purposes.

(3) Calculation: Rate Base x weighted cost rate for long term debt.
 $\$65,736,851 \times 2.95\% = \$1,935,950$; $(2.95\% = 50\% \times 5.89\%)$

(4) Calculation: Taxable Income x Federal income and State unitary income tax rates of 35% and 1.20%, respectively.
 $\$2,241,471 \times 35.09\% = \$786,529$; $(35.09\% = ((100\% - .14\% \times 35\%) + .14\%))$

Granite State Electric Company

Docket DG 06-107

Rate Base Calculation for Annual Earnings Report
For the twelve months ended December 31, 20121720
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Line No.	Description	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	5-Quarter Average
1	Utility plant in service	\$133,551,517	\$134,564,013	\$134,292,117	\$134,313,332	\$134,312,580	\$134,206,712
2	Accumulated depreciation	(\$55,632,411)	(\$56,785,628)	(\$57,454,912)	(\$54,417,269)	(\$55,447,764)	(\$55,947,597)
3	Materials and supplies	\$607,904	\$661,806	\$619,009	\$301,011	\$415,932	\$521,132
4	Cash working capital requirement (1)	\$3,645,588	\$3,698,981	\$3,889,866	\$4,044,917	\$4,263,073	\$3,908,485
5	Prepayments (2)	\$693,052	\$75,373	\$523,453	\$561,874	\$1,929,773	\$756,705
6	Customer deposits	(\$653,995)	(\$657,032)	(\$655,421)	(\$669,312)	(\$667,231)	(\$660,598)
7	Customer advances for construction	\$0	\$0	\$0	\$0	\$0	\$0
8	Unamortized debt expense	\$32,018	\$31,363	\$30,709	\$30,054	\$29,399	\$30,709
9	Net deferred income tax reserve (3)	(\$16,980,617)	(\$17,698,140)	(\$17,727,974)	(\$16,825,636)	(\$16,153,277)	(\$17,077,129)
10							
11		<u>\$65,263,056</u>	<u>\$63,890,735</u>	<u>\$63,516,845</u>	<u>\$67,338,971</u>	<u>\$68,682,485</u>	<u>\$65,738,419</u>
12							
13	Notes:						
14	(1) Represents 45/365 days of non-purchase power O&M expenses for the period.						
15	(2) Excludes adjustment to federal tax reserves for prior periods.						
16	(3) Deferred income tax reserve calculation:						
17	(4) Including Historic Accumulated Deferred Income Taxes						
18	Accumulated deferred income taxes in Ferc 282	(\$17,466,714)	(\$18,143,648)	(\$18,173,201)	(\$18,173,201)	(\$18,173,201)	
19	Less: Fas 109 in Ferc 282	\$1,214,487	\$1,255,076	\$1,255,357	\$1,255,357	\$1,255,357	
20	Add: Deferred tax asset-NOL in FERC 236	\$1,700,584	\$1,700,584	\$1,700,584	\$1,700,584	\$1,700,584	
21	Add: Deferred tax asset-CIAC in Ferc 190	\$0	\$0	\$0	\$0	\$0	
22	Add: Deferred tax asset in Ferc 190	\$0	\$0	\$0	\$902,338	\$1,574,697	
	Total	(\$16,980,617)	(\$17,698,140)	(\$17,727,974)	(\$16,825,636)	(\$16,153,277)	

Granite State Electric Company
Calculation of Interim Accumulated Earnings at December 31, 2012
(\$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	Estimated 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	(\$2,354)			
6					
7	Five Year Average			(\$202)	
8					
9	Actual Average Common Equity - 2008	\$30,733	(a)		
10	Estimated Average Common Equity - 2009	\$30,844	(b)		
11	Estimated Average Common Equity - 2010	\$31,017	(c)		
12	Estimated Average Common Equity - 2011	\$30,475	(d)		
13	Estimated Average Common Equity - 2012	\$32,869			
14					
15	Five Year Average			<u>\$31,188</u>	
16					Customer
17	Average Annual Return			<u>-0.65%</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>\$31,188</u>
24					
25	Average Annual Customer Shared Earnings				\$0
26	Tax Gross-up				<u>/ 64.22%</u>
27					
28	Average Annual Customer Shared Earnings - Pre-tax				-
29	Number of Years				<u>x 2</u>
30					
31	Total Customer Shared Earnings 1/1/2008 - 12/31/2012				<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, 2009 Earnings Report - submitted May 1, 2011
- (d) December 31, 2009 Earnings Report - submitted May 1, 2012