

Record Request 1

Request:

Are the labor costs associated with non-productive time recovered through overhead portion of the labor calculation? Staff is concerned that non-productive time is being double recovered. Please explain how the time related to non-productive time is allocated to the retail companies and confirm that these costs are not double recovered.

Response:

Yes, the labor costs associated with non-productive time or time not worked ("TNW") are recovered through the overhead portion of the labor calculation. As described in the response to Staff 1-4, time not worked is charged back to National Grid USA Service Company's ("Service Company") balance sheet, to a clearing account which is cleared to expense by the TNW overhead rate which is applied only to productive pay (regular pay and base overtime pay only, not including incremental overtime) and follows where that pay was charged. The TNW overhead rate is not applied to non-productive time. For the period from February 2007 through January 2008, the time not worked rate was approximately 16% and the total overhead rate was approximately 75%. When the productive pay is charged to a specific retail company, such as Granite State Electric, the overheads, including TNW, will be charged to that same retail company. When the productive pay is charged to the Service Company and allocated to the retail companies, the overheads, including TNW, follows the productive pay and are allocated to the retail companies in the same proportion.

Prepared by or under the supervision of: Scott M. McCabe