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

SERVICE CONTRACT

Dated as of: April 1, 2011

NEW ENGLAND POWER COMPANY
40 Sylvan Road
Waltham, MA 02451

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

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

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

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

4. Bills will be rendered during the first week of each month covering amounts due for the month calculated on an estimated basis using the actual expenses incurred to the extent possible during the second previous month. This estimated amount would be adjusted on the bill to be rendered by the conclusion of the following month. Any amount remaining unpaid after fifteen days following receipt of the bill shall bear interest thereon from the date of the bill at an annual rate of 2% above the lowest interest rate then being charged by the Bank of America on 90 day commercial loans. The effective date of this agreement shall be April 1, 2011; services

will be performed under this agreement through March 31, 2012, unless terminated at an earlier date by either party giving thirty days' written notice to the other of such termination at the end of any month.

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

NATIONAL GRID USA SERVICE COMPANY, INC.

By: _____
Title: Senior Vice President and Secretary

Accepted:

NEW ENGLAND POWER COMPANY

By _____
Title: Assistant Treasurer

SCHEDULE I

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

Accounting:

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

Auditing:

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

Construction:

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

Corporate and Corporate Records:

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

Customer Services:

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

Emergencies:

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

Employee Relations:

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

Engineering:

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

Executive and Administrative:

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

Information Systems:

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

Insurance:

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

Intellectual Property:

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

Properties:

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

Power Supply:

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

Public Information and Relations:

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

Purchasing and Stores:

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

Rates:

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

Regulation:

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

Systems:

Establishing of accounting and other procedures and standards.

Taxes:

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

Treasury and Statistical:

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

SCHEDULE II

Determination of Cost and Allocation Thereof

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

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

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

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

Summary of Authorized Allocation Methods[1]

Microwave air line circuit miles

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

Number of employees

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

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

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

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

Number of customers

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

Number of meters in service

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

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

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

Number of Rubber Gloves

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

Operation and Maintenance Expenses

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

Combined electric transmission and distribution O&M expenses:

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

Electric transmission-only O&M expenses:

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

Electric distribution-only O&M expenses:

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

Gas distribution-only O&M expenses:

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

Combined electric and gas distribution O&M expenses:

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

The data for calculation of these ratios is updated annually.

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

Budgeted transmission/distribution operation and maintenance expenditures

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

Budgeted transmission/distribution capital expenditures

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

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

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

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

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

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

Materials and supplies issues

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

Inventory, less fuel

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

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

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

Number of purchase orders

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

Archive space occupied

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

Department specific costs

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

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

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

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

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

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

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

SERVICE CONTRACT

Dated as of: April 1, 20112010

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

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

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

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

4. Bills will be rendered during the first week of each month covering amounts due for the month calculated on an estimated basis using the actual expenses incurred to the extent possible during the second previous month. This estimated amount would be adjusted on the bill to be rendered by the conclusion of the following month. Any amount remaining unpaid after fifteen days following receipt of the bill shall bear interest thereon from the date of the bill at an annual rate of 2% above the lowest interest rate then being charged by the Bank of America on 90 day commercial loans. The effective date of this agreement shall be April 1, 20112010; services will be performed under this agreement through March 31, 20122011, unless terminated

at an earlier date by either party giving thirty days' written notice to the other of such termination at the end of any month.

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

NATIONAL GRID USA SERVICE COMPANY, INC.

By: _____
Title:

Accepted:

[_____]

By_____
Title:

SCHEDULE I

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

Accounting:

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

Auditing:

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

Construction:

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

Corporate and Corporate Records:

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

Customer Services:

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

Emergencies:

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

Employee Relations:

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

Engineering:

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

Executive and Administrative:

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

Information Systems:

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

Insurance:

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

Intellectual Property:

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

Properties:

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

Power Supply:

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

Public Information and Relations:

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

Purchasing and Stores:

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

Rates:

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

Regulation:

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Systems:

Establishing of accounting and other procedures and standards.

Taxes:

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

Treasury and Statistical:

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SCHEDULE II

Determination of Cost and Allocation Thereof

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

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

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

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

Summary of Authorized Allocation Methods[1]

Microwave air line circuit miles

A ratio based on the total microwave air line circuit miles as of the end of the prior fiscal year for the systems of the applicable National Grid operating companies. . The numerator for this ratio is the total microwave air line circuit miles for each applicable company, and the denominator is the total of all microwave air line circuit miles for all applicable companies combined. This data is updated annually.[2] This

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

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

allocation method is currently used to allocate charges incurred by Service Company in the operation of the National Grid system's shared microwave radio transmission system.

Number of employees

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

Number of customers

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

Number of meters in service

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

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

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

Number of Rubber Gloves

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

Operation and Maintenance Expenses

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

Combined electric transmission and distribution O&M expenses:

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

Electric transmission-only O&M expenses:

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

Electric distribution-only O&M expenses:

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

Gas distribution-only O&M expenses:

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

Combined electric and gas distribution O&M expenses:

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

The data for calculation of these ratios is updated annually.

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

Budgeted transmission/distribution operation and maintenance expenditures

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

Budgeted transmission/distribution capital expenditures

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

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

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

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

A ratio based on the dollar amount of the Service Company charges for services rendered (excluding convenience payments) to associated companies in the National Grid system for the prior fiscal year, the numerator of which is the total amount charged to the applicable National Grid system company, and the denominator of which is the total

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

amount charged to all National Grid system companies. The data for these charges is updated annually. This allocation method is used to allocate Service Company's administrative and general service costs that are not strictly operating company costs and are therefore allocated among all of the National Grid system companies. The charges that would be allocated to the Service Company are reallocated based on the prior year average of time charged by Service Company personnel to the applicable National Grid system company.

Materials and supplies issues

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

Inventory, less fuel

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

Number of purchase orders

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

Archive space occupied

A ratio based on the square footage occupied per National Grid system company during the prior fiscal year in archive space of the National Grid system, the numerator of

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

Department specific costs

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

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

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

Millbury Training Center – An allocation ratio is calculated for each National Grid system company based on the amount of time charged, in the prior fiscal year, to each such National Grid system company by the Service Company Departments that

utilize the Millbury Training Center facility. The numerator for this ratio is the amount of such time charged to the applicable National Grid system company, and the denominator is the amount of such time charged to all National Grid system companies combined. This calculation is updated annually. This ratio is used to allocate costs associated with the property which houses the Millbury Training Center located in Millbury, MA among all National Grid system companies.

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