

National Grid Acquisition Integration Costs
Change in Deferral Balances - Summary

	2007	2008	2009	2010	Total
1 NE Gas Acquisition- Beginning Balance	-	26,577	10,185	(35,945)	817
2 NE Gas Costs to Achieve	69,971	26,430	207	-	96,607
3 NE Gas Amortization	(44,888)	(44,888)	(44,888)	(43,486)	(178,150)
4 Interest Accrued	1,494	2,066	(1,448)	(6,871)	(4,759)
5 NE Gas Acquisition-Ending Balance	<u>26,577</u>	<u>10,185</u>	<u>(35,945)</u>	<u>(86,301)</u>	<u>(85,485)</u>
6 Keyspan Acquisition - Beginning Balance	-	-	769,382	978,630	1,748,012
7 Keyspan Costs to Achieve	-	943,843	328,706	111,745	1,384,294
8 Keyspan Amortization	-	(217,702)	(217,702)	(211,017)	(646,421)
9 Interest Accrued	-	43,242	98,244	110,643	252,129
10 Keyspan Acquisition--Ending Balance *	<u>-</u>	<u>769,382</u>	<u>978,630</u>	<u>990,002</u>	<u>2,738,014</u>
11 Total	<u><u>26,577</u></u>	<u><u>779,567</u></u>	<u><u>942,685</u></u>	<u><u>903,700</u></u>	<u><u>2,652,529</u></u>

Line Notes:

- 1-5 Page 2
- 6-10 Page 4
- 11 Sum (Line 5 + Line 10)

*Adjust CTA total to include prior years deferrals

National Grid Acquisition Integration Costs
Change in Deferral Balances - NE Gas Acquisition

	2007	2008	2009	2010
1 NE Gas Acquisition- Beginning Balance	-	26,577	10,185	(35,945)
2 NE Gas Costs to Achieve	69,971	26,430	207	-
3 NE Gas Amortization	(44,888)	(44,888)	(44,888)	(43,486)
4 Interest Accrued	1,494	2,066	(1,448)	(6,871)
5 NE Gas Acquisition-Ending Balance	26,577	10,185	(35,945)	(86,301)

Line Notes:

- 1 Prior year, Line 5
- 2 Page 3, Line 36
- 3 Docket No. DG 06-107, Settlement Agreement Order No. 24,777, Exhibit GSE-2, Line 3
- 4 $[\text{Line 1} + (\text{Line 2} + \text{Line 3})/2] * 11.91\%$ (per Exhibit GSE-2, line 20)
- 5 Sum (Lines 1 through 4)

**National Grid Acquisition Integration Costs
Costs to Achieve Actuals - NE Gas Acquisition**

Component	2006	2007	2008	2009	2010	Total
Personnel costs						
1 (1) VERO Programs (management)	-	-	2,961,325			2,961,325
2 (2) Voluntary Severance (management)	1,800,000	1,135,245	259,828			3,195,073
3 (3) Retention agreements	32,000	177,167	4,000	(4,000)	-	209,167
4 (4) Relocations	-	-	-	-	-	-
5 (5) Executive severance and Options	891,750	-	-	-	-	891,750
6						
7						
	Sub-total	2,723,750	1,312,411	3,225,153	(4,000)	7,257,315
8 IT Integration costs						
9						
10 (1) Applications consolidation	-	-	-	-	-	-
11 (2) Data center and network consolidation	37,208	497,866	178,001	12,956	-	726,031
12						
13						
	Sub-total	37,208	497,866	178,001	12,956	726,031
14 Other Integration costs						
15						
16 (1) CTA merger savings identified by Integration Team	899,942	176,837	5,000	17,684	-	1,099,463
17 (2) Insurance run-offs (NEG)	-	-	-	-	-	-
18						
19						
	Sub-total	899,942	176,837	5,000	17,684	1,099,463
20 Transaction costs						
21						
22 (1) Bankers fees and expenses	3,004,005	-	-	-	-	3,004,005
23 (2) Legal fees and expenses	891,799	78,043	4	(4)	-	969,842
24 (3) Accounting and audit fees	109,780	-	-	-	-	109,780
25 (4) Other Professional services	18,930	11,854	-	-	-	30,784
26 (5) Transfer Tax	152,160	-	-	-	-	152,160
27						
28						
	Sub-total	4,176,674	89,897	4	(4)	4,266,571
29						
30						
	Total	7,837,574	2,077,011	3,408,159	26,636	13,349,380
31						
32 Remove Executive Severance	891,750	-	-	-	-	891,750
33						
34 Total Costs to Achieve	6,945,824	2,077,011	3,408,159	26,636	-	12,457,630
35 Synergy Savings Allocation % - Granite State	0.78%	0.78%	0.78%	0.78%	0.78%	0.78%
36 NE Gas Cost to Achieve	53,864	16,107	26,430	207	-	96,607

Line Notes:

1-34 Calendar years 2006-2010 General Ledger actuals.

³⁵ Total A&G expenses for the respective company divided by Total A&G expenses. 2003 FERC Form 1 Account 901-935 (excluding 904).

³⁶ Line 34 * Line 35

National Grid Acquisition Integration Costs
Change in Deferral Balances - KeySpan Acquisition

	2008	2009	2010
1 Keyspan Acquisition - Beginning Balance	-	769,382	978,630
2 Keyspan Costs to Achieve	943,843	328,706	111,745
3 Keyspan Amortization	(217,702)	(217,702)	(211,017)
4 Interest Accrued	43,242	98,244	110,643
5 Keyspan Acquisition--Ending Balance *	769,382	978,630	990,002

Line Notes:

- 1 Prior year, Line 5
- 2 Page 5, Line 36
- 3 Docket No. DG 06-107, Settlement Agreement Order No. 24,777, Exhibit EN-2, Line 7
- 4 $[\text{Line 1} + (\text{Line 2} + \text{Line 3})/2] * 11.91\%$ (per Exhibit GSE-2, line 20)
- 5 Sum (Lines 1 through 4)

*Adjust CTA total to include prior years deferrals

National Grid Acquisition Integration Costs Costs to Achieve Actuals - KeySpan Acquisition

Component	2007	2008	2009	2010	Total
Personnel costs					
1 (1) VERO Programs (management)	32,861,288	60,604,669	58,406,922	14,375,182	166,248,061
2 (2) Voluntary Severance (management)	36,893	2,365,184	5,637,903	4,564,036	12,604,017
3 (3) Retention agreements	1,179,939	3,464,922	1,150,745	703,481	6,499,088
4 (4) Relocations	194,579	51,617	51,488	24,593	322,277
5 (5) Executive severance and Options	-	128,505,490	-	-	128,505,490
6					
7	Sub-total	34,272,699	194,991,882	65,247,058	19,667,292
8 IT Integration costs					
9					
10 (1) Applications consolidation	-	-	-	-	-
11 (2) Data center and network consolidation	821,335	2,602,945	2,896,029	2,692,024	9,012,333
12					
13	Sub-total	821,335	2,602,945	2,896,029	2,692,024
14 Other Integration costs					
15					
16 (1) CTA merger savings identified by Integration Team	21,804,931	25,031,185	8,238,499	3,410,273	58,484,888
17 (2) Insurance run-offs (Keyspan)	26,182	6,807,041	1,429,061	682,591	8,944,875
18					
19	Sub-total	21,831,114	31,838,226	9,667,560	4,092,864
20 Transaction costs					
21					
22 (1) Bankers fees and expenses	13,025,222	12,122,471			25,147,693
23 (2) Legal fees and expenses	3,032,917	1,972,900			5,005,817
24 (3) Accounting and audit fees	4,701,754	1,044,068			5,745,822
25 (4) Other Professional services	8,447,835	3,562,324			12,010,159
26 (5) Transfer Tax		17,662,640			17,662,640
27					
28	Sub-total	29,207,729	36,364,402	-	-
29					
30	Total	86,132,877	265,797,454	77,810,648	26,452,180
31					
32 Remove Executive Severance	-	128,505,490	-	-	128,505,490
33					
34 Total Costs to Achieve	86,132,877	137,291,964	77,810,648	26,452,180	327,687,669
35 Synergy Savings Allocation % - Granite State	0.42%	0.42%	0.42%	0.42%	0.42%
36 NE Gas Cost to Achieve	363,862	579,980	328,706	111,745	1,384,294

Line Notes:

1-34 Calendar years 2006-2010 General Ledger actuals.

35 Per Joint Petition dated August 2006, Schedule JGC-1, Page 3 of 4, an additional \$136 million was added to LIPA.

36 Line 34 * Line 35

*Adjust CTA total to include prior years deferrals

National Grid Acquisition Integration Costs
Change in Deferral Balances - Keyspan Acquisition

	2008	2009	2010	Total
1 Keyspan Acquisition - Beginning Balance	-	1,755,633	2,203,003	3,958,636
2 Keyspan Costs to Achieve	1,797,473	625,994	212,810	2,636,276
3 Keyspan Amortization	(144,101)	(409,203)	(409,203)	(962,507)
4 Interest Accrued	102,261	230,580	260,365	593,206
5 Keyspan Acquisition--Ending Balance *	1,755,633	2,203,003	2,266,975	6,225,611

Line Notes:

- 1 Prior year, Line 5
- 2 Page 2, Line 36
Docket No. DG 06-107, Settlement Agreement Order No. 24,777, Temporary Rate dated August 24, 2008 Exhibit EN-2, Line 3, Annual
- 3 amortization $\$409,203/12=\$34,100$
- 4 $[\text{Line 1} + (\text{Line 2} + \text{Line 3})/2] * 12.37\%$ (per Exhibit EN-2)
- 5 Sum (Lines 1 through 4)

*Adjust CTA total to include prior years deferrals

**National Grid Acquisition Integration Costs
Costs to Achieve Actuals - KeySpan Acquisition**

Component	2007	2008	2009	2010	Total
Personnel costs					
1 (1) VERO Programs (management)	32,861,288	60,604,669	58,406,922	14,375,182	166,248,061
2 (2) Voluntary Severance (management)	36,893	2,365,184	5,637,903	4,564,036	12,604,017
3 (3) Retention agreements	1,179,939	3,464,922	1,150,745	703,481	6,499,088
4 (4) Relocations	194,579	51,617	51,488	24,593	322,277
5 (5) Executive severance and Options	-	128,505,490	-	-	128,505,490
6					
7	Sub-total	34,272,699	194,991,882	65,247,058	314,178,932
IT Integration costs					
9					
10 (1) Applications consolidation	-	-	-	-	-
11 (2) Data center and network consolidation	821,335	2,602,945	2,896,029	2,692,024	9,012,333
12					
13	Sub-total	821,335	2,602,945	2,896,029	9,012,333
Other Integration costs					
14					
15					
16 (1) CTA merger savings identified by Integration Team	21,804,931	25,031,185	8,238,499	3,410,273	58,484,888
17 (2) Insurance run-offs (Keyspan)	26,182	6,807,041	1,429,061	682,591	8,944,875
18					
19	Sub-total	21,831,114	31,838,226	9,667,560	67,429,763
Transaction costs					
20					
21					
22 (1) Bankers fees and expenses	13,025,222	12,122,471			25,147,693
23 (2) Legal fees and expenses	3,032,917	1,972,900			5,005,817
24 (3) Accounting and audit fees	4,701,754	1,044,068			5,745,822
25 (4) Other Professional services	8,447,835	3,562,324			12,010,159
26 (5) Transfer Tax		17,662,640			17,662,640
27					
28	Sub-total	29,207,729	36,364,402	-	65,572,131
29					
30	Total	86,132,877	265,797,454	77,810,648	456,193,159
31					
32 Remove Executive Severance	-	128,505,490	-	-	128,505,490
33					
34 Total Costs to Achieve	86,132,877	137,291,964	77,810,648	26,452,180	327,687,669
35 Synergy Savings Allocation % - Energy North	0.80%	0.80%	0.80%	0.80%	0.80%
36 Keyspan Cost to Achieve	692,947	1,104,526	625,994	212,810	2,636,276

Line Notes:

1-34 Calendar years 2006-2010 General Ledger actuals.

35 Per Joint Petition dated August 2006, Schedule JGC-1, Page 3 of 4, an additional \$136 million was added to LIPA.

36 Line 35 * Line 36

*Adjust CTA total to include prior years deferrals

Granite State Electric Company (d/b/a National Grid)
Docket DG 06-107
Return on Rate Base and Common Equity
For the twelve months ended December 31, 2010

Line No.	Description	%	<u>Allowed per</u> <u>Docket DG 06-107 Merger Settlement Agreement</u>		%	<u>Ceiling</u>	Weighted
		<u>of Total</u>	<u>Cost</u>	<u>Cost</u>	<u>of Total</u>	<u>Cost</u>	<u>Cost</u>
1	Common stock equity	50.00%		9.67%	50.00%	11.00%	5.50%
2	Preferred stock	0.00%		0.00%	0.00%	0.00%	0.00%
3	Long-term debt	<u>50.00%</u>		7.54%	<u>50.00%</u>	7.54%	<u>3.77%</u>
4							
5		<u>100.00%</u>		<u>8.61%</u>	<u>100.00%</u>		<u>9.27%</u>
6							
7	Five Quarter		<u>Earned</u>				
8	Average	%		Weighted			Pre-Tax
9	Rate Base	<u>of Total</u>	<u>Cost</u>	<u>Cost</u>		<u>Taxes</u>	<u>Weighted Cost</u>
10							
11	\$31,016,998 Common stock equity	50.00%		3.62%		1.05% (a)	2.86%
12	\$0 Preferred stock	0.00%		0.00%		0.00%	0.00%
13	<u>\$31,016,998</u> Long-term debt	<u>50.00%</u>		7.54%		<u>0.00%</u>	<u>3.77%</u>
14							
15	<u>\$62,033,996</u>	<u>100.00%</u>		<u>5.58%</u>		<u>1.05%</u>	<u>6.63%</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:	\$62,033,996	X	3.77%	=	\$2,339	
26							
27	FIT and NH Business Profits Tax:	\$62,033,996	X	0.98% (b)	=	607	
28							
29			Plus: (Flowthrough Items)/64.91%-(Flowthrough Items)			64.91%	46 (c)
30			Total Federal and State Income Taxes				\$653
31							
32			(a) includes adjustment for Flowthrough items				
33			(b) (1.81%/(1-0.35))/(1-0.138261)-1.81%				
34			(c) Flowthrough Items:				
35						ITC Amortization	(\$42)
36						ITC Basis Reduction and AFC Equity Depreciation	150
37						Medicare Act of 2003	<u>(23)</u>
38						<u>\$85</u>	

Granite State Electric Company (d/b/a National Grid)
Docket No. DG 06-107
Annual Earnings Report
For the twelve months ended December 31, 2010

<u>Line No.</u>	<u>Description</u>	<u>Total</u>
1	Operating revenues for 12 months	\$82,898,549
2		
3	Operating expenses for 12 months:	
4	Purchased power expenses	\$45,254,904
5	Production expenses	\$249
6	Distribution expenses	\$3,592,815
7	Transmission expenses	\$13,321,842
8	Customer accounts	\$1,780,902
9	Customer service & information	\$202,945
10	General and administrative	\$6,965,547
11	Less: Merger Costs to Achieve charged in 2010, not yet deferred	(\$92,889) (1)
12	Less: Band A Variable Compensation	(\$17,000)
13	Depreciation	\$4,539,729
14	Amortization of Merger Costs to Achieve	\$254,503
15	Federal and state income taxes	\$0 (2)
16	Property taxes	\$2,574,890
17	Other taxes	\$359,565
18	Amortization ITC	(\$42,487)
19	Interest on customer deposits	\$11,457 (3)
20	Donations	\$23,715 (3)
21		
22	Total operating expenses (Sum of Lines 4 through 19)	\$78,730,687
23		
24	Net Operating Income Before Taxes (Line 1 - Line 21)	\$4,167,862
25	Adjusted for DSM Incentives	(\$53,702)
26	Adjusted Operating Income Before Taxes (Sum of Line 23 and Line 24)	\$4,114,160
27		
28	Interest Charges	\$2,338,682 (4)
29	Flowthrough items (see details on Page 1 of 4)	\$85,048
30	Taxable Income (Line 25 - Line 27 + Line 28)	\$1,860,526
31		
32	Income Taxes	<u>652,856</u> (5)
33		
34	Earnings Available for Common Equity (Line 29-Line 31)	\$1,122,622
35		
36	Average Common Equity 5 Quarter Average (from Page 1 of 4)	\$31,016,998
37		
38	Rate of Return on Adjusted Average Common Equity (Line 33/Line 35)	3.62%

(1) Adjusting entry made in 2010.

(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.

\$62,033,996 x 3.77% = \$2,388,682; (3.77% = 50% x 7.54%)

(5) Calculation: Taxable Income x Federal income and State unitary income tax rates of 35% and 1.20%, respectively.

\$1,860,526 x 35.09% = \$652,856; (35.09% = ((100% - .14% x 35%) + .14%)

Docket DG 06-107

Rate Base Calculation for Annual Earnings Report
For the twelve months ended December 31, 2010

Line No.	Description	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	5-Quarter Average
1	Utility plant in service	\$121,833,503	\$125,640,321	\$126,714,605	\$128,159,922	\$129,412,983	\$126,352,267
2	Accumulated depreciation	(\$49,619,914)	(\$50,280,382)	(\$51,184,454)	(\$51,856,331)	(\$52,630,083)	(\$51,114,233)
3	Materials and supplies	\$396,248	\$449,077	\$412,450	\$411,644	\$493,715	\$432,627
4	Cash working capital requirement (1)	\$3,280,690	\$3,268,218	\$3,271,218	\$3,226,126	\$3,188,749	\$3,247,000
5	Prepayments (2)	\$19,369	\$9,685	\$0	\$26,241	\$17,400	\$14,539
6	Customer deposits	(\$348,347)	(\$349,026)	(\$370,784)	(\$336,119)	(\$326,425)	(\$346,140)
7	Customer advances for construction	\$0	\$0	\$0	\$0	\$0	\$0
8	Unamortized debt expense	\$37,256	\$36,601	\$35,947	\$35,292	\$34,637	\$35,947
9	Net deferred income tax reserve (3)	(\$17,470,996)	(\$15,551,980)	(\$15,896,244)	(\$15,669,683)	(\$18,351,156)	(\$16,588,012)
10							
11		<u>\$58,127,810</u>	<u>\$63,222,514</u>	<u>\$62,982,738</u>	<u>\$63,997,091</u>	<u>\$61,839,820</u>	<u>\$62,033,996</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	Accumulated deferred income taxes in Ferc 282	(\$19,666,645)	(\$15,514,008)	(\$15,858,272)	(\$16,181,513)	(\$18,724,944)	
18	Less: Fas 109 in Ferc 282	(\$150,795)	\$1,168,033	\$1,168,033	\$1,168,033	\$1,168,033	
19	Add: Deferred tax asset-NOL in FERC 236	\$1,129,761	\$1,129,761	\$1,129,761	\$1,679,563	\$1,541,522	
20	Add: Deferred tax asset-CIAC in Ferc 190	\$914,898	\$300	\$300	\$300	\$300	
21	Add: Deferred tax asset-M&S in Ferc 190	\$195	\$0	\$0	\$0	\$0	
22	Total	(\$17,470,996)	(\$15,551,980)	(\$15,896,244)	(\$15,669,683)	(\$18,351,156)	

Granite State Electric Company (d/b/a National Grid)
Calculation of Interim Accumulated Earnings at December 31, 2010
(\$000)

Line

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			
4	Estimated Earnings Available for Common - CY 2011	n/a			
5	Estimated Earnings Available for Common - CY 2012	n/a			
6					
7	Three Year Average			\$627	
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			
12	Estimated Average Common Equity - 2011	n/a			
13	Estimated Average Common Equity - 2012	n/a			
14					
15	Three Year Average			<u>\$30,865</u>	
16					Customer
17	Average Annual Return			<u>2.03%</u>	<u>Share</u>
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>\$30,865</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