

ORIGINAL	
N.H.P.U.C. Case No.	DE 11-107
Exhibit No.	# 2
Witness	Pangli
DO NOT REMOVE FROM FILE	

EX. 2
DE 11-107

Granite State Electric Company
d/b/a National Grid
Docket No. DE 11-
Schedule DET-1
Page 1 of 3

**Granite State Electric Company
Incremental REP Program
Annual Rate Changes
FY 2011**

	<u>07/01/2007</u>	<u>07/01/2008</u>	<u>07/01/2009</u>	<u>07/01/2010</u>	<u>07/01/2011</u>	<u>07/01/2012</u>
	(a)	(b)	(c)	(d)	(e)	(f)
<u>Annual Incremental Rate Adjustments</u>						
1 REP and VMP O&M Program, including FairPoint Reimbursements	\$0	\$0	\$113,832	\$1,047,770	(\$758,113)	\$0
2						
3 REP Capital Program	\$0	\$165,840	\$75,740	\$163,662	\$102,941	\$106,640
4						
5 Total for Fiscal Year	\$0	\$165,840	\$189,572	\$1,211,432	(\$655,172)	\$106,640
6						
7 Termination of Prior Period O&M Recovery	\$0	\$0	\$0	(\$113,832)	(\$1,047,770)	\$758,113
8						
9 Net Change in Recovery	\$0	\$165,840	\$189,572	\$1,097,600	(\$1,702,942)	\$864,753

Notes:

Line 1 From Page 2 of 3, Line 13.
Line 3 From Page 3 of 3, Line 40.
Line 5 Line 1 + Line 3.
Line 7 Line 1
Line 9 Line 5 + Line 7

**Granite State Electric Company
Incremental VMP and REP O&M Program
Computation of Annual Revenue Requirement
FY 2011**

	<u>FY</u> <u>2008</u> (a)	<u>FY</u> <u>2009</u> (b)	<u>FY</u> <u>2010</u> (c)	<u>FY</u> <u>2011</u> (d)	<u>FY</u> <u>2012</u> (e)
<u>Incremental VMP and REP O&M Spend</u>					
1 Actual VMP and REP Program Spending	\$2,169,258	\$1,477,916	\$2,556,530	\$1,245,985	\$1,360,000
2					
3 Amount Subject to Proposed Recovery	\$1,950,000	\$1,473,832	\$2,556,530	\$1,552,000	\$1,360,000
4					
5 Amount Subject to Recovery	\$1,950,000	\$1,473,832	\$2,556,530	\$1,245,985	\$1,360,000
6					
7 VMP and REP Base Spending Level	\$1,950,000	\$1,360,000	\$1,360,000	\$1,360,000	\$1,360,000
8					
9 Total Revenue Requirement	\$0	\$113,832	\$1,196,530	(\$114,015)	\$0
10					
11 Less Reimbursements from FairPoint Communications	\$0	\$0	(\$148,760)	(\$644,098)	\$0
12					
13 Total Incremental Revenue Requirement	\$0	\$113,832	\$1,047,770	(\$758,113)	\$0
14					
15 Total O&M Recovery	\$1,950,000	\$1,473,832	\$2,407,770	\$601,887	\$1,360,000

Notes:

Line 1 Actual VMP and REP program spending for fiscal years 2008 through 2011, excluding FairPoint reimbursements. Projected spending for FY 2012.
Line 3 Approved FY 2011 program budget pursuant to the Company's February 2010 plan submission. FY 2012 is currently pending before the NHPUC.
Line 5 Lesser of Line 1 and Line 3.
Line 7 VMP and REP base spending level per Merger Settlement Agreement in Docket No. DG 06-107.
Line 9 Line 5 minus Line 7.
Line 11 Reflects reimbursements related to vegetation management expenses from FairPoint Communications.
Line 13 Line 9 plus Line 11.
Line 15 Line 5 plus Line 11.

**Granite State Electric Company
Incremental REP Capital Program
Computation of Revenue Requirement
FY 2011**

		FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
		(a)	(b)	(c)	(d)	(e)	(f)
<u>Deferred Tax Calculation</u>							
1	REP Program Annual Spend /1	\$950,000	\$500,000	\$876,243	\$610,835	\$689,000	
2	Cumulative REP Program Spend	\$950,000	\$1,450,000	\$2,326,243	\$2,937,078	\$3,626,078	
3							
4	Book Depreciation Rate (a)	3.70%	3.72%	3.71%	3.73%	3.73%	
5	20 YR MACRS Tax Depr. Rates	3.75%	7.22%	6.68%	6.18%	5.71%	
6	Vintage Year Tax Depreciation:						
7	Year 1 Spend	\$35,625	\$68,581	\$63,432	\$58,682	\$54,274	
8	Year 2 Spend		\$18,750	\$36,095	\$33,385	\$30,885	
9	Year 3 Spend			\$32,859	\$63,256	\$58,507	
10	Year 4 Spend				\$22,906	\$44,096	
11	Year 5 Spend					\$25,838	
12							
13	Annual Tax Depreciation	\$35,625	\$87,331	\$132,386	\$178,229	\$213,599	
14	Cumulative Tax Depreciation	\$35,625	\$122,956	\$255,341	\$433,570	\$647,169	
15							
16	Book Depreciation	\$35,150	\$53,940	\$86,304	\$109,645	\$135,367	
17	Cumulative Book Depreciation	\$35,150	\$89,090	\$175,394	\$285,039	\$420,406	
18							
19	Book/Tax Timer	\$475	\$33,866	\$79,947	\$148,531	\$226,763	
20	Effective Tax Rate	40.53%	40.53%	40.53%	40.53%	40.53%	
21							
22	Deferred Tax Reserve	\$192	\$13,724	\$32,399	\$60,192	\$91,896	
23							
24	<u>Rate Base Calculation</u>						
25	Plant In Service	\$950,000	\$1,450,000	\$2,326,243	\$2,937,078	\$3,626,078	
26	Accumulated Depreciation	(\$35,150)	(\$89,090)	(\$175,394)	(\$285,039)	(\$420,406)	
27	Deferred Tax Reserve	(\$192)	(\$13,724)	(\$32,399)	(\$60,192)	(\$91,896)	
28	Year End Rate Base	\$914,658	\$1,347,186	\$2,118,451	\$2,591,847	\$3,113,777	
29							
30	<u>Revenue Requirement Calculation</u>						
31	Year End Rate Base	\$914,658	\$1,347,186	\$2,118,451	\$2,591,847	\$3,113,777	
32	Pre-Tax ROR	11.91%	11.91%	11.91%	11.91%	11.91%	
33	Return and Taxes	\$108,916	\$160,421	\$252,262	\$308,634	\$370,785	
34	Book Depreciation	\$35,150	\$53,940	\$86,304	\$109,645	\$135,367	
35	Property Taxes (b)	\$21,773	\$27,218	\$66,676	\$89,904	\$108,672	
36	Annual Revenue Requirement	\$165,840	\$241,579	\$405,242	\$508,183	\$614,824	
37							
38	<u>Annual Rate Adjustment</u>						
39							
40	Incremental Annual Rate Adjustment	\$165,840	\$75,740	\$163,662	\$102,941	\$106,640	
41							
42							
43	<u>Imputed Capital Structure (c)</u>						
44							
45	Long Term Debt	Ratio 50.00%	Rate 7.54%	Weighted Rate 3.77%	Pre Tax 3.77%		
46							
47	Common Equity	Ratio 50.00%	Rate 9.67%	Weighted Rate 4.84%	Pre Tax 8.14%		
48							
49		Ratio 100.00%		Weighted Rate 8.61%	Pre Tax 11.91%		

/1 Actual REP capital spending for FY 2008 through FY 2010 exceeded the REP annual spend targets of \$950,000, \$500,000, and \$620,000, respectively. Actual REP capital spending for FY 2011 was slightly under the REP annual spend target of \$653,000

(a) Actual 2010 Composite Depreciation rate for distribution property.

(b) Actual 2010 ratio of municipal tax expense to net plant in service.

(c) Capital structure per Merger Settlement in Docket DG 06-107, Exhibit 1, Section 3(c).