

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, 2009

Line No.	Description	Allowed per Docket DG 06-107 Merger Settlement Agreement			Ceiling		Weighted Cost
		% of Total	Cost	Weighted Cost	% of Total	Cost	
1	Common stock equity	50.00%	9.67%	4.84%	50.00%	11.00%	5.50%
2	Preferred stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
3	Long-term debt	<u>50.00%</u>	7.54%	<u>3.77%</u>	<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		Earned				
8	Average						
9	Rate Base						
10							
11	\$30,844,143 Common stock equity	50.00%	-1.30%	-0.65%		-0.25% (a)	-0.89%
12	\$0 Preferred stock	0.00%	0.00%	0.00%			0.00%
13	<u>\$30,844,143</u> Long-term debt	<u>50.00%</u>	7.54%	<u>3.77%</u>		<u>0.00%</u>	<u>3.77%</u>
14							
15	<u>\$61,688,286</u>	<u>100.00%</u>		<u>3.12%</u>		<u>-0.25%</u>	<u>2.88%</u>
16							

(a) includes adjustment for Flowthrough items

**Interest Expense and Federal Income Tax
Calculated Using Imputed Capital Structure
Per Docket No. DG 06-107 Merger Settlement Agreement**

24						\$(000)
25	Interest:	\$61,688,286	X	3.77%	=	\$2,326
26						
27	FIT and NH Business Profits Tax:	\$61,688,286	X	-0.36% (b)	=	(223)
28						
29		Plus: (Flowthrough Items)/64.22%-(Flowthrough Item (c)				<u>71</u>
30		Total Federal and State Income Taxes				(\$152)
31						
32		(b) (1.63%/(1-0.35)/(1-0.012)-1.63%)				
33		(c) Flowthrough Items:				
34		ITC Amortization				(\$46)
35		ITC Basis Reduction and AFC Equity Depreciation				298
36		Medicare Act of 2003				<u>(124)</u>
37						<u>\$128</u>

NH Business Profits Tax:

Per Tax Dept. (Pam Bushmich) the statutory state rate is 8.5%, but when filing a unitary return in NH (includes taxable income from every company and an allocation factor) applied rate is actually around 1.2% for 2008.

Granite State Electric Company (d/b/a National Grid)
Docket No. DG 06-107
Annual Earnings Report
For the twelve months ended December 31, 2009

<u>Line No.</u>	<u>Description</u>	<u>Total</u>
1	Operating revenues for 12 months	\$83,885,903
2		
3	Operating expenses for 12 months:	
4	Purchased power expenses	\$48,612,231
5	Production expenses	\$405
6	Distribution expenses	\$5,940,171
7	Transmission expenses	\$12,304,617
8	Customer accounts	\$2,289,622
9	Customer service & information	\$210,416
10	General and administrative	\$5,864,812
11	Less: Merger Costs to Achieve charged in 2009, not yet deferred	(\$19,531) (1)
12	Depreciation	\$4,288,958
13	Amortization of Merger Costs to Achieve	\$262,591
14	Federal and state income taxes	\$0 (2)
15	Property taxes	\$2,263,478
16	Other taxes	\$325,091
17	Amortization ITC	(\$46,228)
18	Interest on customer deposits	\$13,834 (3)
19	Donations	\$10,564 (3)
20		
21	Total operating expenses (Sum of Lines 4 through 19)	\$82,321,031
22		
23	Net Operating Income Before Taxes (Line 1 - Line 21)	\$1,564,872
24	Adjusted for DSM Incentives	(\$226,895)
25	Normalized Uncollectible Write-Off Expense	\$245,231
26	Adjusted Operating Income Before Taxes (Line 23 + Line 24 + Line 25)	\$1,583,208
27		
28	Interest Charges	\$2,325,648 (4)
29	Flowthrough items (see details on Page 1 of 4)	\$127,730
30	Taxable Income (Line 26 - Line 28 + Line 29)	(\$614,710)
31		
32	Income Taxes	(\$215,271) (5)
33		
34	Earnings Available for Common Equity (Line 30 - Line 32)	(\$399,439)
35		
36	Average Common Equity 5 Quarter Average (from Page 1 of 4)	\$30,844,143
37		
38	Rate of Return on Adjusted Average Common Equity (Line 34/Line 36)	-1.30%

(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.
 $\$61,688,286 \times 3.77\% = \$2,325,648$; $(3.77\% = 50\% \times 7.54\%)$

(5) Calculation: Taxable Income x Federal income and State Business Enterprise tax rates of 35% and 0.03%, respectively.

$\langle \$614,710 \rangle \times 35.02\% = \langle \$215,271 \rangle$; $(35.02\% = ((100\% - 0.03\% \times 35\%) + 0.03\%))$

Docket DG 06-107

Rate Base Calculation for Annual Earnings Report
For the twelve months ended December 31, 2009

Line No.	Description	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	5-Quarter Average
1	Utility plant in service	\$117,894,318	\$118,684,250	\$119,597,959	\$120,955,058	\$121,833,503	\$119,793,018
2	Accumulated depreciation	(\$46,817,385)	(\$47,645,677)	(\$48,256,845)	(\$48,963,714)	(\$49,619,914)	(\$48,260,707)
3	Materials and supplies	\$297,876	\$328,888	\$333,455	\$350,313	\$396,248	\$341,356
4	Cash working capital requirement (1)	\$2,925,406	\$2,878,531	\$2,970,957	\$3,198,363	\$3,280,690	\$3,050,789
5	Prepayments (2)	\$15,107	\$7,794	\$0	\$29,053	\$19,369	\$14,265
6	Customer deposits	(\$335,228)	(\$354,031)	(\$339,460)	(\$341,334)	(\$348,347)	(\$343,680)
7	Customer advances for construction	\$0	\$0	\$0	\$0	\$0	\$0
8	Unamortized debt expense	\$39,875	\$39,221	\$38,566	\$37,911	\$37,256	\$38,566
9	Net deferred income tax reserve (3)	(\$11,471,951)	(\$11,559,523)	(\$11,974,521)	(\$12,249,618)	(\$17,470,996)	(\$12,945,322)
10							
11		<u>\$62,548,018</u>	<u>\$62,379,453</u>	<u>\$62,370,111</u>	<u>\$63,016,032</u>	<u>\$58,127,810</u>	<u>\$61,688,285</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	(\$12,732,296)	(\$12,819,868)	(\$13,026,333)	(\$13,315,506)	(\$19,666,645)	
18	Less: Fas 109 in Ferc 282	(\$224,780)	(\$224,780)	(\$150,795)	(\$150,795)	(\$150,795)	
19	Add: Deferred tax asset-NOL in FERC 236		\$0	\$0	\$0	\$1,129,761	
20	Add: Deferred tax asset-CIAC in Ferc 190	\$1,035,370	\$1,035,370	\$900,822	\$914,898	\$914,898	
21	Add: Deferred tax asset-M&S in Ferc 190	\$195	\$195	\$195	\$195	\$195	
22	Total	(\$11,471,951)	(\$11,559,523)	(\$11,974,521)	(\$12,249,618)	(\$17,470,996)	

Granite State Electric Company (d/b/a National Grid)
Calculation of Interim Accumulated Earnings at December 31, 2009
(\$000)

Line

1	Actual Earnings Available for Common - CY 2008	\$1,159 (a)		
2	Estimated Earnings Available for Common - CY 2009	(\$399) (b)		
3	Estimated Earnings Available for Common - CY 2010	n/a		
4	Estimated Earnings Available for Common - CY 2011	n/a		
5	Estimated Earnings Available for Common - CY 2012	n/a		
6				
7	Two Year Average		\$380	
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	n/a		
12	Estimated Average Common Equity - 2011	n/a		
13	Estimated Average Common Equity - 2012	n/a		
14				
15	Two Year Average		<u>\$30,788</u>	
16				
17	Average Annual Return		<u>1.23%</u>	Customer 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>\$30,788</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 4, 2010