nationalgrid

Keri Sweet Zavaglia
Assistant General Counsel and Director

March 2, 2012

VIA ELECTRONIC FILING
Honorable Jaclyn Brilling, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Case 10-E-0050 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a National Grid for Electric Service

Errata Filing – Report on the Continuation of Certain Merger Joint Proposal Provisions

Dear Secretary Brilling:

I am writing in connection with the January 31, 2012 filing of the Report on the Continuation of Certain Merger Joint Proposal Provisions ("Report"). Department of Public Service Staff and the Company have agreed that a certain non-substantive revision to the Report is necessary to clarify the intent of the parties. Specifically, Section 1.2.4 should be revised to read as follows:

> Consistent with the order in Case 10-E-0050, Niagara Mohawk shall record monthly to the Site Investigation and Remediation deferral account a credit of $2.479 million, which is based on the annual SIR allowance of $29.75 million reflected in electric rates. SIR Costs are defined in Attachment 4.

For convenience, attached please find a redlined version of page 4 of the Report reflecting this revision. Also attached is a clean version of the Report, which includes the new version of page 4.

Please contact me with any questions regarding this filing.

Respectfully submitted,

/s/ Keri Sweet Zavaglia

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cc: Active Parties (via electronic filing) portion of incremental costs that represents internal costs and costs paid to unaffiliated third-parties. Affiliated company costs shall be broken down into the same cost components as used for internal Company costs.

1.2.3.3 Niagara Mohawk shall not defer storm-related claims costs; stores handling costs originating from Niagara Mohawk; transportation costs originating from Niagara Mohawk; pension and OPEB costs; equipment rental costs unless the Company demonstrates that such costs are qualifying incremental costs; base labor costs associated with the contractor Pro Unlimited, its successor and or similar agencies with a majority of employees being former Company employees; and costs for cell phone usage.

1.2.3.4 The portion of Niagara Mohawk's costs of contractors that qualify for deferral as incremental costs shall be determined by application of the methodology set forth in Attachment 2.

1.2.3.5 Niagara Mohawk shall defer 30 percent of base labor, associated overheads (other than pension and OPEBs), and transportation costs originating from the ServiceCo as incremental costs associated with Major Storms.

1.2.3.6 For deferral purposes only, a Major Storm shall include the five days following restoration of all customers. Except as provided below, Niagara Mohawk shall not defer costs incurred after this period. The Company, however, shall have the right to petition the Commission for authorization to defer qualifying incremental costs incurred more than five days following restoration of all customers that are associated with extraordinary Major Storms such as the December 2008 Albany or October 2006 Buffalo storms.

1.2.3.7 Niagara Mohawk shall defer qualifying incremental costs associated with 2011 Hurricane Irene including costs incurred up to 15 days following restoration of all customers. Nothing in this provision shall be construed as limiting DPS Staff' s authority to audit costs included in the deferral.

1.2.3.8 The Parties agree that the last sentence of Section 1.2.3, which states that the $2.205 million deductible for each Major Storm resolves any and all issues relating to the incremental costs having the effect of reducing Niagara Mohawk's ongoing operating costs, is not intended to allow the deferral of costs that are not incremental costs within the meaning of that provision.

1.2.4 Site Investigation and Remediation Costs

Consistent with the order in Case 10-E-0050, Niagara Mohawk shall record monthly to the ~~include in the deferral account any~~ Site Investigation and Remediation deferral account a credit of $2.479 million, which is based on the annual SIR allowance of ~~("SIR") Costs allocated to electric operations paid in excess or below~~ $29.75 million~~-~~ reflected in electric rates.~~per year, or $2.479 million per month~~ SIR Costs are defined in Attachment 4.

Collaborative Report
Case 10-E-0050

Niagara Mohawk Power Corporation d/b/a National Grid
Case 10-E-0050

Rate Plan Provisions

Introduction

Niagara Mohawk Power Corporation d/b/a National Grid ("Niagara Mohawk" or the "Company") and the Department of Public Service Staff ("Staff," and collectively with Niagara Mohawk, the "Parties") agree to the following Rate Plan Provisions ("RPP"). Except as otherwise provided, the effective date of these RPP is January 1, 2011 ("Effective Date"). Such provisions will continue in effect unless and until such time as the Commission expressly authorizes such change.

1. RATE PLAN PROVISIONS

1.1 Adjustment in the Event of Poor Service Quality

Under the Service Quality Assurance Program set forth in Attachment 1, Niagara Mohawk is required to report on its performance for the prior year by March 31. Whenever that performance indicates that negative revenue adjustments greater than or equal to $7.5 million have accrued during the prior year, Niagara Mohawk shall reflect the entire amount as a credit to the customer charge of each of its electric and gas customers using the following methodology. The portion of the credit associated with negative revenue adjustments relating to electric reliability will be determined by dividing the amount of electric reliability negative revenue adjustment accrued in the prior year by the number of Niagara Mohawk's total electric bills expected for the following July. The portion of the credit associated with negative revenue adjustments relating to customer service will be determined by dividing the amount of customer service negative revenue adjustment accrued in the prior year by the number of electric and gas bills expected for the following July. The credit shall be implemented in July billings, shall be accompanied by a bill insert explaining the credit, and shall be fully reconciled through the deferral mechanism pursuant to Section 1.2.6.

1.2 Deferral Account Provisions

To the extent a deferral is not addressed by a specific provision of this Section 1.2 or as otherwise ordered by the Commission, in determining whether a change in Niagara Mohawk's costs or revenues that falls within a provision of this Section 1.2. is incremental or decremental, Niagara Mohawk's actual cost or revenue for the year affected by the change shall be compared to the corresponding annual cost or revenue item reflected in the forecast underlying the rates established in Case 10-E-0050. The cost or revenue forecast underlying rates established in Case 10-E-0050 shall be as stated in the Commission's Order dated January 24, 2011 in Case 10-E-0050, or if not explicitly stated in that Order, then as derived from the documents submitted in Case 10-E-0050, increased as appropriate for inflation and reduced to reflect the total net synergy, efficiency, transformation, productivity and austerity savings assumed in rates as established in the Commission's Order.

1.2.1 Tax and Accounting Changes

1.2.1.1 Externally Imposed

Niagara Mohawk shall include in the deferral account all of the effects of any externally imposed accounting change, and all of the effects associated with any change in the federal or state rates, laws, regulations, or precedents governing income, revenue, sales, franchise, or property taxes, if the accounting or tax change evaluated individually increases or decreases Niagara Mohawk's costs or revenues from regulated electric operations at an annual rate of more than $8.8 million per year. This provision shall also cover refunds to or payments (with interest and net of deferred taxes) reasonably made by Niagara Mohawk associated with electric operations as the result of ongoing examinations by federal and state tax authorities of Niagara Mohawk's tax returns filed prior to the Effective Date and thereafter until such time as the Commission expressly authorizes such change. In addition, this provision shall cover any reduction in revenues associated with the Power for Jobs Program from the revenues that are now recovered as a credit against the tax imposed pursuant to §186-2 of the Tax Law, but which may not be recovered from that source in the future either because the tax liability pursuant to that section falls below zero or for any other reason.

1.2.1.2 Internally Adopted

Niagara Mohawk shall notify the DPS Director of the Office of Accounting and Finance of any significant changes to its accounting policies. Approval of the DPS Director of the Office of Accounting and Finance is necessary before Niagara Mohawk records on its books any deferral for the net impact of an internal accounting change pursuant to this Section 1.2.1.2. If such approval is granted, the Company shall be allowed to book the deferral prospectively from the date of approval, regardless of whether the accounting change was previously reflected in an account other than the deferral account. The DPS Director of the Office of Accounting and Finance shall use best efforts to rule on any request for the deferral of the impact of an internal accounting change within 90 days of submission, provided that the Company's initial submission is complete and includes full support for the accounting change and the quantification of the net impact of the accounting change, including any required offsets. Niagara Mohawk shall include in the deferral account the net impact of any accounting change adopted as a matter of internal accounting policy when the accounting change, evaluated individually, increases or decreases Niagara Mohawk's costs or revenues from regulated operations or changes Niagara Mohawk's policy for capitalizing or expensing any item by more than $500,000 per year.

1.2.2 Legislative or Regulatory Changes

Niagara Mohawk shall include in the deferral account all of the effects of any legislative, court, or regulatory change, which imposes new or modifies existing obligations or duties and which, evaluated individually, increases or decreases Niagara Mohawk's revenues or costs from regulated electric operations at an annual rate of more than $8.8 million per year.

1.2.3 Costs Associated with Extraordinary Storms

Applying the methodologies set forth in Attachment 2 and 2A, the Company will debit the first $5,260,279 of qualifying incremental costs associated with Major Storms incurred in a calendar year to the deferral account. Any qualifying incremental costs incurred greater than the $5,260,279 are subject to a $2,205,000 ("Per Storm Deductible") such that only those costs greater than the $2,205,000 in each storm event shall be debited to the deferral account. Furthermore, the Company's base rates include $6,294,000 of historic test year Per Storm Deductible costs. If in any calendar year the Company does not incur at least $6,294,000 of Per Storm Deductible costs, the Company will credit customers with the shortfall.

Also, as of the Effective Date, Niagara Mohawk shall credit the deferral account with a monthly amount of $991,287, which equals 1/12th of the $11,895,449 included in base rates for estimated qualifying incremental costs.

For deferral purposes only, a Major Storm shall be defined in accordance with section 1.2.3.1 below.

Incremental costs shall include overtime and payroll taxes paid to employees to restore service following the Major Storm, rest time wages incurred as the result of a Major Storm as specified in Niagara Mohawk's union contracts, outside vendor costs (including the costs of crews from affiliate companies), lodging and meal charges, and material and supply charges that Niagara Mohawk would not have incurred, except for the Major Storm. Any capitalized costs shall be excluded from incremental costs, and proceeds from insurance shall be deducted from incremental costs. Niagara Mohawk shall open a work order for each Major Storm, and the incremental costs charged as a result of any Major Storm shall be subject to audit by the DPS Staff for reasonableness and appropriateness. The $2.205 million deductible for each Major Storm resolves any and all issues related to the incremental costs having the effect of reducing Niagara Mohawk's ongoing operating costs.

1.2.3.1 Only for purposes of the deferral of costs under Section 1.2.3, a period of adverse weather shall be considered a "Major Storm" if:

(a) service interruptions affect at least 10 percent of the customers in an operating area; and/or

(b) service interruptions result in at least 1 percent of the customers in an operating area being without electric service for durations of at least 24 hours.[1] Niagara Mohawk shall provide data showing that a period of adverse weather qualifies as a Major Storm by affected operating area as part of its backup support for the deferral of incremental costs.

1.2.3.2 In its summary of incremental costs to be deferred with respect to any Major Storm, Niagara Mohawk shall identify the portion of such incremental costs that represents payments to any affiliated company or companies separately from the

[1] For operational purposes, the criteria for determining whether a storm is classified as a Major Storm remains unchanged, as set forth in 16 NYCRR Part 97.

portion of incremental costs that represents internal costs and costs paid to unaffiliated third-parties. Affiliated company costs shall be broken down into the same cost components as used for internal Company costs.

1.2.3.3 Niagara Mohawk shall not defer storm-related claims costs; stores handling costs originating from Niagara Mohawk; transportation costs originating from Niagara Mohawk; pension and OPEB costs; equipment rental costs unless the Company demonstrates that such costs are qualifying incremental costs; base labor costs associated with the contractor Pro Unlimited, its successor and or similar agencies with a majority of employees being former Company employees; and costs for cell phone usage.

1.2.3.4 The portion of Niagara Mohawk's costs of contractors that qualify for deferral as incremental costs shall be determined by application of the methodology set forth in Attachment 2.

1.2.3.5 Niagara Mohawk shall defer 30 percent of base labor, associated overheads (other than pension and OPEBs), and transportation costs originating from the ServiceCo as incremental costs associated with Major Storms.

1.2.3.6 For deferral purposes only, a Major Storm shall include the five days following restoration of all customers. Except as provided below, Niagara Mohawk shall not defer costs incurred after this period. The Company, however, shall have the right to petition the Commission for authorization to defer qualifying incremental costs incurred more than five days following restoration of all customers that are associated with extraordinary Major Storms such as the December 2008 Albany or October 2006 Buffalo storms.

1.2.3.7 Niagara Mohawk shall defer qualifying incremental costs associated with 2011 Hurricane Irene including costs incurred up to 15 days following restoration of all customers. Nothing in this provision shall be construed as limiting DPS Staff' s authority to audit costs included in the deferral.

1.2.3.8 The Parties agree that the last sentence of Section 1.2.3, which states that the $2.205 million deductible for each Major Storm resolves any and all issues relating to the incremental costs having the effect of reducing Niagara Mohawk's ongoing operating costs, is not intended to allow the deferral of costs that are not incremental costs within the meaning of that provision.

1.2.4 **<u>Site Investigation and Remediation Costs</u>**

Consistent with the order in Case 10-E-0050, Niagara Mohawk shall record monthly to the Site Investigation and Remediation deferral account a credit of $2.479 million, which is based on the annual SIR allowance of $29.75 million reflected in electric rates. SIR Costs are defined in Attachment 4.

1.2.5 Economic Development Fund

If new base rates become effective anytime during a calendar year, actual economic development grants program costs will be measured against the pro-rated $9.1M rate allowance established in Case 10-E-0050, with any underspending deferred.

1.2.6 Service Quality Assurance Program

Niagara Mohawk shall include in the deferral account any negative revenue adjustments associated with failure to meet the Service Quality standards set forth in Attachment 1, not otherwise credited to customers under Section 1.1.

1.2.7 Stranded Cost Mitigation and Adjustment

Niagara Mohawk shall include in the deferral account any reductions or additions to stranded costs associated with the implementation of the Niagara Mohawk Joint Proposal for Nine Mile Point (Case 01-E-0011), and the implementation of any of Niagara Mohawk's other agreements for the sale of the fossil and hydro generating assets to the extent allowed by the orders in those cases.[2]

1.2.8 Pension and OPEB Expense

1.2.8.1 Niagara Mohawk shall reconcile its pension expense to $46.954 million and its OPEB expense to $102.801 million, which are net of synergy, efficiency, transformation, productivity and austerity savings. Niagara Mohawk shall include in the deferral account any amounts or credits authorized or required under the procedures set forth in this Section 1.2.8 and Attachment 3A.

1.2.8.2 Niagara Mohawk shall determine the percentage of pension and OPEB costs that will be capitalized, and the corresponding entries into the pension and OPEB deferral accounts, using the methodology set forth in this Section 1.2.8. For both the electric and gas departments, the percentage of pension and OPEB costs to be capitalized shall be determined as follows:

1.2.8.2.1 The Company shall calculate a capitalization rate at the beginning of each fiscal year using the actuarial estimates of pension and OPEB expenses for the year, along with all other fringe benefit costs subject to capitalization, and will adjust this rate for updated actuarial and other estimates provided in September of each year.

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[2] See Case Nos. 94-E-0098 and 94-E-0099 for the order dated June 7, 1999, approving the sale of Huntley and Dunkirk Stations, the order dated May 27, 1999, approving the sale of the hydro stations, and the order dated April 26, 2000, approving the sale of the Albany Station; see those dockets and Case No. 96-E-0898 for the order dated October 21, 1999, approving the sale of the Oswego Station; see those dockets and Case Nos. 96-E-0909 and 96-E-0897 for the order dated December 20, 2000, approving the sale of the Roseton Station; and see Case No. 98-E-1028 for the order dated September 29, 1999, approving the sale of the Glen Park Hydro Station.

The rate may also be adjusted at other times throughout the year if there is a fluctuation in the rate of greater than +/- 20 percent.

1.2.8.2.2 After the close of each fiscal year, the Company shall compare the amount of fringe benefits (including pension and OPEB costs), payroll taxes and workers compensation actually capitalized on the books using actual fiscal year results to the amount capitalized resulting from the methodology established in determining the pension and OPEBs expense in Case No. 10-E-0050. Based on the results of this annual reconciliation, the Company will adjust the amount capitalized associated with fringe benefits (which includes, but is not limited to pension and OPEBs). In addition, the Company will adjust the applicable pension and OPEB deferral accounts to reflect the capitalized pension and OPEB costs determined pursuant to the above methodology.

Journal Entry Details Monthly Deferral

1.2.8.2.3 Pursuant to Attachment 3A, actual pension and OPEB expense comprise the following four elements:

1) Expense booked directly by the Company pursuant to FAS 87 or FAS 106, derived from actuarial reports.

2) Amortization of the regulatory asset "Unrecognized Pension Loss" or "Unrecognized OPEB Loss" created by the fair value adjustment, through December 31, 2011.

3) Pension/OPEB expense allocated from the ServiceCo (as defined in Section 3.1 below). The amount allocated from the ServiceCo is reduced by any SERP-related amounts as directed in Attachment 3A. A reduction to pension/OPEB expense for the amounts capitalized will represent and include credits for the normal capitalization of payroll, intercompany billing revenues, and credits for third party billing revenue. The amount of capitalization of payroll (covering all three of these types of credits) will be determined based upon the process described above.

4) Monthly, the sum of the four elements noted above are compared against a pre-established level of pension/OPEB expense contained as identified in Appendix 3 Schedule 2 of the Commission Order in Case No. 10-E-0050, and as adjusted per Section 1.2.8.1. This pre-established level takes the annual amounts contained in this schedule and divides them by twelve in order to perform a monthly reconciliation. The amount above or below the threshold is the amount deferred monthly. Separate entries are recorded for the pension and OPEB deferrals:

Pension Deferral Account:	FERC 182553, Deferred Pension Costs
OPEB Deferral Account:	FERC 182554, Deferred OPEB Costs

Pension Expense Account:	FERC 926000, Employee Pensions and Benefits, Activity AG1060
OPEB Expense Account:	FERC 926000, Employee Pensions and Benefits, Activity AG1070

Annual Reconciliation Adjustment

1.2.8.2.4 An adjusting entry will be made annually, but no later than May of the subsequent fiscal year, for the reconciliation of fringe benefits capitalized to the amount to be capitalized based on actual fiscal year results pursuant to the methodology established in determining the pension and OPEBs expense in Case No. 10-E-0050 as discussed above.

1.2.8.3 Deferred pension and OPEB costs shall be credited with the costs associated with employees covered by the Niagara Mohawk pension and OPEB plans that are transferred to and from the ServiceCo between valuations for each fiscal year to eliminate double-counting. The method for determining the credit is as follows:

1.2.8.3.1 After the close of each fiscal year, the Company shall: (1) identify all employees who transferred from Niagara Mohawk to the ServiceCo or from the ServiceCo to Niagara Mohawk during the fiscal year; and (2) making the hypothetical assumption that all employee transfers occurred on January 1 of the fiscal year, calculate the difference in pension and OPEB expense allocated between Niagara Mohawk and the ServiceCo for (a) the capitalized portion of pension and OPEB expense; and (b) the Company's share of the monthly ServiceCo allocation. This adjustment for (b), above, shall be subject to Niagara Mohawk's ability to provide support to Staff that the annual pension and OPEB costs for ServiceCo are derived from actuarial estimates of ServiceCo pension and OPEB expenses for the year. The revised valuations as of January 1 will be provided by the Company's actuaries. The credit determination, if any, resulting from this Section 1.2.8.3 shall follow the determination set forth in Section 1.2.8.2. An example calculation of the adjustment described above will be applicable from April 2006 forward and is presented in Table 1 of Attachment 3B.

1.2.8.3.2 The Company further agrees that the amount of pension and OPEB costs allocated to ServiceCo, net of pension and OPEB costs allocated back from ServiceCo and otherwise included in pension and OPEB cost deferrals, shall be funded on an as-incurred basis.

1.2.8.4 The Parties agree the funding for pensions and OPEBs should be done in a tax effective manner. Accordingly, Niagara Mohawk shall have the discretion to allocate the funding requirements contained in the Commission's Statement of Policy on Pensions and Post-Retirement Benefits Other than Pensions ("Statement of Policy") to efficiently use available tax benefits, manage the pension and OPEBs obligations of the Company, and to meet other financial requirements associated with the funding. For purposes of the Statement of Policy, the funding requirements of both OPEB and pensions shall be evaluated on the sum of the OPEB and pension plans, and excess funding for pensions or OPEBs shall be offset against deficiencies, if any, in Niagara Mohawk's other pension or OPEB funding obligations under the Statement of Policy. This will be accomplished by providing a return calculated in the manner set forth in the Statement of Policy on the over funded plan to the extent that such over funding is less than or equal to the under funding in the other plan caused by the limitations on tax benefits or contributions.

2. MERGER APPROVAL, CORPORATE AUTHORIZATIONS AND RETIREE BENEFITS

2.1 Authorizations and Approvals

The Parties agree that the following approvals and requested authorizations should be granted including the following:

(1) Authorization for Niagara Mohawk to delay its filing of its PSC Annual Report to June 1 of each calendar year.[3]

(2) That the limited waiver from the Commission Statement of Policy, and the other provisions set forth in Section 2.2, below should be authorized and approved.

2.2 Commission's Statement of Policy Followed for Ratemaking

In general, Niagara Mohawk will adhere to the Commission's Statement of Policy. Under the Statement of Policy, Niagara Mohawk reconciles its pension and benefit expense with the allowance in its rates and will realize no profit or loss from changes to retiree benefits under its pension and benefit plans. However, Niagara Mohawk and National Grid will be granted waiver from the requirements of the Statement of Policy in the following limited respects:

(a) Although Niagara Mohawk and National Grid will not merge their pension funds without prior approval of the Commission following notice to Staff, they may establish a single master trust, with separate segregated sub-trusts for its New York and New England retirees, as long as a complete separate accounting of the assets, liabilities and annual expense levels can be made for the Niagara Mohawk sub-trust.

(b) ServiceCo, as defined in Section 3.1, will be permitted to manage the pension/OPEB plans subject to Commission staff review as long as a separate, non-affiliated entity is handling the investment decisions pertaining to the plans.

2.3 Operations in New York

Niagara Mohawk will notify the Commission prior to implementing any significant changes to the location(s) and/or means of delivery of services, including emergency response, associated with its customer service functions. Further, Niagara Mohawk's corporate headquarters will be maintained in Syracuse, New York. Niagara Mohawk also agrees that senior management responsible for day-to-day electric and gas operations in New York will maintain offices in New York State. To achieve customer service and reliability objectives, Niagara Mohawk agrees to maintain a level of workforce in New York that, in its view, is sufficient to achieve these objectives and to utilize all other necessary resources, including but not limited to, internal and external human resources, investments in plant and technology.

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[3] To the extent available, the Company agrees to provide DPS Staff unaudited financial information after April 30.

3. CORPORATE STRUCTURE AND AFFILIATE RULES

3.1 Definitions used in this document

UK HoldCo - the top-level holding company in the National Grid group. This is National Grid plc.

US HoldCo - the immediate parent and holding company for National Grid's US Utility operations. This is National Grid USA or its successor.

Where in the document the expression "HoldCo" is used it refers to both UK HoldCo and US HoldCo. Where explicit reference to one of the HoldCos is required, the term "UK HoldCo" or "US HoldCo" will be used in full.

RegCo or Niagara Mohawk – means Niagara Mohawk Power Corporation or its successor. Niagara Mohawk Power Corporation is a wholly owned indirect subsidiary of US HoldCo and carries on regulated transmission and electric and gas distribution services.

ServiceCo - means National Grid USA Service Company, Inc., National Grid Corporate Services LLC, National Grid Engineering & Survey Inc., and/or National Grid Utility Services LLC, or any successor(s) thereto, which provide a variety of traditional corporate and administrative services.

Unregulated Competitive Energy Affiliate(s) - means any of US HoldCo's current or future affiliates engaged in the competitive sale of electric and gas commodity services, which participate in the energy market in New York State.

Unregulated Affiliate(s) – means any of US HoldCo's current or future affiliates engaged in competitive retail services that Niagara Mohawk contracts for or provides.

National Grid Other Affiliates - means affiliates of HoldCo, including affiliates of Niagara Mohawk, but excluding Unregulated Competitive Energy Affiliates and Unregulated Affiliates.

3.2 Rules Governing Affiliate Transactions

3.2.1 Separation and Location

RegCo, HoldCo, Unregulated Competitive Energy Affiliates, and National Grid Other Affiliates will each be operated as separate entities and will maintain separate books and records of account. RegCo, HoldCo and/or ServiceCo may occupy the same building. RegCo may also share premises with National Grid's affiliates engaged in regulated gas and/or electric transmission and/or distribution operations if such sharing provides for efficiencies in occupancy and use of resources. RegCo may not share a building with any other affiliates.

3.2.2 Board of Directors

A majority of the RegCo Board of Directors will be Eligible Directors. An Eligible Director is any individual who is not (i) an officer or director of HoldCo or (ii) an officer or director of any of National Grid's Other Affiliates or (iii) an officer or director of any Competitive Energy Affiliate or Unregulated Affiliate. This section 3.2.2 shall be effective on the date of the Commission's order approving the RPP.

3.2.3 Accounting Issues and Dividend Limitations

3.2.3.1. Dividend Payments

Provided that the Dividend Restrictions set forth in Section 2 of the Financial Protections adopted in the Commission's March 28, 2008 Order in Cases 01-M-0075 and 06-M-0878 do not apply and subject to compliance with Section 3.2.3.2 below, Niagara Mohawk will be permitted to pay dividends in any year up to any amount permitted under applicable law.

3.2.3.2 Debt Limit

For purposes of this Section 3.2.3.2, "Average Total Debt" is defined as an amount equal to (i) long-term debt, plus (ii) notes payable (including current maturities of long-term debt), minus the average daily balance of cash and cash equivalents appearing on Niagara Mohawk's consolidated balance sheet. "Average Total Capital" is defined as the sum of (i) Average Total Debt, (ii) common shareholder equity (excluding goodwill), and (iii) preferred stock. It is expected that, for any six month period ending at the end of a quarter, Niagara Mohawk's Average Total Debt will not exceed 55 percent of its Average Total Capital, excluding goodwill.

If the Company's Average Total Debt does not exceed 55 percent for the most recent six or three month period ending at the end of a quarter, there will be no dividend restrictions. If the Company's Average Total Debt exceeds 55 percent for both the most recent three and six month periods, but does not exceed 57 percent in the most recent three or six month period, then Niagara Mohawk will be permitted to pay dividends up to an amount equal to but no greater than 50 percent of its net income for the previous twelve months ending at the end of a quarter until its Average Total Debt for the most recent six month period ending at the end of a quarter is less than or equal to 55 percent. In addition, absent a Commission order to the contrary, if during both the most recent six and three month period ending at the end of a quarter, Niagara Mohawk's Average Total Debt exceeds 57 percent, then the Company will not pay further dividends until the Average Total Debt is reduced to 55 percent or less over the most recent six months ending at the end of a quarter.

3.2.3.3 Bond Ratings and the Cost of Debt

If the bond rating of Niagara Mohawk falls below BBB- (Standard & Poor's) or Baa3 (Moody's), then the price of any long-term debt issued by Niagara Mohawk during the period of such reduced credit rating will be deemed, for the purpose of establishing revised electric or gas base delivery rates, to be the market price Niagara Mohawk would have incurred for issuance of the debt had the debt been issued by a BBB- (Standard & Poor's) or Baa3 (Moody's) utility at the same issue date, and any resulting difference in interest expense will be disallowed for ratemaking purposes. Niagara Mohawk's earnings sharing reports will reflect the actual debt rates outstanding for Niagara Mohawk. This provision completely supersedes Section 3 of the Financial Protections adopted in the Commission's March 28, 2008 Order in Cases 01-M-0075 and 06-M-0878.

3.2.3.4 Debt and Equity Components Used for Ratemaking Purposes

The debt and equity components used to establish Niagara Mohawk's rates will be established in individual rate proceedings.

3.2.3.5 Additional Financial Protections

Except for those noted as superseded herein, the Commission's final determinations on the terms and conditions of its (i) May 15, 2009 and July 29, 2009 Orders in Case 08-M-1352 and (ii) March 28, 2008 and May 29, 2008 Orders in Cases 01-M-0075 and 06-M-0878 continue in full force and effect.

3.2.4 **Cost Allocation and Audit**

3.2.4.1 Appropriate cost allocation procedures will be followed by HoldCo and its affiliates to assure the proper allocation on a fully distributed basis, to HoldCo, RegCo, or other affiliates of the costs of any HoldCo personnel, property or services used by RegCo or other affiliates of HoldCo.

3.2.4.2 Any future revisions to cost allocation methodologies of ServiceCo will be filed with the Secretary of the Commission.

3.2.4.3 The FERC carries out regular audits of ServiceCo. Such audits include examination of authorized cost allocation calculations and a review of internal audit policies, procedures and reports. The Department of Public Service will be invited to participate in such audits, in order to receive assurance that applicable transactions and/or allocations are being carried out in a compliant fashion. The Department of Public Service will also receive copies of all reports issued to the Company by the SEC or FERC as a result of such audits.

3.2.4.4 The Company will meet annually with DPS Staff to review all aspects of cost allocations and their application.

3.2.4.5 If at any time the Company becomes aware of events likely to cause a reconsideration of or material change to cost allocations, it will advise Staff and arrange a meeting in order to consider those issues at that time.

3.2.4.6 To the extent the investigation into service company costs in Case 10-M-0451 results in cost allocation procedures or policies, these provisions may require modification.

3.2.5 Transfer RegCo Assets

Transfers of assets (or rights to use such assets) from RegCo to Unregulated Competitive Energy Affiliate(s) and Unregulated Affiliate(s) will be priced at the higher of book value or fair market value and will be subject to Commission approval, except as otherwise provided in Mutual Assistance Agreements.

3.2.6 Transfer of Services

The provision of corporate services shall be subject to written contracts that, as applicable, identify the personnel, assets, and services that will be provided. The services will be provided on a fully loaded cost basis. The RegCo, HoldCo, ServiceCo, Unregulated Competitive Energy Affiliates, Unregulated Affiliates and National Grid Other Affiliates may be covered by common property/casualty and other business insurance policies. The costs of such policies shall be allocated among the RegCo, HoldCo, ServiceCo, Unregulated Competitive Affiliates, Unregulated Affiliates and National Grid Other Affiliates in an equitable manner.

3.3 Human Resources

3.3.1 Separation of Employees and Officers

RegCo will have separate operating employees from Unregulated Affiliates and Unregulated Competitive Energy Affiliates. Operating officers (i.e., those officers providing other than corporate services) of RegCo will not be operating officers of any of the Unregulated Affiliates and Unregulated Competitive Energy Affiliates. An officer of HoldCo may not be an officer of both RegCo and an Unregulated Affiliate or Unregulated Competitive Energy Affiliate.

3.3.2 Employee Transfers

3.3.2.1 If a RegCo employee accepts a position with an Unregulated Affiliate or Unregulated Competitive Energy Affiliate, he or she will be required to resign from RegCo unless there is a conflict with the collective bargaining agreement in which case the collective bargaining agreement would control. Any such employee shall be prohibited from copying or taking any non-public customer or competitively sensitive market information from RegCo.

3.3.2.2 Employees may be transferred from RegCo to an Unregulated Affiliate or Unregulated Competitive Energy Affiliate. Transferred employees may not be reemployed by RegCo for a minimum of one year after transfer. Employees returning to RegCo may not be transferred again to an Unregulated Affiliate or Unregulated Competitive Energy Affiliate for a minimum of one year. RegCo will file annual reports to the Commission showing transfers between RegCo and Unregulated Affiliates by employee name, former company, former position, new company, new position, and salary or annualized base compensation. There will not be any temporary employee transfers between RegCo or US HoldCo and any Unregulated Affiliates.

3.3.2.3 Employees also may be transferred from RegCo to a National Grid Other Affiliate and vice-versa.

3.3.3 Employee Loans in an Emergency

The foregoing provisions in no way restrict any affiliate from loaning employees to RegCo to respond to an emergency that threatens the safety or reliability of service to consumers.

3.3.4 Compensation for Transfers to Other than a Transmission or Distribution Company

A one time employee transfer credit equal to 25% of the employee's annual salary will be applied to the deferral account for each transfer from RegCo to any Unregulated Competitive Energy Affiliate.

3.3.5 Employee Compensation and Benefits

The compensation of RegCo employees and officers may not be tied to the financial and/or stock performance of any Unregulated Competitive Energy Affiliate or National Grid Other Affiliate, but may be tied to the financial performance of HoldCo and stock performance of UK HoldCo.

Employees of HoldCo, RegCo, Unregulated Affiliates, Unregulated Competitive Energy Affiliates and National Grid Other Affiliates may participate in common pension and benefit plans.

3.3.6 Legal Representation

RegCo shall have its own senior counsel, who shall not be shared with any Unregulated Affiliate or Unregulated Competitive Energy Affiliate and whose primary responsibility is RegCo. The same law firm may represent RegCo and any affiliate on any matter other than transactions between RegCo and that affiliate. On any matter not involving such an intracorporate transaction in which the interests of RegCo may be adverse to the interests of an affiliate, RegCo will take appropriate steps to ensure that RegCo's interests are vigorously and independently protected (such steps, by way of example and not limitation, could include having separate attorneys if a single law firm is used and creating an ethical wall as an information barrier between such attorneys to avoid any potential conflict of interest). With respect to all matters handled by outside counsel, HoldCo and its affiliates shall instruct outside counsel to take all reasonable steps to ensure that non-public customer and competitively sensitive information in the possession of RegCo is not communicated to an affiliate.

3.4 Access to Books, Records and Reports

Staff will have full access, on reasonable notice, and subject to resolution of confidentiality and privilege (e.g., attorney client, attorney work product, self critical) issues, to: 1) the books and records of UK HoldCo and of the US HoldCo and its majority owned subsidiaries; and 2) the books and records of all other HoldCo subsidiaries or affiliates, in English, to the extent necessary to audit and monitor any transactions which have occurred between the RegCo and such subsidiaries or affiliates. Such access to books and records shall be provided at the Company's Syracuse headquarters, provided however, that if such access is not practicable, access will be provided at whatever reasonable location the Company deems appropriate at the Company's expense.

DPS staff currently receive copies of a number of internal utility documents. It would be the Company's intention in the future to continue to provide information with a similar scope and content to that currently provided. However, the Company may wish to modify the form and/or content of its internal documents as part of the process of integration and development of internal efficiencies. In such cases the Company will discuss and agree with Staff the ongoing information requirements and the most appropriate way for them to be met in future.

3.5 Reporting

Annually, RegCo will file reports on: transfers of assets, cost allocations, employee transfers and employees in common benefit plans. Quarterly, US HoldCo will file a list of all National Grid's SEC filings with the Commission.

3.6 Standards of Competitive Conduct

The following standards of competitive conduct shall govern RegCo's relationship with any Unregulated Competitive Energy Affiliates or National Grid Other Affiliates, in addition to any already covered by the Commission's rules governing Uniform Business Practices.

3.6.1 Use of Corporate Name and Royalties

There are no restrictions on any affiliate using the same name, trade names, trademarks, service names, service marks or a derivative of a name of the HoldCo or RegCo, or in identifying itself as being affiliated with the HoldCo or RegCo. However, no non-National Grid company will be allowed to use the same name, trade names, trademarks, service names, service marks or a derivative of a name of RegCo in any manner. Further, no non-National Grid company will be allowed to use the same name, trade names, trademarks, service names, service marks or a derivative of a name of HoldCo in New York State for a period exceeding 6 months, provided that such use will be limited to the situation where National Grid has sold the relevant business (or the assets of the business) and restricted to (i) use of the National Grid logo during the pendency of the transition to new ownership (e.g., vehicle and facility signage) and (ii) educating customers about the sales transaction and the impacts on customers. During that 6 month period, DPS Staff will be given the opportunity to preview any communication using National Grid's name or logo that is to be sent from a non-National Grid company to National Grid's utility customers in New York. DPS Staff may, in the exercise of reasonable discretion, reject any customer communication it deems not in compliance with this section by providing National Grid with written notice of its specific objections. A communication will be deemed acceptable unless DPS Staff objects in a writing received by the Company within five business days of Staff's receipt of such communication from National Grid. DPS Staff and the Company will work collaboratively to resolve any disagreement as to the content of the communication. This section 3.6.1 shall be effective on the date of the Commission's order approving the RPP.

3.6.2 Sales Leads

RegCo will not provide sales leads involving customers in its service territory to any affiliate or non-affiliated companies without the advanced permission of the Commission.

3.6.3 Customer Inquiries

If a customer requests information about securing any service or product offered by ESCos, the RegCo may provide a list of all known ESCos operating in the area, which may include its Unregulated Competitive Energy Affiliate(s).

3.6.4 No Advantage Gained by Dealing with Affiliate

3.6.4.1 RegCo will refrain from giving any appearance that RegCo speaks on behalf of an affiliate or that an affiliate, other than ServiceCo, speaks on behalf of the RegCo. RegCo will not participate in any joint promotion or marketing with its Unregulated Affiliates.

3.6.4.2 RegCo will not represent to any customer, supplier or third party that an advantage may accrue to such customer, supplier or third party in the use of the RegCos services as a result of that customer, supplier or third party dealing with any affiliate.

3.6.4.3 RegCo's affiliates will not represent to any customer, supplier or third party that an advantage may accrue to such customer, supplier or third party in the use of the RegCo's services as a result of that customer, supplier or third party dealing with that affiliate.

3.6.4.4 These provisions do not restrict the use of the name of HoldCo or RegCo as set forth in Section 3.6.1.

3.6.5 No Rate Discrimination

All similarly situated customers, including ESCos and customers of ESCos, whether affiliated or unaffiliated, will pay the same rates for the RegCo's utility services. If there is discretion in the application of any tariff provision, RegCo must not offer its affiliate more favorable terms and conditions than it has offered to all similarly situated competitors of the affiliate.

3.7 Annual Meeting

Senior management of RegCo and US HoldCo will meet annually with senior Commission Staff to discuss the Company's plans related to capital attraction and financial performance.

3.8 Training and Certification

US HoldCo and RegCo shall conduct training on these principles for officers, directors and senior managers. The officers, directors and senior managers of US HoldCo, RegCo, and Unregulated Competitive Energy Affiliates shall certify familiarity with these principles within 45 days of PSC approval. New officers, directors and senior management should similarly certify familiarity within 45 days after taking their positions.

3.9 Adherence to Standards

On an annual basis, designated officers should provide certification to the PSC of the companies' adherence to these standards.

If the Commission at any time makes a finding that it believes that compliance with these provisions has been lacking the Commission can order RegCo to pay for an independent auditor review of all applicable transactions and/or allocations.

3.10 Commercialization of Products and Technologies Developed as a Result of Research and Development

The Company's affiliates may invest in commercialization of R&D products and technologies developed by RegCo consistent with its affiliate rules. If an affiliate elects to invest, it will fairly compensate RegCo, assume the business risk(s) and will be entitled to the benefits associated with that investment.

4. MISCELLANEOUS PROVISIONS

4.1 Monthly Electric Deferral Submittal

A monthly update of the deferral account balances for Niagara Mohawk' electric deferral accounts shall be provided to on-site Staff in Syracuse, New York as close as possible to the 15th day of the following month, but in any event no later than the 21st day of the month following closing. The monthly updates shall contain page referenced summaries, and shall include adequate and legible backup support; the pages shall be numbered, and the name and telephone number of the Company contact person responsible for each entry should be provided.

4.2 Reports

4.2.1 Niagara Mohawk shall provide designated audit Staff with monthly general ledger reports, monthly financial report(s), and journal entries, as close as possible to the 15th day of the following month, but in any event no later than the 21st day of the month following closing.

4.2.2 Niagara Mohawk will provide designated audit Staff other reports on a timely basis. These reports include: Board of Director minutes, Commodity Adjustment Clause ("CAC") monthly filing, Transmission Revenue Adjustment Clause ("TRAC") monthly filing, PSC filings made by the Company, SEC filings, monthly budget variance reports, and financial performance reports. Supporting documentation for the filed CAC and TRAC amounts shall also be provided. Niagara Mohawk and Staff will meet semi-annually in May and November to review the population of reports being provided and to modify the reports in a manner that may be agreed upon. Niagara Mohawk agrees to provide a weekly IR status log to designated audit Staff.

4.3 Timely Correction of Errors and Adjustments

When the Company finds an error on the Company's books of account regulated by the Commission or agrees to an adjustment proposed by Staff, a journal entry correcting the error or making the adjustment (the "Correction") shall be made. Where practicable, the journal entry shall be made during the month of the determination that the Correction was required. To the extent that a journal entry cannot be made before the close of the month in which the Correction was acknowledged and the Correction affects an entry in an account included in the Company's monthly Attachment 11 submittal, the Company shall note the pending journal entry in that monthly submittal, together with a brief description of the Correction, the date the Company acknowledged the Correction and, if possible, the amount of the Correction. In any event, the Company shall make a journal entry reflecting the Correction within three months.

4.4 Adjustments to Billing Loading Factors

Niagara Mohawk shall adjust third-party job order billings loading factors no more than twice each year (in April and September), provided however, that, in addition, Niagara Mohawk may adjust such loading factors at any other time in the event there is a change in such loading factor (whether positive or negative) of greater than 20 percent. The April adjustment shall also include any adjustment necessary to reconcile the loading factors used during the prior period to actual amounts. Further, the Company shall follow the same method for capitalizing fringe benefits into its construction costs, subject to Section 1.2.8.2.

4.5 Internal Audits of Deferral Accounts

For each fiscal year, Niagara Mohawk shall conduct internal audits on at least two different deferral accounts until otherwise ordered by the Commission. When Niagara Mohawk develops its internal audit plan, it will advise on-site Staff which deferral accounts will be audited in the upcoming fiscal year. If Niagara Mohawk proposes to audit the same deferral account in two consecutive years, Niagara Mohawk will discuss this with Staff and advise Staff of the basis for the consecutive audits. Prior to conducting each internal audit of a deferral account, Niagara Mohawk's internal audit department will interview designated audit Staff to identify potential areas of concern with respect to the eligibility of costs or revenues in that account for deferral.

4.6 Journal Entry Support

Niagara Mohawk shall include with each journal entry provided to designated audit Staff a summary explanation of the purpose of the journal entry and documentation supporting and, if needed, detailing the calculations of the amounts charged to the various accounts shown.

4.7 Goodwill Not Recovered in Jurisdictional Rates

Niagara Mohawk shall not recover any portion of the $1.215 billion in goodwill recorded in connection with the acquisition of Niagara Mohawk by National Grid, as shown in Attachment 8 of the Stipulation of the Parties dated March 27, 2007 in Case 01-M-0075 et al., in any rates regulated by the Commission during or after the period covered by the Merger Joint Proposal. In addition, no portion of such goodwill shall be included in the equity component of Niagara Mohawk's capitalization for purposes of calculating Niagara Mohawk's return, future revenue requirements or any other component of such rates after the period covered by the Merger Joint Proposal.

4.8 Resolution of Nine Mile Sale Compliance (Case No. 01-E-0011)

With the exception of accounting resolved by Sections 7.1 - 7.4 of the Stipulation of the Parties, dated March 27, 2007 in Case 01-M-0075 et al., nuclear-related costs or receipts that were unknown or unknowable at the time of the sale of the nuclear assets (for example, the results of sales tax audits, NEIL refunds, etc.) shall be governed by precedent established in Case No. 01-E-0011 or Case No. 01-M-0075. Any adjustments resulting from any such historic or prospective costs or receipts shall be subject to audit by Staff.

ATTACHMENT 1: SERVICE QUALITY ASSURANCE PROGRAM

There will be a Service Quality Assurance Program for the Rate Plan Period that will involve potential negative revenue adjustments with a total annual pre-tax value of $37.8 million if satisfactory levels of service are not delivered. All of the amounts reflected below are pre-tax dollars.

1.0 PROGRAM OBJECTIVE

The objective of the Service Quality Assurance Program is to encourage Niagara Mohawk to provide high levels of service quality in all areas of performance throughout the Rate Plan Period.

1.1 Electric and Gas Customer Service

The Service Quality standards set forth in Section 3.0, below, are designed to maintain and improve service quality in the following operations of the Company:

1) Call Center Operations
2) Billing and Collections
3) Field Services

1.2 Electric Reliability

The Electric Reliability standards set forth in Section 4.0, below, are designed to maintain reliability by establishing standards for the following:

1) Service Reliability (SAIFI and CAIDI)
2) Estimating
3) Standardized Interconnection Requirements

1.3 Gas Safety

Gas safety issues are addressed in Section 5.2 of the Joint Proposal adopted by the Commission in its *Order Adopting the Terms of a Joint Proposal and Implementing a State Assessment Surcharge* issued May 15, 2009 in Case 08-G-0609 and are not addressed in this Program.

2.0 OVERALL APPROACH

2.1 Allocation of Negative Revenue Adjustments

The Service Quality Assurance Program is designed to encourage quality performance by imposing negative revenue adjustments if performance is below acceptable levels in specific Customer Service and Electric Reliability performance measures. The negative revenue adjustments are divided into the two basic areas of Niagara Mohawk's electricity and gas delivery businesses. The broad allocations of the negative revenue adjustments are set forth below and then allocated among specific service quality measures in Sections 3.0 and 4.0:

1) Total pre-tax potential negative revenue adjustments of $19.8 million can be assessed each year for Electric & Gas Customer Service.

2) Total pre-tax potential negative revenue adjustments of $18.0 million can be assessed each year for Electric Reliability.

2.2 Reporting

1) Niagara Mohawk shall submit annual performance results, together with supporting data and reports, to Staff within three months after the conclusion of each full calendar year in the Rate Plan Period.

2) For Customer Service performance, the Company will also submit quarterly performance reports within thirty days of the conclusion of the first, second, and third quarter of each calendar year. The annual Customer Service performance report will include a description of the service quality measures, the method for calculating performance, the results for the period, supporting calculations of annual results in spreadsheet format, and a narrative overall assessment of customer service performance during that calendar year.

3) For Electric Reliability, the Company will submit quarterly reports thirty days after the conclusion of the first, second, and third quarters of each calendar year. The quarterly reports will include SAIFI, CAIDI, Estimating, and Standardized Interconnection Requirements targets and actual results. The fourth quarter or annual Electric Reliability performance report will include SAIFI, CAIDI, Estimating, and Standardized Interconnection Requirements targets, actual results, potential pretax negative revenue adjustments and pretax negative revenue adjustments incurred.

4) Paragraphs 2 and 3 of this Section 2.2 shall be effective on the date of the Commission's order approving the RPP.

2.3 Exclusions

The target levels established for the Customer Service measures listed in Section 3.0 and the Electric Reliability measures listed in Section 4.0 are based on performance under all operating conditions except:

1) "Major storms" that are defined as a period of adverse weather resulting in a service interruption affecting at least ten percent of the customers in an operating area or causing customers to be without electric service for at least 24 hours as stated in 16 NYCRR Part 97. Major storms do not include outages caused solely due to heat. Niagara Mohawk shall exclude interruption data associated with major storms in a consistent manner with established procedures. The Company shall request any major storm related exceptions or adjustments for the Customer Service measures detailed in Section 3.0 in its annual report to the Commission.

2) Abnormal operating conditions during any period of catastrophe, natural disaster, strike, or other unusual event not in the Company's control affecting more than ten percent of the customers in an operating area. Niagara Mohawk may petition for the exclusion of performance data associated with such an event. The petition should include justification for exclusion as well as a detailed analysis of the Company's performance prior to and subsequent to the event. The Staff shall evaluate Niagara Mohawk's proposal using established standards and policies applicable to those requests.

3) Events that result from orders by the New York State Independent System Operator that are not a result of inappropriate actions by the Company. Niagara Mohawk may petition for the exclusion of performance data associated with such an event. The petition should include justification for exclusion as well as a detailed analysis of the Company's performance prior to and subsequent to the event. The Staff shall evaluate Niagara Mohawk's proposal using established standards and policies applicable to those requests.

3.0 CUSTOMER SERVICE MEASURES

A total pre-tax potential penalty of $19.8 million per year associated with Electric and Gas Customer Service shall be allocated across the following six measures, which are described in detail in the following subsections:

1) Annual PSC Complaint Rate
2) Residential Customer Transactions Satisfaction
3) Small to Medium C&I Customer Transaction Satisfaction
4) Percentage of Meters Read
5) Percentage of Calls Answered in 30 Seconds
6) AffordAbility Program

3.1 PSC Complaint Rate

A PSC Complaint is initiated with a dispute being filed by, or on the behalf of, a consumer with the staff of the DPS Office of Consumer Services.

The issue of concern forming the basis for the complaint must be one within the utility's responsibility and control, including an action, practice, or conduct of the utility or its employees. Matters within the responsibility or control of an alternative service provider(s) shall not be counted as a PSC Complaint against Niagara Mohawk under this measure.

Niagara Mohawk's electric and gas businesses have different performance targets. The performance target for the electric business was modified in Case 10-E-0050. The performance target for the gas business was modified in Case 08-G-0609. Although the performance targets are different, the calculation for complaints per 100,000 customers will be based on the total sum of all charged complaints received regardless of whether an electric or gas complaint.

For the electric business, the measure will be as follows:

Rate Interval (Complaints per 100,000 customers)	Negative Revenue Adjustment Linear Within Ranges
<1.5	$0
=1.5	$880,000
>1.5 – 2.5	$880,000 to $6,080,000
>2.5	$6,080,000

For the gas business, the measure will be as follows:

Rate Interval (Complaints per 100,000 customers)	Negative Revenue Adjustment Linear Within Ranges
<3.0	$0
=3.0	$200,000
>3.0 – 5.0	$200,000 to $1,600,000
>5.0	$1,600,000

3.2 Residential Transaction Satisfaction Index

The Residential Transaction Satisfaction Index is calculated from monthly telephone survey results of a sample of residential customer transactions with the Company occurring in each month of the calendar year. Use of a monthly telephone survey was approved by the Commission in its Order of December 23, 2009 in Case 08-G-0609.

The survey population will include all customers of the Company in that month that had any one of the following transactions with the Company:

1) Connect
2) Disconnect
3) Electric Service Orders/Gas Service Orders
4) Service Orders
5) Budget
6) High Bill
7) Collections
8) Direct Debit

The parameters of the survey include the following criteria: a) only surveys where the respondent answered question No. 28 will be considered complete; and b) approximately 600 surveys must be completed each month.

Question No. 28 on the survey will be used to measure the Company's performance under this measure. The question asks "Overall, on a scale from 1 to 10, where 1 means dissatisfied and 10 means satisfied, how satisfied are you with the service provided by National Grid?" Satisfaction is measured by a score of 8 or higher on the question.

The measure will be as follows:

Residential Transaction Satisfaction Index Interval	Negative Revenue Adjustment Linear Within Ranges
>82.0	$0
=82.0	$540,000
<82.0 – 78.0	$540,000 to $3,840,000
<78.0	$3,840,000

The Company agrees to provide Staff in advance with any proposed changes to the survey instrument (e.g., additional questions/deleted questions/changes in questions) for Staff's review and comment, with a five business day turnaround for a response to the Company with any such comments or issues.

3.3 Small/Medium Commercial & Industrial (C&I) Transaction Satisfaction Index

The Small/Medium C&I Transaction Satisfaction Index is calculated from monthly telephone survey results of a sample of SC2 customer transactions with the Company occurring in each month of the calendar year. Use of a monthly telephone survey was agreed to by Staff in Case 10-E-0050.

The survey population will include all customers of the Company in that month that had any one of the following transactions with the Company:

1) Connect
2) Disconnect
3) Electric Service Orders/Gas Service Orders
4) Service Orders
5) Budget
6) High Bill
7) Collections
8) Direct Debit

The parameters of the survey include the following criteria: a) only surveys where the respondent answered question No. 28 will be considered complete; and b) approximately 120 surveys must be completed each month.

Question No. 28 on the survey will be used to measure the Company's performance under this measure. The question asks "Overall, on a scale from 1 to 10, where 1 means dissatisfied and 10 means satisfied, how satisfied are you with the service provided by National Grid?" Satisfaction is measured by a score of 8 or higher on the question.

The measure will be as follows:

C&I Transaction Satisfaction Index Interval	Negative Revenue Adjustment Linear Within Ranges
>69.5	$0
=69.5	$540,000
<69.5 to 65.5	$540,000 to $3,840,000
<65.5	$3,840,000

The Company agrees to provide Staff in advance with any proposed changes to the survey instrument (e.g., additional questions/deleted questions/changes in questions) for Staff's review and comment, with a five business day turnaround for a response to the Company with any such comments or issues.

Interested parties shall meet in March 2012 to review 24 months of data from the small C&I telephone survey and prepare a report and recommendation to the Secretary on whether the threshold should be modified.

3.4 Percentage of Meters Read

This measure represents the percentage of meters actually read as compared to the meters that Niagara Mohawk had scheduled for reading during the year. The measure includes reads from all sources – AMR reads, meter readers, other Niagara Mohawk field personnel, as well as customers themselves – provided within the four day billing window of Niagara Mohawk's Customer Service System. The percentage of meters read is calculated monthly. Performance under this measure will be based on performance over 12 months. For the year, the measure is the percent meters read of the total meters scheduled to be read during the year. Monthly performance on this measure will also be available in the PSC Service Standards report.

Percent Meters Read	Negative Revenue Adjustment Linear Within Ranges
>96.0	$0
=96.0	$50,000
<96.0 – 95.0	$50,000 to $400,000
<95.0	$400,000

3.5 Percentage of Calls Answered within 30 Seconds

This measure is the percentage of all inbound Customer Service and Collection calls to Niagara Mohawk or its agents, regardless of location, that are answered within 30 seconds. The measure will exclude calls answered by any current or future Integrated Voice Response (IVR) applications, such as Niagara Mohawk's Customer Connection or

OnCall applications. Monthly performance is reported in the quarterly reports submitted to Staff pursuant to Section 2.2.

Annual performance will be based on 12 months' data. For the year, the measure is the number of calls answered within 30 seconds as a percentage of the total calls answered during the year.

% Calls Answered Within 30 Seconds	Negative Revenue Adjustment Linear Within Ranges
>78.0	$0
=78.0	$540,000
<78.0 – 72.0	$540,000 to $3,840,000
<72.0	$3,840,000

3.6 AffordAbility Program

The Commission determined, in a May 30, 2003 Order in Case 94-E-0952 et al., that responsibility for delivery of SBC-funded services to AffordAbility participants would be transferred from Niagara Mohawk to NYSERDA, effective July 1, 2004. Niagara Mohawk retains responsibility for program enrollment and for administering rate-funded payment assistance to program participants. Niagara Mohawk retains SBC AffordAbility funding support and responsibility only for referring AffordAbility participants to NYSERDA for energy use management education and energy efficiency services to be provided by NYSERDA's EmPower NY program. Also effective July 1, 2004, outreach to the county Offices for the Aging for the solicitation of senior consumer referrals are also the responsibility of the new NYSERDA EmPower NY program.

Accordingly, AffordAbility goals and potential negative adjustment amounts are established for Niagara Mohawk.

The measure will be as follows:

Annual Enrollment (No. of Customers)	Negative Revenue Adjustment Linear Within Ranges
>3,591	$0
=3,591	$100,000
<3,591 – 3,402	$100,000 to $200,000
<3,402	$200,000

4.0 ELECTRIC RELIABILITY

The Electric Reliability Penalty will consist of four measures equal to a maximum annual pre-tax negative revenue adjustment of $18 million.

4.1 System Average Interruption Frequency Index (SAIFI)

The SAIFI metric shall be based on the information produced by the Company's Interruption Disturbance System (IDS) excluding major storms and other excludable events set forth under Section 2.3.

If the Company's SAIFI performance for the calendar year exceeds 1.13, the Company shall incur a $3 million negative revenue adjustment. If the Company's SAIFI performance for the calendar year exceeds 1.19, the Company shall incur an additional $3 million negative revenue adjustment (total negative revenue adjustment of $6 million).

4.2 Customer Average Interruption Duration Index (CAIDI)

The CAIDI metric shall be based on the information produced by the Company's Interruption Disturbance System (IDS) excluding major storms and other excludable events set forth under Section 2.3.

If the Company's CAIDI performance for the calendar year exceeds 2.05, the Company shall incur a $3 million negative revenue adjustment. If the Company's CAIDI performance for the calendar year exceeds 2.15, the Company shall incur an additional $3 million negative revenue adjustment (total negative revenue adjustment of $6 million.

4.3 Estimating

The Company shall implement a mechanism to measure its performance on estimating accuracy for distribution and sub-transmission capital projects. For each distribution or sub-transmission project initiated on or after January 1, 2011, with an individual total project cost over $100,000, the Company shall be subject to a $2 million negative revenue adjustment if the actual costs of more than twenty (20) percent of such projects vary from their respective final engineering estimates by more than plus or minus ten (10) percent. The Company has the right to request exceptions for discrete projects where there are scope changes or significant circumstances.

4.4 Standardized Interconnection Requirements (SIR)

The Company shall implement the following two (2) mechanisms to measure its performance with respect to certain aspects of the "New York State Standardized Interconnection Requirements and Application Process for New Distributed Generators 2 MW or Less Connected in Parallel with Utility Distribution Systems," dated July 2010. ("Section" references below are to the July 2010 document).

1) Application processing. The Company shall process completed applications received in accordance with the SIR within the following timeframes: (a) ten (10) business days for systems ≤ 25kW (Section I.B, Step 3); (b) fifteen (15) business days for inverter based systems > 25kW and ≤ 200kW that qualify for the expedited application process (Section I.C, Exception); and (c) fifteen (15) business days for systems ≤ 200kW that do not qualify for the expedited application process (Section I.C, Step 4). Failure to process ≥ ninety (90) percent of the aggregate of completed applications received within the timeframes set

forth above shall subject the Company to a negative revenue adjustment of $2 million.

2) Installation of net meters. For systems that qualify for the expedited application process in Section I.B, the Company shall install net meters within ten (10) business days (as set forth in Step I.B, Step 4). Failure to install ≥ ninety (90) percent of net meters within the ten (10) business day timeframe set forth above shall subject the Company to a negative revenue adjustment of $2 million.

5.0 ACCOUNTING MECHANISM

With the exception of negative revenue adjustments that are passed back to customers under the next paragraph, Niagara Mohawk shall include in the deferral account any negative revenue adjustments associated with failure to meet the Service Quality performance targets set forth above.

Whenever the performance report filed under Section 2.2, above, shows that total negative revenue adjustments of $7.5 million or more have accrued in the prior year, Niagara Mohawk shall credit the customer charge of each of its electric and gas customers using the methodology set forth in Section 1.1 of the RPP.

For deferral or refund purposes, the negative revenue adjustments will be accounted for as follows:

		Electric	Gas
1)	Customer Service Measures*	See Attachment 1, Table 1	
2)	Electric Reliability Measures	100%	-0-

* Based on electric and gas negative revenue adjustments established in Cases 08-G-0609 and 10-E-0050.

6.0 COMMISSION AUTHORITY

The parties explicitly recognize that the Commission has the authority to modify the Service Quality Assurance Program for prospective application at any time, if, in its opinion, acceptable Service Quality is not maintained.

Attachment 1
Table 1
Service Quality Negative Revenue Adjustment Calculations
PSC Complaint Rate

Index	Electric	Gas	Total
5.0	6,080,000	1,600,000	7,680,000
4.9	6,080,000	1,530,000	7,610,000
4.8	6,080,000	1,460,000	7,540,000
4.7	6,080,000	1,390,000	7,470,000
4.6	6,080,000	1,320,000	7,400,000
4.5	6,080,000	1,250,000	7,330,000
4.4	6,080,000	1,180,000	7,260,000
4.3	6,080,000	1,110,000	7,190,000
4.2	6,080,000	1,040,000	7,120,000
4.1	6,080,000	970,000	7,050,000
4.0	6,080,000	900,000	6,980,000
3.9	6,080,000	830,000	6,910,000
3.8	6,080,000	760,000	6,840,000
3.7	6,080,000	690,000	6,770,000
3.6	6,080,000	620,000	6,700,000
3.5	6,080,000	550,000	6,630,000
3.4	6,080,000	480,000	6,560,000
3.3	6,080,000	410,000	6,490,000
3.2	6,080,000	340,000	6,420,000
3.1	6,080,000	270,000	6,350,000
3.0	6,080,000	200,000	6,280,000
2.9	6,080,000	-	6,080,000
2.8	6,080,000	-	6,080,000
2.7	6,080,000	-	6,080,000
2.6	6,080,000	-	6,080,000
2.5	6,080,000	-	6,080,000
2.4	5,560,000	-	5,560,000
2.3	5,040,000	-	5,040,000
2.2	4,520,000	-	4,520,000
2.1	4,000,000	-	4,000,000
2.0	3,480,000	-	3,480,000
1.9	2,960,000	-	2,960,000
1.8	2,440,000	-	2,440,000
1.7	1,920,000	-	1,920,000
1.6	1,400,000	-	1,400,000
1.5	880,000	-	880,000

Attachment 1
Table 1
Service Quality Negative Revenue Adjustment Calculations
Residential Transaction Satisfaction Index

Index	Electric	Gas	Total
78.0	3,040,000	800,000	3,840,000
78.1	2,975,000	782,500	3,757,500
78.2	2,910,000	765,000	3,675,000
78.3	2,845,000	747,500	3,592,500
78.4	2,780,000	730,000	3,510,000
78.5	2,715,000	712,500	3,427,500
78.6	2,650,000	695,000	3,345,000
78.7	2,585,000	677,500	3,262,500
78.8	2,520,000	660,000	3,180,000
78.9	2,455,000	642,500	3,097,500
79.0	2,390,000	625,000	3,015,000
79.1	2,325,000	607,500	2,932,500
79.2	2,260,000	590,000	2,850,000
79.3	2,195,000	572,500	2,767,500
79.4	2,130,000	555,000	2,685,000
79.5	2,065,000	537,500	2,602,500
79.6	2,000,000	520,000	2,520,000
79.7	1,935,000	502,500	2,437,500
79.8	1,870,000	485,000	2,355,000
79.9	1,805,000	467,500	2,272,500
80.0	1,740,000	450,000	2,190,000
80.1	1,675,000	432,500	2,107,500
80.2	1,610,000	415,000	2,025,000
80.3	1,545,000	397,500	1,942,500
80.4	1,480,000	380,000	1,860,000
80.5	1,415,000	362,500	1,777,500
80.6	1,350,000	345,000	1,695,000
80.7	1,285,000	327,500	1,612,500
80.8	1,220,000	310,000	1,530,000
80.9	1,155,000	292,500	1,447,500
81.0	1,090,000	275,000	1,365,000
81.1	1,025,000	257,500	1,282,500
81.2	960,000	240,000	1,200,000
81.3	895,000	222,500	1,117,500
81.4	830,000	205,000	1,035,000
81.5	765,000	187,500	952,500
81.6	700,000	170,000	870,000
81.7	635,000	152,500	787,500
81.8	570,000	135,000	705,000
81.9	505,000	117,500	622,500
82.0	440,000	100,000	540,000

Attachment 1
Table 1
Service Quality Negative Revenue Adjustment Calculations
C&I Transaction Satisfaction Index

Index	Electric	Gas	Total
65.5	3,040,000	800,000	3,840,000
65.6	2,975,000	782,500	3,757,500
65.7	2,910,000	765,000	3,675,000
65.8	2,845,000	747,500	3,592,500
65.9	2,780,000	730,000	3,510,000
66.0	2,715,000	712,500	3,427,500
66.1	2,650,000	695,000	3,345,000
66.2	2,585,000	677,500	3,262,500
66.3	2,520,000	660,000	3,180,000
66.4	2,455,000	642,500	3,097,500
66.5	2,390,000	625,000	3,015,000
66.6	2,325,000	607,500	2,932,500
66.7	2,260,000	590,000	2,850,000
66.8	2,195,000	572,500	2,767,500
66.9	2,130,000	555,000	2,685,000
67.0	2,065,000	537,500	2,602,500
67.1	2,000,000	520,000	2,520,000
67.2	1,935,000	502,500	2,437,500
67.3	1,870,000	485,000	2,355,000
67.4	1,805,000	467,500	2,272,500
67.5	1,740,000	450,000	2,190,000
67.6	1,675,000	432,500	2,107,500
67.7	1,610,000	415,000	2,025,000
67.8	1,545,000	397,500	1,942,500
67.9	1,480,000	380,000	1,860,000
68.0	1,415,000	362,500	1,777,500
68.1	1,350,000	345,000	1,695,000
68.2	1,285,000	327,500	1,612,500
68.3	1,220,000	310,000	1,530,000
68.4	1,155,000	292,500	1,447,500
68.5	1,090,000	275,000	1,365,000
68.6	1,025,000	257,500	1,282,500
68.7	960,000	240,000	1,200,000
68.8	895,000	222,500	1,117,500
68.9	830,000	205,000	1,035,000
69.0	765,000	187,500	952,500
69.1	700,000	170,000	870,000
69.2	635,000	152,500	787,500
69.3	570,000	135,000	705,000
69.4	505,000	117,500	622,500
69.5	440,000	100,000	540,000

Attachment 1
Table 1
Service Quality Negative Revenue Adjustment Calculations
Percentage of Calls Answered

Index	Electric	Gas	Total
72.0	3,040,000	800,000	3,840,000
72.1	2,996,667	788,333	3,785,000
72.2	2,953,333	776,667	3,730,000
72.3	2,910,000	765,000	3,675,000
72.4	2,866,667	753,333	3,620,000
72.5	2,823,333	741,667	3,565,000
72.6	2,780,000	730,000	3,510,000
72.7	2,736,667	718,333	3,455,000
72.8	2,693,333	706,667	3,400,000
72.9	2,650,000	695,000	3,345,000
73.0	2,606,667	683,333	3,290,000
73.1	2,563,333	671,667	3,235,000
73.2	2,520,000	660,000	3,180,000
73.3	2,476,667	648,333	3,125,000
73.4	2,433,333	636,667	3,070,000
73.5	2,390,000	625,000	3,015,000
73.6	2,346,667	613,333	2,960,000
73.7	2,303,333	601,667	2,905,000
73.8	2,260,000	590,000	2,850,000
73.9	2,216,667	578,333	2,795,000
74.0	2,173,333	566,667	2,740,000
74.1	2,130,000	555,000	2,685,000
74.2	2,086,667	543,333	2,630,000
74.3	2,043,333	531,667	2,575,000
74.4	2,000,000	520,000	2,520,000
74.5	1,956,667	508,333	2,465,000
74.6	1,913,333	496,667	2,410,000
74.7	1,870,000	485,000	2,355,000
74.8	1,826,667	473,333	2,300,000
74.9	1,783,333	461,667	2,245,000
75.0	1,740,000	450,000	2,190,000
75.1	1,696,667	438,333	2,135,000
75.2	1,653,333	426,667	2,080,000
75.3	1,610,000	415,000	2,025,000
75.4	1,566,667	403,333	1,970,000
75.5	1,523,333	391,667	1,915,000
75.6	1,480,000	380,000	1,860,000
75.7	1,436,667	368,333	1,805,000
75.8	1,393,333	356,667	1,750,000
75.9	1,350,000	345,000	1,695,000
76.0	1,306,667	333,333	1,640,000
76.1	1,263,333	321,667	1,585,000
76.2	1,220,000	310,000	1,530,000
76.3	1,176,667	298,333	1,475,000
76.4	1,133,333	286,667	1,420,000
76.5	1,090,000	275,000	1,365,000
76.6	1,046,667	263,333	1,310,000
76.7	1,003,333	251,667	1,255,000
76.8	960,000	240,000	1,200,000
76.9	916,667	228,333	1,145,000
77.0	873,333	216,667	1,090,000
77.1	830,000	205,000	1,035,000
77.2	786,667	193,333	980,000
77.3	743,333	181,667	925,000
77.4	700,000	170,000	870,000
77.5	656,667	158,333	815,000
77.6	613,333	146,667	760,000
77.7	570,000	135,000	705,000
77.8	526,667	123,333	650,000
77.9	483,333	111,667	595,000
78.0	440,000	100,000	540,000

Attachment 1
Table 1
Service Quality Negative Revenue Adjustment Calculations
Percentage of Meters Read

Index	Electric	Gas	Total
95.0	n/a	400,000	400,000
95.1	n/a	365,000	365,000
95.2	n/a	330,000	330,000
95.3	n/a	295,000	295,000
95.4	n/a	260,000	260,000
95.5	n/a	225,000	225,000
95.6	n/a	190,000	190,000
95.7	n/a	155,000	155,000
95.8	n/a	120,000	120,000
95.9	n/a	85,000	85,000
96.0	n/a	50,000	50,000

Attachment 1
Table 1
Service Quality Negative Revenue Adjustment Calculations
AffordAbility

Index	Electric	Gas	Total
3402	n/a	200,000	200,000
3403	n/a	199,471	199,471
3404	n/a	198,942	198,942
3405	n/a	198,413	198,413
3406	n/a	197,884	197,884
3407	n/a	197,354	197,354
3408	n/a	196,825	196,825
3409	n/a	196,296	196,296
3410	n/a	195,767	195,767
3411	n/a	195,238	195,238
3412	n/a	194,709	194,709
3413	n/a	194,180	194,180
3414	n/a	193,651	193,651
3415	n/a	193,122	193,122
3416	n/a	192,593	192,593
3417	n/a	192,063	192,063
3418	n/a	191,534	191,534
3419	n/a	191,005	191,005
3420	n/a	190,476	190,476
3421	n/a	189,947	189,947
3422	n/a	189,418	189,418
3423	n/a	188,889	188,889
3424	n/a	188,360	188,360
3425	n/a	187,831	187,831
3426	n/a	187,302	187,302
3427	n/a	186,772	186,772
3428	n/a	186,243	186,243
3429	n/a	185,714	185,714
3430	n/a	185,185	185,185
3431	n/a	184,656	184,656
3432	n/a	184,127	184,127
3433	n/a	183,598	183,598
3434	n/a	183,069	183,069
3435	n/a	182,540	182,540
3436	n/a	182,011	182,011
3437	n/a	181,481	181,481
3438	n/a	180,952	180,952
3439	n/a	180,423	180,423
3440	n/a	179,894	179,894
3441	n/a	179,365	179,365
3442	n/a	178,836	178,836
3443	n/a	178,307	178,307
3444	n/a	177,778	177,778
3445	n/a	177,249	177,249
3446	n/a	176,720	176,720
3447	n/a	176,190	176,190
3448	n/a	175,661	175,661
3449	n/a	175,132	175,132
3450	n/a	174,603	174,603

Attachment 1
Table 1
Service Quality Negative Revenue Adjustment Calculations
AffordAbility

Index	Electric	Gas	Total
3451	n/a	174,074	174,074
3452	n/a	173,545	173,545
3453	n/a	173,016	173,016
3454	n/a	172,487	172,487
3455	n/a	171,958	171,958
3456	n/a	171,429	171,429
3457	n/a	170,899	170,899
3458	n/a	170,370	170,370
3459	n/a	169,841	169,841
3460	n/a	169,312	169,312
3461	n/a	168,783	168,783
3462	n/a	168,254	168,254
3463	n/a	167,725	167,725
3464	n/a	167,196	167,196
3465	n/a	166,667	166,667
3466	n/a	166,138	166,138
3467	n/a	165,608	165,608
3468	n/a	165,079	165,079
3469	n/a	164,550	164,550
3470	n/a	164,021	164,021
3471	n/a	163,492	163,492
3472	n/a	162,963	162,963
3473	n/a	162,434	162,434
3474	n/a	161,905	161,905
3475	n/a	161,376	161,376
3476	n/a	160,847	160,847
3477	n/a	160,317	160,317
3478	n/a	159,788	159,788
3479	n/a	159,259	159,259
3480	n/a	158,730	158,730
3481	n/a	158,201	158,201
3482	n/a	157,672	157,672
3483	n/a	157,143	157,143
3484	n/a	156,614	156,614
3485	n/a	156,085	156,085
3486	n/a	155,556	155,556
3487	n/a	155,026	155,026
3488	n/a	154,497	154,497
3489	n/a	153,968	153,968
3490	n/a	153,439	153,439
3491	n/a	152,910	152,910
3492	n/a	152,381	152,381
3493	n/a	151,852	151,852
3494	n/a	151,323	151,323
3495	n/a	150,794	150,794
3496	n/a	150,265	150,265
3497	n/a	149,735	149,735
3498	n/a	149,206	149,206

Attachment 1
Table 1
Service Quality Negative Revenue Adjustment Calculations
AffordAbility

Index	Electric	Gas	Total
3499	n/a	148,677	148,677
3500	n/a	148,148	148,148
3501	n/a	147,619	147,619
3502	n/a	147,090	147,090
3503	n/a	146,561	146,561
3504	n/a	146,032	146,032
3505	n/a	145,503	145,503
3506	n/a	144,974	144,974
3507	n/a	144,444	144,444
3508	n/a	143,915	143,915
3509	n/a	143,386	143,386
3510	n/a	142,857	142,857
3511	n/a	142,328	142,328
3512	n/a	141,799	141,799
3513	n/a	141,270	141,270
3514	n/a	140,741	140,741
3515	n/a	140,212	140,212
3516	n/a	139,683	139,683
3517	n/a	139,153	139,153
3518	n/a	138,624	138,624
3519	n/a	138,095	138,095
3520	n/a	137,566	137,566
3521	n/a	137,037	137,037
3522	n/a	136,508	136,508
3523	n/a	135,979	135,979
3524	n/a	135,450	135,450
3525	n/a	134,921	134,921
3526	n/a	134,392	134,392
3527	n/a	133,862	133,862
3528	n/a	133,333	133,333
3529	n/a	132,804	132,804
3530	n/a	132,275	132,275
3531	n/a	131,746	131,746
3532	n/a	131,217	131,217
3533	n/a	130,688	130,688
3534	n/a	130,159	130,159
3535	n/a	129,630	129,630
3536	n/a	129,101	129,101
3537	n/a	128,571	128,571
3538	n/a	128,042	128,042
3539	n/a	127,513	127,513
3540	n/a	126,984	126,984
3541	n/a	126,455	126,455
3542	n/a	125,926	125,926
3543	n/a	125,397	125,397
3544	n/a	124,868	124,868
3545	n/a	124,339	124,339
3546	n/a	123,810	123,810
3547	n/a	123,280	123,280

Attachment 1
Table 1
Service Quality Negative Revenue Adjustment Calculations
AffordAbility

Index	Electric	Gas	Total
3548	n/a	122,751	122,751
3549	n/a	122,222	122,222
3550	n/a	121,693	121,693
3551	n/a	121,164	121,164
3552	n/a	120,635	120,635
3553	n/a	120,106	120,106
3554	n/a	119,577	119,577
3555	n/a	119,048	119,048
3556	n/a	118,519	118,519
3557	n/a	117,989	117,989
3558	n/a	117,460	117,460
3559	n/a	116,931	116,931
3560	n/a	116,402	116,402
3561	n/a	115,873	115,873
3562	n/a	115,344	115,344
3563	n/a	114,815	114,815
3564	n/a	114,286	114,286
3565	n/a	113,757	113,757
3566	n/a	113,228	113,228
3567	n/a	112,698	112,698
3568	n/a	112,169	112,169
3569	n/a	111,640	111,640
3570	n/a	111,111	111,111
3571	n/a	110,582	110,582
3572	n/a	110,053	110,053
3573	n/a	109,524	109,524
3574	n/a	108,995	108,995
3575	n/a	108,466	108,466
3576	n/a	107,937	107,937
3577	n/a	107,407	107,407
3578	n/a	106,878	106,878
3579	n/a	106,349	106,349
3580	n/a	105,820	105,820
3581	n/a	105,291	105,291
3582	n/a	104,762	104,762
3583	n/a	104,233	104,233
3584	n/a	103,704	103,704
3585	n/a	103,175	103,175
3586	n/a	102,646	102,646
3587	n/a	102,116	102,116
3588	n/a	101,587	101,587
3589	n/a	101,058	101,058
3590	n/a	100,529	100,529
3591	n/a	100,000	100,000

Major Storm Deferral
Examples of Determining Amounts to be Deferred
Attachment 2

Scenario #1

Event	Qualifying Incremental Costs	Cumulative Annual Threshold	Cumulative Qualifying Costs	Per Storm Deductible		Debits To Deferral Account	Credits To Deferral Account		Net Deferral Balance
01/31/2011							991,287		(991,287)
02/18/2011	100,000	100,000	100,000	0	*	100,000			
02/28/2011							991,287		(1,882,575)
03/05/2011	3,800,000	3,900,000	3,900,000	0	*	3,800,000			
03/31/2011							991,287		926,138
04/28/2011	4,100,000	5,260,279	8,000,000	**2,205,000**	**	1,895,000			
04/30/2011							991,287		1,829,850
05/26/2011	900,000			**900,000**	**	0			
05/31/2011							991,287		838,563
06/08/2011	900,000			**900,000**	**	0			
06/30/2011							991,287		(152,725)
07/31/2011							991,287		(1,144,012)
08/31/2011							991,287		(2,135,299)
09/30/2011							991,287		(3,126,587)
10/05/2011	2,500,000			**2,205,000**	**	295,000			
10/31/2011							991,287		(3,822,874)
11/30/2011							991,287		(4,814,162)
12/05/2011	1,000,000			**1,000,000**	**	0			
12/20/2011	12,205,000			**2,205,000**	**	10,000,000			
12/31/2011							**991,287**	***	4,194,551
Total				9,415,000		16,090,000	11,895,449		4,194,551

***** No $2,205,000 per storm deductible because annual threshold not yet met
****** $2,205,000 per storm deductible kicks in because annual threshold met; all storms after this point have $2,205,000 per storm deductible
******* Calendar Yr per storm deductibles = $9,415,000 ; no additional credit due deferral account as $6,294,000 base rate allowance for storm deductibles was exceeded.

Scenario #2

Event	Qualifying Incremental Costs	Cumulative Annual Threshold	Cumulative Qualifying Costs	Per Storm Deductible		Debits To Deferral Account	Credits To Deferral Account		Net Deferral Balance
01/31/2012							991,287		(991,287)
02/18/2012	100,000	100,000	100,000	0	*	100,000			
02/28/2012							991,287		(1,882,575)
03/05/2012	3,800,000	3,900,000	3,900,000	0	*	3,800,000			
03/31/2012							991,287		926,138
04/28/2012	4,100,000	5,260,279	8,000,000	**2,205,000**	**	1,895,000			
04/30/2012							991,287		1,829,850
05/26/2012	900,000		8,900,000	**900,000**	**	0			
05/31/2012							991,287		838,563
06/30/2012							991,287		(152,725)
07/31/2012							991,287		(1,144,012)
08/31/2012							991,287		(2,135,299)
09/30/2012							991,287		(3,126,587)
10/31/2012							991,287		(4,117,874)
11/30/2012							991,287		(5,109,162)
12/31/2012							**4,180,287**	***	(9,289,449)
Total				3,105,000		5,795,000	15,084,449		(9,289,449)

***** No $2,205,000 per storm deductible because annual threshold not yet met
****** $2,205,000 per storm deductible kicks in because annual threshold met; all storms after this point have $2,205,000 per storm deductible
******* Calendar Yr per storm deductibles = $3,105,000 ; additional credit of $3,189,000 due deferral account to reach $6,294,000 base rate allowance for storm deductibles.

Major Storm Deferral
Examples of Determining Amounts to be Deferred
Attachment 2

Scenario #3

Event	Qualifying Incremental Costs	Cumulative Annual Threshold	Cumulative Qualifying Costs	Per Storm Deductible		Debits To Deferral Account	Credits To Deferral Account		Net Deferral Balance
01/31/2012							991,287		(991,287)
02/18/2012	100,000	100,000	100,000	0	*	100,000			
02/28/2012							991,287		(1,882,575)
03/05/2012	3,800,000	3,900,000	3,900,000	0	*	3,800,000			
03/31/2012							991,287		926,138
04/28/2012	1,400,000	5,260,279	5,300,000	**39,721**	**	1,360,279			
04/30/2012							991,287		1,295,129
05/26/2012	2,700,000		8,000,000	**2,205,000**	**	495,000			
05/31/2012							991,287		798,842
06/30/2012							991,287		(192,446)
07/31/2012	900,000		8,900,000	**900,000**	**	0	991,287		(1,183,733)
08/31/2012							991,287		(2,175,021)
09/30/2012							991,287		(3,166,308)
10/31/2012							991,287		(4,157,595)
11/30/2012							991,287		(5,148,883)
12/31/2012							**4,140,566**	***	(9,289,449)
Total				3,144,721		5,755,279	15,044,728		(9,289,449)

***** No $2,205,000 per storm deductible because annual threshold not yet met
****** $2,205,000 per storm deductible kicks in because annual threshold met; all storms after this point have $2,205,000 per storm deductible
******* Calendar Yr per storm deductibles = $3,144,721 ; additional credit of $3,149,279 due deferral account to reach $6,294,000 base rate allowance for storm deductibles.

Scenario #4

Event	Qualifying Incremental Costs	Cumulative Annual Threshold	Cumulative Qualifying Costs	Per Storm Deductible		Debits To Deferral Account	Credits To Deferral Account		Net Deferral Balance
01/31/2012							991,287		(991,287)
02/18/2012	5,400,000	5,260,279	5,400,000	**139,721**	**	5,260,279			
02/28/2012							991,287		3,277,704
03/05/2012	3,800,000		9,200,000	**2,205,000**	**	1,595,000			
03/31/2012							991,287		3,881,416
04/28/2012	4,100,000		13,300,000	**2,205,000**	**	1,895,000			
04/30/2012							991,287		4,785,129
05/26/2012	900,000		14,200,000	**900,000**	**	0			
05/31/2012							991,287		3,793,842
06/30/2012							991,287		2,802,554
07/31/2012							991,287		1,811,267
08/31/2012							991,287		819,979
09/30/2012							991,287		(171,308)
10/31/2012							991,287		(1,162,595)
11/30/2012							991,287		(2,153,883)
12/31/2012							**1,835,566**	***	(3,989,449)
Total				5,449,721		8,750,279	12,739,728		(3,989,449)

****** $2,205,000 per storm deductible kicks in because annual threshold met; all storms after this point have $2,205,000 per storm deductible
******* Calendar Yr per storm deductibles = $5,449,721 ; additional credit of $844,279 due deferral account to reach $6,294,000 base rate allowance for storm deductibles.

Major Storm Deferral
Examples of Determining Amounts to be Deferred
Attachment 2

Scenario #5

Event	Qualifying Incremental Costs	Cumulative Annual Threshold	Cumulative Qualifying Costs	Per Storm Deductible		Debits To Deferral Account	Credits To Deferral Account		Net Deferral Balance
01/31/2012							991,287		(991,287)
02/18/2012	10,000,000	5,260,279	10,000,000	**2,205,000**	*	7,795,000			
02/28/2012							991,287		5,812,425
03/05/2012	3,800,000		13,800,000	**2,205,000**	*	1,595,000			
03/31/2012							991,287		6,416,138
04/28/2012	4,100,000		17,900,000	**2,205,000**	**	1,895,000			
04/30/2012							991,287		7,319,850
05/26/2012	900,000		18,800,000	**900,000**	**	0			
05/31/2012							991,287		6,328,563
06/30/2012							991,287		5,337,276
07/31/2012							991,287		4,345,988
08/31/2012							991,287		3,354,701
09/30/2012							991,287		2,363,413
10/31/2012							991,287		1,372,126
11/30/2012							991,287		380,838
12/31/2012							**991,287**	***	(610,449)
Total				7,515,000		11,285,000	11,895,449		(610,449)

** $2,205,000 per storm deductible kicks in because annual threshold met; all storms after this point have $2,205,000 per storm deductible
*** Calendar Yr per storm deductibles = $7,515,000 ; no additional credit due deferral account as $6,294,000 base rate allowance
rate allowance for storm deductibles.

ATTACHMENT 2A: CALCULATION OF DEFERRABLE MAJOR STORM RESPONSE AND RESTORATION CONTRACTOR COSTS

Purpose of the Adjustment

Section 1.2.3 allows for the deferral of incremental costs of Major Storms in excess of specified deductibles. Straight time pay for internal employees responding to the Major Storm is not included as an incremental cost, as such costs are considered recovered in base rates. As the Company has reduced internal staffing in represented job classifications that respond to storm restoration, and used contractors to supplement these represented job classifications, an adjustment is appropriate to contractor storm restoration costs otherwise deferrable, for an equivalent straight time exclusion from the storm deferral. The method described below will be applied to the costs of each Major Storm until such time as the Commission expressly authorizes such change.

Principles

1. The adjustment for contractor straight time is to be applied separately to two activities: (1) line restoration and (2) line clearance (e.g. clearing vegetation from lines).
2. The baseline and the month prior to the storm internal employee counts are defined using job titles, which are set forth in Table 2. The parties agree that these job titles represent union employees with primary responsibility for line restoration and line clearance activities and are the functions most likely to be supplemented with contractors during a storm response. If job titles are changed, the Company will provide a reconciliation of prior job titles to new job titles for purposes of applying the adjustment. The employee count shall pertain only to Niagara Mohawk.
3. In addition to providing the reports for the Major Storms incurred as of the date of the RPP Stipulation, commencing in the month following approval of the RPP, the Company will provide a monthly report by the three divisions of internal staffing levels for the job titles defined in Table 2.
4. The Parties agree the baseline employee counts for Line Restoration and Line Clearance are 1,097 and 41, respectively.
5. The hourly billing rate applied to the contractor hours to determine the straight time is described in Line D below.
6. An example of how the calculation will be developed is presented in Table 1, below.
7. Other activities may be subject to a contractor disallowance and will be reviewed on a case by case basis.
8. Employees of Company affiliates shall be treated as contractors.
9. In the event the Company employs more internal employees in the specified job titles than indicated in Principle 4, above, the Company may petition the Commission for an adjustment to the storm deferral to account for the incremental straight time of the additional employees.

Illustrative Example

Table 1 is an example of the template agreed to for calculating the adjustment to deferrable contractor storm costs. The example reflects contractor and applicable employee storm response and restoration staffing and costs for several days after the October 12, 2006 Buffalo storm. This example is presented to illustrate the method and the sources of the data to be used, and is not intended to reflect the final or agreed upon deferrable cost of the storm.

Explanation of Lines on Tables 1 and 2

Line [A] - See Table 2 for the agreed upon list of qualifying job titles for Line Restoration and Line Clearance, and the column titled "Total Baseline" in that table for the associated employee counts. The counts represent all Niagara Mohawk employees within each job title. This data should not change during the Rate Plan Period.

Line [B] - See the column titled "Total Actual" in Table 2 for an example of a report reflecting the number of Niagara Mohawk employees in qualifying job titles from Table 2, at the end of the month prior to the month in which a Major Storm occurs. The Company will provide by the 15th of every month, the number of employees (by job title, by division) that were in qualifying positions per Table 2 for both Line Restoration and Line Clearance. If a listed job title is reclassified for operational reasons, such as when the job title "Live Line Bare Hand Specialist" was created, the Company will notify on-site PSC Staff of the reclassification and include that job title on subsequent monthly reports. However, listed job titles cannot be commingled with other job titles not subject to this clause.

Line [C] – The level of non-deferrable contractors equal to the total baseline employee count Line [A] less total actual employee count Line [B]

Line [D] – The agreed upon Line Contractor and Line Clearance contractor hourly rates for calendar year 2011 of $143.21 and $64.28, respectively. Similarly, the agreed upon rates for calendar year 2012 are $146.83 and $65.91, respectively. Rates beyond calendar year 2012 will be equal to 2012 rates inflated using the Blue Chip Economic Indicators consensus forecast of the GDP Deflator at the start of the year in which the rates apply

Line [E] -- Eight hours of straight-time per day.

Line [F] -- Daily straight-time adjustment prior to the expense/capital allocation as determined for each storm, which is the result of multiplying Lines [C], [D] and [E].

Line [G] -- Expense ratio equal to the sum of listed employees' labor costs charged to expense plus contractors' labor costs charged to expense, divided by the sum of listed employees' total labor costs plus contractors' total labor costs. This ratio is calculated for and applicable to each storm. There will be separate calculations for Line Restoration and Line Clearance.

Major Storm Deferral
Incremental Contractor Costs
Example Calculation of a Contractor Adjustment
Line Restoration
Attachment 2A
Table 1

	10/15/2006	**10/16/2006**	**10/17/2006**	**10/18/2006**	**10/19/2006**	**10/20/2006**	**10/21/2006**	**Total Adjustment**
Baseline Employee Count [A]	1,097	1,097	1,097	1,097	1,097	1,097	1,097	
Actual Employee Count [B]	1,063	1,063	1,063	1,063	1,063	1,063	1,063	
Non-deferrable Contractor Count [C]	34	34	34	34	34	34	34	
Straight-time Contractor Rate [D]	$ 143.21	$ 143.21	$ 143.21	$ 143.21	$ 143.21	$ 143.21	$ 143.21	
Straight-time Hours Per Day [E]	8	8	8	8	8	8	8	
Daily Straight-time Adjustment before Capital Adjustment [F]	$ 38,949	$ 38,949	$ 38,949	$ 38,949	$ 38,949	$ 38,949	$ 38,949	**$ 272,644**
Percentage charged to expense [G]	95%	95%	95%	95%	95%	95%	95%	
Straight-time Adjustment [H]	$ 37,002	$ 37,002	$ 37,002	$ 37,002	$ 37,002	$ 37,002	$ 37,002	**$ 259,012**

Notes

[A] Baseline Line employees in rates
[B] Actual total Line employees in month prior to the major storm
[C] Non-Deferrable Contractor equivalent headcount [A] - [B]
[D] Straight-time equivalent hourly rate
[F] Daily Straight time adjustment before capital adjustment [C] x [D] x [E]
[G] Percent of Labor and Contractor costs charged to expense
[H] Daily Straight time adjustment [F] x [G]

Major Storm Deferral
Incremental Contractor Costs
Example Calculation of a Contractor Adjustment
Line Clearance
Attachment 2A
Table 1

	10/15/2006	10/16/2006	10/17/2006	10/18/2006	10/19/2006	10/20/2006	10/21/2006	Total Adjustment
Baseline Employee Count [A]	41	41	41	41	41	41	41	
Actual Employee Count [B]	6	6	6	6	6	6	6	
Non-deferrable Contractor Count [C]	35	35	35	35	35	35	35	
Straight-time Contractor Rate [D]	$ 64.28	$ 64.28	$ 64.28	$ 64.28	$ 64.28	$ 64.28	$ 64.28	
Straight-time Hours Per Day [E]	8	8	8	8	8	8	8	
Daily Straight-time Adjustment before Capital Adjustment [F]	$ 17,997	$ 17,997	$ 17,997	$ 17,997	$ 17,997	$ 17,997	$ 17,997	**$ 125,982**
Percentage charged to expense [G]	100%	100%	100%	100%	100%	100%	100%	
Straight-time Adjustment [H]	$ 17,997	$ 17,997	$ 17,997	$ 17,997	$ 17,997	$ 17,997	$ 17,997	**$ 125,982**

Notes

[A] Baseline Forestry employees in rates
[B] Actual total Forestry employees in month prior to the major storm
[C] Non-Deferrable Contractor equivalent headcount [A] - [B]
[D] Straight-time equivalent hourly rate
[F] Daily Straight time adjustment before capital adjustment [C] x [D] x [E]
[G] Percent of Labor and Contractor costs charged to expense
[H] Daily Straight time adjustment [F] x [G]

Baseline Line Restoration and Line Clearance Employee Count in Case 10-E-0050
By Job Title (from 2007 Stipulation) and Division
For Calculation of Straight-time Adjustment to Storm Contractor Costs
Attachment 2A
Table 2

				Staffing Baseline				Hypothetical Staffing for Month Prior a Storm (used in Calculation Example in Table 1)			
				Division			Total	Division			Total
	Work Discipline	**Notes**	**Job Title**	**7 (West)**	**8 (Central)**	**9 (East)**	**Baseline**	**7 (West)**	**8 (Central)**	**9 (East)**	**Actual**
1	Line Clearance	September 2009 Payroll	Chief Tree Trimmer A	2	14	11	27	1	0	3	4
2			Laborer		1	1	2	0	0	0	0
3			Tree Trimmer B					0	0	0	0
4			Tree Trimmer C		7	5	12	0	0	2	2
5	**Line Clearance Total**			**2**	**22**	**17**	**41**	**1**	**0**	**5**	**6**
6	Line Restoration	September 2009 Payroll	Cable Splicer A		3	4	7	1	4	3	8
7			Cable Splicer B	1	2	2	5	0	4	4	8
8			Cable Splicer C	8	8	3	19	9	7	4	20
9			Cable Splicer Helper	1	1		2	0	0	1	1
10			Chief Cable Splicer A	6	15	10	31	6	16	10	32
11			Chief Line Mech A Htstick	78	115	89	282	86	110	94	290
			Chief Line Mech B Htstick	2	1	1	4	2	1	1	4
12			Chief Maint Mech A	8	16	22	46	7	18	20	45
13			Chief Mechanic A	7	5	6	18	5	4	6	15
14			Chief St Lgt Serv Mech A		1	2	3	0	1	2	3
15			Electrician C	22	7	8	37	16	6	9	31
16			Line Mechanic A	18	19	25	62	2	6	14	22
17			Line Mechanic B	37	31	41	109	18	33	42	93
18			Line Mechanic C	24	18	33	75	39	31	35	105
19			Line Mechanic Helper		7	14	21	0	5	6	11
20			Line Mechanic-Hot Stick	59	64	38	161	59	69	57	185
			Live Line Bare Hand Specialist					7	1	4	12
21			Maintenance Mechanic C	16	21	23	60	14	15	21	50
22			One Person Line/Tbl Mechanic	15	20	21	56	14	23	20	57
23			Street Light Serv Mech A					1	0	0	1
24			Street Light Serv Mech B	1	1	1	3	0	1	1	2
25			Street Light Svc Mech C	4	2	4	10	13	2	4	19
26			Trouble Mech C Hot Stick	3			3	5	0	0	5
27			Trouble Mech D Hot Stick	3	1		4	5	0	0	5
28			Utility Mechanic A	3		1	4	0	0	0	0
29			Utility Mechanic C					0	0	0	0
30			Mechanic A	1	2		3	1	1	0	2
31			Mechanic B		1	1	2	0	1	1	2
32			Mechanic C	22	10	20	52	9	9	17	35
33		Additional Transmission Staffing per									
34		Case 10-E-0050 IOP Stipulation [1]	Line worker	4	7	2	13				
35		Additional Distribution Staffing per									
36		Case 10-E-0050 [2]	Line worker		5		5				
37	**Line Restoration Total**			**343**	**383**	**371**	**1,097**	**319**	**368**	**376**	**1,063**

38
39
40 **Note:**
41 **1** Case 10-E-0050, Stipulation of Certain Capital Investment and Operating & Maintenance Spending, pg 5, and
42 Attachment 1 to RAV-12INF requesting this report
43 **2** Case 10-E-0050, Exhibit (RRP-10), Workpapers to RRP-2, Schedule 31, Workpaper 4, sheet 29 of 32

ATTACHMENT 3A: PENSION AND OPEB EXPENSE

1. Fair Value Adjustments on Closing of Merger. Niagara Mohawk shall continue amortizing the fair value regulatory asset or liability with the final amortization covering the calendar year 2011. The amortization under this paragraph shall be included in Niagara Mohawk's actual pension and OPEB expenses for the reconciliation in paragraph 2, below. Amortization of this regulatory asset and the other regulatory assets created under this Attachment, together with amortizations from prior periods, shall be accounted for in an internal reserve for pensions and benefits as required under the Commission's Statement of Policy referenced in Paragraph 6, below.

2. Reconciliation of Pension and OPEB Expense During Case 10-E-0050 Rate Plan Period. Niagara Mohawk shall reconcile its actual Pension and OPEB expense recorded under FAS 87 and FAS 106, including the amortization of the regulatory asset or liability set forth in paragraph 1, above, and its allocated share of Pension and OPEB expense from Service Co, as defined in Attachment 23, but excluding Pension and OPEB expense associated with Supplemental Executive Retirement Programs (SERP) or other executive plans, programs, or arrangements that would otherwise factor into FAS 87, FAS 88, or FAS 106, and unregulated operations, to the amounts shown on Appendix 3 Schedule 2 of the Commission Order in Case 10-E-0050. Capitalized FAS 87 and FAS 106 costs shall be excluded from actual FAS 87 and FAS 106 costs in the reconciliation.

3. Costs to Achieve Merger Savings. In the first year after the Effective Date of the Merger Joint Proposal in Case 01-M-0075, Niagara Mohawk shall, after review by the Commission, record an offsetting regulatory asset equal to the Separation and Early Retirement Costs[4] recorded in that period, and shall amortize that regulatory asset in accordance with the percentages set forth in the schedule below:

Year	Percent
2002	38.49%
2003	15.30%
2004	15.00%
2005	6.78%
2006	7.27%
2007	5.97%
2008	4.63%
2009	2.12%
2010	2.18%
2011	2.25%

Separation and Early Retirement Costs and the amortization of the associated regulatory asset shall be excluded from the reconciliation under Paragraph 2, above, but shall be added to the internal reserve as set forth in Paragraph 1, above.

[4] For purposes of this section, Separation and Early Retirement Costs shall include termination costs.

4. Termination Benefits, Settlements, and Curtailments Associated with Transfers to ServiceCo and National Grid Other Affiliates. The parties recognize that the movement of employees between Niagara Mohawk and ServiceCo or National Grid Other Affiliates, as defined in Attachment 23 of the Merger Joint Proposal in Case 01-M-0075, could result in the inequitable shifting of FAS 87 and FAS 106 expense between Niagara Mohawk and ServiceCo or National Grid Other Affiliates. Consequently, Niagara Mohawk shall implement mechanisms to prevent such inequitable shifting of FAS 87 and FAS 106 expense during the Rate Plan Period, including the prevention of any effects associated with such transfers on any termination benefits, settlements, or curtailments. The objective will be, for example, to assure that a Niagara Mohawk employee who is transferred to ServiceCo and bills all or a portion of the employee's time to Niagara Mohawk does not unfairly increase or decrease Niagara Mohawk's recoverable FAS 87 and FAS 106 expense, or that an employee of ServiceCo who was billing all or a portion of the employees time to Niagara Mohawk and then is transferred to Niagara Mohawk does not unfairly increase or decrease Niagara Mohawk's recoverable FAS 87 and FAS 106 expense.

5. Termination Benefits, Settlements, and Curtailments Associated with a Follow-on Merger. Any Separation and Early Retirement Costs associated with a follow-on merger for which Niagara Mohawk implemented a Follow-on Merger Credit under Section 1.2.3.8 and a Follow-on Merger Synergy Allowance under Section 1.2.5.2.9 of the Merger Joint Proposal should have used the procedure set forth in paragraph 3. Under that procedure, a regulatory asset would have been established for the Separation and Early Retirement Costs recorded by Niagara Mohawk in the year following the Effective Date of the Follow-on Merger Credit, and that regulatory asset should be amortized using the percentages set forth above.

6. All Other Termination Benefits, Settlements, and Curtailments During the Case 10-E-0050 Rate Plan Period. Niagara Mohawk is required to follow the procedures set forth in the Commission's Statement of Policy and Order Concerning the Accounting and Ratemaking Treatment for Pensions and Postretirement Benefits Other than Pensions, Case No. 91-M-0890 (September 7, 1993), as it may be revised from time to time.

ATTACHMENT 3B: PENSION AND OPEB EXPENSE

Table 1

Pension Expense

A	B # of Employees Transferred to Svc Co.	C Total NM Pension Expense	D Pension Expense Originally Allocated to Svc. Co.	E Revised Pension Expense Allocated to Svc. Co.	F Decrease NM Pension Expense Change	G Capital %	H Decrease for Amount Capitalized	I Pension Adj	J Svc Co Allocation % to NM	K NM Share of Serv Co. Allocation	L Final Pension Adj
FYE 3/31/04	156	$50,204,699	$3,065,129	$3,363,347	(298,218)	23.95%	(71,423)	(226,795)	26.09%	(77,805)	(148,990)
FYE 3/31/05	39	$60,190,372	$4,439,886	$4,524,106	(84,220)	26.04%	(21,931)	(62,289)	29.20%	(24,592)	(37,697)
FYE 3/31/06	86	$77,659,992	$6,141,852	$6,395,794	(253,942)	26.18%	(66,482)	(187,460)	31.09%	(78,951)	(108,509)
Total Pension Adj		$188,055,063	$13,646,867	$14,283,247	(636,380)		(159,836)	(476,544)		(181,348)	(295,196)

OPEBs Expense

A	B # of Employees Transferred to Svc Co.	C Total NM OPEB Expense	D OPEB Expense Originally Allocated to Svc. Co.	E Revised OPEB Expense Allocated to Svc. Co.	F Decrease NM OPEBs Expense Change	G Staff Capital %	H Decrease for Amount Capitalized	I OPEB Adj	J Svc Co Allocation % to NM	K NM Share of Serv Co. Allocation	L Final OPEB Adj
FYE 3/31/04	156	$29,370,462	$2,151,210	$2,360,509	(209,299)	23.95%	(50,127)	(159,172)	24.27%	(50,797)	(108,375)
FYE 3/31/05	39	$30,079,311	$3,646,731	$3,715,905	(69,174)	26.04%	(18,013)	(51,161)	28.78%	(19,908)	(31,253)
FYE 3/31/06	86	$33,322,910	$3,872,117	$3,944,719	(72,602)	26.18%	(19,007)	(53,595)	31.01%	(22,514)	(31,081)
Total OPEB Adj		$92,772,683	$9,670,058	$10,021,133	(351,075)		(87,147)	(263,928)		(93,219)	(170,709)

Column
A Fiscal YE
B Number of Employees transferred to NGUSA Service Company during the fiscal year
C Total NMPC Pension/OPEB Expense per Hewitt

D	Pension/OPEB expense originally allocated to NGUSA Service Company, excluding employees transferred during the year (based on revised actuarial valuations)
E	Revised pension/OPEB expense originally allocated to NGUSA Service Company, including employees transferred during the year (based on revised actuarial valuations)
F	Column (D) – Column (E)
G	Percentage of pension/OPEB expense capitalized (per method described in PSC-276, and as reconciled to under section 3.8.1 of the stipulation)
H	Decrease for amount capitalized (F x G)
I	Adjustment w/out service company allocation adjustment (F – H)
J	Percentage of pension/OPEB expense originally allocated from NGUSA Service Company to NM
K	Column (F) x Column (J)
L	Column (I) – Column (K)

Note: The final pension and OPEB adjustment (Column L), must be further allocated between electric and gas departments to determine the amount to be posted to electric and gas pension and OPEB deferrals.

ATTACHMENT 4: GENERAL PRINCIPLES OF THE SIR DEFERRAL MECHANISM

Established pursuant to the Financial Recovery Agreement (the "FRA"; Clause 16), approved by the Public Service Commission in Opinion No. 89-37(D); first applied in 1990 and continued to date Applies to Site Investigation and Remediation (SIR) program sites, including:

• Former manufactured gas plant (MGP) sites

• Other Operating sites (previously designated by NM as "Industrial Waste Sites" and "Corrective Action Sites"; they include service centers, electric substations, and company properties)

• Potentially Responsible Party (PRP) sites (not owned by NM but pose alleged liabilities pursuant to Federal/State Superfund and other NYS Environmental Conservation Law-related regulations)

Allowable costs include:

• Consultant and contractor costs for site investigation and remediation efforts

• SIR activities that develop or implement remediation approaches to reduce the volume, mobility, or toxicity pre-existing contamination (caused or alleged to be caused by past practices or operations)

• Incremental external costs, including insurance premiums and legal costs, incurred to seek recovery from third parties or to otherwise seek to mitigate the cost or liability of the Company associated with the SIR program

Allowable costs shall be offset by:

• Net gains recognized from the sale or transfer to Non-utility Property of NM land and buildings included in rate base1 or from the sale of stone, gravel, sand, or timber from such land, or

• Any net gains recognized from the leasing of such land or from the sale or lease of mining or drilling rights to such land, and

• Net insurance proceeds and net recoveries from third parties.

Department of Public Service Staff reserves the right to review for ultimate Commission determination the reasonableness of the actual deferred costs, which shall depend, inter alia, on the adequacy of the Company's efforts to seek contribution for those costs from other responsible parties.