

October 31, 2012

Honorable Jaelyn A. Brillling, Secretary  
State of New York  
Public Service Commission  
Office of the Secretary, 19<sup>th</sup> Floor  
Three Empire State Plaza  
Albany, New York 12223-1350

CASE 12-E-0201 - 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

CASE 12-G-0202 - 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 Gas Service

Dear Secretary Brillling:

Pursuant to the Order issued by the Administrative Law Judges on October 22, 2012 in the above referenced proceedings, attached for filing is the Term Sheet that sets forth the key terms of the settlement agreement among Niagara Mohawk Power Corporation d/b/a National Grid, Department of Public Service Staff, Multiple Intervenors and other parties that may execute the Joint Proposal. This Term Sheet does not reflect the final agreement of the parties and is subject to modification. The parties acceptance of the terms set forth in this Term Sheet is conditioned upon execution of a Joint Proposal.

Respectfully submitted,

*Catherine L. Nesser*

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Catherine L. Nesser

Attachments

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**Niagara Mohawk Power Corporation  
d/b/a National Grid  
Cases 12-E-0201 and 12-G-0202  
Settlement Term Sheet**

**I. Overview**

This Term Sheet sets forth a summary of the principal terms to be included in a joint proposal (“Joint Proposal”) that resolves all aspects of Niagara Mohawk Power Corporation’s (“Company” or “Niagara Mohawk”) electric and gas rate filings in Cases 12-E-0201 and 12-G-0202. The Joint Proposal will cover a three-year period commencing April 1, 2013. It will provide for an increase in the electric revenue requirement of \$43.395 million for the period April 1, 2013 through March 31, 2014 (“Rate Year One”), \$51.361 million for the period April 1, 2014 through March 31, 2015 (“Rate Year Two”), and \$28.342 million for the period April 1, 2015 through March 31, 2016 (“Rate Year Three”). It also will provide for a decrease in the gas revenue requirement of \$3.290 million in Rate Year One and increases of \$5.854 million and \$6.268 million in Rate Year Two and Rate Year Three, respectively. The rate plan is timed such that new electric delivery rates will replace a portion of an expiring annualized electric surcharge. The net result is a decrease in electric delivery revenues, continued rate stability and, for most customers, lower electric delivery bills. In addition, a portion of the forecast balance of electric and gas deferred credits will be amortized to mitigate rate impacts on electric and gas customers.

**II. Revenue Requirements**

- A. Attached as Appendix A is a spreadsheet that sets forth the derivation of the settlement electric (Schedule 1) and gas (Schedule 2) revenue requirements. The settlement revenue requirements are based on the following parameters:
1. A return on equity of 9.3%. The 9.3% includes a stay out premium reflecting the three year term of the rate plan.
  2. A capital structure and overall cost of capital consisting of the following components and cost rates:

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**Rate Year One**

	% of Capital	Annual Cost	Weighted Cost Percent	Weighted Cost Pre Tax
Long Term Debt	49.71%	4.04%	2.01%	2.01%
Short Term Debt	1.01%	0.46%	0.00%	0.00%
Total Debt	50.72%			
Customer Deposits	0.72%	1.65%	0.01%	0.01%
Preferred Stock	0.56%	3.66%	0.02%	0.03%
Common Equity	48.00%	9.30%	4.46%	7.39%
<b>Total Capital</b>	<b>100.00%</b>		<b>6.50%</b>	<b>9.44%</b>

**Rate Year Two**

	% of Capital	Annual Cost	Weighted Cost Percent	Weighted Cost Pre Tax
Long Term Debt	49.95%	4.32%	2.16%	2.16%
Short Term Debt	0.83%	0.46%	0.00%	0.00%
Total Debt	50.78%			
Customer Deposits	0.69%	1.65%	0.01%	0.01%
Preferred Stock	0.53%	3.66%	0.02%	0.03%
Common Equity	48.00%	9.30%	4.46%	7.39%
<b>Total Capital</b>	<b>100.00%</b>		<b>6.65%</b>	<b>9.59%</b>

**Rate Year Three**

	% of Capital	Annual Cost	Weighted Cost Percent	Weighted Cost Pre Tax
Long Term Debt	48.71%	4.82%	2.35%	2.35%
Short Term Debt	2.16%	0.46%	0.01%	0.01%
Total Debt	50.87%			
Customer Deposits	0.64%	1.65%	0.01%	0.01%
Preferred Stock	0.49%	3.66%	0.02%	0.03%
Common Equity	48.00%	9.30%	4.46%	7.39%
<b>Total Capital</b>	<b>100.00%</b>		<b>6.85%</b>	<b>9.79%</b>

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3. As set forth in Appendix A, a Rate Year One electric rate base of \$4,107.2 million and a gas rate base of \$1,086.0 million, a Rate Year Two electric rate base of \$4,365.4 million and a gas rate base of \$1,122.3 million, and a Rate Year Three electric rate base of \$4,625.9 million and a gas rate base of \$1,162.8 million.
4. The Company will credit to customers a portion of the forecast electric deferral balance in the amount of \$16.137 million in Rate Year One and \$19.578 million in Rate Year Two. In addition, the Company will credit to customers a portion of the forecast gas deferral balance in the amount of \$21.990 million in Rate Year One and \$10.788 million in Rate Year Two. The deferral credits will be calculated by taking a pro rata share from the overall deferred credit balances (including pension and other post employment benefits ("OPEB")).
5. The gas transmission and distribution depreciation rates, as proposed by Staff, are set forth in Appendix B. There are no changes to the electric, common and gas general depreciation rates.

### **III. Electric Revenue Allocation and Rate Design**

#### **A. Revenue Forecast**

1. The load forecast will be the forecast presented in the Company's corrections and updates filing with one minor revision to correct the customer count.
2. Late Payment Charge Revenues – The agreed to revenue requirement includes late payment charge revenues, which will be calculated consistent with the Company's rebuttal filing.

#### **B. Electric and Lighting Rate Design**

1. Historic demand will be eliminated for New York Power Authority ("NYPA") Replacement and Expansion customers beginning April 1, 2013. The billing determinants used to design rates include historic demand, and therefore the reduction in transmission and delivery revenue resulting from the elimination of historic demand will be recovered through the Company's RDM based on the parent service class. Reduced surcharge revenue will be collected through the reconciliation mechanisms already in place for the respective surcharges. The Company and NYPA agree to pursue any contract amendments that may be necessary to effectuate this provision.

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2. The following customer charges will change from their current level:
  - a. The SC-3A secondary/primary customer charge will increase from \$902 to \$1,000 per month.
  - b. The SC-3A transmission customer charge will increase from \$3,172 to \$3,500 per month.
  - c. The SC-1 customer charge will increase from \$16.21 to \$17.00 per month.
3. The SC-2ND – Veterans Organization Option Time of Use offering will be closed and existing customers will be migrated to SC-1 or SC-2ND.
4. The SC-2D – Veterans Organization Time of Use offering will be closed and existing customers will be migrated to SC-1 or SC-2ND.
5. Lighting SC-2 – charge single price for all concrete foundations and restructure underground circuitry charges to simplify current rates and make a phased transition to charging all customers the same rate regardless of type of circuit.
6. Lighting SC-3 LED option (energy only) – each LED light will be assigned a specified billable wattage; volume of electricity billed will be determined by multiplying the assigned wattage amount by the number of hours the light is assumed to be in service.

C. Electric and Lighting Revenue Allocation

1. Rate Year One – Allocate revenue to achieve the following Service Class delivery rate increases. The information in column two is based on an assumed delivery revenue increase of \$42.202 million (exclusive of other revenue changes) and a system average increase of 3.26 percent.

(1)	(2)
Service Class	Delivery Revenue Increase
SC-1	3.88%
SC-1C	1.86%
SC-2	1.86%

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SC-2D	2.33%
SC-3 Sec	2.33%
SC-3 Pri	2.33%
SC-3 SubT/Tran	3.26%
SC-3A Sec/Pri	3.26%
SC3-A SubT	3.26%
SC-3A Tran	3.10%
Outdoor Lighting	1.86%

2. Rate Year Two and Three – All classes are allocated system average increases. The estimated delivery revenue increase in Rate Year Two is 3.72% when compared to Rate Year One. The estimated delivery revenue increase in Rate Year Three is 1.96% when compared to Rate Year Two. These increases are exclusive of the deferral credit.

D. Deferral Credit

1. The parties' preferred approach is as follows: Approximately \$35.715 million of the Company's forecast deferral balance will be credited to customers as follows:
  - a. Rate Year One - \$16.137 million
  - b. Rate Year Two - \$19.578 million
  - c. Rate Year Three - \$0.000
2. Allocation to service class voltage delivery levels will be based on the ratio of transmission and distribution revenue at present rates as shown in Appendix C, as supported by the Company's Corrections and Updates filing. The Company will use the same allocators for Rate Years Two and Three as for Rate Year One. The deferral credits will apply to all customers, including the delivery of NYPA allocations.
3. Service class deferral credit will be on a per kWh basis for non-demand classes and on a per kW basis for demand classes.
4. As an alternative, the Joint Proposal will set forth an option of flat rates for the Commission's consideration.

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E. RDM

1. The RDM will include all customers with SC-12 contracts that provide exclusively for an alternative billing methodology for a NYPA allocation. The RDM does not apply to the NYPA portion of these customers' load. No RDM surcharges will be allocated to the NYPA portion of these customers' load.
2. The Company will reconcile on a rate year basis.
3. The Company will reconcile the period from January 1, 2013 through March 31, 2013 to account for the period between the current calendar year reconciliation period and Rate Year One reconciliation period.

F. Merchant Function Charge

1. Credit and collections component kWh rates will be based on a forecast of full service sales (excluding SC-12 customers) and ESCO customers participating in the purchase of receivables ("POR") program. Rates will be set for Rate Year One using the Company's Embedded Cost of Service Study ("ECOSS") and held constant thereafter. The Company will reconcile commodity-related credit and collections expense on a rate year basis. In addition, the Company will reconcile the period from January 1, 2013 through March 31, 2013 to account for the period between the current calendar year reconciliation period and the Rate Year One reconciliation period.
2. The uncollectibles component will be differentiated between non-demand, demand and street lighting and will be based on the overall uncollectible expense rate of 1.4963 percent.
3. Working capital will be calculated using the Company's pre-tax WACC.
4. The supply procurement expense component will be updated for Rate Year One, consistent with the Company's ECOSS, and held constant thereafter. The Company will reconcile supply procurement expenses on a rate year basis. In addition, the Company will reconcile the period from January 1, 2013 through March 31, 2013 to account for the period between the current calendar year reconciliation period and Rate Year One reconciliation period.

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G. Miscellaneous Electric and Lighting Provisions

1. Paperless Billing: Customers electing paperless bills will receive a \$0.40 credit per service period.
2. Billing Backout Credit: Updated ESCO billing charges will be \$1.24 to an ESCO that supplies electricity to an electric-only customer and \$0.62 to an ESCO that supplies electricity to a gas and electric customer. The customer backout credit will equal the ESCO billing charge.
3. Time differentiated delivery rates: Company, Staff, and other interested parties to meet to discuss; provide report on feasibility to Commission by the end of Rate Year One.
4. Time of use commodity rates expanded to include SC-1.
5. Expiration date for Exemption C for SC-7 to be eliminated.
6. NYPA load share for installed capacity (or ICAP) will be determined at the beginning of the next capability period (May 2013) by the ratio of the NYPA Expansion Power/Replacement Power customer's contract demand to the customer's peak demand during the month of the New York Control Area system peak (*i.e.*, the non-coincident peak).

**IV. Gas Revenue Allocation and Rate Design**

A. Revenue Forecast

1. The load forecast will be the forecast presented in the Company's initial testimony.
2. Late Payment Charge Revenues – The agreed to revenue requirement includes late payment charge revenues, which will be calculated consistent with the Company's rebuttal filing.

B. Rate Design

1. SC-1 monthly minimum delivery service charge will be set at \$20.35 for Rate Years One, Two and Three, which includes the year-to-year increases for the low income program surcharge. If the low income program surcharge increases after Rate Year One, any corresponding decrease in the base customer charge component will be recovered through the usage charge, and the total SC-1 monthly minimum delivery service charge (*i.e.*, low income surcharge plus base customer charge) will remain the same.

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2. For Rate Year One, the total monthly minimum delivery service charge will be equal to the low income surcharge plus the base customer charge. The total minimum delivery service charges for Rate Year One are set forth on Appendix D. For service classes other than SC-1, SC-5 and SC-8, base customer charges in Rate Years Two and Three will remain at Rate Year One levels. The total minimum delivery service charge for those classes will be the base customer charges plus the low income surcharges for Rate Years Two and Three, respectively.
3. For SC-5 and SC-8 customers, the delivery rate increases for Rate Years Two and Three will be assessed in equal percentages to the base customer charge and volumetric block rates. The total minimum delivery service charge for those classes will be the base customer charges plus the low income surcharges for Rate Years Two and Three, respectively.

C. Revenue Allocation

1. Rate Year One – The distribution rate decrease will be allocated to SC-2, SC-3, and SC-7 on a pro rata basis proportionate to delivery revenues.
2. Rate Years Two and Three – The Joint Proposal will set forth the revenue allocation by class. SC-5 will not receive percentage increases in excess of approximately 2.45% and 2.66% in Rate Years Two and Three, respectively. SC-8 will not receive percentage increases in excess of approximately 2.99% and 3.24% in Rate Years Two and Three, respectively.

D. Deferral Credit

1. The parties' preferred approach is as follows: the Company's forecast deferral balance to be credited to customers will total \$32.778 million over the three year rate plan.
  - a. Rate Year One - \$21.990M
  - b. Rate Year Two -\$10.788M
  - c. Rate Year Three -\$0
2. The Company will allocate deferral credits to firm service classes (excluding SC-9 negotiated transportation and SC-10 natural gas vehicle service) proportionate to delivery revenues as described in the Company's initial testimony, but including NYSEG, using the

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allocators set forth in Appendix E, which was included in the Company's Direct Testimony. The Company will use the same allocators for Rate Years Two and Three as for Rate Year One. A unitized dollar per therm credit will be determined for each service class.

3. As an alternative, the Joint Proposal will set forth an option of flat rates for the Commission's consideration.

E. Low Income Discount Program

1. Monthly Discount to Minimum Delivery Service Charge

- a. Rate Year One - \$10.00
- b. Rate Years Two and Three - minimum of \$10.00. The Joint Proposal will address the specific discount.

2. Monthly Surcharge to Customer Charge

- a. The program will be funded via a surcharge to the customer charge (excluding SC-9 and SC-10).
- b. The surcharge to be added to the Company's proposed customer charges for all service classes except SC-1 (which will be fixed at a monthly minimum delivery service charge of \$20.35, inclusive of the low income surcharge – see Section IV(B) Rate Design above) is as follows:
  - i. Rate Year One - \$1.17
  - ii. Rate Years Two and Three - The Joint Proposal will address the specific charge.

F. Lost And Unaccounted For Gas ("LAUF")

1. Effective September 1, 2013, the Company will modify the LAUF mechanism consistent with Staff's draft LAUF White Paper.
2. The current LAUF mechanism remains effective through August 31, 2013. The current LAUF target of 1.62% will remain in effect through March 31, 2013. Thereafter, the effective adjusted target will be 1.841%.

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G. Merchant Function Charge ("MFC")

1. The following service classifications will be charged all components of the MFC: SC-1, SC-2, SC-3, SC-12, and SC-13. In addition, ESCOs that participate in the POR program will be subject to the commodity-related credit and collections component of the MFC.
2. Return Requirement on Gas Storage Inventory
  - a. Calculation of the return requirement will be modified to reflect actual storage inventory balances.
  - b. The return requirement will be calculated using the Company's pre-tax WACC on the entire storage balance.
  - c. The Company will reconcile on a rate year basis.
  - d. The period from June 1, 2012 through March 31, 2013 will be reconciled to account for the period between the current June 1 – May 31 reconciliation period and Rate Year One reconciliation period.
3. Gas Purchase Related Working Capital - Implement a new charge to recover the return requirement on gas purchase related working capital using the Company's pre-tax WACC.
4. Commodity Related Credit and Collection Expenses
  - a. The commodity-related credit and collections annual expense component of the MFC will be based on a forecast of full service sales and sales for ESCO customers participating in the POR program. The rates will be set for Rate Year One using Company's ECOSS and will be held constant thereafter.
  - b. The unitized dollar per therm rate for commodity-related credit and collection expenses will be determined each year based on an updated sales forecast.
  - c. Recoveries of commodity-related credit and collection expenses will be reconciled to an annual target.
  - d. The unitized charge will be differentiated for residential and non-residential customers.

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5. Commodity Related Uncollectible Expenses – The overall uncollectible rate will be 2.6857 percent and will be differentiated for residential and non-residential customers.
6. Gas Supply Procurement Expenses – The supply procurement component will be updated for Rate Year One, consistent with the Company's ECOSS, and held constant thereafter.
  - a. The Company will reconcile on a rate year basis.
  - b. The Company will reconcile the period from June 1, 2012 through March 31, 2013 to account for the period between the current June 1 - May 31 reconciliation period and Rate Year One reconciliation period.

#### H. RDM

1. The RDM will continue to exclude the customer charges associated with the low income program and exclude low income discount.
2. The Company will continue tracking its customer count surrogate.
3. Interest will continue to be applied at the Commission's Other Customer Capital Rate to the RDM annual reconciliation balance over the amortization period rather than within the year monthly balances.
4. If the annual RDM over or under recovery for any service classification exceeds a five percent materiality threshold based on allowed earnings, the Company will include in its RDM reconciliation filing an analysis of the reasons for the variance and, if appropriate, a proposal to modify its RDM mechanism and targets.
5. Reconciliation will be done on a rate year basis. The Company will reconcile the period from June 1, 2012 through March 31, 2013 to account for the period between the current June 1 – May 31 reconciliation period and Rate Year One reconciliation period.

#### I. Net Revenue Sharing Mechanism

1. SC-4 will be eliminated from the delivery revenue targets.
2. The delivery revenue targets for SC-6 will be set at \$7.199 million. The SC-9 delivery revenue target will be revised to include SC-14 delivery

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revenues in the Net Revenue Sharing Mechanism. The combined SC-9/SC-14 delivery revenue target will be set at \$10.864 million.

3. Participation in the mechanism will be expanded to include all of the firm service classifications.
4. The Net Revenue Sharing Mechanism will be reconciled on a rate year basis. The Company will reconcile the period from June 1, 2012 through March 31, 2013 to account for the period between the current June 1 – May 31 reconciliation period and Rate Year One reconciliation period.

J. Statements to be Eliminated

1. Appliance Repair Statement
2. Inspection Fee Statement
3. Balancing Service Cost Recovery Statement
4. Late Payment Charge Statement

K. Tariff Modifications

1. Terminate SC-4 – Interruptible Sales Service.
2. Eliminate ratchet usage from SC-3.
3. Implement monthly gas cost imbalance surcharge or refund to adjust filed monthly cost of gas.

L. Miscellaneous

1. Billing Backout Credit – The updated ESCO billing charges will be \$1.24 to an ESCO that supplies gas to a gas-only customer and \$0.62 to an ESCO that supplies gas to a dual gas and electric customer. The customer backout credit will equal the ESCO billing charge.
2. Paperless Billing - Customers electing paperless bills will receive a \$0.40 credit per service period.

**V. Deferral/Reconciliation Mechanisms Including Certain Program Descriptions**

- A. The following existing electric deferrals will continue (with certain modifications):

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1. Pension and OPEB costs
  - a. The electric pension expense level is \$45.002 million for Rate Year One, \$28.080 million for Rate Year Two, and \$18.578 million for Rate Year Three.
  - b. The electric OPEB expense level is \$36.133 million for Rate Year One, \$34.722 million for Rate Year Two, and \$25.938 million for Rate Year Three.
  - c. The Company will continue the reconciliation procedures set forth in the Commission's *Statement of Policy on Pensions and Other Post Employment Benefits* and the Rate Plan Provisions approved in Case 10-E-0050.
2. Low Income Discount Program
  - a. Full reconciliation of low income discount program costs reflected in rates to the actual discounts provided. For under expenditures, the balance will be deferred for future low income customer use.
  - b. The rate allowance is based on a \$5.00 per month bill credit for non-heating electric customers receiving Home Energy Assistance Program ("HEAP") assistance and a \$15.00 per month bill credit for electric-heating customers receiving HEAP assistance.
3. Economic Development Fund
  - a. Full true up of economic development discounts, including Empire Zone Rider ("EZR") discounts.
  - b. The target amounts for EZR and SC-11/SC-12 discounts are as follows:
    - i. Rate Year One - \$12.106 million
    - ii. Rate Year Two - \$15.956 million
    - iii. Rate Year Three - \$16.506 million

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4. Economic Development Grant Program
  - a. The economic development grant program for electric will be funded at \$11.000 million per year.
  - b. Any under expenditures in a given year will be deferred for future use in the grant program. In the event of any anticipated over expenditures, the Company may petition the Commission for deferral treatment and will have no obligation to make any additional expenditure unless and until the Commission authorizes the Company to defer amounts in excess of the rate allowance for future recovery.
5. Auction Rate Debt True Up
6. Service Quality Negative Revenue Adjustments
7. Legislative or Regulatory Changes
8. Aggregation Fee
9. Voltage Migration Fee
10. NYISO Tariff Schedule Costs – Schedules 1 and 2 for any NYISO Rebills
11. Generation Stranded Cost Adjustments
12. External and Internal Tax and Accounting Changes
13. Electric Net Utility Plant and Depreciation Expense Reconciliation Mechanism
  - a. One-way, downward only true up of the combined actual electric average net utility plant and depreciation expense revenue requirement to the target electric average net utility plant and depreciation expense revenue requirement.
  - b. The combined electric average net utility plant and depreciation expense revenue requirement is calculated by applying the Company's pre-tax WACC in the respective rate year (9.44 percent in Rate Year One, 9.59 percent in Rate Year Two, and 9.79 percent in Rate Year Three) to the electric average net utility plant balance and adding the electric depreciation expense to the product.

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- c. The target revenue requirement of electric average net utility plant and depreciation expense is \$690.511 million for Rate Year One, \$733.450 million for Rate Year Two, and \$783.501 million for Rate Year Three. See Appendix F, Page 1, which illustrates how the electric target revenue requirement was determined.
- d. The reconciliation mechanism will apply to the Company's aggregate total electric average net plant and depreciation expense combined, and not to individual components.

14. Major Storm Expense

- a. Annual \$29.000 million base rate allowance for major storm expense based on the Company's 10 year average of incremental major storm costs. The rate allowance is subject to reserve accounting. The Company will defer the difference between the base rate allowance and actual incremental major storm costs for future refund or recovery from customers.
- b. The definitions of major storm and incremental costs in the Rate Plan Provisions will continue to apply.
- c. All incremental costs incurred within 10 days of restoration of the last customer are subject to deferral with no per storm deductible.
- d. A per storm deductible of \$0.750 million applies only for storms that require post-restoration efforts more than 10 days beyond restoration of the last customer.
- e. The Company will perform an analysis of costs following a storm event with more than 10 days post-restoration work to gather information for deductible levels in future rate proceedings.
- f. The contractor disallowance is modified to include only the following job titles: (i) Chief Line Mechanic B Hotstick; (ii) Chief Line Mechanic A Hotstick; (iii) Line Mechanic Hotstick; (iv) Line Mechanic C; (v) Line Mechanic B; (vi) Line Mechanic A; (vii) Line Mechanic Helper; (viii) One Person Line/Trouble Mechanic; (ix) Trouble Mechanic C Hotstick; (x) Trouble Mechanic D Hotstick; (xi) Cable Splicer A; (xii) Cable Splicer B; (xiii) Cable Splicer C; (xiv) Cable Splicer Helper; and (xv) Chief Cable Splicer.

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15. Site Investigation and Remediation (“SIR”) Expense
    - a. Any difference between the actual SIR expense and the level reflected in electric rates (\$35.700 million annually) will be deferred and recovered or credited to customers.
    - b. The 80/20 sharing mechanism is eliminated.
    - c. The Company will follow the “General Principles of the SIR Deferral Mechanism” set forth in Attachment 4 of the Rate Plan Provisions.
  16. Transmission Revenue Adjustment Clause - rate allowance of \$104.902 million in Rate Year One, \$91.414 million in Rate Year Two, and \$91.357 million in Rate Year Three.
  17. The following existing electric reconciliation mechanisms will continue outside of base rates: RPS Program Costs; SBC Program Costs; Temporary State Assessment 18-A; NYPA Residential Hydropower Benefit Reconciliation; Electric Supply Reconciliation Mechanism; New Hedge Adjustment; and Legacy Transition Charge f/k/a Commodity Adjustment Charge.
- B. The following existing gas deferrals will continue (with certain modifications):
1. Pension and OPEB costs
    - a. The gas pension expense level is \$9.207 million for Rate Year One, \$5.741 million for Rate Year Two, and \$3.791 million for Rate Year Three.
    - b. The gas OPEB expense level is \$7.389 million for Rate Year One, \$7.098 million for Rate Year Two, and \$5.295 million for Rate Year Three.
    - c. The Company will continue the reconciliation procedures set forth in the Commission’s *Statement of Policy on Pensions and Other Post Employment Benefits* and the Rate Plan Provisions.
  2. Low Income Discount Program
    - a. Provided the Company is not earning above its allowed ROE, full reconciliation of low income discount program costs in excess of the amount assumed in rates to the actual discounts provided. For

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under expenditures, the balance will be deferred for future low income customer use.

- b. The allowance is based on an escalating bill credit for HEAP recipients. The bill credits are \$10.00 per month in Rate Year One. The bill credits for Rate Years Two and Three will be included in the Joint Proposal.

3. Regulatory, Legislative, and Accounting Changes

- a. Utilize the language in Section 1.2.2 of the Rate Plan Provisions with the exception that the threshold for gas remains at \$2.283 million per year.

4. SIR Expense

- a. Any difference between the actual SIR expense and the level reflected in gas rates (\$6.300 million annually) will be deferred and recovered or credited to customers.
- b. The Company will follow the "General Principles of the SIR Deferral Mechanism" set forth in Attachment 4 of the Rate Plan Provisions.

5. Service Quality Negative Revenue Adjustments

6. Auction Rate Debt True Up

7. Net Revenue Sharing (see above)

8. Accrued Unbilled Revenue Deferral

- 9. The following gas reconciliation mechanisms will continue outside of base rates: SBC Program Costs; Temporary State Assessment 18-A; Millennium Fund; and GAC Surcharge/ Refund Adjustment Deferral.

C. The following new deferral mechanisms will be implemented for electric:

1. NYPA Discount Reconciliation

- a. The amount of NYPA Expansion Power, Replacement Power, and High Load Factor Power discounts will be fully reconciled.

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- b. Any difference between the actual discounts and the level reflected in rates will be deferred and recovered from or credited to customers.
  - c. The target amounts for the discounts are as follows:
    - i. Rate Year One - \$2.707 million
    - ii. Rate Year Two - \$2.401 million
    - iii. Rate Year Three \$1.401 million
2. Transmission and Sub-Transmission Tower Painting Expense Downward Reconciliation
- a. The Company will reconcile for refund to customers any difference between the annual rate allowance for transmission (\$2.448 million) and sub-transmission (\$0.500 million) tower painting and the actual expense.
3. Transmission and Sub-Transmission Footer Inspection Expense Downward Reconciliation
- a. The Company will reconcile for refund to customers any difference between the annual rate allowance for transmission (\$2.441 million) and sub-transmission (\$0.773 million) footer inspections and the actual expense.
4. Federal Income Tax – Repair Cost Deferral
- a. In Case 10-E-0050, the Commission ordered the Company to establish a credit of \$28.89 million to its electric deferral balance to reflect the cash flow effect of the repair tax deduction for the electric business.
  - b. The \$28.89 million credit will be subject to true up to the actual amount of the deduction approved by the IRS.
5. Variable Pay
- a. The variable pay amount provided in rates is \$13.737 million for Rate Year One, \$14.124 million for Rate Year Two, and \$14.522 million for Rate Year Three.

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- b. The Company will defer for return to customers any unpaid variable pay compensation amounts reflected in rates that are not paid to employees.
6. Property Tax Expense
- a. If the level of actual property tax expense varies in any rate year from the level provided in rates (\$150.1 million in Rate Year One, \$153.8 million in Rate Year Two, and \$158.1 million in Rate Year Three), the difference will be deferred for future recovery from or refund to customers on an 80% customer/20% Company basis.
  - b. The Company will petition the Commission for allocation of any refunds pursuant to Public Service Law § 113(2).
- D. The following new deferral mechanisms will be implemented for gas:
- 1. Economic Development Grant Program
    - a. The economic development grant program for gas will be funded at \$1 million per year.
    - b. Any under expenditures in a given year will be deferred for future use in the grant program. In the event of any anticipated over expenditures, the Company may petition the Commission for deferral treatment and shall have no obligation to make any additional expenditures unless and until the Commission authorizes the Company to defer all such amounts for future recovery.
  - 2. EZR Program
    - a. The Company will reconcile EZR program discounts to the base rate allowance in Rate Year One of \$1.248 million, Rate Year Two of \$2.214 million and Rate Year Three of \$3.995 million and debit or credit the difference to the gas EZR Program deferral.
  - 3. External and Internal Tax and Accounting Changes
  - 4. Federal Income Tax – Repair Cost Deferral
    - a. The Company will establish a deferred credit of \$30.113 million to reflect the cash flow effect of the repair tax deduction for the gas business.

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- b. The \$30.113 million credit will be subject to true up to the actual amount of the deduction approved by the IRS.
- 5. Variable Pay
  - a. The variable pay amount provided in rates is \$2.508 million for Rate Year One, \$2.578 million for Rate Year Two, and \$2.650 million for Rate Year Three.
  - b. The Company will defer for return to customers any unpaid variable pay compensation amounts reflected in rates that are not paid to employees.
- 6. Property Tax Expense
  - a. If the level of actual property tax expense varies in any rate year from the level provided in rates (\$40.6 million in Rate Year One, \$41.7 million in Rate Year Two, and \$43.0 million in Rate Year Three), the difference will be deferred for future recovery from or refund to customers on an 80% customer/20% Company basis.
  - b. The Company will petition the Commission for allocation of any refunds pursuant to Public Service Law § 113(2).
- 7. Gas Net Utility Plant and Depreciation Expense Reconciliation Mechanism
  - a. One-way, downward only true up of the combined actual gas average net utility plant and depreciation expense revenue requirement to the target gas average net utility plant and depreciation expense revenue requirement.
  - b. The combined gas average net utility plant and depreciation expense revenue requirement is calculated by applying the Company's pre-tax WACC in the respective rate year (9.44 percent in Rate Year One, 9.59 percent in Rate Year Two, and 9.79 percent in Rate Year Three) to the gas average net utility plant balance and adding the depreciation expense to the product.
  - c. The target revenue requirement of gas average net utility plant and depreciation expense is \$165.883 million for Rate Year One, \$173.923 million for Rate Year Two, and \$183.516 million for

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Rate Year Three. See Appendix F, Page 2, which illustrates how the gas target revenue requirement was determined.

d. The reconciliation mechanism will apply to the Company's aggregate total gas average net plant and depreciation expense combined, and not to individual components.

8. Oil to Gas Conversion Program (discussed below).

E. Carrying Charges on Deferral Balances

1. The Company will accrue carrying charges calculated using the pre-tax weighted average cost of capital for the respective rate year on the electric and gas deferral balances, with the exception of non-cash pension and OPEB items, beginning April 1, 2013.

## **VI. Capital Investment Levels**

The electric, gas and common capital investment levels underlying the rates in this settlement (exclusive of cost of removal) are as follows:

Segment	FY13	RY1	RY2	RY3
Electric Transmission	\$142,250,000	\$142,849,000	\$153,049,000	\$155,432,000
Electric Sub-Transmission	\$46,000,000	\$50,000,000	\$48,526,000	\$50,708,000
Electric Distribution	\$235,000,000	\$233,430,000	\$245,730,000	\$246,590,000
DOE Smart Grid Project	\$7,000,000	\$2,000,000	\$0	\$0
Gas	\$65,398,220	\$80,509,265	\$85,515,569	\$92,377,472
IS	\$10,950,000	\$3,625,000	\$200,000	\$956,000
Facilities	\$10,288,000	\$6,888,000	\$6,888,000	\$6,888,000
Fleet & IM-IR	\$966,000	\$542,000	\$542,000	\$542,000
Total Capex	\$517,852,220	\$519,843,265	\$540,450,569	\$553,493,472

Notwithstanding the agreed segment-level spending amounts, the parties agree the Company may reprioritize funds among the electric segments to address emergent needs. Cost of removal and O&M costs related to capital investment are functions of the levels of agreed capital spending within each segment.

Electric cost of removal levels were developed based on the Company's initial filing of electric cost of removal projects compared to electric capital investment levels. Gas cost of removal levels were developed based on a comparison of historic percentages of gas cost of removal to total gas capital project costs.

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**VII. Customer Service Metrics**

A. The customer service metrics for the electric and gas businesses are as follows:

Customer Service Metrics	Minimum Revenue Adjustment		Maximum Revenue Adjustment	
	Performance Amount	Performance Amount	Performance Amount	Performance Amount
PSC Complaint Rate	1.5	\$1,117,500	2.5	\$7,830,000
Residential Transaction Satisfaction Index	82.0	\$577,500	78.0	\$3,990,000
Small/Medium C&I Satisfaction Index	75.1	\$577,500	71.1	\$3,990,000
% Calls Answered within 30 Seconds	78.0	\$577,500	72.0	\$3,990,000
Totals		\$2,850,000		\$19,800,000

B. These customer service metrics are described in the Rate Plan Provisions.

C. The negative revenue adjustments will be allocated to the electric and gas businesses based on the current ratio of 75 percent electric and 25 percent gas and will not be recalculated annually.

D. The Company will also institute a missed appointment metric for electric and gas residential and non-residential customers. Under this metric, the Company will provide a service guarantee for appointments made at the customer's request. If the Company does not keep an appointment within the scheduled timeframe, a \$30 credit will be credited to the customer's next bill. Appointment guarantees will not apply to appointments made for the same day the customer requests service or if events beyond the Company's control (*e.g.*, severe weather) prevent the Company from keeping the scheduled appointment.

**VIII. Performance Metrics**

A. Electric Reliability Performance Metrics

1. The SAIFI, CAIDI and Standardized Interconnection Requirements performance metrics will continue without modification.
2. The Estimating performance metric will be modified as follows:

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For each distribution or sub-transmission project initiated after January 1, 2013 with an individual total project cost over \$100,000, the Company is subject to a \$1 million negative revenue adjustment if actual costs of over 20 percent of such projects vary from their respective final engineering estimates by more than plus or minus 10 percent; and the Company is subject to an additional \$1 million negative revenue adjustment if actual costs of over 30 percent of such projects vary from their respective final engineering estimates by more than plus or minus 10 percent, for a possible total negative revenue adjustment of \$2 million. The Company has the right to request exceptions for discrete projects where there are scope changes or significant circumstances.

3. There will be an Inspection and Maintenance ("I&M") Program Repair performance metric as follows:

The Company is subject to a negative revenue adjustment of \$1 million if it fails to repair at least 85 percent of Level II deficiencies that have a repair due date within the respective calendar year within the time period allowed for such repairs under the Safety Orders in Case 04-M-0159 (*i.e.*, one year). The Company is subject to an additional negative revenue adjustment of \$1 million if it fails to repair at least 75 percent of Level III deficiencies that have a repair due date within the respective calendar year within the time period allowed for such repairs under the Safety Orders in Case 04-M-0159 (*i.e.*, three years). The Company will meet with Staff periodically to discuss I&M program repair performance.

4. The overall pre-tax potential negative revenue adjustments for the electric reliability performance metrics will be increased from \$18 million to \$20 million to reflect the new I&M Program Repair metric.
5. Section 2.3(2) of the Rate Plan Provisions will be deleted in its entirety and replaced with the following:

Abnormal operating conditions, including during any period of catastrophe, natural disaster 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, actions taken by the Company to minimize or avoid customer impact (both prior to the event and/or in response to the event), a summary of resources used to restore services, as well as a detailed analysis of the Company's performance prior to and subsequent to the event. The Commission will evaluate Niagara Mohawk's proposal using established standards and policies applicable to those requests.

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B. Gas Safety Metrics

The Company's gas safety performance will be measured annually against a set of Gas Safety Performance Metrics. A total of 150 pre-tax basis points will be at risk per calendar year for the Company's performance under the Gas Safety Performance Metrics as follows:

1. Leak Prone Pipe ("LPP") Removal
  - a. 8 basis points at risk per calendar year.
  - b. The Company will target LPP removal of 35 miles in CY13, 40 miles in CY14 and 45 miles in CY15. The Company will incur a negative revenue adjustment should it fail to remove from service a minimum of 35 miles in CY13, 35 miles in CY14, or a cumulative three-year total of 120 miles by the end of CY15.
  - c. The Company will use its risk based prioritization model to identify and rank segments of pipe to be removed from service.
  - d. The Company will submit a semi-annual report to Staff detailing LPP removal mileage, main locations and costs. The Company will submit semi-annual reports no later than 30 days following the six-month reporting periods ending June 30<sup>th</sup> and December 31<sup>st</sup>.
2. Leak Management
  - a. 12 basis points at risk per calendar year.
  - b. In CY13 and CY14, the Company will incur a negative revenue adjustment for failure to achieve total year end leak backlog targets for Type 1, 2 and 2A leaks; CY13 year-end target of 35 Type 1, 2 and 2A leaks in the backlog; CY14 year-end target of 30 Type 1, 2 and 2A leaks in the backlog.
  - c. In CY15, the Company will incur a negative revenue adjustment for failure to achieve a year end total leak backlog target of 1,000 for all leaks (Type 1, 2, 2A and 3) in the backlog.
  - d. The Company will submit an annual report to Staff detailing all leaks in its year-end backlog by type. The Company will submit the annual report no later than 30 days following the end of each calendar year.

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3. Damage Prevention

- a. 18 basis points at risk per calendar year.
- b. The Company will incur a negative revenue adjustment in the event its year end damage prevention statistics fail to meet the following minimum targets:

Damage Prevention Measure	CY13	CY14	CY15
Overall Damages per 1,000 one-call tickets (4 basis pts)	2.9	2.7	2.5
Damages due to Mismarks per 1,000 one-call tickets (10 basis pts)	.48	.48	.48
Damages due to Company and Contractors per 1,000 one-call tickets (4 basis pts)	.10	.10	.10

- c. The Company will continue to collect damage data and compute damage performance in accordance with the criteria for the Gas Safety Performance Measures Report.

4. Emergency Response

- a. 12 basis points at risk per calendar year.
- b. The Company's existing Emergency Response metric will continue (with a reduction to the associated negative revenue adjustments) as follows:
  - i. Respond to 75% of all gas leak and odor calls within 30 minutes (6 basis points);
  - ii. Respond to 90% of all gas leak and odor calls within 45 minutes (4 basis points); and
  - iii. Respond to 95% of all gas leak and odor calls within 60 minutes (2 basis points).

5. Gas Safety Violations Metric

- a. 100 basis points at risk per calendar year.
- b. The Company will incur a negative revenue adjustment for instances of noncompliance (violations) of certain pipeline safety regulations identified during Staff's annual field and records

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audits. See Appendix G for a list of identified high risk and other risk pipeline safety regulations pertaining to this metric.

- c. The Company will be assessed a negative revenue adjustment for each high risk and other risk violation as follows:

high risk violation	Occurrences	Basis Points
CY13	1-50	¼
	51+	½
CY 14	1-40	½
	41+	1
CY 15	1-30	½
	31+	1
other risk violation	Occurrences	Basis Points
CY13	1-50	1/9
	51+	1/3
CY 14	1-40	1/9
	41+	1/3
CY 15	1-30	1/9
	31+	1/3

- i. This metric will be effective as of the start of Rate Year One, but will then be measured on calendar years, as identified above.
- ii. With respect to violations, only documentation or actions performed, or required to be documented or performed, on or after April 1, 2013 will count towards the metric.
- iii. At the conclusion of each audit, Staff and the Company will have a compliance meeting where Staff will present its findings to the Company. The Company will have five business days

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from the date the audit findings are presented to cure the document deficiency. Only official Company records as defined in the Company's Operating and Maintenance plan will be considered by Staff as a cure to a deficiency. Staff will copy its final audit report with the Secretary under Case 12-G-0202. If the Company disputes any of Staff's final audit results, the Company may appeal Staff's finding to the Commission. The Company will not incur a negative revenue adjustment on the contested findings until such time as the Commission has issued a final decision on the contested findings. The Company does not waive its right to seek an appeal of any Commission determination regarding a violation or penalty under applicable law.

- iv. If an alleged high risk or other risk violation as set forth in Appendix G is the subject of a separate penalty proceeding by the Commission under PSL §25, that instance will not count under the performance metric.

## **IX. Miscellaneous Issues**

### **A. Reliability Support Services ("RSS") Costs**

1. Up to \$57 million of electric deferral credits will be used to offset RSS costs associated with RSS agreements relating to the Dunkirk plant or other RSS agreements with other generators.
2. Any RSS costs above \$57 million relating to the Dunkirk plant or any other RSS agreements with other generators will be recovered through a generic RSS surcharge that will be implemented on April 1, 2013. To qualify for recovery through this surcharge, the RSS agreements must be approved by the authority having jurisdiction over such agreement, including but not limited to the Commission or other regulatory entity.
3. The surcharge will be calculated on a forecast basis and assessed to customers on a current basis beginning April 1, 2013 with an annual reconciliation, including interest at the other customer deposit rate.
4. RSS costs collected through the surcharge will be allocated to service classifications based on the most recent transmission plant allocator and assessed on a volumetric basis; per kWh for non-demand service classifications and per kW for demand service classifications.

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5. The RSS surcharge will be applicable to all customers with the exception of those customers whose rates are developed using marginal costs (Empire Zone qualifying load and Excelsior Jobs Program qualifying load).
- B. Low Income Reconnect Fee Waiver Program – Electric and Gas Business
1. The Company will provide a one time \$46 reconnect fee waiver for electric and gas customers receiving HEAP assistance.
- C. Customer Outreach and Education Program
1. Increase funding for the Company's customer outreach and education program.
- D. Earnings Sharing Mechanism
1. If Niagara Mohawk's earned return on equity exceeds 9.3 percent in any of the three rate years ("Earnings Sharing Threshold"), the Company will defer, with interest calculated using the customer provided capital rate, for refund to customers a credit as set forth below:
    - a. For the first 100 basis points above the Earnings Sharing Threshold (*i.e.*, > 9.3 percent, but ≤ 10.3 percent), 50 percent of the revenue equivalent of earnings above the Earnings Sharing Threshold will be deferred for the benefit of customers and 50 percent will be retained by the Company.
    - b. For the next 100 basis points (*i.e.*, > 10.3 percent but ≤ 11.3 percent), 75 percent of the revenue equivalent of earnings above the Earnings Sharing Threshold will be deferred for the benefit of customers and 25 percent will be retained by the Company.
    - c. 90 percent of the revenue equivalent of earnings in excess of 11.3 percent will be deferred for the benefit of customers and 10 percent will be retained by the Company.
- E. Miscellaneous Gas Provisions
1. Oil to Gas Conversion Program
    - a. The Company will implement an oil to gas conversion program in Rate Year One, the annual cost of which is not to exceed \$1.000 million. Any cost will be shared 50/50 between the Company and

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customers. Costs to be borne by customers will be deferred for future recovery.

2. Gas Expansion Collaborative

- a. The Company will convene a collaborative to explore approaches to increase the availability of gas service, as well as opportunities to expand the Company's current gas franchise area.

3. Inside Gas Services

- a. Within 60 days of the Commission's order adopting the Joint Proposal, the Company will develop a policy for relocating inside meters in conjunction with regular work activities performed inside customer premises. The Company will file subsequent periodic reports on the progress of this effort.

F. ESCO Issues

1. Collaborative to Provide Information to Residential ESCO Customers

- a. The Company will convene a collaborative as soon as practicable but no later than 60 days following the Commission's order adopting the Joint Proposal to develop the materials (including a bill calculator and other materials discussed in the collaborative) to be provided to residential ESCO customers concerning the amount the customer would have been billed if they had purchased commodity from the Company. The collaborative will also discuss what bill comparison tools could be provided to residential non-ESCO customers.
- b. The incremental costs that the Company will incur to develop and provide the information identified in the above paragraph will not exceed \$0.298 million and will be recovered by offsetting the costs against the electric deferral credits.

2. If an ESCO requests an ICAP tag for any account, including accounts that have an incentive allocation (*i.e.*, Recharge NY), the Company will respond via email with the serviceable load (*i.e.*, the load that can be served by the ESCO) and the ICAP tag for that load along with the notation "Reported ICAP Tag Adjusted for Special Programs" if applicable.

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3. The Company confirms that the enrollment of a customer with insufficient Gas usage history will be provided and manually enrolled by National Grid.
4. The Company confirms that, in accordance with the Joint Proposal dated December 19, 2005 in Case 05-M-0333 ("Competitive Opportunities Development Plan"), under the existing Purchase of Receivables program for customers in SC-3 and SC-3A, the ESCO has the option to use either a one-bill option or two-bill option for individual customers. However, if the ESCO seeks to move a customer from the two-bill option to a one-bill option, the Company's purchase of the accounts receivable of such customer will be subject to the conditions set forth in the Competitive Opportunities Development Plan.

G. Electric Capital Investment and O&M Issues

1. Electric Capital Investment Reporting – The Company will continue to submit periodic reports regarding its electric infrastructure planning and investment to the Commission and Staff. The Company also will meet with Staff within 60 days of the Commission's Order adopting the Joint Proposal to determine whether different or additional information would be useful to include in those reports, including discussion of the type of available information related to O&M programs.
2. Spare Transformer Program Analysis – The Company will perform a sensitivity analysis to consider how assumptions about factors such as future lead times, forecast capacity needs, and incremental reliability and availability benefits versus costs may affect recommended spare transformer levels.
3. Northeast Region Reinforcement – Spier- Rotterdam 115 kV Line – To the extent the Company incurs any incremental costs related to the pole straightness issues related to the Spier-Rotterdam 115 kV line, the Company will expense those costs below the line to exclude them from future revenue requirements and/or earnings sharing calculations.
4. Buffalo Street Light Cable Replacement – The Company will develop and submit to Staff a comprehensive long-term street light refurbishment program plan for the City of Buffalo by April 15, 2013.

H. Gas Capital Investment and O&M Issues

1. The Company agrees to provide Staff enhanced capital and O&M reporting on a quarterly basis in a mutually agreeable format.

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2. The Company is authorized to capitalize gas general equipment purchases of \$2,500 or more. Purchases less than \$2,500 will be expensed.

I. Rate Plan Provisions

1. The Rate Plan Provisions in Case 10-E-0050 will be modified consistent with the terms of this Settlement and attached as an appendix to the Joint Proposal.

J. Management Audit

1. The Parties agree that savings related to the implementation of Management Audit recommendations are reflected in the stipulated electric and gas revenue requirements. The Company will continue to work towards timely implementation of the remaining open Management Audit recommendations, and will continue to provide status update reports every four months and to participate in mid-cycle review meetings with Staff until all recommendations are implemented.

K. Service Company Investigation of Cost Allocations (Overland Audit)

1. In its compliance filing following the Commission's January 24, 2011 Order in Case 10-E-0050, the Company filed a credit mechanism for refunding to electric customers any amounts determined to have been overcharged to Niagara Mohawk customers as a result of the Overland review of service company allocations. This credit mechanism, which was established to address temporary rates and approved by the Commission, remains in place and will be used to refund to electric customers any overcharged amounts following the Commission's determination in Case 10-M-0451. The Company will be subject to the Commission's findings in that proceeding regarding its policies, procedures, governance and controls relating to service company charges.
2. The parties agree that the testimony, exhibits and discovery conducted in these proceedings do not support the collection of temporary rates.

L. All of the provisions of the Joint Proposal will continue beyond Rate Year Three until modified by the Commission. Unless otherwise specified herein, any targets, goals, deferral thresholds or other similar items set forth in the Joint Proposal will continue beyond Rate Year Three on a year-to-year basis at the level set forth for Rate Year Three until modified by the Commission.

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- M. While this Term Sheet summarizes the principal terms of settlement reached by the parties, the parties' assent to these terms is subject to their acceptance of the provisions of the Joint Proposal.
- N. The Joint Proposal will include other customary provisions (*e.g.*, dispute resolution).
- O. If the Company seeks to establish new rates to go into effect prior to April 1, 2016, the Company will be required to defer for the benefit of customers \$10.1 million annually and/or \$2.7 million annually for the electric and gas businesses, respectively, prorated to represent the difference in duration between the three year rate plan contemplated by the Joint Proposal and the period between the effective date of the Joint Proposal and the date new rates go into effect. If the Company files for new base rates that go into effect after April 1, 2016, this deferral will not apply.

**Appendix A**  
**Schedule 1**

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

PSC Case No. 12-E-0201

Statement of Electric Operating Income

For the Rate Year Ending March 31, 2014

(\$000's)

	Corrections & Updates Filing Rate Year Ending March 31, 2014	Adjustments	Rate Year Ending March 31, 2014	Base Revenue Increase Required	Rate Year Ending March 31, 2014 with Base Revenue Requirement
<b>Operating Revenues</b>	\$ 2,428,206	(1) \$ (25)	\$ 2,428,181	\$ 43,395	\$ 2,471,576
<b>Deductions</b>					
Purchased Power Costs	722,981	-	722,981		722,981
Revenue Taxes	29,245	-	29,245	738	29,983
Total Deductions	752,226	0	752,226	738	752,964
Gross Margin	1,675,980	(25)	1,675,955	42,657	1,718,612
Total Operation & Maintenance Expenses	1,005,223	(2) (27,093)	978,130	649	978,779
Amortization of Regulatory Deferrals	2,134	0	2,134		2,134
Depreciation, Amort. & Loss on Disposition	180,049	(3) 157	180,206		180,206
Taxes Other Than Revenue & Income Taxes	177,114	(4) (10,000)	167,114		167,114
Total Operating Revenue Deductions	1,364,520	(36,936)	1,327,584	649	1,328,233
Operating Income Before Income Taxes	311,460	36,911	348,371	42,008	390,379
<b>Income Taxes</b>					
Federal Income Taxes	76,997	10,914	87,911	13,659	101,570
State Income Taxes	16,477	2,383	18,860	2,983	21,843
Total Income Taxes	93,474	13,297	106,771	16,642	123,413
Operating Income After Income Taxes	217,986	23,614	241,600	25,366	266,966
Rate Base	4,104,201	(5) \$ 2,972	\$ 4,107,173		\$ 4,107,173
Rate of Return	5.31%		5.88%		6.50%

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**  
**PSC Case No. 12-E-0201**  
**Electric - Operation & Maintenance Expenses**  
(\$000's)

	<b>Corrections &amp; Updates</b>			<b>Rate Year Ending</b>
	<b>Rate Year Ending</b>		<b>Adjustments</b>	<b>Rate Year Ending</b>
	<b>March 31, 2014</b>			<b>March 31, 2014</b>
<b>Operation &amp; Maintenance Expenses:</b>				
<b><u>Departmental Items:</u></b>				
Consultants	\$ 7,797	a	\$ -	\$ 7,797
Contractors	61,482		0	61,482
Rate Case Expense	669		0	669
Employee Expenses	6,745		0	6,745
Hardware	3,320		0	3,320
Software	6,255		0	6,255
Other	24,472	b	(2,265)	22,207
Rents	45,497	c	(1,936)	43,561
Service Co. Equity	0		0	0
Construction Reimbursement	(582)		0	(582)
Co Contributions/Cr to Jobs	56		0	56
Bill Interface Expense Type	(2,528)		0	(2,528)
Capital Overheads	267		0	267
Supervision & Admin	424		0	424
Service Co Operating Costs	0		0	0
Sales Tax	5,188		0	5,188
FAS 106	36,586	d	(583)	36,003
FAS 112	4,421	e	(64)	4,357
Health Care	24,967	f	(316)	24,652
Group Life Insurance	1,712	g	(20)	1,693
Other Benefits	621		0	621
Pension	45,446	h	(598)	44,849
Thrift Plan	6,012	i	40	6,052
Workers Comp	3,549	j	(54)	3,496
Payroll Taxes	0		0	0
Materials Outside Vendor	18,601	k	(281)	18,320
Materials From Inventory	5,326		0	5,326
Materials Stores Handling	1,017		0	1,017
Total Labor	235,512	l	(8,315)	227,198
Variable Pay	0		0	0
Storm Fund	29,000		0	29,000
Renewable Portfolio Standard	75,398		0	75,398
Legal	5,321		0	5,321
Accounting	3,136		0	3,136
Vegetation	55,727	m	(3,300)	52,427
US Restructuring (Savings)	(11,921)	n	(440)	(12,361)
E&Y Analysis	2,420	o	(2,420)	0
Transportation	20,742		650	21,392
Energy Efficiency Program	80,525		0	80,525
Ex Pat Proxy	(458)	p	(845)	(1,303)
Injuries & Damages	9,413		0	9,413
New Initiatives	27,664	q	(2,875)	24,789
Productivity Adjustment	(5,393)	r	198	(5,195)
Regulatory Assessment Fees	94,235	s	0	94,235
Site Investigation & Remediation Expenses	35,700		0	35,700
System Benefits Charge	19,321		0	19,321
Blank	0		0	0
Synergy Savings	(652)		0	(652)
Allocation Reclassification	(13,382)		0	(13,382)
Inflation	0	t	(222)	(222)
Miscellaneous Expense (1 item)	0	u	(878)	(878)
Uncollectible Accounts	35,595	v	(2,571)	33,024
Sub Total - Departmental	\$ 1,005,223		\$ (27,093)	\$ 978,130
<b><u>Non-Departmental Items:</u></b>				
Purchased Power	722,981		0	722,981
<b>TOTAL</b>	<b>\$ 1,728,204</b>		<b>\$ (27,093)</b>	<b>\$ 1,701,111</b>

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

PSC Case No. 12-E-0201

Federal Income Taxes

For the Rate Year Ending March 31, 2014

(\$000's)

	Electric - as Adj. Federal Taxable Income	Deferable Basis	Adjustments	Book Taxable Income	@ the Statutory Rate	DFIT Reversals	Net FIT Before Rev Req
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	348,370,609			348,370,609	121,930,000		121,930,000
<b>ADDITIONS</b>							
PROVISION FOR DEPRECIATION	180,350,022		157,000	180,507,022	63,177,000		63,177,000
REAL ESTATE TAXES PER BOOKS	150,098,000			150,098,000	52,534,000		52,534,000
BUSINESS MEALS 50% DISALLOWANCE	291,000			291,000	102,000		102,000
<b>DEDUCTIONS</b>							
GAIN ON REDEMPTION BONDS	(60,460)			(60,460)	(21,000)		(21,000)
V-M BOOK GAIN AMORTIZATION	0			0	0	375,000	375,000
INTEREST	(79,621,000)		(3,344,000)	(82,965,000)	(29,038,000)		(29,038,000)
NEW YORK STATE INCOME TAXES - CURRENT PROVISION	(18,860,000)			(18,860,000)	(6,601,000)		(6,601,000)
OTHER STATE INCOME TAXES	0			0	0		0
COST OF REMOVAL	(45,687,055)	36,549,644		(9,137,411)	(3,198,000)	(11,894,000)	(15,092,000)
GAS CONTINGENCY RESERVE	0			0	0		0
TAX DEPRECIATION	(158,928,173)	25,366,030	(157,000)	(133,719,143)	(46,802,000)		(46,802,000)
REAL ESTATE TAXES FOR TAX	(150,098,000)			(150,098,000)	(52,534,000)		(52,534,000)
DIVIDENDS PAID ON CERTAIN PREF STOCK OF PUBLIC UTILITIES	(339,784)			(339,784)	(119,000)		(119,000)
<b>TOTAL FIT EXPENSE</b>	225,515,159	61,915,674		284,086,833	99,430,000	(11,519,000)	87,911,000

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

PSC Case No. 12-E-0201

State Income Taxes

For the Rate Year Ending March 31, 2014

(\$000's)

	Electric - as Adj. State Taxable Income	Deferable Basis	Adjustments	Book Taxable Income	@ the Statutory Rate	DSIT Reversals	Net SIT Before Rev Req
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	348,370,609			348,370,609	24,734,000		24,734,000
<b>ADDITIONS</b>							
REAL ESTATE TAXES PER BOOKS	150,098,000			150,098,000	10,657,000		10,657,000
BUSINESS MEALS 50% DISALLOWANCE	291,000			291,000	21,000		21,000
<b>DEDUCTIONS</b>							
GAIN ON REDEMPTION BONDS	(60,460)			(60,460)	(4,000)		(4,000)
OTHER POST RETIREMENT BENEFIT LIABILITY-MEDICARE PIECE	0			0	0		0
INTEREST	(79,621,000)	(3,344,000)		(82,965,000)	(5,891,000)		(5,891,000)
GAS CONTINGENCY RESERVE	0			0	0		0
IBM CUSTOMER SYSTEM SETTLEMENT	0			0	0		0
REAL ESTATE TAXES FOR TAX	(150,098,000)			(150,098,000)	(10,657,000)		(10,657,000)
<b>TOTAL SIT EXPENSE</b>	268,980,149	(3,344,000)	0	265,636,149	18,860,000	0	18,860,000

7.1% (eff Apr 2007)

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-E-0201**

**Summary of Electric Rate Base**

**For the Rate Year Ending March 31, 2014**  
(\$000's)

	Rate Year Ending March 31, 2014	Adj.	Adjustments	Rate Year Ending March 31, 2014
<b>Net Utility Plant</b>	5,399,334	a	6,441	5,405,775
<b>Regulatory Assets / Liabilities</b>	(16,035)		0	(16,035)
<b>Accumulated Deferred Income Taxes - Federal</b>	(1,104,493)		(382)	(1,104,875)
<b>Accumulated Deferred Income Taxes - State</b>	(193,422)		(92)	(193,514)
<b>Working Capital</b>				
Blank	0		0	0
Materials and supplies	31,108		(30)	31,078
Prepayments	(105,344)		100	(105,244)
O&M Cash Allowance (1/8 O&M exp)	88,866		(3,065)	85,801
Supply Cash Allowance (Sep 09 lead/lag study)	34,443			34,443
Change in Supply Cash Allowance (3.64% x RY Gas exp)	(6,791)		0	(6,791)
subtotal Working Capital	42,282		(2,995)	39,287
subtotal avg. before EBCAP adj.	4,127,666		2,972	4,130,638
Excess Earnings Base adjustment	(23,465)		0	(23,465)
<b>Total Electric Rate Base</b>	4,104,201		2,972	4,107,173

Niagara Mohawk, a National Grid Company  
PSC Case No. 12-E-0201  
Capital Structure Forecast  
For the Rate year Ending March 31, 2014

Capital Structure Forecast

	Total NM Annual Avg	Weighting Percent	Cost	Weighted Cost	Pre-Tax Weighted Cost
Long Term Debt	\$ 2,582,209	49.71%	4.04%	2.01%	2.01%
Notes Payable	52,399	1.01%	0.46%	0.00%	0.00%
Gas Supplier Refunds	-	0.00%	0.00%	0.00%	0.00%
Customer Deposits	37,559	0.72%	1.65%	0.01%	0.01%
Preferred Stock	28,985	0.56%	3.66%	0.02%	0.03%
Common Equity	2,493,371	48.00%	9.30%	4.46%	7.39%
Total	\$5,194,523	100.00%		6.50%	9.44%

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-E-0201**

**Adjustments for the Rate Year Ending March 31, 2014**

**(\$000's)**

<b><u>Adj. 1.a</u></b>		<b><u>Operating Revenues</u></b>	
(1)	To adjust Sales	(8,162)	
(2)	To reflect Company update in rebuttal	(25)	
(3)	To remove sales adjustment	8,162	(25)
			<u><u>          </u></u>
<b><u>Adj. 1.b</u></b>		<b><u>Purchased Power Costs</u></b>	
	To reflect change in commodity expenses on adjustment 1.a	(1,889)	
	To remove change in commodity expenses	1,889	0
			<u><u>          </u></u>
<b><u>Adj. 1.c</u></b>		<b><u>Revenue Taxes</u></b>	
	To reflect change in revenue taxes on adjustment 1.a	(68)	
	To remove change in revenue taxes	68	0
			<u><u>          </u></u>
<b><u>Adj. 2</u></b>		<b><u>Operating and Maintenance Expenses</u></b>	
<b><u>a.</u></b>		<b><u>Consultant Expense</u></b>	
(1)	To reflect staffs normalizing adjustments	(482)	
(2)	To update staffs normalizing adjustments for Company rebuttal	482	0
			<u><u>          </u></u>
<b><u>b.</u></b>		<b><u>Other Expense</u></b>	
(1)	To eliminate 50% of annual EEI membership fees for activities related to lobbying	(213)	
(2)	To reflect staff's normalizing adjustments	(3,373)	
(3)	To reduce other expense for Glens Falls savings per DAG-83	(26)	
(4)	To adjust for incorrect allocation code per DAG-56 Supp	13	
(5)	To update adj 2.b(1) for Company rebuttal	213	
(6)	To update staffs normalizing adjustments for Company rebuttal	1,121	(2,265)
			<u><u>          </u></u>
<b><u>c.</u></b>		<b><u>Rent Expense</u></b>	
(1)	To reflect Staff service company return allowance of 8.63% which is based on Staff Capital Structure.	(1,562)	
(2)	To reflect change in bill pool 603 allocation, as per DPS-52 (DAG-5)	(1,585)	
(3)	To reflect correction for Glens Falls lease expense (DAG-83)	238	
(4)	To reflect correction for IS rent expense (DAGINF-6)	68	
(5)	To update adj 2.c(1) for agreed upon capital structure	319	
(6)	To update adj 2.c(2) for bill pool allocation, as per DPS-490 (GRL-32)	586	(1,936)
			<u><u>          </u></u>
<b><u>d.</u></b>		<b><u>FAS 106 - OPEB</u></b>	
(1)	Use latest benefit capitalization rate thru 7/31/2012 of 40.78%	(1,166)	
(2)	To adjust the capitalization rate to 39.72%	583	(583)
			<u><u>          </u></u>
<b><u>e.</u></b>		<b><u>FAS 112</u></b>	
(1)	Use latest benefit capitalization rate thru 7/31/2012 of 40.78%	(128)	
(2)	To adjust the capitalization rate to 39.72%	64	(64)
			<u><u>          </u></u>
<b><u>f.</u></b>		<b><u>Health Care</u></b>	
(1)	Use latest benefit capitalization rate thru 7/31/2012 of 40.78%	(589)	
(2)	Remove 1 additional FTE for US Restructuring per DAG-50	(6)	
(3)	Company update to remove 2 additional FTE per RMD-18	(15)	
(4)	To adjust the capitalization rate to 39.72%	295	(316)
			<u><u>          </u></u>
<b><u>g.</u></b>		<b><u>Group Life Insurance</u></b>	
(1)	Use latest benefit capitalization rate thru 7/31/2012 of 40.78%	(39)	
(2)	To adjust the capitalization rate to 39.72%	20	(20)
			<u><u>          </u></u>

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-E-0201**

**Adjustments for the Rate Year Ending March 31, 2014**

**(\$000's)**

<b><u>h.</u></b>			
<b>Pension</b>			
(1)	Use latest benefit capitalization rate thru 7/31/2012 of 40.78%	(1,195)	
(2)	To adjust the capitalization rate to 39.72%	598	(598)
		<hr/>	<hr/>
<b><u>i.</u></b>			
<b>Thrift Plan</b>			
(1)	Use latest benefit capitalization rate thru 7/31/2012 of 40.78%	80	
(2)	To adjust the capitalization rate to 39.72%	(40)	40
		<hr/>	<hr/>
<b><u>j.</u></b>			
<b>Workers Comp.</b>			
(1)	Use latest benefit capitalization rate thru 7/31/2012 of 40.78%	(107)	
(2)	To adjust the capitalization rate to 39.72%	54	(54)
		<hr/>	<hr/>
<b><u>k.</u></b>			
<b>Materials Outside Vendors</b>			
	To reflect agreed upon postage as per DPS-491 (DAG-81)		(281)
			<hr/>
<b><u>l.</u></b>			
<b>Labor Expense</b>			
(1)	To limit management pay increases to 2.9% per year	(360)	
(2)	To adjust management compensation to reflect pay differential by regions	(1,725)	
(3)	Adj. backfilling vacancies created by internal promotions at lower pay levels	(412)	
(4)	Adj. labor capitalization rate to reflect latest known actuals thru 7/31/2012 of 38.1%	(6,056)	
(5)	Remove 1 additional FTE for US Restructuring per DAG-50	(41)	
(6)	Allocate RY variable pay between expense and capital in same manner as base pay	(3,434)	
(7)	Company update to remove 2 additional FTE per RMD-18	(45)	
(8)	To update adj 2. l (2)	863	
(9)	To adjust the capitalization rate to 37.05%	3,028	
(10)	Flow through adj for 2. l (6) for updated capitalization rate	(132)	(8,315)
		<hr/>	<hr/>
<b><u>m.</u></b>			
<b>Vegetation</b>			
(1)	To adjust Vegetation Management - Transmission	(2,140)	
(2)	To adjust Vegetation Management - Distribution	(1,750)	
(3)	To update adj 2. m (1) for Company rebuttal	300	
(4)	To update adj 2. m (2) for Company rebuttal	290	(3,300)
		<hr/>	<hr/>
<b><u>n.</u></b>			
<b>U.S. Restructuring</b>			
	Reflect additional savings per DAG-49 DAG -81		(440)
			<hr/>
<b><u>o.</u></b>			
<b>E&amp;Y Analysis</b>			
	To remove O&M charges resulting from E&Y analysis		(2,420)
			<hr/>
<b><u>p.</u></b>			
<b>Transportation</b>			
(1)	Company update to correct inflation calculation error in DAG-74	(42)	
(2)	To accept Company's updated forecast of fuel index prices	692	650
			<hr/>
<b><u>q.</u></b>			
<b>Ex Pat Proxy</b>			
(1)	To reflect HTY normalization adj. as per DAG-48	(399)	
(2)	To reflect expats ending assignment prior to 1/1/12 as per DAG-48	(358)	
(3)	To reflect additional expats ending assignment prior to or during RYE 3/14	(578)	
(4)	To update adj 2.q (3)	490	(845)
		<hr/>	<hr/>

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-E-0201**

**Adjustments for the Rate Year Ending March 31, 2014**

**(\$000's)**

<b><u>r. New Initiatives</u></b>			
(1)	To adjust UG Network Inspections	(301)	
(2)	To adjust Recloser/Capacitor Inspections	(166)	
(3)	To adjust Footer Inspection/Repair - Transmission	(1,000)	
(4)	To adjust Footer Inspection/Repair - Sub-Transmission	(227)	
(5)	To adjust OPEX related to CAPEX	(1,004)	
(6)	Company update to adjust AFV grants	(200)	
(7)	To further adjust OPEX related to CAPEX	23	(2,875)
		<hr/>	<hr/>
<b><u>s. Productivity Adjustment</u></b>			
(1)	Flow adjustment related to labor adjustments above	288	
(2)	Remove 1 additional FTE for US Restructuring per DAG-50	1	
(3)	Company update to remove 2 additional FTE per RMD-18	1	
(4)	To reflect flow through for additional labor adjustments	(92)	198
		<hr/>	<hr/>
<b><u>t. Regulatory Assessment Fees</u></b>			
(1)	To reflect change in 18A assessment surcharge related to adjustment 1.a	(705)	
(2)	To not reflect change in 18A assessment surcharge	705	0
		<hr/>	<hr/>
<b><u>u. Inflation</u></b>			
(1)	To reflect staff updated inflation factor.	(413)	
(2)	To reflect staff corrected calculation for updated inflation factor	191	(222)
		<hr/>	<hr/>
<b><u>v. Miscellaneous Expense</u></b>			
(1)	To reduce Outreach & Education Proposal	(250)	
(2)	To reflect additional IS Transformation adj. per DAG-80	(757)	
(3)	To reflect correction of additional IS Transformation adj.	129	(878)
		<hr/>	<hr/>
<b><u>w. Uncollectible Accounts</u></b>			
(1)	Use of a three year average uncollectible rate vs the Company's one year rate	(7,501)	
(2)	To reflect uncollectible rate of 1.4963%.	4,930	(2,571)
		<hr/>	<hr/>
<b>Total Operating &amp; Maintenance Expense Adjustments</b>			<b>(27,093)</b>
			<hr/>
<b><u>Adj. 3 Depreciation Expense</u></b>			
(a)	To reflect Staff's proposed depreciation	(22)	
(b)	To adjust Staff's depreciation adjustment	179	157
		<hr/>	<hr/>
<b><u>Adj. 4 Taxes Other Than Revenue &amp; Income Taxes</u></b>			
<b><u>a. Real Estate Taxes</u></b>			
(1)	To reduce property taxes related to incremental additions to Plant in Service	(2,042)	
(2)	To reduce property taxes for a change in forecast growth rate	(6,290)	
(3)	To correct adjustment (1) for electric / gas split	(1,273)	
(4)	To reduce property taxes for Glens Falls savings per DAG-83	(17)	
(5)	Flow through adjs to PIS for changes in CAPEX	283	
(6)	To reflect additional flow through adjs to PIS for changes in CAPEX	(46)	(9,385)
		<hr/>	<hr/>
<b><u>b. Payroll Taxes</u></b>			
(1)	Tracking labor adjustments loading factor of 7.39%	(886)	
(2)	Remove 1 additional FTE for US Restructuring per DAG-50	(3)	
(3)	Flow through adjustment for additional labor adjs	274	(615)
		<hr/>	<hr/>
<b>Total Taxes Other Than Revenue &amp; Income Taxes</b>			<b>(10,000)</b>
			<hr/>

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-E-0201**

**Adjustments for the Rate Year Ending March 31, 2014**

**(\$000's)**

<b><u>Adj. 5</u></b>	<b><u>Rate Base</u></b>		
<b><u>a.</u></b>	<b><u>Net Utility Plant</u></b>		
(1)	Update Electric Plant based on Staff's forecast	(909)	
(2)	Company update per rebuttal	7,466	
(3)	To adjust Staff's plant adjustment	(116)	<u>6,441</u>
<b><u>b.</u></b>	<b><u>Accumulated Deferred Income Taxes</u></b>		
(1)	To reflect flow through changes to Net Plant - Federal	(382)	
(2)	To reflect flow through changes to Net Plant - State	(92)	<u>(474)</u>
<b><u>c.</u></b>	<b><u>Inflation Adjustment</u></b>		
(1)	Materials and Supplies	(30)	
(2)	Prepayments	100	<u>70</u>
	<b>Total Rate Base Adjustments</b>		<u><u>6,037</u></u>

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-E-0201  
Statement of Electric Operating Income  
For the Rate Year Ending March 31, 2015  
(\$000's)**

	Settlement Rate Year Ending March 31, 2014	Adjustments	Rate Year Ending March 31, 2015	Base Revenue Increase Required	Rate Year Ending March 31, 2015 with Base Revenue Requirement
<b>Operating Revenues</b>	\$ 2,471,576	\$ (9,551)	\$ 2,462,025	\$ 51,361	\$ 2,513,386
<b>Deductions</b>					
Purchased Power Costs	722,981	23,519	746,500		746,500
Revenue Taxes	29,983	(568)	29,415	873	30,288
Total Deductions	752,964	22,951	775,915	873	776,788
<b>Gross Margin</b>	1,718,612	(32,502)	1,686,110	50,488	1,736,598
<b>Total Operation &amp; Maintenance Expenses</b>	978,779	(25,036)	953,743	768	954,511
<b>Amortization of Regulatory Deferrals</b>	2,134	0	2,134		2,134
<b>Depreciation, Amort. &amp; Loss on Disposition</b>	180,206	7,310	187,516		187,516
<b>Taxes Other Than Revenue &amp; Income Taxes</b>	167,114	4,024	171,138		171,138
<b>Total Operating Revenue Deductions</b>	1,328,233	(13,702)	1,314,531	768	1,315,299
<b>Operating Income Before Income Taxes</b>	390,379	(18,800)	371,579	49,720	421,299
<b>Income Taxes</b>					
Federal Income Taxes	101,569	(9,938)	91,631	16,166	107,797
State Income Taxes	21,843	(2,170)	19,673	3,530	23,203
Total Income Taxes	123,412	(12,108)	111,304	19,696	131,000
<b>Operating Income After Income Taxes</b>	266,967	(6,692)	260,275	30,023	290,299
<b>Rate Base</b>	\$ 4,107,173	\$ 258,216	\$ 4,365,389	\$	\$ 4,365,389
<b>Rate of Return</b>	6.50%		5.96%		6.65%

NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRIDPSC Case No. 12-E-0201Electric - Operation & Maintenance Expenses

(\$000's)

	Settlement		
	Rate Year Ending		Rate Year Ending
	<u>March 31, 2014</u>	<u>Adjustments</u>	<u>March 31, 2015</u>
<b><u>Operation &amp; Maintenance Expenses:</u></b>			
<b><u>Departmental Items:</u></b>			
Consultants	\$ 7,797	i \$ 166	\$ 7,963
Contractors	61,482	i 1,310	62,792
Rate Case Expense	669	s -	669
Employee Expenses	6,745	i 144	6,889
Hardware	3,320	i 71	3,391
Software	6,255	i 133	6,388
Other	22,207	i 473	22,680
Rents	43,561	s 7,802	51,363
Conservation Load Management	0	i -	0
Construction Reimbursement	(582)	i (12)	(594)
Co Contributions/Cr to Jobs	56	i 1	57
Bill Interface Expense Type	(2,528)	i (54)	(2,582)
Capital Overheads	267	i 6	273
Supervision & Admin	424	i 9	433
Service Co Operating Costs	0	i -	0
Sales Tax	5,188	i 111	5,299
FAS 106	36,003	s (1,421)	34,582
FAS 112	4,357	i 93	4,450
Health Care	24,652	i 525	25,177
Group Life Insurance	1,693	i 36	1,729
Other Benefits	621	i 13	634
Pension	44,849	s (16,927)	27,922
Thrift Plan	6,052	i 129	6,181
Workers Comp	3,496	i 74	3,570
Payroll Taxes	0	i -	0
Materials Outside Vendor	18,320	i 390	18,710
Materials From Inventory	5,326	i 113	5,439
Materials Stores Handling	1,017	i 22	1,039
Total Labor	227,198	s 6,398	233,595
Variable Pay	0	i -	0
Storm Fund	29,000	s -	29,000
Renewable Portfolio Standard	75,398	s 11,080	86,478
Legal	5,321	i 113	5,434
Accounting	3,136	i 67	3,203
Vegetation	52,427	i 1,117	53,544
US Restructuring (Savings)	(12,361)	i (263)	(12,624)
E&Y Analysis	0	i -	0
Transportation	21,392	i 119	21,511
Energy Efficiency Program	80,525	s 31,948	112,473
Ex Pat Proxy	(1,303)	i (28)	(1,331)
Injuries & Damages	9,413	i 200	9,613
New Initiatives	24,789	s (1,595)	23,194
Productivity Adjustment	(5,195)	s (2,778)	(7,973)
Regulatory Assessment Fees	94,235	s (63,589)	30,646
Site Investigation & Remediation Expenses	35,700	s -	35,700
System Benefits Charge	19,321	s (2,631)	16,690
Blank	0	i -	0
Synergy Savings	(652)	i (14)	(666)
Allocation Reclassification	(13,382)	i (285)	(13,667)
Inflation	(222)	i (5)	(227)
Miscellaneous Expense (1 item)	(878)	i 878	0
Uncollectible Accounts	33,673	s 1,025	34,698
Sub Total - Departmental	\$ 978,779	\$ (25,036)	\$ 953,743
<b><u>Non-Departmental Items:</u></b>			
Purchased Power	722,981	23,518	746,499
<b>TOTAL</b>	<b>\$ 1,701,760</b>	<b>\$ (1,518)</b>	<b>\$ 1,700,242</b>

**Inflation Factor**  
2.13%

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

PSC Case No. 12-E-0201

Federal Income Taxes

For the Rate Year Ending March 31, 2015  
(\$000's)

	Adjusted Rate Case					Net FIT Before Rev. Req
	Electric - as Adj. Federal Taxable Income	Deferable Basis	Adjustments	Book Taxable Income @ the Statutory Rate	DFIT Reversals	130,653,000
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	371,578,587			371,578,587		130,653,000
<b>ADDITIONS</b>						
PROVISION FOR DEPRECIATION	187,822,336			187,822,336		65,738,000
REAL ESTATE TAXES PER BOOKS	153,849,760			153,849,760		53,847,000
BUSINESS MEALS 50% DISALLOWANCE	291,000			291,000		102,000
<b>DEDUCTIONS</b>						
GAIN ON REDEMPTION BONDS	(60,460)			(60,460)	(21,000)	(21,000)
V-M BOOK GAIN AMORTIZATION	0			0	375,000	375,000
INTEREST	(82,965,000)	(11,764,000)		(94,729,000)		(33,155,000)
NEW YORK STATE INCOME TAXES - CURRENT PROVISION	(19,673,000)			(19,673,000)		(6,886,000)
OTHER STATE INCOME TAXES	0			0		0
COST OF REMOVAL	(45,052,438)	36,041,950		(9,010,488)	(3,154,000)	(15,411,000)
GAS CONTINGENCY RESERVE	0			0		0
TAX DEPRECIATION	(187,806,488)	27,684,488		(140,122,000)	(49,043,000)	(49,043,000)
REAL ESTATE TAXES FOR TAX	(153,849,760)			(153,849,760)	(53,847,000)	(53,847,000)
DIVIDENDS PAID ON CERTAIN PREFERRED STOCK OF PUBLIC UTILITIES	(346,571)			(346,571)	(121,000)	(121,000)
<b>TOTAL FIT EXPENSE</b>	243,787,966	51,962,438		295,750,404	(11,882,000)	91,631,000

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

PSC Case No. 12-E-0201

State Income Taxes

For the Rate Year Ending March 31, 2015  
(\$000's)

	Adjusted Rate Case					Net SIT Before Rev. Req
	Electric - as Adj. State Taxable Income	Deferable Basis	Adjustments	Book Taxable Income @ the Statutory Rate	DSIT Reversals	26,382,000
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	371,578,587			371,578,587		26,382,000
<b>ADDITIONS</b>						
REAL ESTATE TAXES PER BOOKS	153,849,760			153,849,760		10,923,000
BUSINESS MEALS 50% DISALLOWANCE	291,000			291,000		21,000
<b>DEDUCTIONS</b>						
GAIN ON REDEMPTION BONDS	(60,460)			(60,460)	(4,000)	(4,000)
OTHER POST RETIREMENT BENEFIT LIABILITY-MEDICARE PIECE	0			0		0
INTEREST	(82,965,000)			(82,965,000)	(6,726,000)	(6,726,000)
GAS CONTINGENCY RESERVE	0			0		0
IBM CUSTOMER SYSTEM SETTLEMENT	0			0		0
REAL ESTATE TAXES FOR TAX	(153,849,760)			(153,849,760)	(10,923,000)	(10,923,000)
<b>TOTAL SIT EXPENSE</b>	288,841,127	0	0	277,080,127	(19,673,000)	19,673,000
	7.1%					

eff April 2007

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**  
**PSC Case No. 12-E-0201**  
**Summary of Electric Rate Base**  
**For the Rate Year Ending March 31, 2015**  
**(\$000's)**

	<b>Settlement</b>			<b>Rate Year Ending</b>
	<b>Rate Year Ending</b>		<b>Adjustments</b>	<b>March 31, 2015</b>
	<b>March 31, 2014</b>	<b>Adj.</b>		
<b>Net Utility Plant</b>	5,405,775	a	286,977	5,692,752
<b>Regulatory Assets / Liabilities</b>	(16,035)		(6,051)	(22,086)
<b>Accumulated Deferred Income Taxes - Federal</b>	(1,104,875)		(14,454)	(1,119,329)
<b>Accumulated Deferred Income Taxes - State</b>	(193,514)		(7,192)	(200,706)
<b>Working Capital</b>				
Blank	0		0	0
Materials and supplies	31,078		660	31,738
Prepayments	(105,244)		(2,237)	(107,481)
O&M Cash Allowance (1/8 O&M exp)	85,801		(359)	85,442
Supply Cash Allowance (Sep 09 lead/lag study)	34,443		0	34,443
Change in Supply Cash Allowance (3.64% x RY Gas exp)	(6,791)		872	(5,919)
<b>subtotal Working Capital</b>	<b>39,287</b>		<b>(1,064)</b>	<b>38,223</b>
<b>subtotal avg. before EBCAP adj.</b>	<b>4,130,638</b>		<b>258,216</b>	<b>4,388,854</b>
<b>Excess Earnings Base adjustment</b>	(23,465)		0	(23,465)
<b>Total Electric Rate Base</b>	<b>4,107,173</b>		<b>258,216</b>	<b>4,365,389</b>

Niagara Mohawk, a National Grid Company  
PSC Case No. 12-E-0201  
Capital Structure Forecast  
For the Rate year Ending March 31, 2015

Capital Structure Forecast

	Total NM Annual Avg	Weighting Percent	Cost	Weighted Cost	Pre-Tax Weighted Cost
Long Term Debt	\$ 2,180,508	49.95%	4.32%	2.16%	2.16%
Notes Payable	\$ 36,233	0.83%	0.46%	0.00%	0.00%
Gas Supplier Refunds	\$ -	0.00%	0.00%	0.00%	0.00%
Customer Deposits	\$ 30,121	0.69%	1.65%	0.01%	0.01%
Preferred Stock	\$ 23,137	0.53%	3.66%	0.02%	0.03%
Common Equity	\$ 2,095,383	48.00%	9.30%	4.46%	7.39%
Total	\$4,365,382	100.00%		6.65%	9.59%

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

PSC Case No. 12-E-0201

Statement of Electric Operating Income

For the Rate Year Ending March 31, 2016

(\$000's)

	Settlement Rate Year Ending March 31, 2015	Adjustments	Rate Year Ending March 31, 2016	Base Revenue Increase Required	Rate Year Ending March 31, 2016 with Base Revenue Requirement
<b>Operating Revenues</b>	\$ 2,513,386	\$ 12,401	\$ 2,525,787	\$ 28,342	\$ 2,554,129
<b>Deductions</b>					
Purchased Power Costs	746,500	38,467	784,967		784,967
Revenue Taxes	30,288	248	30,536	482	31,018
Total Deductions	776,788	38,715	815,503	482	815,985
Gross Margin	1,736,598	(26,314)	1,710,284	27,860	1,738,144
Total Operation & Maintenance Expenses	954,510	(45,876)	908,634	424	909,058
Amortization of Regulatory Deferrals	2,134	15	2,149		2,149
Depreciation, Amort. & Loss on Disposition	187,516	8,234	195,750		195,750
Taxes Other Than Revenue & Income Taxes	171,138	4,505	175,643		175,643
Total Operating Revenue Deductions	1,315,298	(33,122)	1,282,176	424	1,282,600
Operating Income Before Income Taxes	421,300	6,808	428,108	27,436	455,544
<b>Income Taxes</b>					
Federal Income Taxes	107,797	(2,628)	105,169	8,921	114,090
State Income Taxes	23,203	(573)	22,630	1,948	24,578
Total Income Taxes	131,000	(3,201)	127,799	10,869	138,668
Operating Income After Income Taxes	290,300	10,008	300,309	16,567	316,876
<b>Rate Base</b>	\$ 4,365,372	\$ 260,555	\$ 4,625,927		\$ 4,625,927
<b>Rate of Return</b>	6.65%		6.49%		6.85%

NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID

PSC Case No. 12-E-0201

Electric - Operation & Maintenance Expenses

(\$000's)

	Settlement Rate Year Ending March 31, 2015		Adjustments	Rate Year Ending March 31, 2016
<b><u>Operation &amp; Maintenance Expenses:</u></b>				
<b><u>Departmental Items:</u></b>				
Consultants	\$ 7,963	i	\$ 175	\$ 8,138
Contractors	62,792	i	1,381	64,173
Rate Case Expense	669	s	-	669
Employee Expenses	6,889	i	152	7,040
Hardware	3,391	i	75	3,465
Software	6,388	i	141	6,529
Other	22,680	i	499	23,179
Rents	51,363	s	-	51,363
Conservation Load Management	0	i	-	0
Construction Reimbursement	(594)	i	(13)	(607)
Co Contributions/Cr to Jobs	57	i	1	58
Bill Interface Expense Type	(2,582)	i	(57)	(2,639)
Capital Overheads	273	i	6	279
Supervision & Admin	433	i	10	443
Service Co Operating Costs	0	i	-	0
Sales Tax	5,299	i	117	5,415
FAS 106	34,582	s	(8,807)	25,775
FAS 112	4,450	i	98	4,548
Health Care	25,177	i	554	25,730
Group Life Insurance	1,729	i	38	1,767
Other Benefits	634	i	14	648
Pension	27,922	s	(9,524)	18,398
Thrift Plan	6,181	i	136	6,317
Workers Comp	3,570	i	79	3,648
Payroll Taxes	0	i	-	0
Materials Outside Vendor	18,710	i	412	19,122
Materials From Inventory	5,439	i	120	5,559
Materials Stores Handling	1,039	i	23	1,062
Total Labor	233,595	s	6,570	240,165
Variable Pay	0	i	-	0
Storm Fund	29,000	s	-	29,000
Renewable Portfolio Standard	86,478	s	(7,646)	78,832
Legal	5,434	i	120	5,554
Accounting	3,203	i	70	3,273
Vegetation	53,545	i	1,178	54,599
US Restructuring (Savings)	(12,624)	i	(278)	(12,902)
E&Y Analysis	0	i	-	0
Transportation	21,511	i	(1,052)	20,459
Energy Efficiency Program	112,473	s	(13,883)	98,590
Ex Pat Proxy	(1,331)	i	(29)	(1,360)
Injuries & Damages	9,613	i	211	9,825
New Initiatives	23,194	s	317	23,511
Productivity Adjustment	(7,973)	s	(2,885)	(10,858)
Regulatory Assessment Fees	30,645	s	(19,866)	10,779
Site Investigation & Remediation Expenses	35,700	s	-	35,700
System Benefits Charge	16,690	s	5,510	22,200
Blank	0	i	-	0
Synergy Savings	(666)	i	(15)	(681)
Allocation Reclassification	(13,667)	i	(301)	(13,968)
Inflation	(227)	i	(5)	(232)
Miscellaneous Expense (1 item)	0	i	-	0
Uncollectible Accounts	35,464	s	480	35,944
Sub Total - Departmental	\$ 954,510		\$ (45,876)	\$ 908,634
<b><u>Non-Departmental Items:</u></b>				
Purchased Power	746,499		38,468	784,967
<b>TOTAL</b>	<b>\$ 1,701,009</b>		<b>\$ (7,408)</b>	<b>\$ 1,693,601</b>

Inflation Factor

2.20%

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

PSC Case No. 12-E-0201

Federal Income Taxes

For the Rate Year Ending March 31, 2016

(\$000's)

	Adjusted Rate Case						Net FIT Before Rev Req
	Electric - as Adj. Federal Taxable Income	Deferable Basis	Staff Adjustments	Book Taxable Income	@ the Statutory Rate	DFTT Reversals	
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	428,107,955			428,107,955	149,838,000		149,838,000
<b>ADDITIONS</b>							
PROVISION FOR DEPRECIATION	196,061,006			196,061,006	68,621,000		68,621,000
REAL ESTATE TAXES PER BOOKS	158,085,876			158,085,876	55,330,000		55,330,000
BUSINESS MEALS 50% DISALLOWANCE	291,000			291,000	102,000		102,000
<b>DEDUCTIONS</b>							
GAIN ON REDEMPTION BONDS	(43,971)			(43,971)	(15,000)		(15,000)
V-M BOOK GAIN AMORTIZATION	0			0	0	375,000	375,000
INTEREST	(95,165,000)	(14,469,000)		(109,634,000)	(38,372,000)		(38,372,000)
NEW YORK STATE INCOME TAXES - CURRENT PROVISION	(22,630,000)			(22,630,000)	(7,921,000)		(7,921,000)
OTHER STATE INCOME TAXES	0			0	0		0
COST OF REMOVAL	(49,428,821)	39,543,057		(9,885,764)	(3,460,000)		(15,103,804)
GAS CONTINGENCY RESERVE	0			0	0		0
TAX DEPRECIATION	(777,137,364)	27,900,520	0	(49,236,844)	(52,233,000)		(52,233,000)
REAL ESTATE TAXES FOR TAX	(158,085,876)			(158,085,876)	(55,330,000)		(55,330,000)
DIVIDENDS PAID ON CERTAIN PREF STOCK OF PUBLIC UTILITIES	(949,753)			(349,753)	(122,000)		(122,000)
<b>TOTAL FIT EXPENSE</b>	279,705,052	52,974,577		332,679,629	116,438,000	(11,268,804)	105,169,196

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

PSC Case No. 12-E-0201

State Income Taxes

For the Rate Year Ending March 31, 2016

(\$000's)

	Adjusted Rate Case						Net SIT Before Rev Req
	Electric - as Adj. State Taxable Income	Deferable Basis	Staff Adjustments	Book Taxable Income	@ the Statutory Rate	DSIT Reversals	
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	428,107,955			428,107,955	30,396,000		30,396,000
<b>ADDITIONS</b>							
REAL ESTATE TAXES PER BOOKS	158,085,876			158,085,876	11,224,000		11,224,000
BUSINESS MEALS 50% DISALLOWANCE	291,000			291,000	21,000		21,000
<b>DEDUCTIONS</b>							
GAIN ON REDEMPTION BONDS	(43,971)			(43,971)	(3,000)		(3,000)
OTHER POST RETIREMENT BENEFIT LIABILITY-MEDICARE PIECE	0			0	0		0
INTEREST	(95,165,000)			(109,634,000)	(7,784,000)		(7,784,000)
GAS CONTINGENCY RESERVE	0			0	0		0
IBM CUSTOMER SYSTEM SETTLEMENT	0			0	0		0
REAL ESTATE TAXES FOR TAX	(158,085,876)			(158,085,876)	(11,224,000)		(11,224,000)
<b>TOTAL SIT EXPENSE</b>	333,189,984	0	0	318,249,884	22,650,000	0	22,650,000

7.1% eff Apr 2007

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**  
**PSC Case No. 12-E-0201**  
**Summary of Electric Rate Base**  
**For the Rate Year Ending March 31, 2016**  
**(\$000's)**

	Settlement			Rate Year Ending March 31, 2016
	Rate Year Ending March 31, 2015	Adj.	Adjustments	
Net Utility Plant	5,692,752	a	310,838	6,003,590
Regulatory Assets / Liabilities	(22,086)		(6,792)	(28,878)
Accumulated Deferred Income Taxes - Federal	(1,119,329)		(28,559)	(1,147,888)
Accumulated Deferred Income Taxes - State	(200,706)		(13,400)	(214,106)
<b>Working Capital</b>				
Blank	0		0	0
Materials and supplies	31,738		698	32,436
Prepayments	(107,481)		(2,365)	(109,846)
O&M Cash Allowance (1/8 O&M exp)	85,425		(1,291)	84,134
Supply Cash Allowance (Sep 09 lead/lag study)	34,443			34,443
Change in Supply Cash Allowance (3.64% x RY Gas exp)	(5,919)		1,426	(4,493)
subtotal Working Capital	38,206		(1,532)	36,674
subtotal avg. before EBCAP adj.	4,388,837		260,555	4,649,392
Excess Earnings Base adjustment	(23,465)		0	(23,465)
<b>Total Electric Rate Base</b>	4,365,372		260,555	4,625,927

Niagara Mohawk, a National Grid Company  
PSC Case No. 12-E-0201  
Capital Structure Forecast  
For the Rate year Ending March 31, 2016

Capital Structure Forecast

	Total NM Annual Avg	Weighting Percent	Cost	Weighted Cost	Pre-Tax Weighted Cost
Long Term Debt	\$ 2,253,284	48.71%	4.82%	2.35%	2.35%
Notes Payable	99,920	2.16%	0.46%	0.01%	0.01%
Gas Supplier Refunds	-	0.00%	0.00%	0.00%	0.00%
Customer Deposits	29,606	0.64%	1.65%	0.01%	0.01%
Preferred Stock	22,667	0.49%	3.66%	0.02%	0.03%
Common Equity	2,220,440	48.00%	9.30%	4.46%	7.39%
Total	\$4,625,917	100.00%		6.85%	9.79%

**Appendix A**  
**Schedule 2**

NIAGARA MOHAWK POWER CORPORATION db/a NATIONAL GRID

PSC Case No. 12-G-0202  
Statement of Gas Operating Income  
For the Rate Year Ending March 31, 2014  
(\$'000's)

	Corrections & Updates Filing Rate Year Ending March 31, 2014	Adjustments	Rate Year Ending March 31, 2014	Base Revenue Increase Required	Rate Year Ending March 31, 2014 with Base Revenue Requirement
<u>Operating Revenues</u>	\$ 607,513	(1) \$ 1,609	\$ 609,122	\$ (3,290)	\$ 605,832
<u>Deductions</u>					
Purchased Gas Costs	228,094		228,094		228,094
Revenue Taxes	8,370	27	8,397	(56)	8,341
Total Deductions	236,464	27	236,491	(56)	236,435
Gross Margin	371,049	1,582	372,631	(3,234)	369,397
Total Operation & Maintenance Expenses	185,577	(5,395)	180,182	(88)	180,094
Amortization of Regulatory Deferrals	(1,580)	-	(1,580)		(1,580)
Depreciation, Amort. & Loss on Disposition	50,243	(6,264)	43,979		43,979
Taxes Other Than Revenue & Income Taxes	44,904	(1,182)	43,722		43,722
Total Operating Revenue Deductions	279,144	(12,841)	266,303	(88)	266,215
<u>Operating Income Before Income Taxes</u>	91,905	14,423	106,328	(3,146)	103,182
<u>Income Taxes</u>					
Federal Income Taxes	23,441	4,403	27,844	(1,023)	26,821
State Income Taxes	5,034	961	5,996	(223)	5,773
Total Income Taxes	28,475	5,364	33,840	(1,246)	32,594
<u>Operating Income After Income Taxes</u>	\$ 63,430	\$ 9,059	\$ 72,488	\$ (1,899)	\$ 70,588
<u>Rate Base</u>	1,085,357	(5) \$ 628	\$ 1,085,985		\$ 1,085,985
<u>Rate of Return</u>	5.84%		6.67%		6.50%

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**Gas - Operation & Maintenance Expenses**

**(\$000's)**

	<b>Corrections &amp; Updates</b>			<b>Rate Year Ending</b>			
	<b>Rate Year Ending</b>		<b>Adjustments</b>	<b>Rate Year Ending</b>			
	<b>March 31, 2014</b>			<b>March 31, 2014</b>			
<b><u>Operation &amp; Maintenance Expenses:</u></b>							
<b><u>Departmental Items:</u></b>							
Consultants	\$	1,317	a	\$	-	\$	1,317
Contractors		11,868			0		11,868
Rate Case Expense		137			0		137
Employee Expenses		1,054			0		1,054
Hardware		468			0		468
Software		1,278			0		1,278
Other		5,911	b		(245)		5,666
Rents		6,273	c		181		6,454
Service Co. Equity		0			0		0
Construction Reimbursement		(32)			0		(32)
Co Contributions/Cr to Jobs		0			0		0
Bill Interface Expense Type		(20)			0		(20)
Capital Overheads		0			0		0
Supervision & Admin		4			0		4
Service Co Operating Costs		0			0		0
Sales Tax		666			0		666
FAS 106		7,494	d		(120)		7,375
FAS 112		935	e		(13)		922
Health Care		5,152	f		(65)		5,088
Group Life Insurance		358	g		(4)		354
Other Benefits		127			0		127
Pension		9,308	h		(123)		9,186
Thrift Plan		1,241	i		8		1,249
Workers Comp		726	j		(11)		715
Payroll Taxes		0			0		0
Materials Outside Vendor		3,543	k		(57)		3,486
Materials From Inventory		1,679			0		1,679
Materials Stores Handling		285			0		285
Total Labor		44,662	l		(1,611)		43,051
Variable Pay		0			0		0
Regular Pay Monthly		0			0		0
Base OT Pay Weekly		0			0		0
Legal		750			0		750
Accounting		640			0		640
Vegetation		444			0		444
US Restructuring (Savings)		(2,370)	m		(100)		(2,470)
E&Y Analysis		(673)	n		673		0
Transportation		4,726			149		4,875
Energy Efficiency Program		16,713			0		16,713
Ex Pat Proxy		(92)	o		(78)		(170)
Injuries & Damages		1,810			0		1,810
New Initiatives		7,092			(1,500)		5,592
Productivity Adjustment		(969)	p		38		(931)
Regulatory Assessment Fees		28,891			0		28,891
Site Investigation & Remediation Expenses		6,300			0		6,300
Synergy Savings		(161)			0		(161)
Allocation Reclassification		374			0		374
Uncollectible Accounts		17,668	q		(2,102)		15,567
Inflation		0	r		(38)		(38)
Miscellaneous Expense		0	s		(379)		(379)
Sub Total - Departmental	\$	185,577		\$	(5,395)	\$	180,182
<b><u>Non-Departmental Items:</u></b>							
Purchased Gas		228,094			0		228,094
<b>TOTAL</b>	<b>\$</b>	<b>413,671</b>		<b>\$</b>	<b>(5,395)</b>	<b>\$</b>	<b>408,276</b>

**NIAGARAMOHAWK POWER CORPORATION db/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**Federal Income Tax**

**For the Rate Year Ending March 31, 2014**

**(\$000's)**

	Adjusted Rate Case						Net FIT Before Rev Req
Gas - As Adjusted	Federal Taxable Income	Staff Adj	Deferrable Basis	Book Taxable Income	@ the Statutory Rate	DFIT Reversals	
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	106,328,008			106,328,008	37,214,803		37,214,803
<b>ADDITIONS</b>							
PROVISION FOR DEPRECIATION	50,243,000			43,979,000	15,392,650		15,392,650
REAL ESTATE TAXES PER BOOKS	40,644,000			40,644,000	14,225,400		14,225,400
BUSINESS MEALS 50% DISALLOWANCE	59,600			59,600	20,860		20,860
<b>DEDUCTIONS</b>							
GAIN ON REDEMPTION BONDS	(5,878)			(5,878)	(2,057)		(2,057)
OTHER POST RETIREMENT BENEFIT LIABILITY-MEDICARE PIECE INTEREST	0			0	0		0
NEW YORK STATE INCOME TAXES - CURRENT PROVISION	(21,056,000)		881,000	(21,937,000)	(7,677,950)		(7,677,950)
OTHER STATE INCOME TAXES	(5,995,576)			(5,995,576)	(2,098,452)		(2,098,452)
COST OF REMOVAL	(8,340,294)		6,672,235	(1,668,059)	(583,821)		(2,014,821)
GAS CONTINGENCY RESERVE	0			0	0		0
TAX DEPRECIATION	(39,743,715)		(3,553,135)	(37,032,850)	(12,961,498)		(12,961,498)
REAL ESTATE TAXES FOR TAX	(40,644,000)	6,264,000		(40,644,000)	(14,225,400)		(14,225,400)
DIVIDENDS PAID ON CERTAIN PREF STOCK OF PUBLIC UTILITIES	(84,416)			(84,416)	(29,546)		(29,546)
<b>TOTAL FIT EXPENSE</b>	81,404,729		4,000,100	83,642,829	29,274,990	(1,431,000)	27,843,990

**NIAGARAMOHAWK POWER CORPORATION db/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**State Income Tax**

**For the Rate Year Ending March 31, 2014**

**(\$000's)**

	Adjusted Rate Case						Net SIT Before Rev Req
Gas - As Adjusted	State Taxable Income	Staff Adjustments	Deferrable Basis	Book Taxable Income	@ the Statutory Rate	DSIT Reversals	
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	106,328,008			106,328,008	7,549,289		7,549,289
<b>ADDITIONS</b>							
REAL ESTATE TAXES PER BOOKS	40,644,000			40,644,000	2,885,724		2,885,724
BUSINESS MEALS 50% DISALLOWANCE	59,600			59,600	4,232		4,232
<b>DEDUCTIONS</b>							
GAIN ON REDEMPTION BONDS	(5,878)			(5,878)	(417)		(417)
OTHER POST RETIREMENT BENEFIT LIABILITY-MEDICARE PIECE INTEREST	0			0	0		0
GAS CONTINGENCY RESERVE	(21,056,000)		881,000	(21,937,000)	(1,557,527)		(1,557,527)
IBM CUSTOMER SYSTEM SETTLEMENT	0			0	0		0
REAL ESTATE TAXES FOR TAX	(40,644,000)			(40,644,000)	(2,885,724)		(2,885,724)
<b>TOTAL SIT EXPENSE</b>	85,325,730		881,000	84,444,730	5,995,576	0	5,995,576
	7.1%						

eff Apr 2007

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**Summary of Gas Rate Base**

**For the Rate Year Ending March 31, 2014**

**(\$000's)**

	Rate Year Ending March 31, 2014	Adj.	Adjustments	Rate Year Ending March 31, 2014
Net Utility Plant	1,289,184	a	2,168	1,291,352
Regulatory Assets / Liabilities	7,320		0	7,320
Accumulated Deferred Income Taxes - Federal	(223,140)	b	(891)	(224,031)
Accumulated Deferred Income Taxes - State	(40,348)		(197)	(40,545)
Working Capital				
Gas Storage	0		0	0
Materials and supplies (inc. Gas Inventory & def. Fuel)	62,278		(59)	62,219
Prepayments	(19,705)		19	(19,686)
O&M Cash Allowance (1/8 O&M exp)	15,687		(412)	15,275
Supply Cash Allowance (2007 lead/lag study)	21,654			21,654
Change in Supply Cash Allowance (3.64% x RY Gas exp)	(8,539)		0	(8,539)
subtotal Working Capital	71,375		(452)	70,923
subtotal avg. before EBCAP adj.	1,104,391		628	1,105,019
Excess Earnings Base adjustment	(19,034)		0	(19,034)
Total Gas Rate Base	1,085,357		628	1,085,985

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**  
**PSC Case No. 12-G-0202**  
**Capital Structure Forecast**  
**For the Rate Year Ending March 31, 2014**

**Capital Structure Forecast**

	Total NM Annual Avg	Weighting Percent	Cost	Weighted Cost	Pre-Tax Weighted Cost
Long Term Debt	\$ 2,582,209	49.71%	4.04%	2.01%	2.01%
Notes Payable	52,399	1.01%	0.46%	0.00%	0.00%
Gas Supplier Refunds	-	0.00%	0.00%	0.00%	0.00%
Customer Deposits	37,559	0.72%	1.65%	0.01%	0.01%
Preferred Stock	28,985	0.56%	3.66%	0.02%	0.03%
Common Equity	2,493,371	48.00%	9.30%	4.46%	7.39%
Total	\$5,194,523	100.00%		6.50%	9.44%

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**Adjustments for the Rate Year Ending March 31, 2014**

**(\$000's)**

<b><u>Adj. 1.a</u></b>	<b><u>Operating Revenues</u></b>		
	Reconcile funding of Low Income Program		<u>1,609</u>
<b><u>Adj. 1.b</u></b>	<b><u>Revenue Taxes</u></b>		
	To reflect change in revenue taxes on adjustment 1.a		<u>27</u>
<b><u>Adj. 2</u></b>	<b><u>Operating and Maintenance Expenses</u></b>		
<b><u>a.</u></b>	<b><u>Consultant Expense</u></b>		
(1)	To reflect staff's normalizing adjustments	(64)	
(2)	To update staff's normalizing adjustments for Company rebuttal	<u>64</u>	<u>0</u>
<b><u>b.</u></b>	<b><u>Other Expense</u></b>		
(1)	To eliminate 50% of annual AGA and NGA membership fees for activities related to lobbying	(111)	
(2)	To reflect staff's normalizing adjustments	(598)	
(3)	To reduce other expense for Glens Falls savings per DAG-83	(5)	
(4)	To adjust for incorrect allocation code per DAG-56 Supp	(6)	
(5)	To update adj 2.b(1) for Company rebuttal	111	
(6)	To update staff's normalizing adjustments for Company rebuttal	<u>364</u>	<u>(245)</u>
<b><u>c.</u></b>	<b><u>Rent Expense</u></b>		
(1)	To reflect Staff service company return allowance of 8.63% which is based on Staff Capital Structure.	(288)	
(2)	To reflect change in bill pool 603 allocation, as per DPS-52 (DAG-5)	(45)	
(3)	To reflect correction for Glens Falls lease expense (DAG-83)	49	
(4)	To reflect correction for IS rent expense (DAGINF-6)	15	
(5)	To correct Staff's calculation on service company return	74	
(6)	To update adj 2.c(1) for agreed upon capital structure	33	
(7)	To update adj 2.c(2) for bill pool allocation, as per DPS-490 (GRL-32)	<u>343</u>	<u>181</u>
<b><u>d.</u></b>	<b><u>FAS 106 - OPEB</u></b>		
(1)	Use latest benefit capitalization rate thru 7/31/2012 of 40.78%	(239)	
(2)	To adjust the capitalization rate to 39.72%	<u>120</u>	<u>(120)</u>
<b><u>e.</u></b>	<b><u>FAS 112</u></b>		
	Use latest benefit capitalization rate thru 7/31/2012 of 40.78%	(26)	
	To adjust the capitalization rate to 39.72%	<u>13</u>	<u>(13)</u>
<b><u>f.</u></b>	<b><u>Health Care</u></b>		
(1)	Use latest benefit capitalization rate thru 7/31/2012 of 40.78%	(121)	
(2)	Remove 1 additional FTE for US Restructuring per DAG-50	(1)	
(3)	Company update to remove 2 additional FTE per RMD-18	(3)	
(4)	To adjust the capitalization rate to 39.72%	<u>61</u>	<u>(65)</u>
<b><u>g.</u></b>	<b><u>Group Life Insurance</u></b>		
(1)	Use latest benefit capitalization rate thru 7/31/2012 of 40.78%	(8)	
(2)	To adjust the capitalization rate to 39.72%	<u>4</u>	<u>(4)</u>
<b><u>h.</u></b>	<b><u>FAS 87 - Pension</u></b>		
(1)	Use latest benefit capitalization rate thru 7/31/2012 of 40.78%	(245)	
(2)	To adjust the capitalization rate to 39.72%	<u>123</u>	<u>(123)</u>
<b><u>i.</u></b>	<b><u>Thrift Plan</u></b>		
(1)	Use latest benefit capitalization rate thru 7/31/2012 of 40.78%	16	
(2)	To adjust the capitalization rate to 39.72%	<u>(8)</u>	<u>8</u>

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**Adjustments for the Rate Year Ending March 31, 2014**

**(\$000's)**

<b><u>j.</u></b>			
<b>Workers Comp</b>			
(1)	Use latest benefit capitalization rate thru 7/31/2012 of 40.78%	(22)	
(2)	To adjust the capitalization rate to 39.72%	11	(11)
<b><u>k.</u></b>			
<b>Materials Outside Vendor</b>			
(1)	To reflect agreed upon postage as per DPS-491 (DAG-81)		(57)
<b><u>l.</u></b>			
<b>Labor Expense</b>			
(1)	To limit management pay increases to 2.9% per year	(74)	
(2)	To adjust management compensation to reflect pay differential by regions	(353)	
(3)	Adjust labor capitalization rate to reflect latest known actuals through 7/31/2012 of 38.1%	(1,241)	
(4)	Allocate RY variable pay between expense and capital in same manner as base pay	(703)	
(5)	Remove 1 additional FTE for US Restructuring per DAG-50	(8)	
(6)	Company update to remove 2 additional FTE per RMD-18	(5)	
(7)	To update adj 2.1 (2)	177	
(8)	To adjust the capitalization rate to 37.05%	621	
(9)	Flow through adj for 2.1 (4) for updated capitalization rate	(24)	(1,611)
<b><u>m.</u></b>			
<b>US Restructuring (Savings)</b>			
	Reflect additional savings per DAG-49 DAG -81		(100)
<b><u>n.</u></b>			
<b>E &amp; Y Analysis</b>			
	To remove O&M charges resulting from E&Y analysis		673
<b><u>o.</u></b>			
<b>Transportation</b>			
(1)	Company update to correct inflation calculation error in DAG-74	(9)	
(2)	To accept Company's updated forecast of fuel index prices	158	149
<b><u>p.</u></b>			
<b>Ex Pat Proxy</b>			
(1)	To reflect HTY normalization adjustment as per DAG-48	(31)	
(2)	To reflect expats ending assignment prior to 1/1/12 as per DAG-48	(30)	
(3)	To reflect additional expats ending assignment prior to or during RYE 3/14	(85)	
(4)	To update adj 2.p (3)	68	(78)
<b><u>q.</u></b>			
<b>New Initiatives</b>			
	Company update to adjust AFV grants		(1,500)
<b><u>r.</u></b>			
<b>Productivity Adjustment</b>			
(1)	Flow adjustment related to labor adjustments above	57	
(2)	To reflect flow through for additional labor adjustments	(19)	38
<b><u>s.</u></b>			
<b>Uncollectible Accounts</b>			
(1)	Use of a three year average uncollectible rate vs the Company's one year rate	(4,839)	
(2)	To reflect uncollectible rate of 2.6857%	2,738	(2,102)
<b><u>t.</u></b>			
<b>Inflation</b>			
(1)	To reflect staff updated inflation factor.	(72)	
(2)	To reflect staff corrected calculation for updated inflation factor	34	(38)
<b><u>u.</u></b>			
<b>Miscellaneous Expense</b>			
(1)	To reflect additional IS Transformation adj. per DAG-80	(129)	
(2)	To reduce Outreach and Education	(250)	(379)
<b>Total O&amp;M Adjustments</b>			<b>(5,395)</b>

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**Adjustments for the Rate Year Ending March 31, 2014**

**(\$000's)**

<b>Adj. 3 Depreciation Expense</b>		
(a)	To reflect Staff's proposed depreciation	(6,364)
(b)	To adjust Staff's depreciation adjustment	100
		(6,264)
<b>Adj. 4 Taxes Other Than Revenue &amp; Income Taxes</b>		
<b>a. Real Estate Taxes</b>		
(1)	To reduce property taxes related to incremental additions to Plant in Service	(566)
(2)	To reduce property taxes for a change in forecast growth rate.	(1,743)
(3)	To correct adjustment (1) for electric / gas split	1,273
(4)	To reduce property taxes for Glens Falls savings per DAG-8:	(5)
(5)	Flow through to PIS for changes in CAPEX	(22)
		(1,063)
<b>b. Payroll Taxes</b>		
(1)	Tracking labor adjustments loading factor of 7.39%	(175)
(2)	Remove 1 additional FTE for US Restructuring per DAG-5C	(1)
(3)	Flow through adjustment for additional labor adjs	57
		(119)
	<b>Total Taxes Other Than Revenue &amp; Income Taxes</b>	(1,182)
<b>Adj. 5 Rate Base</b>		
<b>a. Net Utility Plant</b>		
(1)	Decrease to Gas Plant in Service	(712)
(2)	Adjustment to Non-Interest Bearing CWIP	(15)
(3)	Decrease in Reserve for Depreciation	2,945
(4)	To adjust Staff Plant adjustment	(50)
		2,168
<b>b. Accumulated Deferred Federal Income Taxes</b>		
(1)	To reflect flow through changes to Net Plant - Federal	(891)
(2)	To reflect flow through changes to Net Plant - State	(197)
		(1,088)
<b>c. Inflation Adjustment</b>		
(1)	Materials and Supplies	(59)
(2)	Prepayments	19
		(40)
	<b>Total Rate Base Adjustments</b>	2,168

NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID

PSC Case No. 12-G-0202

Statement of Gas Operating Income  
For the Rate Year Ending March 31, 2015

(\$000's)

	Settlement Rate Year Ending March 31, 2014	Adjustments	Rate Year Ending March 31, 2015	Base Revenue Increase Required	Rate Year Ending March 31, 2015 with Base Revenue Requirement	Deferral Credit	Rate Year Ending March 31, 2015 and Deferral
<u>Operating Revenues</u>	\$ 605,832	\$ (4,148)	\$ 601,684	\$ 5,854	\$ 607,538	\$ -	\$ 607,538
<u>Deductions</u>							
Purchased Gas Costs	228,094	11,571	239,665		239,665	-	239,665
Revenue Taxes	8,341	(157)	8,184	100	8,284	-	8,284
Total Deductions	236,435	11,414	247,849	100	247,949	-	247,949
Gross Margin	369,397	(15,562)	353,835	5,754	359,589	-	359,589
Total Operation & Maintenance Expenses	180,094	(17,761)	162,333	157	162,490	-	162,490
Amortization of Regulatory Deferrals	(1,580)	-	(1,580)		(1,580)	-	(1,580)
Depreciation, Amort. & Loss on Disposition	43,979	1,552	45,531		45,531		45,531
Taxes Other Than Revenue & Income Taxes	43,722	1,127	44,849		44,849		44,849
Total Operating Revenue Deductions	266,215	(15,082)	251,133	157	251,290	-	251,290
Operating Income Before Income Taxes	103,182	(480)	102,702	5,597	108,299	-	108,299
<u>Income Taxes</u>							
Federal Income Taxes	26,821	(940)	25,881	1,820	27,701	-	27,701
State Income Taxes	5,773	(206)	5,567	397	5,964	-	5,964
Total Income Taxes	32,594	(1,146)	31,448	2,217	33,665	-	33,665
Operating Income After Income Taxes	\$ 70,588	\$ 666	\$ 71,254	\$ 3,380	\$ 74,634	\$ -	\$ 74,634
<u>Rate Base</u>	\$ 1,085,985	\$ 36,329	\$ 1,122,314		\$ 1,122,314		\$ 1,122,314
<u>Rate of Return</u>	6.50%		6.35%		6.65%		6.65%

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**Gas - Operation & Maintenance Expenses**

**(\$000's)**

	<b>Settlement</b>		<b>Staff</b>		<b>Year 2</b>
	<b>Rate Year Ending</b>		<b>Adjustments</b>		<b>Rate Year Ending</b>
	<b><u>March 31, 2014</u></b>		<b><u>March 31, 2015</u></b>		<b><u>March 31, 2015</u></b>
<b><u>Operation &amp; Maintenance Expenses:</u></b>					
<b><u>Departmental Items:</u></b>					
Consultants	\$ 1,317	i	\$ 28	i	\$ 1,345
Contractors	11,868	i	253	i	12,121
Rate Case Expense	137	s	-	s	137
Employee Expenses	1,054	i	22	i	1,076
Hardware	468	i	10	i	478
Software	1,278	i	27	i	1,305
Other	5,666	i	121	i	5,787
Rents	6,454	i	88	i	6,542
Conservation Load Management	0	i	-	i	0
Construction Reimbursement	(32)	i	(1)	i	(33)
Co Contributions/Cr to Jobs	0	i	-	i	0
Bill Interface Expense Type	(20)	i	(0)	i	(20)
Capital Overheads	0	i	-	i	0
Supervision & Admin	4	i	0	i	4
Service Co Operating Costs	0	i	-	i	0
Sales Tax	666	i	14	i	680
FAS 106	7,375	i	(292)	i	7,083
FAS 112	922	i	20	i	941
Health Care	5,088	i	108	i	5,196
Group Life Insurance	354	i	8	i	362
Other Benefits	127	i	3	i	130
Pension	9,186	i	(3,467)	i	5,719
Thrift Plan	1,249	i	27	i	1,276
Workers Comp	715	i	15	i	730
Payroll Taxes	0	i	-	i	0
Materials Outside Vendor	3,486	i	74	i	3,560
Materials From Inventory	1,679	i	36	i	1,715
Materials Stores Handling	285	i	6	i	291
Total Labor	43,051	i	1,186	i	44,237
Variable Pay	0	i	-	i	0
Regular Pay Monthly	0	i	-	i	0
System Benefit Charge	0	i	-	i	0
Legal	750	i	16	i	766
Accounting	640	i	14	i	654
Vegetation	444	i	9	i	453
US Restructuring (Savings)	(2,470)	i	(53)	i	(2,523)
E&Y Analysis	0	i	-	i	0
Transportation	4,875	i	27	i	4,902
Energy Efficiency Program	16,713	i	4,001	i	20,714
Ex Pat Proxy	(170)	i	(4)	i	(174)
Injuries & Damages	1,810	i	39	i	1,849
New Initiatives	5,592	i	91	i	5,683
Productivity Adjustment	(931)	i	(502)	i	(1,433)
Regulatory Assessment Fees	28,891	s	(20,641)	s	8,250
Site Investigation & Remediation Expenses	6,300	s	-	s	6,300
Synergy Savings	(161)	i	(3)	i	(164)
Allocation Reclassification	374	i	8	i	382
Uncollectible Accounts	15,479	s	573	s	16,051
Inflation	(38)	i	(1)	i	(39)
Miscellaneous Expense	(379)	i	379	i	0
Sub Total - Departmental	\$ 180,094		\$ (17,761)		\$ 162,333
<b><u>Non-Departmental Items:</u></b>					
<b>Purchased Gas</b>	228,094		11,571		239,665
<b>TOTAL</b>	<b>\$ 408,188</b>		<b>\$ (6,190)</b>		<b>\$ 401,998</b>

**Inflation Factor**

**2.13%**

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**Federal Income Tax**

**For the Rate Year Ending March 31, 2016**

**(\$000's)**

	Adjusted Rate Case						Net FIT Before Rev Req
	Gas - As Adjusted Federal Taxable Income	Staff Adj	Deferable Basis	Book Taxable Income	@ the Statutory Rate	DFTT Reversals	
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	108,513,286			108,513,286	37,979,650		37,979,650
<b>ADDITIONS</b>							
PROVISION FOR DEPRECIATION	47,236,128	0	0	47,236,128	16,532,645		16,532,645
REAL ESTATE TAXES PER BOOKS	43,002,632			43,002,632	15,050,921		15,050,921
BUSINESS MEALS 50% DISALLOWANCE	59,600			59,600	20,860		20,860
<b>DEDUCTIONS</b>							
GAIN ON REDEMPTION BONDS	(5,878)			(5,878)	(2,057)		(2,057)
OTHER POST RETIREMENT BENEFIT LIABILITY-MEDICARE PIECE	0			0	0		0
INTEREST	(24,242,000)	(3,316,000)	0	(27,558,000)	(9,645,300)		(9,645,300)
NEW YORK STATE INCOME TAXES - CURRENT PROVISION	(5,751,640)			(5,751,640)	(2,013,074)		(2,013,074)
OTHER STATE INCOME TAXES	0			0	0		0
COST OF REMOVAL	(9,998,813)		7,999,050	(1,999,763)	(699,917)	(1,857,612)	(2,557,529)
GAS CONTINGENCY RESERVE	0			0	0		0
TAX DEPRECIATION	(44,284,341)		0	(38,739,110)	(13,558,689)		(13,558,689)
REAL ESTATE TAXES FOR TAX	(43,002,632)			(43,002,632)	(15,050,921)		(15,050,921)
DIVIDENDS PAID ON CERTAIN PREF STOCK OF PUBLIC UTILITIES	(74,447)			(74,447)	(26,056)		(26,056)
<b>TOTAL FIT EXPENSE</b>	71,451,895		13,544,281	81,680,177	28,588,062	(1,857,612)	26,730,450

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**State Income Tax**

**For the Rate Year Ending March 31, 2016**

**(\$000's)**

	Adjusted Rate Case						Net SIT Before Rev Req
	Gas - As Adjusted State Taxable Income	Staff Adjustments	Deferable Basis	Book Taxable Income	@ the Statutory Rate	DSIT Reversals	
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	108,513,286			108,513,286	7,704,443		7,704,443
<b>ADDITIONS</b>							
REAL ESTATE TAXES PER BOOKS	43,002,632			43,002,632	3,053,187		3,053,187
BUSINESS MEALS 50% DISALLOWANCE	59,600			59,600	4,232		4,232
<b>DEDUCTIONS</b>							
GAIN ON REDEMPTION BONDS	(5,878)			(5,878)	(417)		(417)
OTHER POST RETIREMENT BENEFIT LIABILITY-MEDICARE PIECE	0			0	0		0
INTEREST	(24,242,000)	(3,316,000)	0	(27,558,000)	(1,956,618)		(1,956,618)
IBM CUSTOMER SYSTEM SETTLEMENT	0			0	0		0
GAS CONTINGENCY RESERVE	0			0	0		0
REAL ESTATE TAXES FOR TAX	(43,002,632)			(43,002,632)	(3,053,187)		(3,053,187)
<b>TOTAL SIT EXPENSE</b>	84,325,008	0	0	81,009,008	5,751,640	0	5,751,640

7.1%  
e/f Apr 2007

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**Summary of Gas Rate Base**

**For the Rate Year Ending March 31, 2015**

**(\$000's)**

	Settlement		
	Rate Year Ending	Adj.	Rate Year Ending
	March 31, 2014	Adjustments	March 31, 2015
Net Utility Plant	1,291,352	a 47,452	1,338,804
Regulatory Assets / Liabilities	7,320	950	8,270
Accumulated Deferred Income Taxes - Federal	(224,031)	b (9,787)	(233,818)
Accumulated Deferred Income Taxes - State	(40,545)	(3,765)	(44,310)
Working Capital	0	0	0
Gas Storage	62,219	1,322	63,541
Materials and supplies (inc. Gas Inventory & def. Fuel)	(19,686)	(418)	(20,104)
Prepayments	15,275	(212)	15,063
O&M Cash Allowance (1/8 O&M exp)	21,654		21,654
Supply Cash Allowance (2007 lead/lag study)	(8,539)	787	(7,752)
Change in Supply Cash Allowance (3.64% x RY Gas exp)	70,923	1,479	72,402
subtotal Working Capital	1,105,019	36,329	1,141,348
subtotal avg. before EBCAP adj.	(19,034)	0	(19,034)
Excess Earnings Base adjustment	1,085,985	36,329	1,122,314
Total Gas Rate Base			

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**Capital Structure Forecast**

**For the Rate Year Ending March 31, 2015**

**Capital Structure Forecast**

	Total NM Annual Avg	Weighting Percent	Cost	Weighted Cost	Pre-Tax Weighted Cost
Long Term Debt	\$ 2,180,508	49.95%	4.32%	2.16%	2.16%
Notes Payable	36,233	0.83%	0.46%	0.00%	0.00%
Gas Supplier Refunds	-	0.00%	0.00%	0.00%	0.00%
Customer Deposits	30,121	0.69%	1.65%	0.01%	0.01%
Preferred Stock	23,137	0.53%	3.66%	0.02%	0.03%
Common Equity	2,095,383	48.00%	9.30%	4.46%	7.39%
Total	\$4,365,382	100.00%		6.65%	9.59%

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

PSC Case No. 12-G-0202

**Statement of Gas Operating Income  
For the Rate Year Ending March 31, 2016**

(\$000's)

	Settlement Rate Year Ending March 31, 2015	Adjustments	Rate Year Ending March 31, 2016	Base Revenue Increase Required	Rate Year Ending March 31, 2016 with Base Revenue Requirement	Deferral Credit	Rate Year Ending March 31, 2016 and Deferral
<b>Operating Revenues</b>	\$ 607,538	\$ 126	\$ 607,664	\$ 6,268	\$ 613,932	\$ -	\$ 613,932
<b>Deductions</b>							
Purchased Gas Costs	239,665	10,453	250,118		250,118	-	250,118
Revenue Taxes	8,284	(80)	8,204	107	8,311	-	8,311
Total Deductions	247,949	10,373	258,322	107	258,429	-	258,429
Gross Margin	359,589	(10,247)	349,342	6,161	355,503	-	355,503
Total Operation & Maintenance Expenses	162,489	(13,509)	148,981	168	149,149	-	149,149
Amortization of Regulatory Deferrals	(1,580)	-	(1,580)		(1,580)	-	(1,580)
Depreciation, Amort. & Loss on Disposition	45,531	1,705	47,236		47,236		47,236
Taxes Other Than Revenue & Income Taxes	44,849	1,343	46,192		46,192		46,192
Total Operating Revenue Deductions	251,289	(10,461)	240,829	168	240,997	-	240,997
Operating Income Before Income Taxes	108,300	214	108,513	5,993	114,506	-	114,506
<b>Income Taxes</b>							
Federal Income Taxes	27,701	(971)	26,730	1,949	28,679	-	28,679
State Income Taxes	5,964	(212)	5,752	426	6,178	-	6,178
Total Income Taxes	33,665	(1,183)	32,482	2,375	34,857	-	34,857
Operating Income After Income Taxes	\$ 74,635	\$ 1,397	\$ 76,031	\$ 3,619	\$ 79,649	\$ -	\$ 79,649
Rate Base	\$ 1,122,314	\$ 40,456	\$ 1,162,770		\$ 1,162,770		\$ 1,162,770
Rate of Return	6.65%		6.54%		6.85%		6.85%

NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRIDPSC Case No. 12-G-0202Gas - Operation & Maintenance Expenses

(\$000's)

<u>Operation &amp; Maintenance Expenses:</u>	<u>Settlement</u>		<u>Year 3</u>	
	<u>Rate Year Ending</u>		<u>Rate Year Ending</u>	
<u>Departmental Items:</u>	<u>March 31, 2015</u>	<u>Adjustments</u>	<u>March 31, 2016</u>	
Consultants	\$ 1,345 i	\$ 30	\$ 1,375	
Contractors	12,121 i	267	12,387	
Rate Case Expense	137 s	-	137	
Employee Expenses	1,076 i	24	1,100	
Hardware	478 i	11	488	
Software	1,305 i	29	1,334	
Other	5,787 i	127	5,914	
Rents	6,542 i	(204)	6,338	
Conservation Load Management	0 i	-	0	
Construction Reimbursement	(33) i	(1)	(33)	
Co Contributions/Cr to Jobs	0 i	-	0	
Bill Interface Expense Type	(20) i	(0)	(21)	
Capital Overheads	0 i	-	0	
Supervision & Admin	4 i	0	4	
Service Co Operating Costs	0 i	-	0	
Sales Tax	680 i	15	695	
FAS 106	7,083 i	(1,804)	5,279	
FAS 112	941 i	21	962	
Health Care	5,196 i	114	5,310	
Group Life Insurance	362 i	8	369	
Other Benefits	130 i	3	133	
Pension	5,719 i	(1,951)	3,768	
Thrift Plan	1,276 i	28	1,304	
Workers Comp	730 i	16	746	
Payroll Taxes	0 i	-	0	
Materials Outside Vendor	3,560 i	78	3,639	
Materials From Inventory	1,715 i	38	1,752	
Materials Stores Handling	291 i	6	297	
Total Labor	44,237 i	1,224	45,461	
Variable Pay	0 i	-	0	
Regular Pay Monthly	0 i	-	0	
System Benefit Charge	0 i	-	0	
Legal	766 i	17	783	
Accounting	654 i	14	668	
Vegetation	453 i	10	463	
US Restructuring (Savings)	(2,523) i	(55)	(2,578)	
E&Y Analysis	0 i	-	0	
Transportation	4,902 i	(240)	4,662	
Energy Efficiency Program	20,714 i	(5,623)	15,091	
Ex Pat Proxy	(174) i	(4)	(177)	
Injuries & Damages	1,849 i	41	1,889	
New Initiatives	5,683 i	(154)	5,529	
Productivity Adjustment	(1,433) i	(520)	(1,953)	
Regulatory Assessment Fees	8,250 s	(5,057)	3,193	
Site Investigation & Remediation Expenses	6,300 s	-	6,300	
Synergy Savings	(164) i	(4)	(168)	
Allocation Reclassification	382 i	8	390	
Uncollectible Accounts	16,208 s	(19)	16,189	
Inflation	(39) i	(1)	(40)	
Miscellaneous Expense	0 i	-	0	
Sub Total - Departmental	\$ 162,489	\$ (13,509)	\$ 148,981	
<u>Non-Departmental Items:</u>				
<u>Purchased Gas</u>	239,665	0	250,118	
<b>TOTAL</b>	<b>\$ 402,154</b>	<b>\$ (13,509)</b>	<b>\$ 388,646</b>	

Inflation Factor

2.20%

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**Federal Income Tax**

**For the Rate Year Ending March 31, 2016**

**(\$000's)**

	Adjusted Rate Case						Net FIT
	Gas - As Adjusted	Federal	Staff	Deferable	Book	@ the	Before
	Taxable	Income	Adj	Basis	Taxable	Statutory	Rev. Req
	Income				Income	Rate	Revsals
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	108,513,286				108,513,286	37,979,650	37,979,650
<b>ADDITIONS</b>							
PROVISION FOR DEPRECIATION	47,236,128	0	0	0	47,236,128	16,532,645	16,532,645
REAL ESTATE TAXES PER BOOKS	43,002,632				43,002,632	15,050,921	15,050,921
BUSINESS MEALS 50% DISALLOWANCE	59,600				59,600	20,860	20,860
<b>DEDUCTIONS</b>							
GAIN ON REDEMPTION BONDS	(5,878)	(5,878)			(5,878)	(2,057)	(2,057)
OTHER POST RETIREMENT BENEFIT LIABILITY-MEDICARE PIECE	0	0			0	0	0
INTEREST	(24,242,000)	(3,316,000)			(27,558,000)	(9,645,300)	(9,645,300)
NEW YORK STATE INCOME TAXES - CURRENT PROVISION	(5,751,640)				(5,751,640)	(2,013,074)	(2,013,074)
OTHER STATE INCOME TAXES	0				0	0	0
COST OF REMOVAL	(9,998,813)				(9,998,813)	(3,617,529)	(3,617,529)
GAS CONTINGENCY RESERVE	0				0	0	0
TAX DEPRECIATION	(44,284,341)				(44,284,341)	(16,358,689)	(16,358,689)
REAL ESTATE TAXES FOR TAX	(43,002,632)				(43,002,632)	(15,050,921)	(15,050,921)
DIVIDENDS PAID ON CERTAIN PREFERRED STOCK OF PUBLIC UTILITIES	(74,447)				(74,447)	(26,056)	(26,056)
<b>TOTAL FIT EXPENSE</b>	<b>71,451,895</b>				<b>13,544,281</b>	<b>28,388,062</b>	<b>(1,857,612)</b>
							<b>26,730,450</b>

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**State Income Tax**

**For the Rate Year Ending March 31, 2016**

**(\$000's)**

	Adjusted Rate Case						Net SIT
	Gas - As Adjusted	State	Staff	Deferable	Book	@ the	Before
	Taxable	Income	Adj	Basis	Taxable	Statutory	Rev. Req
	Income				Income	Rate	Revsals
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	108,513,286				108,513,286	7,704,443	7,704,443
<b>ADDITIONS</b>							
REAL ESTATE TAXES PER BOOKS	43,002,632				43,002,632	3,053,187	3,053,187
BUSINESS MEALS 50% DISALLOWANCE	59,600				59,600	4,232	4,232
<b>DEDUCTIONS</b>							
GAIN ON REDEMPTION BONDS	(5,878)	(5,878)			(5,878)	(417)	(417)
OTHER POST RETIREMENT BENEFIT LIABILITY-MEDICARE PIECE	0				0	0	0
INTEREST	(24,242,000)	(3,316,000)			(27,558,000)	(1,956,618)	(1,956,618)
GAS CONTINGENCY RESERVE	0				0	0	0
IBM CUSTOMER SYSTEM SETTLEMENT	0				0	0	0
REAL ESTATE TAXES FOR TAX	(43,002,632)				(43,002,632)	(3,053,187)	(3,053,187)
<b>TOTAL SIT EXPENSE</b>	<b>84,325,008</b>				<b>81,009,008</b>	<b>5,751,640</b>	<b>0</b>
							<b>5,751,640</b>

eff. Apr. 2007

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**Summary of Gas Rate Base**

**For the Rate Year Ending March 31, 2016**  
**(\$000's)**

	Settlement Rate Year Ending March 31, 2015	Adj.	Adjustments	Rate Year Ending March 31, 2016
Net Utility Plant	1,338,804		53,222	1,392,026
Regulatory Assets / Liabilities	8,270		983	9,253
Accumulated Deferred Income Taxes - Federal	(233,818)		(10,910)	(244,728)
Accumulated Deferred Income Taxes - State	(44,310)		(4,152)	(48,462)
Working Capital				
Gas Storage	0		0	0
Materials and supplies (inc. Gas Inventory & def. Fuel)	63,541		1,398	64,939
Prepayments	(20,104)		(442)	(20,546)
O&M Cash Allowance (1/8 O&M exp)	15,063		(354)	14,709
Supply Cash Allowance (2007 lead/lag study)	21,654			21,654
Change in Supply Cash Allowance (3.64% x RY Gas exp)	(7,752)		711	(7,041)
subtotal Working Capital	72,402		1,313	73,715
subtotal avg. before EBCAP adj.	1,141,348		40,456	1,181,804
Excess Earnings Base adjustment	(19,034)		0	(19,034)
<b>Total Gas Rate Base</b>	<b>1,122,314</b>		<b>40,456</b>	<b>1,162,770</b>

**NIAGARA MOHAWK POWER CORPORATION d/b/a NATIONAL GRID**

**PSC Case No. 12-G-0202**

**Staff's Capital Structure Forecast**

**For the Rate Year Ending March 31, 2016**

**Capital Structure Forecast**

	Total NM Annual Avg	Weighting Percent	Cost	Weighted Cost	Pre-Tax Weighted Cost
Long Term Debt	\$ 2,253,284	48.71%	4.82%	2.35%	2.35%
Notes Payable	99,920	2.16%	0.46%	0.01%	0.01%
Gas Supplier Refunds	-	0.00%	0.00%	0.00%	0.00%
Customer Deposits	29,606	0.64%	1.65%	0.01%	0.01%
Preferred Stock	22,667	0.49%	3.66%	0.02%	0.03%
Common Equity	2,220,440	48.00%	9.30%	4.46%	7.39%
<b>Total</b>	<b>\$4,625,917</b>	<b>100.00%</b>		<b>6.85%</b>	<b>9.79%</b>

# **Appendix B**

NIAGARA MOHAWK POWER CORPORATION  
Gas Transmission and Distribution Depreciation Rates  
Effective 4/1/2013

Account	Account Name	Average Service Life (ASL)	Curve	Net Salvage	Depreciation Rate
<u>Gas Transmission Plant</u>					
365.00	Land Rights	100	SQ		1.00%
366.00	Structures and improvements	55	R2	-10.00%	2.00%
367.00	Mains	85	R3	-10.00%	1.29%
369.15	Measuring and regulating station equipment	40	R0.5	-10.00%	2.75%
369.25	Measuring and regulating station equipment - manholes	45	LO	-30.00%	2.89%
369.55	Measuring and regulating station equipment - RTU	25	H4	-5.00%	4.20%
<u>Gas Distribution Plant</u>					
374.00	Land Rights	100	SQ		1.00%
375.00	Structures and improvements	45	L0	-40.00%	3.11%
376.11	Mains - Steel	95	H4	-40.00%	1.47%
376.12	Mains - Plastic	65	H4	-30.00%	2.00%
376.13	Mains - Cast Iron	80	S0.5	-200.00%	3.75%
376.14	Mains - Valves	90	S2	-20.00%	1.33%
378.10	Measuring and regulating station equipment	36	L0.5	-30.00%	3.61%
378.20	Measuring and regulating station equipment - manholes	45	L0	-35.00%	3.00%
378.55	Measuring and regulating station equipment - RTU	25	H4	-5.00%	4.20%
380.10	Services - Metallic	60	R1.5	-10.00%	1.83%
380.20	Services - Plastic	60	R4	-10.00%	1.83%
381.00	Meters	33	R2.5	-5.00%	3.18%
382.00	Meter installations	50	R1	-50.00%	3.00%
383.00	House regulators	40	R1	0.00%	2.50%
384.00	House regulator installations	40	H5	0.00%	2.50%
385.00	Industrial measuring and regulating equipment	40	R5	0.00%	2.50%

# **Appendix C**

Appendix C--Deferral Allocators - Electric

Description	Deferral Allocator
SC-1	59.26%
SC-1C	1.02%
SC-2	4.65%
SC-2D	12.92%
SC-3 Sec	8.87%
SC-3 Pri	3.01%
SC-3 Sub/Tran	0.43%
SC-3A Sec/Pri	1.87%
SC-3A Sub	1.07%
SC-3A Tran	3.05%
Lighting	3.85%
	100.00%

# **Appendix D**

**Gas Rate Design**  
**Customer Charges for Rate Year 1**

**RATE YEAR 1**

<b>Service Class</b>	<b>Base Customer Charge</b>	<b>Low Income Surcharge</b>	<b>Total Minimum Delivery Service Charge</b>
SC-1 Residential	\$ 19.18	\$ 1.17	\$20.35
SC-2 Small General	\$ 23.00	\$ 1.17	\$24.17
SC-3 Large Supply	\$ 780.00	\$ 1.17	\$781.17
SC-5 Transportation	\$ 500.00	\$ 1.17	\$501.17
SC-6 Interruptible Transportation	\$ 580.00	\$ 1.17	\$581.17
SC-7 Small Transportation	\$ 360.00	\$ 1.17	\$361.17
SC-8 Transportation with Standby Sales	\$ 880.00	\$ 1.17	\$881.17
SC-12 Non-Residential DG < 250,000	\$ 147.00	\$ 1.17	\$148.17
SC-12 Non-Residential DG 250,000 - 1,000,000	\$ 465.27	\$ 1.17	\$466.44
SC-12 Non-Residential DG 1,000,000-2,500,000	\$ 1,400.00	\$ 1.17	\$1,401.17
SC-12 Non-Residential DG > 2,500,000	\$ 1,400.00	\$ 1.17	\$1,401.17
SC-13 Residential DG	\$ 26.29	\$ 1.17	\$27.46
NYSEG	\$ 808.80	\$ 1.17	\$809.97

Customer charges for Rate Years 2 and 3 are described in the Term Sheet.

# **Appendix E**

**Gas Rate Design**  
**Deferral Credit Allocators for Rate Years 1, 2 and 3**

<b>Service Classification</b>	<b>Deferral Allocator</b>
SC-1 Residential	74.06%
SC-2 Small General	17.02%
SC-3 Large Supply	0.22%
SC-5 Transportation	1.76%
SC-7 Small Transportation	2.91%
SC-8 Transportatiaon with Standby Sales	3.91%
SC-12 Non-Residential DG	0.02%
SC-13 Residential DG	0.00%
NYSEG	0.09%
<b>Total</b>	<b>100.00%</b>

# **Appendix F**

NIAGARA MOHAWK POWER CORPORATION  
Electric Net Utility Plant and Depreciation Expense Reconciliation  
Electric Revenue Requirement Target  
For the Rate Years Ending March 31, 2014, March 31, 2015, and March 31, 2016

	Rate Year Ending March 31, 2014					
	Total Electric Revenue Requirement Target	Total Electric Plant in Service (a)	Non-Interest Bearing CWIP (b)	Reserve for Depreciation (c)	Electric Net Utility Plant in Service (d)	Electric Depreciation Expense (e)
Forecast included in Revenue Requirement Settlement		\$ 8,016,500,020	\$ 44,198,692	\$ (2,654,923,964)	\$ 5,405,774,748	\$ 180,205,835
Pre-Tax WACC					9.44%	
Total Revenue Requirement Target	<u>\$ 690,510,971</u>				<u>\$ 510,305,136</u>	<u>\$ 180,205,835</u>

	Rate Year Ending March 31, 2015					
	Total Electric Revenue Requirement Target	Total Electric Plant in Service (a)	Non-Interest Bearing CWIP (b)	Reserve for Depreciation (c)	Electric Net Utility Plant in Service (d)	Electric Depreciation Expense (e)
Forecast included in Revenue Requirement Settlement		\$ 8,368,544,574	\$ 49,569,525	\$ (2,725,362,244)	\$ 5,692,751,855	\$ 187,515,371
Pre-Tax WACC					9.59%	
Total Revenue Requirement Target	<u>\$ 733,450,274</u>				<u>\$ 545,934,903</u>	<u>\$ 187,515,371</u>

	Rate Year Ending March 31, 2016					
	Total Electric Revenue Requirement Target	Total Electric Plant in Service (a)	Non-Interest Bearing CWIP (b)	Reserve for Depreciation (c)	Electric Net Utility Plant in Service (d)	Electric Depreciation Expense (e)
Forecast included in Revenue Requirement Settlement		\$ 8,756,174,570	\$ 50,014,328	\$ (2,802,599,037)	\$ 6,003,589,862	\$ 195,750,016
Pre-Tax WACC					9.79%	
Total Revenue Requirement Target	<u>\$ 783,501,463</u>				<u>\$ 587,751,448</u>	<u>\$ 195,750,016</u>

NIAGARA MOHAWK POWER CORPORATION  
Gas Net Utility Plant and Depreciation Expense Reconciliation  
Gas Revenue Requirement Target  
For the Rate Years Ending March 31, 2014, March 31, 2015, and March 31, 2016

	Rate Year Ending March 31, 2014					
	Total Gas Revenue Requirement Target	Total Gas Plant in Service (a)	Non-Interest Bearing CWIP (b)	Reserve for Depreciation (c)	Gas Net Utility Plant in Service (d)	Gas Depreciation Expense (e)
Forecast included in Revenue Requirement Settlement		\$ 2,042,629,184	\$ 6,677,438	\$ (757,954,294)	\$ 1,291,352,328	\$ 43,978,985
Pre-Tax WACC					9.44%	
Total Revenue Requirement Target	<u>\$ 165,882,645</u>				<u>\$ 121,903,660</u>	<u>\$ 43,978,985</u>

	Rate Year Ending March 31, 2015					
	Total Gas Revenue Requirement Target	Total Gas Plant in Service (a)	Non-Interest Bearing CWIP (b)	Reserve for Depreciation (c)	Gas Net Utility Plant in Service (d)	Gas Depreciation Expense (e)
Forecast included in Revenue Requirement Settlement		\$ 2,114,531,440	\$ 7,131,524	\$ (782,858,155)	\$ 1,338,804,809	\$ 45,531,348
Pre-Tax WACC					9.59%	
Total Revenue Requirement Target	<u>\$ 173,922,729</u>				<u>\$ 128,391,381</u>	<u>\$ 45,531,348</u>

	Rate Year Ending March 31, 2016					
	Total Gas Revenue Requirement Target	Total Gas Plant in Service (a)	Non-Interest Bearing CWIP (b)	Reserve for Depreciation (c)	Gas Net Utility Plant in Service (d)	Gas Depreciation Expense (e)
Forecast included in Revenue Requirement Settlement		\$ 2,192,727,293	\$ 7,295,039	\$ (807,995,232)	\$ 1,392,027,100	\$ 47,236,128
Pre-Tax WACC					9.79%	
Total Revenue Requirement Target	<u>\$ 183,515,581</u>				<u>\$ 136,279,453</u>	<u>\$ 47,236,128</u>

# **Appendix G**

**HIGH RISK SECTIONS PART 255**

ACTIVITY TITLE	CODE SECTION	RISK FACTOR
Material - General	255.53(a),(b),(c)	HIGH
Transportation of Pipe	255.65	HIGH
Pipe Design - General	255.103	HIGH
Design of Components - General Requirements	255.143	HIGH
Design of Components - Flexibility	255.159	HIGH
Design of Components - Supports and anchors	255.161	HIGH
Compressor Stations: Emergency shutdown	255.167	HIGH
Compressor Stations: Pressure limiting devices	255.169	HIGH
Compressor Stations: Ventilation	255.173	HIGH
Valves on pipelines to operate at 125 psig or more	255.179	HIGH
Distribution line valves	255.181	HIGH
Vaults: Structural Design requirements	255.183	HIGH
Vaults: Drainage and waterproofing	255.189	HIGH
Protection against accidental overpressuring	255.195	HIGH
Control of the pressure of gas delivered from high pressure distribution systems	255.197	HIGH
Requirements for design of pressure relief and limiting devices	255.199	HIGH
Required capacity of pressure relieving and limiting stations	255.201	HIGH
Qualification of welding procedures	255.225	HIGH
Qualification of Welders	255.227	HIGH
Protection from weather	255.231	HIGH
Miter Joints	255.233	HIGH
Preparation for welding	255.235	HIGH
Inspection and test of welds	255.241(a),(b)	HIGH
Nondestructive testing-Pipeline to operate at 125 PSIG or more	255.243(a)-(e)	HIGH
Welding inspector	255.244(a),(b),(c)	HIGH
Repair or removal of defects	255.245	HIGH
Joining Of Materials Other Than By Welding - General	255.273	HIGH
Joining Of Materials Other Than By Welding - Copper Pipe	255.279	HIGH
Joining Of Materials Other Than By Welding - Plastic Pipe	255.281	HIGH
Plastic pipe: Qualifying persons to make joints	255.285(a),(b),(d)	HIGH
Notification requirements	255.302	HIGH
Compliance with construction standards	255.303	HIGH
Inspection: General	255.305	HIGH
Inspection of materials	255.307	HIGH
Repair of steel pipe	255.309	HIGH
Repair of plastic pipe	255.311	HIGH
Bends and elbows	255.313(a),(b),(c)	HIGH
Wrinkle bends in steel pipe	255.315	HIGH
Installation of plastic pipe	255.321	HIGH
Underground clearance	255.325	HIGH
Customer meters and service regulators: Installation	255.357(d)	HIGH
Service lines: Installation	255.361(e),(f),(g),(h),(i)	HIGH
Service lines: Location of valves	255.365(b)	HIGH
External corrosion control: Buried or submerged pipelines installed after July 31, 1971	255.455(d),(e)	HIGH
External corrosion control: Buried or submerged pipelines installed before August 1, 1971	255.457	HIGH
External corrosion control: Protective coating	255.461(c)	HIGH
External corrosion control: Cathodic protection	255.463	HIGH
External corrosion control: Monitoring	255.465(a),(e)	HIGH
Internal corrosion control: Design and construction of transmission line	255.476(a),(c)	HIGH
Remedial measures: General	255.483	HIGH
Remedial measures: transmission lines	255.485(a),(b)	HIGH
Strength test requirements for steel pipelines to operate at 125 PSIG or more	255.505(a),(b),(c),(d)	HIGH
General requirements (UPGRADES)	255.553 (a),(b),(c),(f)	HIGH
Upgrading to a pressure of 125 PSIG or more in steel pipelines	255.555	HIGH
Upgrading to a pressure less than 125 PSIG	255.557	HIGH
Conversion to service subject to this Part	255.559(a)	HIGH
General provisions	255.603	HIGH
Operator Qualification	255.604	HIGH
Essentials of operating and maintenance plan	255.605	HIGH
Change in class location: Required study	255.609	HIGH
Damage prevention program	255.614	HIGH
Emergency Plans	255.615	HIGH
Customer education and information program	255.616	HIGH
Maximum allowable operating pressure: Steel or plastic pipelines	255.619	HIGH
Maximum allowable operating pressure: High pressure distribution systems	255.621	HIGH
Maximum and minimum allowable operating pressure: Low pressure distribution systems	255.623	HIGH
Odorization of gas	255.625(a),(b)	HIGH
Tapping pipelines under pressure	255.627	HIGH
Purging of pipelines	255.629	HIGH
Control Room Management	255.631(a)	HIGH
Transmission lines: Patrolling	255.705	HIGH

Leakage Surveys - Transmission	255.706	HIGH
Transmission lines: General requirements for repair procedures	255.711	HIGH
Transmission lines: Permanent field repair of imperfections and damages	255.713	HIGH
Transmission lines: Permanent field repair of welds	255.715	HIGH
Transmission lines: Permanent field repair of leaks	255.717	HIGH
Transmission lines: Testing of repairs	255.719	HIGH
Distribution systems: Leak surveys and procedures	255.723	HIGH
Compressor stations: procedures	255.729	HIGH
Compressor stations: Inspection and testing relief devices	255.731	HIGH
Compressor stations: Additional inspections	255.732	HIGH
Compressor stations: Gas detection	255.736	HIGH
Pressure limiting and regulating stations: Inspection and testing	255.739(a),(b)	HIGH
Regulator Station Overpressure Protection	255.743(a),(b)	HIGH
Transmission Line Valves	255.745	HIGH
Prevention of accidental ignition	255.751	HIGH
Protecting cast iron pipelines	255.755	HIGH
Replacement of exposed or undermined cast iron piping	255.756	HIGH
Replacement of cast iron mains paralleling excavations	255.757	HIGH
Leaks: Records	255.807(d)	HIGH
Leaks: Instrument sensitivity verification	255.809	HIGH
Leaks: Type 1	255.811(b),(c),(d),(e)	HIGH
Leaks: Type 2A	255.813(b),(c),(d)	HIGH
Leaks: Type 2	255.815	HIGH
Leak Follow-up	255.819(a)	HIGH
High Consequence Areas	255.905	HIGH
Required Elements (IMP)	255.911	HIGH
Knowledge and Training (IMP)	255.915	HIGH
Identification of Potential Threats to Pipeline Integrity and Use of the Threat Identification in an Integrity Program (IMP)	255.917	HIGH
Baseline Assessment Plan( IMP)	255.919	HIGH
Conducting a Baseline Assessment (IMP)	255.921	HIGH
Direct Assessment (IMP)	255.923	HIGH
External Corrosion Direct Assessment (ECDA) (IMP)	255.925	HIGH
Internal Corrosion Direct Assessment (ICDA) (IMP)	255.927	HIGH
Confirmatory Direct Assessment (CDA) (IMP)	255.931	HIGH
Addressing Integrity Issues (IMP)	255.933	HIGH
Preventive and Mitigative Measures to Protect the High Consequence Areas (IMP)	255.935	HIGH
Continual Process of Evaluation and Assessment (IMP)	255.937	HIGH
Reassessment Intervals (IMP)	255.939	HIGH
General requirements of a GDPIM plan	255.1003	HIGH
Implementation requirements of a GDPIM plan.	255.1005	HIGH
Required elements of a GDPIM plan.	255.1007	HIGH
Required report when compression couplings fail.	255.1009	HIGH
Requirements a small liquefied petroleum gas (LPG) operator must satisfy to implement a GDPIM plan	255.1015	HIGH

<b>HIGH RISK SECTIONS PART 261</b>		
Operation and maintenance plan	261.15	HIGH
Leakage Survey	261.17(a),(c)	HIGH
Carbon monoxide prevention	261.21	HIGH
Warning tag procedures	261.51	HIGH
HEFPA Liaison	261.53	HIGH
Warning Tag Inspection	261.55	HIGH
Warning tag: Class A condition	261.57	HIGH
Warning tag: Class B condition	261.59	HIGH

<b>OTHER RISK SECTIONS PART 255</b>		
ACTIVITY TITLE	CODE SECTION	RISK FACTOR
Preservation of records	255.17	OTH
Compressor station: Design and construction	255.163	OTH
Compressor station: Liquid removal	255.165	OTH
Compressor stations: Additional safety equipment	255.171	OTH
Vaults: Accessibility	255.185	OTH
Vaults: Sealing, venting, and ventilation	255.187	OTH
Calorimeter or calorimeter structures	255.190	OTH
Design pressure of plastic fittings	255.191	OTH
Valve installation in plastic pipe	255.193	OTH
Instrument, control, and sampling piping and components	255.203	OTH
Limitations On Welders	255.229	OTH
Quality assurance program	255.230	OTH
Preheating	255.237	OTH
Stress relieving	255.239	OTH
Inspection and test of welds	255.241(c)	OTH
Nondestructive testing-Pipeline to operate at 125 PSIG or more	255.243(f)	OTH
Plastic pipe: Qualifying joining procedures	255.283	OTH
Plastic pipe: Qualifying persons to make joints	255.285(c),(e)	OTH
Plastic pipe: Inspection of joints	255.287	OTH
Bends and elbows	255.313(d)	OTH
Protection from hazards	255.317	OTH
Installation of pipe in a ditch	255.319	OTH
Casing	255.323	OTH
Cover	255.327	OTH
Customer meters and regulators: Location	255.353	OTH
Customer meters and regulators: Protection from damage	255.355	OTH
Customer meters and service regulators: Installation	255.357(a),(b),(c)	OTH
Customer meter installations: Operating pressure	255.359	OTH
Service lines: Installation	255.361(a),(b),(c),(d)	OTH
Service lines: valve requirements	255.363	OTH
Service lines: Location of valves	255.365(a),(c)	OTH
Service lines: General requirements for connections to main piping	255.367	OTH
Service lines: Connections to cast iron or ductile iron mains	255.369	OTH
Service lines: Steel	255.371	OTH
Service lines: Cast iron and ductile iron	255.373	OTH
Service lines: Plastic	255.375	OTH
Service lines: Copper	255.377	OTH
New service lines not in use	255.379	OTH
Service lines: excess flow valve performance standards	255.381	OTH
External corrosion control: Buried or submerged pipelines installed after July 31, 1971	255.455(a)	OTH
External corrosion control: Examination of buried pipeline when exposed	255.459	OTH
External corrosion control: Protective coating	255.461(a),(b),(d),(e),(f),(g)	OTH
Rectifier Inspection	255.465 (b),(c),(f)	OTH
External corrosion control: Electrical isolation	255.467	OTH
External corrosion control: Test stations	255.469	OTH
External corrosion control: Test lead	255.471	OTH
External corrosion control: Interference currents	255.473	OTH
Internal corrosion control: General	255.475(a),(b)	OTH
Atmospheric corrosion control: General	255.479	OTH
Atmospheric corrosion control: Monitoring	255.481	OTH
Remedial measures: transmission lines	255.485(c)	OTH
Remedial measures: Pipelines lines other than cast iron or ductile iron lines	255.487	OTH
Remedial measures: Cast iron and ductile iron pipelines	255.489	OTH
Direct Assessment	255.490	OTH
Corrosion control records	255.491	OTH
General requirements (TESTING)	255.503	OTH

Strength test requirements for steel pipelines to operate at 125 PSIG or more	255.505(e),(h),(i)	OTH
Test requirements for pipelines to operate at less than 125 PSIG	255.507	OTH
Test requirements for service lines	255.511	OTH
Environmental protection and safety requirements	255.515	OTH
Records (TESTING)	255.517	OTH
Notification requirements (UPGRADES)	255.552	OTH
General requirements (UPGRADES)	255.553(d),(e)	OTH
Conversion to service subject to this Part	255.559(b)	OTH
Change in class location: Confirmation or revision of maximum allowable operating pressure	255.611(a),(d)	OTH
Continuing surveillance	255.613	OTH
Odorization	255.625(e),(f)	OTH
Pipeline Markers	255.707(a),(c),(d),(e)	OTH
Transmission lines: Record keeping	255.709	OTH
Distribution systems: Patrolling	255.721(b)	OTH
Test requirements for reinstating service lines	255.725	OTH
Inactive Services	255.726	OTH
Abandonment or inactivation of facilities	255.727(b)-(g)	OTH
Compressor stations: storage of combustible materials	255.735	OTH
Pressure limiting and regulating stations: Inspection and testing	255.739(c),(d)	OTH
Pressure limiting and regulating stations: Telemetry or recording gauges	255.741	OTH
Regulator Station MAOP	255.743 (c)	OTH
Service Regulator - Min.& Oper. Load	255.744 (d),(e)	OTH
Distribution Line Valves	255.747	OTH
Valve maintenance: Service line valves	255.748	OTH
Regulator Station Vaults	255.749	OTH
Caulked bell and spigot joints	255.753	OTH
Reports of accidents	255.801	OTH
Emergency lists of operator personnel	255.803	OTH
Leaks General	255.805(a),(b),(e),(g),(h)	OTH
Leaks: Records	255.807(a),(b),(c)	OTH
Type 2	255.815(b),(c),(d)	OTH
Type 3	255.817	OTH
Interruptions of service	255.823(a),(b)	OTH
Logging and analysis of gas emergency reports	255.825	OTH
Annual Report	255.829	OTH
Reporting safety-related conditions	255.831	OTH
General (IMP)	255.907	OTH
Changes to an Integrity Management Program (IMP)	255.909	OTH
Low Stress Reassessment (IMP)	255.941	OTH
Measuring Program Effectiveness (IMP)	255.945	OTH
Records (IMP)	255.947	OTH
Records an operator must keep	255.1011	OTH

<b>OTHER RISK SECTIONS PART 261</b>		
High Pressure Piping - Annual Notice	261.19	OTH
Warning tag: Class C condition	261.61	OTH
Warning tag: Action and follow-up	261.63(a)-(h)	OTH
Warning Tag Records	261.65	OTH