

NOTES:

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4. Terms of Preference of each class of preferred stock: None.
5. Statement of each class of non-par stock showing amount transferred from Unappropriated Retained Earnings or other accounts: None

Notes 6, 7 and 8. A brief description of debt is as follows:

**6.9% Medium Term Notes:** In January, 2001, KEDLI issued \$125 million of 6.9% Medium Term Notes due January 15, 2028.

**7.875% Medium Term Notes:** On February 1, 2000, KEDLI issued \$400 million of 7.875% Medium Term Notes due February 1, 2010. The net proceeds were used to reimburse the Parent for the retirement of Promissory Notes issued to LIPA for debt incurred by LILCO and assumed by LIPA in the LIPA Transaction.

**8.2% Allocated Promissory Note:** At December 31, 2002 there was a \$175.9 million Promissory Note due to LIPA which resided on the books of the Parent, and was allocated to KEDLI upon the acquisition of the assets related to the gas distribution business of LILCO. The Parent issued the Promissory Note to LIPA pursuant to the LIPA Transaction, on May 28, 1998, having the same maturity and terms as the 8.2% Debenture assumed by LIPA in the LIPA Transaction. The promissory note which was due March 15, 2023 was redeemed during March 2003.

**7.25% Medium Term Note:** The allocated promissory note, redeemed in March 2003 was replaced by the allocation of \$125.9 million of 7.25% Medium Term Notes. These notes also reside on the books of the parent.

Following is a schedule of bonds, notes, or other evidence of indebtedness by series where applicable.

Description	Case Number	Date of Order	Interest Rate	Date Issued	Date of Maturity	Amount Authorized and Issued	Amount Outstanding 12/31/2005
<u>Bonds (Account 221)</u>							
7 7/8% Notes			7.875%	02/01/2001	02/01/2010	\$ 400,000,000	\$ 400,000,000
6.9% Series			6.90%	01/16/2001	01/15/2008	\$ 125,000,000	\$ 125,000,000
Total Debentures							<u>\$ 525,000,000</u>

As of Dec.31, 2005

## 9. Statement of Advances or other indebtedness to affiliated interests:

NOTES PAYABLE TO ASSOCIATED COMPANIES (233)	193,989,244	
ACCOUNTS RECEIVABLE FROM ASSOC. COMPANIES (146)	(44,550,814)	
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES (234)	144,312,589	
Indebtedness to affiliated interests		<u>293,751,019</u>

## 10. Statement of other indebtedness:

(a) Customer Advances for Construction	0	<u>-</u>
--	---	----------

## (b) Current and Accrued Liabilities:

ACCOUNTS PAYABLE (232)	149,676,816	
CUSTOMER DEPOSITS (235)	8,016,965	
TAXES ACCRUED (236)	15,510,181	
INTEREST ACCRUED (237)	17,292,418	
TAX COLLECTIONS PAYABLE (241)	804,007	
MISC. CURRENT AND ACCRUED LIABILITIES (242)	<u>71,324,285</u>	
		<u>262,624,672</u>

Total Other Indebtedness

556,375,691As of March 31, 2006

## 9. Statement of Advances or other indebtedness to affiliated interests:

NOTES PAYABLE TO ASSOCIATED COMPANIES (233)	73,397,054	
ACCOUNTS RECEIVABLE FROM ASSOC. COMPANIES (146)	(582,155,761)	
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES (234)	855,709,064	
Indebtedness to affiliated interests		<u>346,950,357</u>

## 10. Statement of other indebtedness:

(a) Customer Advances for Construction	-	<u>-</u>
--	---	----------

## (b) Current and Accrued Liabilities:

ACCOUNTS PAYABLE (232)	18,391,288	
CUSTOMER DEPOSITS (235)	8,923,443	
TAXES ACCRUED (236)	26,186,548	
INTEREST ACCRUED (237)	7,274,930	
TAX COLLECTIONS PAYABLE (241)	1,387,943	
MISC. CURRENT AND ACCRUED LIABILITIES (242)	<u>73,246,850</u>	
		<u>135,411,002</u>

Total Other Indebtedness

482,361,359



## 11. Amount of interest accrued:

Long Term Debt	Period 12/31/05	Period 3/31/06
<u>Bonds (Account 427)</u>		
7 7/8% Notes	31,500,000	7,875,000
6.9% Series	8,625,000	2,156,250
	<u>40,125,000</u>	<u>10,031,250</u>
<u>Advances from Associated Companies (Account 430)</u>		
Long Term Debt due to Parent	9,128,060	2,282,015
Money Pool Interest	991,908	359,141
	<u>10,119,968</u>	<u>2,641,156</u>

<u>Other Interest Expense (Account 431)</u>	Period <u>1/1-12/31/05</u>	Period <u>1/1-3/31/06</u>
Interest paid on Refunds to Gas Customers -(IEC and ISC) (4.35% Interest Rate)	2,251,648	551,105
Interest on Customer Deposits - (2.60% Interest Rate)	177,842	24,152
Customer Overpayments Commercial & Residential	299,000	16,207
Gas East Balancing Account - (9.242% Interest Rate)	3,688,342	104,553
Inwood Balancing Carrying Charge	611,887	47,874
Derivatives	231,204	48,164
CC Imbalance Old vs New SIT (4.35% Interest Rate)	(1,108,461)	(87,472)
Interest Accrued - GAC	(107,687)	(9,077)
Reserve - Accrued Interest on NYCIT	2,010,929	-
Interest Expense Pipeline refund	298,223	17,089
Other	91	123
Total	<u>\$8,353,018</u>	<u>712,718</u>

12. Rate and amount of dividends declared during each of the five years last preceeding and amount of dividends paid:

Period	Amount
03/31/2006	-
12/31/2005	-
12/31/2004	40,000,000
12/31/2002	-
12/31/2001	-
12/31/2000	15,000,000
12/31/1999	-
12/31/1998	-

Preferred Stock  
None.

13. Statement of contingent assets and liabilities.

See the attached excerpt from the notes for the Company's contractual obligations, financial instruments, and contingencies disclosed in the Company's financial statements for the period ended December 31, 2005. These contingent assets and liabilities have not materially changed during the three months ended March 31, 2006.

## 13. Statement of Program in effect for the amortization of deferred debits and deferred credits at

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Deferred Debits**	12/31/05	03/31/06
CSC Reimbursable	1,341,008	1,463,740
Deferred Cost Hedging	560,725	3,817,275
Interest Deferred GAC	541	(66,838)
Total Deferred Debits	<u>1,902,274</u>	<u>5,214,177</u>
Environmental Cleanup Costs	161,105,993	159,210,210
OPEBs	27,852,941	26,994,990
Deferred Property Taxes and Carrying Charges	51,195,021	46,935,619
Administration Costs - Appliance Service Separation	719,771	727,615
Energy Loan Investments		668,308
Gas Cost Adjustment Deferral	(22,939,020)	549,842
Costs Associated with BUG Merger	5,558,478	5,107,884
Deferred Research & Development	(1,650,704)	(1,848,297)
Regulatory Assets Deferred SIT	0	0
MTA - NYS Income Tax 2003	(1,473,230)	(1,473,230)
MTA - SIT Current Adjustment	1,981,350	4,490,532
Derivate Asset	10,460,053	9,628,304
Change in Corporate Tax Rate	0	0
Rate Making Excess	2,574,275	5,494,289
Other	3,856	
Clearing Accounts		282,865
Unamortized Debt Expense	1,316,292	1,220,228
Accumulated Deferred Income Taxes	34,983,304	30,407,880
Expenses Related to Property Sale	0	107,654
Costs Associated with HEFPA	1,360,306	1,434,727
Transition Costs - SIT	(238,189)	(238,189)
Pension Cost - SIT	1,415,868	1,415,868
Bad Debts - SIT	127,322	127,322
Balancing Account - SIT	364,606	364,606
FASB 112 - SIT	164,970	164,970
Gas Research Institute - SIT	98,025	98,025
OPEB / FASB 106 - SIT	279,459	279,459
OPEB/FASB 106 Carrying Costs - SIT	(519,428)	(519,428)
Contribution - Aid of Construction - SIT	(282,488)	(282,488)
Depreciation Expense - SIT	2,855,230	2,855,230
Removal Costs - SIT	207,310	207,310
Lien Date Property Taxes - SIT	305,992	305,992
Unicap - Self Constructed Assets - SIT	(286,008)	(286,008)
Miscellaneous SIT	(47,729)	(47,729)
Total Deferred Debits	<u>279,395,900</u>	<u>299,598,537</u>

## 13. Statement of Program in effect for the amortization of deferred debits and deferred credits at

Page 11b of 17

Period Ended Deferred Credits**	12/31/2005	03/31/2006
Unlocated Creditors & Debtors	(60,317)	601,161
Customer Loans		17,812
Accretion Expense	0	148,975
Asset Retirement Obligation	10,319,995	10,319,995
Deferred Gas Cost Hedging	0	3,800,825
Firm Hedge Settlement	5,014,909	485,217
Total Deferred Credits	<u>15,274,587</u>	<u>15,373,985</u>
Deferred Gas Cost Hedging Derivative Liability	560,725 63,131,868	- 3,889,375
Gas East Balance Account - Pen/OPEB Deferral	(22,002,653)	(26,750,389)
Gas East Balance Account - BNYCP Management	23,750,000	24,500,000
Gas East Balance Account - Excess Earnings	17,495,738	17,495,738
Gas East Balance Account - Carrying Charges	9,006,721	18,578,905
Gas East Balance Account - Inwood Deferral	3,113,225	3,113,225
Gas East Balance Account - Inwood Deferral - Interest	61,795	109,668
Gas East Balance Account - SIR Costs	(54,691,603)	(66,056,652)
AEGIS Settlement	9,470,480	9,470,480
TBA - Meter Testing	2,654,702	2,654,702
TBA - Marketers Incentive	(2,219,323)	(2,219,323)
TBA - Electronic Data Interface - EDI	(688,206)	(688,206)
TBA - Virtual Customer Care - VCC	(238,000)	(238,000)
TBA - Single Bill Option - SBO	(1,090,407)	(1,090,407)
TBA - Electronic Bulletin Board - EBB	(415,106)	(415,106)
TBA - Enhanced Transportation	(635,000)	(635,000)
TBA - Delivery SVC CHG	(16,331,400)	(16,331,400)
TBA - Carrying Charge	(3,938,819)	(3,926,007)
TBA - LI Merchant Backout Cr	(6,979,388)	(7,780,179)
TBA - Consumer Outreach & Education	(540,739)	(540,739)
TBA - Transition Charges	23,844,412	25,623,885
TBA - Daily Balancing Account	(221,720)	(221,720)
TBA - Late Payment Charges	3,145,400	3,915,240
Imbalance Old vs New SIT	0	-
Regulatory Asset Change	0	-
CC Imbalance Old vs New Sit	(126,117)	(213,590)
MTA Gross Income	(2,022,511)	(2,150,002)
Expense Related to Property Sale	4,459,183	4,459,183
Total Deferred Credits	<u>63,827,845</u>	<u>(72,334)</u>

16. Statement of Income for the period from January 1, 2005 through December 31, 2005 and January 1, 2006 through March 31, 2006-- see Page 13, Balance Sheet at March 31, 2005 with analysis of various accounts-see Pages 14-17

FOR THE TWELVE MONTHS ENDED DECEMBER 30, 2002

	12 Months ended December 31, 2005 Total	3 Months ended March 31, 2006 Total
<b>UTILITY OPERATING INCOME</b>		
Operating Revenues (400)	\$1,432,905,967	\$543,708,671
Operating Expenses:		
Operation Expenses (401)	1,080,075,179	396,539,949
Maintenance Expenses (402)	24,632,681	5,915,885
Joint Expenses (402.1)		
Depreciation Expenses (403)	40,298,163	10,933,225
Amortization and Depletion of Utility Plant (404)		
Amortization of Other Utility Plant (405)	2,612,928	694,820
Amortization of Utility Plant Acq Adj (406)	33,994,125	13,516,768
Amort of Property Losses (Elec 407, Gas 407.1)		
Amortization of Conversion Expenses (Gas 407.2)		
Taxes Other Than Income Taxes (408.1)	65,857,298	17,654,437
Income Taxes (409.1, 410.1, 411.1, 411.4, 411.8)	48,150,413	29,907,759
Gains from Disposition of Utility Plant (411.6)		
Losses from Disposition of Utility Plant (411.7)		
<b>Total Operating Expenses</b>	<b>1,295,620,787</b>	<b>475,162,843</b>
<b>Net Operating Revenues</b>	<b>137,285,180</b>	<b>68,545,828</b>
Revenues from Utility Plant Leased to Others (412)		
Expenses of Utility Plant Leased to Others (413)		
Other Utility Operating Income (414)		
<b>Total Utility Operating Income</b>	<b>137,285,180</b>	<b>68,545,828</b>
<b>OTHER INCOME</b>		
Income from Merchandising, Jobbing and Contract Work (415, 416)	373,687	92,835
Income from Nonutility Operations (417, 417.1)	(33,485)	24,656
Nonoperating Rental Income (418)	(499,160)	(277)
Equity in Earnings of Subsidiary Companies (418.1)		
Interest and Dividend Income (419)	179,671	(37,993)
Allowance for Funds Used During Construction (419.1)	880,518	220,186
Miscellaneous Nonoperating Income (421)	2,678,940	(35,031)
Gain on Disposition of Property (421.1)	43,421	63,000
<b>Total Other Income</b>	<b>3,623,592</b>	<b>327,375</b>
<b>OTHER INCOME DEDUCTIONS</b>		
Loss on Disposition of Property (421.2)		
Miscellaneous Amortization (425)		
Miscellaneous Income Deductions (426)	497,106	30,287
<b>Total Other Income Deductions</b>	<b>497,106</b>	<b>30,287</b>
<b>TAXES-OTHER INCOME AND DEDUCTIONS</b>		
Taxes Other Than Income Taxes (408.2)	262,321	121,105
Income Taxes (409.2, 410.2, 411.2, 411.5, 420)		
<b>Total Taxes-Other Income and Deductions</b>	<b>262,321</b>	<b>121,105</b>
<b>Net Other Income and Deductions</b>	<b>2,864,165</b>	<b>175,983</b>
<b>INTEREST CHARGES</b>		
Interest on Long-term Debt (427)	40,125,000	10,031,250
Amortization of Debt Disc. and Expense (428)	382,921	96,064
Amortization of Premium on Debt-Credit (429)		
Interest on Debt to Associated Companies (430)	10,119,967	3,375,787
Other Interest Expenses (431)	8,353,019	712,718
(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)	(507,433)	
<b>Total Interest Charges</b>	<b>58,473,474</b>	<b>14,215,819</b>
<b>Income Before Extraordinary Items</b>	<b>81,675,871</b>	<b>54,505,991</b>
<b>EXTRAORDINARY ITEMS</b>		
Extraordinary Income (434)		
Extraordinary Deductions (435)	(204,634)	
Income Taxes, Extraordinary Items (409.3)		
<b>Net Extraordinary Items</b>		
<b>Net Income</b>	<b>\$81,471,237</b>	<b>\$54,505,991</b>



Account Title [a]	December 2005 [c] 02	March 2006 [c] 02
<b>UTILITY PLANT</b>		
UTILITY PLANT (101-107, 114, 117, 118.1, 118.2, 120)	2,109,758,514	2,128,646,868
LESS: ACCUMULATED PROVISION FOR DEPR., AMORT. AND DEPLETION (108-113, 115, 119.1, 119.2, 120.5)	400,637,659	409,768,271
<b>TOTAL NET UTILITY PLANT</b>	<b>\$1,709,120,855</b>	<b>1,718,878,597</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>		
NONUTILITY PROPERTY (121)	1,615,167	1,682,680
LESS: ACCUM. PROV. FOR DEPR. AND AMORT. (122)	8,245	8,522
INVESTMENT IN ASSOCIATED COMPANIES (123)		
INVESTMENT IN SUBSIDIARY COMPANIES (123.1)		
OTHER INVESTMENTS (124)	706,646	1,297
SINKING FUNDS (125)		
DEPRECIATION FUND (126)		
OTHER SPECIAL FUNDS (128)		
<b>TOTAL OTHER PROPERTY AND INVESTMENTS</b>	<b>\$2,313,568</b>	<b>\$1,675,455</b>
<b>CURRENT AND ACCRUED ASSETS</b>		
CASH (131)	3,525,830	3,638,158
INTEREST SPECIAL DEPOSITS (132)		
DIVIDEND SPECIAL DEPOSITS (133)		
OTHER SPECIAL DEPOSITS (134)	1,396,703	-
WORKING FUNDS (135)		
TEMPORARY CASH INVESTMENTS (136)		
NOTES RECEIVABLE (141)		
ACCOUNTS RECEIVABLE (142, 143)	179,861,234	231,499,777
LESS: ACCUM. PROV. FOR UNCOLL. ACCTS. CR. (144)	9,719,099	10,791,881
NOTES RECEIVABLE FROM ASSOC. COMPANIES (145)		
ACCOUNTS RECEIVABLE FROM ASSOC. COMPANIES (146)	44,550,815	582,155,761
MATERIALS & SUPPLIES (150)	7,518,581	7,437,230
Stores Expense Undistributed (163)	0	
GAS STORED UNDERGROUND - CURRENT (164.1)	183,932,942	111,351,086
LIQUIFIED NATURAL GAS IN STORAGE (164.2)	4,061,990	3,683,410
PREPAYMENTS (165)	20,375,167	13,825,207
INTEREST AND DIVIDENDS RECEIVABLE (171)		
RENTS RECEIVABLE (172)	7,099,596	7,982,354
ACCRUED UTILITY REVENUES (173)	112,950,154	65,851,599
MISC. CURRENT AND ACCRUED ASSETS (174)	38,591,211	755,309
<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>\$594,145,124</b>	<b>1,017,388,009</b>
<b>DEFERRED DEBITS</b>		
UNAMORT. DEBT EXPENSE (181)	1,316,292	1,220,228
UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)	255,323,703	263,996,251
PRELIM. SURVEY AND INVESTIGATION CHARGES (183)		
CLEARING ACCOUNTS (184)		282,865
TEMPORARY FACILITIES (185)		
MISCELLANEOUS DEFERRED DEBITS (186)	(14,959,343)	2,488,683
DEF. LOSSES FROM DISPOSITION OF UTILITY PLANT (187)		
INVESTMENT IN RESEARCH AND DEVELOPMENT (188)	0	-
ACCUMULATED DEFERRED INCOME TAXES (190)	(22,180,619)	30,407,880
<b>TOTAL DEFERRED DEBITS</b>	<b>\$219,500,033</b>	<b>\$298,395,907</b>
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$2,525,079,580</b>	<b>\$3,036,337,968</b>

ACCOUNT TITLE (a)	December 2005 (c) 02	March 2006 (c) 02
PROPRIETARY CAPITAL		
COMMON STOCK ISSUED (201)	1	1
PREFERRED STOCK ISSUED (204)		
CAPITAL STOCK SUBSCRIBED (202, 205)		
STOCK LIABILITY FOR CONVERSION (203, 206)		
PREMIUM ON CAPITAL STOCK (207)	582,861,727	582,861,727
OTHER PAID-IN-CAPITAL (208-211)		
INSTALLMENTS RECEIVED ON CAPITAL STOCK (212)		
CAPITAL STOCK EXPENSE (214)		
APPROPRIATED RETAINED EARNINGS (215)		
UNAPPROPRIATED RETAINED EARNINGS (216)	340,838,774	395,344,763
UNAPPROPRIATED UNDIST. SUBSIDIARY EARNINGS (216.1)		
REACQUIRED CAPITAL STOCK (217)		
Accumulated Other Comprehensive Income (219)	(\$26,727,663)	(\$26,727,663)
TOTAL PROPRIETARY CAPITAL	<u>\$896,972,839</u>	<u>\$951,478,828</u>
LONG TERM DEBT		
BONDS (221)	525,000,000	525,000,000
REACQUIRED BONDS (222)		
ADVANCES FROM ASSOC. COMPANIES (223)	0	0
OTHER LONG TERM DEBT (224)		
UNAMORTIZED PREMIUM ON LONG TERM DEBT (225)		
UNAMORTIZED DISCOUNT ON LONG TERM DEBT (226)		
TOTAL LONG TERM DEBT	<u>\$525,000,000</u>	<u>\$525,000,000</u>
CURRENT AND ACCRUED LIABILITIES		
NOTES PAYABLE (231)		
ACCOUNTS PAYABLE (232)	149,676,816	18,391,288
NOTES PAYABLE TO ASSOCIATED COMPANIES (233)	193,989,244	73,397,054
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES (234)	144,312,589	855,709,064
CUSTOMER DEPOSITS (235)	8,016,965	8,923,443
TAXES ACCRUED (236)	15,510,181	26,186,548
INTEREST ACCRUED (237)	17,292,418	7,274,930
DIVIDENDS DECLARED (238)		
MATURED LONG TERM DEBT (239)		
MATURED INTEREST (240)		
TAX COLLECTIONS PAYABLE (241)	804,007	1,387,943
MISC. CURRENT AND ACCRUED LIABILITIES (242)	71,324,285	73,246,850
TOTAL CURRENT AND ACCRUED LIABILITIES	<u>\$600,926,505</u>	<u>\$1,064,517,120</u>
DEFERRED CREDITS		
CUSTOMER ADVANCES FOR CONSTRUCTION (252)		
OTHER DEFERRED CREDITS (253)	15,274,587	15,373,986
Other Regulatory Liabilities (254)	48,553,257	(15,446,318)
ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (255)		
DEFERRED GAINS FROM DISPOSITION OF UTILITY PLANT (256)		
Accumulated Deferred Income Taxes (281 - 283)	276,255,379	335,225,381
TOTAL DEFERRED CREDITS	<u>\$340,083,223</u>	<u>\$335,153,049</u>
OTHER NONCURRENT LIABILITIES		
Obligations Under Capital Leases - Noncurrent (227)		
Accumulated Provision for Property Insurance (228.1)		
Accumulated Provision for Injuries and Damages (228.2)		
Accumulated Provision for Pensions and Benefits (228.3)		
Accumulated Miscellaneous Operating Provisions (228.4)	162,097,013	160,188,971
Accumulated Provision for Rate Refunds (229)		
TOTAL Other Noncurrent Liabilities (Enter Total of lines 25 thru 30)	<u>\$162,097,013</u>	<u>\$160,188,971</u>
TOTAL LIABILITIES AND OTHER CREDITS	<u>\$2,525,079,580</u>	<u>\$3,036,337,968</u>

KEYSPAN GAS EAST CORPORATION D/B/A KEDLI  
DETAILS OF CHANGES IN CERTAIN BALANCE SHEET ACCOUNTS

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Common Capital Stock and Premium on Capital Stock

	Common Capital Stock	
	No of Shares of Stock	Par Value Per Share
Common Stock Issued	100	\$0.01
		Total Par Value
		\$1.00
	Premiums Received	Amount Paid to Corporation
	\$582,861,727	\$582,861,728
	For The Twelve-Month Period Ended 12/31/05	For the Three Month Period Ended 3/31/06
UNAPPROPRIATED RETAINED EARNINGS (Account 216)	259,367,537	340,838,774
Balance -- Beginning of Year		
Changes (Identify by prescribed retained earnings accounts)		
Adjustments to Retained Earnings (Account 439)		
TOTAL Credits to Retained Earnings (Acct. 439)		
TOTAL Debits to Retained Earnings (Acct. 439)		
Balance Transferred from Income (Account 433 less Account 418.1)	81,471,237	54,505,990
Appropriations of Retained Earnings (Account 436)		
TOTAL Appropriations to Retained Earnings (Acct. 436)		
Dividends Declared -- Preferred Stock (Account 437)		
TOTAL Dividends Declared -- Preferred Stock (Acct. 437)		
Dividends Declared -- Common Stock (Account 438)		
TOTAL Dividends Declared -- Common Stock (Acct. 438)		
Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
Balance -- End of year	340,838,774	395,344,764
TOTAL Retained Earnings (Account 215, 215.1, 216)	340,838,774	395,344,764

KEYSPAN GAS EAST CORPORATION D/B/A KEDLI

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Additional Information

None.



## **Adequacy and Reliability of the Gas Resource Portfolio**

### ***Portfolio Combination***

Pursuant to the Commission's Order of October 28, 2005 in Case 05-G-0903, KED NY and KED LI have combined the planning, development, and dispatch of their individual portfolios. The combined management of the portfolios has already enhanced the supply reliability of the portfolios and generated savings for customers. Following consummation of the Transaction, KED NY and KED LI will be able to leverage the complementary strengths of the Niagara Mohawk Power Corporation's gas portfolio. As discussed in the Joint Petition, the ability to utilize Niagara Mohawk's seasonally available supplies may permit the Companies to defer and/or reduce additions of incremental capacity during the terms of the Rate Plans. Additional opportunities to enhance the reliability and cost effectiveness of the combined portfolio may accrue following National Grid's acquisition of the Southern Union Gas Company, which holds firm rights to capacity on Tennessee Gas Pipeline.

### ***Gas Supply Planning Goals***

The Companies' primary supply planning goals are to:

- 1) ensure gas supplies are adequate to reliably meet projected design requirements;
- 2) minimize gas costs to the extent possible without compromising reliability;
- 3) maintain a diversified portfolio of firm pipeline transportation capacity, storage, gas supply, and LNG peak-shaving assets;
- 4) maintain sufficient contractual flexibility to balance load for gas customers (including transportation customers) and electric generators on an intra-day, daily and seasonal basis.

To support these goals, the Companies maximize purchases at supply basins and other liquid points and dispatch their gas supplies daily under a best cost strategy that recognizes the operational requirements of their local distribution systems as well as the provisions of their supply and capacity contracts.

### ***Efforts To Mitigate Commodity Price Volatility***

The gas commodity market continues to be volatile. Spiking price increases in the spring and summer of 2005 were exacerbated by the effects of Hurricanes Katrina and Rita, which shut down both offshore gas platforms and onshore gas processing plants, causing prices to rise into the \$14-\$15 per Dth range in late September 2005. Since then, prices have moderated as demand has slackened from a combination of conservation and relatively mild weather. Currently, prices are in the \$9.00 - \$10.0 range for the winter period, relatively high based on historical standards, and remain unpredictable and volatile.

The Companies mitigate volatility in the gas commodity markets in several ways. First, they maintain a balanced portfolio that includes contract storage and on-system LNG. These assets allow the Companies to inject gas during the summer for withdrawal during the winter. This enables the Companies to mitigate price volatility during the winter when demand is greatest. Second, the Companies maintain a geographically diverse gas supply portfolio that reduces their exposure to volatility in any single supply region. Third, the combined portfolio incorporates pricing diversity that minimizes exposure to volatility at a single pricing point or market index. Finally, the Companies mitigate price volatility with a formal hedging program.

The Companies use two hedging strategies aimed at reducing gas cost volatility. Under one strategy, financial derivatives are executed before the winter heating season to establish a price or price range for 50% of the estimated flowing volume for each month from November through April. Under the other strategy, financial derivatives are executed prior to the summer injection season to establish a price or price range for 20% of the market area storage capacity. The total volume hedged, based on the storage capacity forecast, is divided equally over the May through October injection period.

The Companies' hedging program has been successful in mitigating gas cost volatility. Total flowing hedge gains for the combined portfolio in the 2005-06 winter heating season were \$81.7 million; summer 2005 storage hedge transactions added another \$17 million in gains. Although hedges can work both ways, hedging gains reduced gas costs to the Companies' firm sales customers by \$98.7 million for the winter of 2005-06.

### ***Incremental Capacity Requirements***

The Companies currently have a need for new pipeline, storage and peaking capacity to meet projected growth in firm customer demand. Because most ESCOs operating in the Companies' service territories accept released capacity and bundled city gate sales service from the Companies rather than contracting directly for either short-term or long-term firm pipeline and storage capacity, the Companies plan for the combined portfolio to meet all firm demand. In the short term, the Companies will meet projected growth by purchasing a mix of firm incremental pipeline capacity, storage capacity, and bundled city gate supply to meet projected growth in its design winter requirements.

Longer term, the Companies will look to leverage Niagara Mohawk's gas resource portfolio, and, potentially, Southern Union Gas Company's portfolio, to defer or reduce necessary incremental capacity additions. In the meantime, KEDNY and KEDLI continue to maximize opportunities to restructure the combined portfolio as contracts expire, and plan to add the following new pipeline and storage capacity reliably to meet growth in firm customer demand.

#### ***(1) ANE Restructuring Project***

Under the ANE project, the Companies will replace and restructure approximately 147,000 Dth/day of Canadian supply currently under firm long-term contracts that are due to expire in 2006 and 2007. The gas originates in western Canada (at the "AECO Basin") and is transported by TransCanada Pipeline Limited ("TransCanada") to the interconnection with the Iroquois Transmission System ("Iroquois") at Waddington, New York. The Sellers hold the transportation capacity on TransCanada from AECO to Waddington, New York and the Companies hold capacity on Iroquois from Waddington to South Commack. Under the net-back pricing provision in the ANE Agreements, the ANE supply has been priced competitively with its alternative supplies that are sourced in the Gulf of Mexico.

Since commencement of the ANE project, Iroquois has expanded its capacity from Waddington, but there have not been commensurate expansions by TransCanada at Waddington. This has led to a tightening of supply and increased price volatility at that point. Upon expiration of the ANE agreements, the Companies will no longer have the protection offered by the net-back pricing provision and would be subject to Waddington price volatility.

In anticipation of this, the Companies undertook to restructure their ANE agreements. Under the ANE Restructuring Project, the Companies will contract for approximately 78,000 Dth/day of firm pipeline capacity from Dawn, Ontario to Iroquois at Waddington via Union Gas Limited ("Union") and TransCanada. Service is expected to commence in 2006 (approximately 28,000 Dth/day) and increase in 2007 (approximately 50,000 Dth/day). The Companies also plan to add 25,000 Dth/day of firm capacity from Chicago to Dawn via Vector Pipeline commencing in 2007. This Vector capacity will provide direct access to the liquid Chicago Hub. Finally, the Companies plan to acquire long haul TransCanada capacity on a short-term basis to provide direct access to supplies in the Western Canadian Sedimentary Basin.

#### *(2) Leidy to Long Beach Project*

The Companies have contracted with Dominion for 6 Bcf of storage capacity at Leidy, Pennsylvania with a daily withdrawal entitlement of 100,000 Dth. To effect delivery of the new storage, the Companies have contracted with Transco for 100,000 Dth per day of firm capacity from Leidy to Long Island. Both the Dominion storage service and the Transco Leidy to Long Beach Line expansion project are expected to start up in time for the 2007/08 winter heating season.

#### *(3) Dawn, Ontario to Long Island Project ("Empire/Millennium")*

This project will result in an entirely new path that will traverse several new and existing pipelines from Dawn, Ontario to a new interconnection with KED LI's system in northeast Long Island. This new path will provide for the transportation of approximately 130,000 Dth/day by Union to Kirkwall; 130,000 Dth/day from TransCanada to Chippewa; 150,000 Dth/day by Empire State Pipeline to Corning; 200,000 Dth/day by Millennium Pipeline LLC to Ramapo; 200,000 Dth/day by



Algonquin Gas Transmission System to Cheshire, CT; and 240,000 Dth/day by Islander East Pipeline Company ("Islander East") from Cheshire to Yaphank, NY. The Companies also plan to contract for new market area storage with a total maximum daily withdrawal quantity of 50,000 Dth per day that will be transported on Millennium. Following consummation of the Transaction, the timing of the Companies' need for this storage capacity will depend on the strategy pursued to maximize portfolio combination synergies. The Companies are currently evaluating various storage proposals and participating in open season capacity offerings to ensure that the new storage will provide sufficient winter supply and flexibility at competitive rates. The Companies are considering a phased-in service to coincide with the phase-in of Millennium, Algonquin and Islander East capacity. The Companies also plan to add 40,000 Dth/day that will be transported by Algonquin under its Hubline expansion from Beverly MA to Cheshire, CT for subsequent transportation by Islander East to Yaphank, NY. Service under these agreements is expected to commence in the 2007/2008 time frame.

The Companies will continue to monitor growth in firm demand and to evaluate the optimal mix of supply resources to meet their requirements in a cost-effective manner, including synergistic opportunities arising from the portfolios of other National Grid companies.



KEYSPAN CORPORATION  
Proposed Accounting Entries  
(Millions of Dollars)  
Debit/ (Credit)

The proposed accounting entries reflect the purchase accounting on the unappropriated retained earnings and miscellaneous paid-in capital accounts of the KeySpan subsidiaries with cost-based regulated rates in New York: Brooklyn Union Gas Company (KEDNY) and KeySpan Gas East Corporation (KEDLI).

As the fair market values of the KeySpan companies for purchase accounting purposes are still being determined, the proposed accounting entries assume that the purchase price of the KeySpan companies are at book value. The actual journal entries that will reflect purchase accounting at fair market value will be set forth in the final accounting filing that will be made within six months of the consummation of the merger.

The proposed entries below, using balance sheets dated December 31, 2005, reflect the effects of purchase accounting on the retained earnings accounts, which are eliminated and reclassified to miscellaneous paid-in capital.

FERC Account		Brooklyn Union Gas Company (KEDNY)	KeySpan Gas East Corporation (KEDLI)
211	Miscellaneous paid-in capital	\$ (554)	\$ (314)
216	Unappropriated retained earnings	\$ 515	\$ 341
216.1	Unappropriated undistributed subsidiary earnings	\$ 60	\$ -
219	Accumulated other comprehensive income	\$ (21)	\$ (27)



### **National Grid credit ratings – Senior Unsecured rating**

	<b>Moody's</b>	<b>S&amp;P</b>
<b>US Operating Companies</b>		
Massachusetts Electric	A2	A
Narragansett Electric	A2	A (Issuer rating)
New England Power	A1	A
Niagara Mohawk Power	Baa1	A-
National Grid USA		A-
<b>Parent Company</b>		
National Grid plc	Baa1	A-

Note: Ratings were placed on review for possible downgrade (Moody's) or on Credit Watch with negative implications (S&P) following announcement of KeySpan transaction



**Moody's Investors Service**

**Global Credit Research**

**Rating Action**

**5 OCT 2004**

**Rating Action: Niagara Mohawk Power Corporation**

**MOODY'S UPGRADES DEBT RATINGS OF NIAGARA MOHAWK POWER CORPORATION (Sr. Sec. TO A3 FROM Baa2); RATING OUTLOOK IS STABLE**

**Approximately \$2.4 Billion of Debt Affected**

New York, October 05, 2004 -- Moody's Investors Service upgraded the debt ratings of Niagara Mohawk Power Corporation (NiMo; senior secured to A3 from Baa2). This rating action concludes a review for possible upgrade of NiMo's debt ratings. The rating outlook for NiMo is stable.

The upgrade of NiMo's ratings reflects: 1) substantial debt reduction expected over the next several years; 2) expected acceleration of stranded cost recovery that should provide a significant boost to cash flow for the next two years; and 3) a narrowing of the rating range between NiMo and its affiliates in the National Grid-USA family (New England Power Company, A1 senior unsecured, stable outlook; Massachusetts Electric Company, A1 senior secured, stable outlook; and Narragansett Electric Company, A1 senior secured, stable outlook) because of the increasing degree to which the utilities are being managed as a single operating and financial system.

Since being acquired by National Grid Transco plc (NGT; Baa1 senior unsecured, stable outlook) in 2002, NiMo's financial profile has gradually improved. Among the key credit metrics that have improved are NiMo's adjusted debt to total capitalization and its funds from operations (FFO) coverage of interest. The improvement has been primarily due to debt repayment with free cash flow, common equity contributions from the parent company, and refinancing of third-party debt with lower cost inter-company debt.

The pace of NiMo's financial improvement is expected to increase over the next three years. The New York State Public Service Commission continues to provide strong regulatory support for recovery of NiMo's significant stranded costs, as provided by the Merger Rate Plan (MRP) extending through 2011. Under the provisions of the MRP, NiMo's cash flow will significantly improve over the next two years due to higher levels of stranded cost recovery.

Within the National Grid-USA system, NiMo is able to borrow under a money pool arrangement among the four operating utilities. As part of an effort to bolster the utility's capital structure, NiMo has not upstreamed dividends to its ultimate parent company, NGT. The growing interdependence among the utilities is further reflected by efforts underway to establish up to \$650 million of bank credit under a master facility covering all of National Grid-USA's subsidiaries. We expect that the new credit facility will be finalized in November 2004, in advance of the expiration of existing individual company credit facilities.

As NiMo strives for further strengthening of its credit profile, key challenges include a sizable aggregate debt burden, including a significant amount of inter-company debt, and the execution of further cost reductions and efficiency measures that are related to fully integrating four utility affiliates in the Northeast region.

The stable rating outlook for NiMo reflects the low business risk profile associated with the electric and gas T&D system within which it operates, which is expected to result in relatively predictable cash flow. The stable outlook also reflects management's commitment to continue to strengthen NiMo's balance sheet. Consistent with this point, we do not expect NiMo to resume paying dividends to its parent for at least the next two fiscal years.

NiMo's ratings upgraded include:

Senior secured debt to A3 from Baa2

Senior secured shelf registration to (P)A3 from (P)Baa2

Senior unsecured debt and Issuer Rating to Baa1 from Baa3

Senior unsecured shelf registration to (P)Baa1 from (P)Baa3

Preferred stock to Baa3 from Ba2

Niagara Mohawk Power Corporation, headquartered in Syracuse, New York, is a transmission and distribution utility serving upstate New York. The company is an indirect subsidiary of National Grid Transco plc.

New York  
Daniel Gates  
Managing Director  
Corporate Finance Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

New York  
Kevin G. Rose  
Vice President - Senior Analyst  
Corporate Finance Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

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**Appendix C**  
**State Environmental Quality Review**  
**SHORT ENVIRONMENTAL ASSESSMENT FORM**  
**For UNLISTED ACTIONS Only**

**PART I - PROJECT INFORMATION (To be completed by Applicant or Project Sponsor)**

1. APPLICANT/SPONSOR <b>KeySpan Corporation</b>	2. PROJECT NAME <b>National Grid Merger</b>
3. PROJECT LOCATION: <div style="display: flex; justify-content: space-between;"> <span>Municipality</span> <span>County</span> </div>	
4. PRECISE LOCATION (Street address and road intersections, prominent landmarks, etc., or provide map) <b>KeySpan Corporation</b> <b>One MetroTech Center</b> <b>Brooklyn, NY 11201</b>	
5. PROPOSED ACTION IS: <input checked="" type="checkbox"/> New <input type="checkbox"/> Expansion <input type="checkbox"/> Modification/alteration	
6. DESCRIBE PROJECT BRIEFLY: <b>Merger of KeySpan Corporation and National Grid, USA</b>	
7. AMOUNT OF LAND AFFECTED: Initially _____ acres <b>NA</b> Ultimately _____ acres	
8. WILL PROPOSED ACTION COMPLY WITH EXISTING ZONING OR OTHER EXISTING LAND USE RESTRICTIONS? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No    If No, describe briefly	
9. WHAT IS PRESENT LAND USE IN VICINITY OF PROJECT? <input checked="" type="checkbox"/> Residential <input checked="" type="checkbox"/> Industrial <input checked="" type="checkbox"/> Commercial <input checked="" type="checkbox"/> Agriculture <input checked="" type="checkbox"/> Park/Forest/Open Space <input type="checkbox"/> Other Describe:	
10. DOES ACTION INVOLVE A PERMIT APPROVAL, OR FUNDING, NOW OR ULTIMATELY FROM ANY OTHER GOVERNMENTAL AGENCY (FEDERAL, STATE OR LOCAL)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No    If Yes, list agency(s) name and permit/approvals: <b>NYS Public Service Commission</b>	
11. DOES ANY ASPECT OF THE ACTION HAVE A CURRENTLY VALID PERMIT OR APPROVAL? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No    If Yes, list agency(s) name and permit/approvals:	
12. AS A RESULT OF PROPOSED ACTION WILL EXISTING PERMIT/APPROVAL REQUIRE MODIFICATION? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
I CERTIFY THAT THE INFORMATION PROVIDED ABOVE IS TRUE TO THE BEST OF MY KNOWLEDGE Applicant/sponsor name: _____ Date: _____ Signature: _____	

**If the action is in the Coastal Area, and you are a state agency, complete the Coastal Assessment Form before proceeding with this assessment**

**PART II - IMPACT ASSESSMENT (To be completed by Lead Agency)**

<b>A. DOES ACTION EXCEED ANY TYPE I THRESHOLD IN 8 NYCRR, PART 817.4?</b> If yes, coordinate the review process and use the FULL EAF. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<b>B. WILL ACTION RECEIVE COORDINATED REVIEW AS PROVIDED FOR UNLISTED ACTIONS IN 8 NYCRR, PART 817.6?</b> If No, a negative declaration may be superseded by another involved agency. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<b>C. COULD ACTION RESULT IN ANY ADVERSE EFFECTS ASSOCIATED WITH THE FOLLOWING:</b> (Answers may be handwritten, if legible) C1. Existing air quality, surface or groundwater quality or quantity, noise levels, existing traffic pattern, solid waste production or disposal, potential for erosion, drainage or flooding problems? Explain briefly: <b>No, See EAF Narrative.</b> C2. Aesthetic, agricultural, archaeological, historic, or other natural or cultural resources; or community or neighborhood character? Explain briefly: <b>No, See EAF Narrative.</b> C3. Vegetation or fauna, fish, shellfish or wildlife species, significant habitats, or threatened or endangered species? Explain briefly: <b>No, See EAF Narrative.</b> C4. A community's existing plans or goals as officially adopted, or a change in use or intensity of use of land or other natural resources? Explain briefly: <b>No, See EAF Narrative.</b> C5. Growth, subsequent development, or related activities likely to be induced by the proposed action? Explain briefly: <b>No, See EAF Narrative.</b> C6. Long term, short term, cumulative, or other effects not identified in C1-C5? Explain briefly: <b>No, See EAF Narrative.</b> C7. Other impacts (including changes in use of either quantity or type of energy)? Explain briefly: <b>No, See EAF Narrative.</b>	
<b>D. WILL THE PROJECT HAVE AN IMPACT ON THE ENVIRONMENTAL CHARACTERISTICS THAT CAUSED THE ESTABLISHMENT OF A CRITICAL ENVIRONMENTAL AREA (CEA)?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, explain briefly:	
<b>E. IS THERE, OR IS THERE LIKELY TO BE, CONTROVERSY RELATED TO POTENTIAL ADVERSE ENVIRONMENTAL IMPACTS?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, explain briefly:	

**PART III - DETERMINATION OF SIGNIFICANCE (To be completed by Agency)**

**INSTRUCTIONS:** For each adverse effect identified above, determine whether it is substantial, large, important or otherwise significant. Each effect should be assessed in connection with its (a) setting (i.e. urban or rural); (b) probability of occurring; (c) duration; (d) irreversibility; (e) geographic scope; and (f) magnitude. If necessary, add attachments or reference supporting materials. Ensure that explanations contain sufficient detail to show that all relevant adverse impacts have been identified and adequately addressed. If question D of Part II was checked yes, the determination of significance must evaluate the potential impact of the proposed action on the environmental characteristics of the CEA.

- ☐ Check this box if you have identified one or more potentially large or significant adverse impacts which **MAY** occur. Then proceed directly to the FULL EAF and/or prepare a positive declaration.
- ☐ Check this box if you have determined, based on the information and analysis above and any supporting documentation, that the proposed action **WILL NOT** result in any significant adverse environmental impacts **AND** provide, on attachments as necessary, the reasons supporting this determination.

\_\_\_\_\_  
Name of Lead Agency\_\_\_\_\_  
Date\_\_\_\_\_  
Print or Type Name of Responsible Officer in Lead Agency\_\_\_\_\_  
Title of Responsible Officer\_\_\_\_\_  
Signature of Responsible Officer in Lead Agency\_\_\_\_\_  
Signature of Preparer (if different from responsible officer)

**ENVIRONMENTAL ASSESSMENT FORM FOR MERGER OF  
KEYSPAN CORPORATION, NATIONAL GRID GROUP plc, and  
NATIONAL GRID USA**

**PREPARED FOR:**

New York State Public  
Service Commission  
Department of Public Service  
Three Empire State Plaza  
Albany, New York 12223

**PREPARED BY:**

KeySpan Corporation  
One MetroTech Center  
Brooklyn, New York 11201

National Grid USA  
25 Research Drive  
Westborough, MA 01552

**1. Executive Summary**

On February 25, 2006, KeySpan Corporation ("KeySpan") and National Grid plc ("National Grid") announced an Agreement and Plan of Merger (the "Merger Agreement") for the acquisition of KeySpan by National Grid. National Grid, its wholly owned subsidiary National Grid USA and KeySpan (collectively "Petitioners") have requested authorization to effect the acquisition of KeySpan through the filing of a Joint Petition for Approval of the Merger Agreement.

The following Environmental Assessment Form ("EAF") is provided to assist the New York State Public Service Commission ("PSC" or "Commission") in determining whether the Merger will have a significant impact on the environment.

**2. Description of Proposed Action**

**A. Background**

Consummation of the merger and stock acquisition ("Merger") is subject to various closing conditions including, but not limited to, the satisfaction or waiver of conditions regarding the receipt of requisite regulatory approvals and the adoption of the

Merger Agreement by the stockholders of KeySpan and National Grid. The State Environmental Quality Review Act (“SEQRA”), and its implementing regulations at 6 NYCRR Part 617, require a systematic review of the environmental consequences of those “actions” of State agencies which may have significant environmental impacts. Under the provisions of SEQRA, the Commission’s proposed action that is being considered is the approval of the joint petition of KeySpan, National Grid plc and National Grid USA for approval of the Merger.

B. Statement of Proposed Action

SEQRA regulations define the term “actions” to include, among other things, “agency planning and policy-making activities that may affect the environment and commit the agency to a definite course of future decisions.” [6 NYCRR § 617.2(b)(2)]. The proposed action here is the approval by the Commission of the Merger.

C. Scope of EAF

This document provides the substantive information solicited by Appendix C of 6 NYCRR 617, part of the regulations promulgated by the New York State Department of Environmental Conservation (“NYSDEC”) pursuant to SEQRA. An environmental assessment is an evaluation of the known or potential environmental consequences of a proposed action. This assessment also determines whether additional relevant information about such impacts is needed. This EAF is limited to identification and consideration of potentially significant and reasonably likely adverse environmental, social and economic impacts associated with the Merger.

D. The SEQRA Process

An EAF provides an organized approach to identifying the information needed by the lead agency to make its determination of significance. A properly completed EAF describes a proposed action, its location, its purpose and its potential impacts on the environment. The EAF is the first step in the environmental impact review process and leads to either a positive declaration (requiring further analysis of the environmental impacts) or a negative declaration (requiring no further action) of potentially significant adverse environmental impacts.

E. Outline of This EAF

The remainder of this document is organized as follows: Section 3 provides a brief discussion of the Petitioners. Section 4 provides an overview of the key components of the Merger. Section 5 provides a description of the service territories of the Petitioners. Section 6 discusses zoning and planning information. Section 7 provides an overview of the environmental impacts of the Merger. Section 8 provides a conclusion.

3. Petitioners

KeySpan Corporation is an investor-owned energy company that was formed in May 1998 as a result of the merger of KeySpan Energy Corporation, the parent company of Brooklyn Union Gas, and certain businesses of the Long Island Lighting Company. On November 8, 2000, KeySpan acquired Eastern Enterprises, a Massachusetts business trust, and the parent of several gas utilities operating in Massachusetts and New Hampshire. KeySpan has headquarters in Brooklyn, New England, and Long Island.

National Grid is a public limited company incorporated under the laws of England and Wales. National Grid is an international energy delivery business with principal activities in the regulated electricity and natural gas industries. National Grid owns the high-voltage electricity transmission network in England and Wales and operates the system across Great Britain. National Grid also owns and operates the high pressure gas transmission system in Great Britain and, through its natural gas distribution business, serves over 11 million customers. In addition, National Grid has a number of businesses operating in related areas such as LNG importation, wireless infrastructure for broadcast and telecommunications, property, metering and interconnectors.

Please refer to the Petition for a complete description of the Petitioners.

4. Description of Merger

Please refer to the Petition for a complete description of the Merger as well as the benefits of this transaction.

5. Description of Service Territories

A. KeySpan

KeySpan is the largest distributor of natural gas in the Northeastern United States, operating regulated gas utilities in New York, Massachusetts and New Hampshire that serve 2.6 million customers. In New York, there are two separate, but contiguous service territories served by KeySpan Energy Delivery New York and KeySpan Energy Delivery Long Island comprising 1,417 square miles and 1.68 million customers.

KeySpan also is the largest electric generator in New York State, with approximately 6,650 megawatts of generating capacity that provides power to 1.1 million

customers of the Long Island Power Authority ("LIPA") on Long Island and supplies approximately 25 percent of New York City's capacity needs. KeySpan also operates LIPA's electric transmission and distribution system under contract to LIPA. In addition to these assets, KeySpan has strategic investments in pipeline transportation, distribution, storage, and production.

B. National Grid

In the United States, National Grid's subsidiary, National Grid USA, transmits and distributes electricity and natural gas to more than 4 million customers in New York, Massachusetts, New Hampshire and Rhode Island. National Grid USA provides electricity to more than 1.6 million customers across 24,000 square miles of upstate New York and delivers natural gas to approximately 569,000 customers over 4,500 square miles of eastern, central and northern New York.

6. Zoning Information, Planning Information and Approvals from Other Government Agencies

A. Zoning and Planning

The Merger will not involve any changes to land use and will comply with existing zoning and other land use restrictions. No short-term, long-term or incremental adverse impacts to the land will occur as a result of the proposed action. KeySpan will remain a separate wholly-owned subsidiary of National Grid after the Merger and will maintain its current permits, approvals and licenses. As KeySpan will remain a separate entity after the Merger, any transfer of title, changes of name or similar modifications to permits will not have an impact upon the environment.

B. Approvals from Other Government Agencies

Please refer to the Petition for a description of other regulatory filings which must be made and approvals to be obtained as conditions precedent to the closing of the Merger.

7. Environmental Impacts of the Merger

Attachments A and B provide a description of the environmental programs of both KeySpan and National Grid USA. The companies will evaluate each program to identify and implement the best practices from each to ensure that robust and compliant environmental programs are maintained.

A. Air Quality Impacts

KeySpan electric generating, gas and common plant facilities are subject to federal, state and local regulations governing emissions of air pollutants. All facilities are permitted as required under federal, state and local regulations, as applicable, and operate and report as required by those permits. Most of National Grid USA facilities in New York State are small sources and exempt from permitting. After the Merger, both KeySpan and National Grid will continue to maintain their air permits and comply with the conditions therein as well as obtain new permits as required. As a result, adverse impacts on air quality are not anticipated as a result of the Merger.

In fact, it is possible that there may be beneficial impacts on air quality as a result of the Merger because of enhanced Demand Side Management programs and increased focus on the potential for using natural gas as an alternate fuel for motor vehicles and other sources that currently consume heating oil or other petroleum products. Vehicles powered by natural gas emit far less carbon monoxide and greenhouse gases than



conventional cars. In addition, increasing the amount of commercial and residential gas conversions will further support New York state efforts to reduce carbon dioxide emissions to help address global climate change concerns.

B. Water Quality Impacts

Both KeySpan and National Grid USA are required to comply with federal and state water quality statutes and regulations including the Federal Clean Water Act (Clean Water Act) of 1972. The Clean Water Act was implemented to protect the nation's water sources and the animal and plant life depending on them by restoring and monitoring the chemical, physical and biological integrity of rivers, streams, bays and other sources. Water quality regulations are monitored at the federal, state and local levels. The Clean Water Act requires that point sources be in compliance with state issued State Pollutant Discharge Elimination System ("SPDES") permits which prescribe applicable conditions to protect water quality. The program requires permits to be issued for industrial and commercial discharges, including heat, into surface and ground waters. Depending on the type of discharge, a periodic monitoring program may also be required.

The NYSDEC has issued SPDES permits for a number of KeySpan facilities. KeySpan is required to comply with numerous conditions under these permits. National Grid USA has also received SPDES permits for certain of its facilities. After the Merger, both KeySpan and National Grid will continue to maintain their discharge permits and comply with the conditions therein as well as obtain new permits as required. As a result, impacts on the quality or quantity of surface or ground water are not anticipated as a result of the Merger.

C. Demand-Side Management

As part of program enhancements committed to in contemplation of the Merger, KeySpan Energy Delivery Long Island will spend up to \$10 million and KeySpan Energy Delivery New York will spend up to \$20 million to implement Demand-Side Management programs consistent with the programs previously implemented by its distribution affiliate in New England. Alternatively, if the Commission decides to approve a system benefit charge for gas companies, KeySpan will work with NYSERDA, or whomever the Commission designates to administer the gas system benefit charge, to assist with the management of these programs.

D. Energy

The Merger is not expected to have a significant adverse effect on current or projected energy use. Indeed, the Petitioners' proposal to introduce new Demand-Side Management initiatives will encourage more efficient use of energy, especially natural gas.

E. Noise Impacts

The Merger will not significantly affect the utility operations of these companies. As a result, it is not anticipated that there will be a change in the noise levels.

F. Traffic Impacts

The Merger will not significantly affect traffic patterns. Impacts to existing traffic patterns are not anticipated. Potential future impacts will be evaluated on a case-by-case basis when plans are formulated to effect a change in operations at any specific location.

G. Solid Waste

The Merger will not significantly affect the utility operations of these companies. As a result, it is not anticipated that there will be an increase in solid waste production or disposal.

H. Toxic Substances and Hazardous Waste

Under the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 ("Superfund"), owners and operators of facilities where releases of hazardous substances into the environment have occurred, and the generators and transporters of hazardous substances disposed of at the facilities, are jointly and severally liable for all response, removal and remediation costs and for any damages to natural resources.

The Resource Conservation and Recovery Act ("RCRA") also governs the generation, transportation and disposal of hazardous waste. As part of the operations of KeySpan and National Grid USA, various materials are generated that are deemed hazardous under both Superfund and RCRA. These materials include, but are not limited to asbestos, mercury regulators and dielectric fluids containing PCBs, all of which are disposed of at licensed off-site facilities not owned by the companies.

I. Erosion Damage or Flooding

The Merger will not significantly affect the utility operations of these companies. No specific plans for new construction result from the merger. Therefore, the potential for erosion, damage or flooding problems is not anticipated.

J. Aesthetic, Agricultural, Archeological, Historic or Other Natural Resources

The Merger will not significantly affect the utility operations of these companies. As a result, there will not be any impact to the aesthetic, agricultural, archeological, historic or other natural resources of the areas where the companies operate.

K. Community or Neighborhood Character

1. Charitable Contributions

The Merger will not significantly affect neighborhood or community character. National Grid has agreed that during the four-year period immediately following the Merger, KeySpan will provide, directly or indirectly, charitable contributions and traditional local community support at levels substantially comparable to that provided prior to the Merger.

2. Employment

The achievement of synergy savings will tend to reduce the number of personnel across the KeySpan and National Grid organizations, particularly in the administrative services functions. However, savings achievable from personnel reductions are limited by the fact that KeySpan and National Grid have controlled growth in operation and maintenance and administrative and general expenses through 1) achieved efficiencies from prior mergers and acquisitions, and 2) the implementation of various cost control and efficiency initiatives. Employees of the merged companies may benefit from expanded opportunities available in a larger organization, including increased advancement opportunities in a larger and more diverse enterprise.

3. Local Property Taxes

The Merger will not result in a significant impact on property taxes.

L.     Vegetation or Farming, Fish, Shellfish or Wildlife Species, Significant Habitats or Threatened and Endangered Species

There are no current plans arising from the Merger which will disrupt vegetation or habitat.

M.     Community's Existing Plans or Goals

The Merger will not significantly affect land use, and land use changes will comply with existing zoning and other land use restrictions. As a result, use or intensity of land or other natural resources will not be impacted.

N.     Growth, Subsequent Development and Related Activities likely to be Induced by the Proposed Action

Lower rates may contribute to growth and development in KeySpan's service territory. After the Merger, KeySpan will continue to focus on economic development. Any growth, subsequent development or related activities will be independently evaluated for its environmental impacts.

O.     Long-Term, Short-Term, Cumulative or Other Effects

No significant long-term, short-term, cumulative or other impacts will occur as a direct result of the Merger. Each entity will maintain its current permits, approvals and licenses. The environmental impacts of specific proposals and projects will be evaluated on a case-by-case basis as they are developed.

8.     Conclusions

The Merger does not include any specific plans for additional construction activities. The impacts of any future construction will be evaluated on a case-by-case

basis, in accordance with all applicable environmental laws and regulations. It is anticipated that the Merger will provide benefits to both companies as well as their respective customers and that there will not be any significant adverse environmental impacts associated with the Merger.

#206406



## **Attachment A**

### **KeySpan Environmental Programs**

KeySpan is committed to protecting the environment for its customers, employees and the communities that it serves by conducting its business in an environmentally responsible manner. KeySpan has developed a number of environmental programs to foster its commitment to the environment.

#### **1. Environmental Policy**

KeySpan's commitment is to design, construct, operate, maintain and manage its facilities and legacy properties in compliance with applicable environmental laws and regulations. Toward that end, KeySpan has adopted a comprehensive Environmental Management System that sets forth corporate environmental policies, practices and procedures to ensure environmental compliance. Beyond compliance, KeySpan is committed to responsible protection and enhancement of the environment and to operate its facilities as a good neighbor. KeySpan's enterprise-wide commitment to environmental protection is the responsibility of each officer and every employee and is an integral part of the total customer service objective.

#### **2. Environmental Organization**

The Environmental Policy and Services Division (EP&S) is responsible for development of KeySpan Corporate environmental policy and compliance strategy for all environmental issues and ensures that the Corporate Environmental Management System is implemented enterprise-wide. EP&S is positioned within the Corporate Services organization, reporting ultimately to the Office of the Chairman. Its position in the Corporation allows EP&S to support the core business units and subsidiaries.

The Departments in the EP&S Division are organized to respond to the needs of the Corporation consistent with industry best practices. EP&S provides guidance and support before projects commence, during the lifetime of a permit, operation or project, and after the completion of operations or tasks or in dealing with legacy properties. Each organization within EP&S acts in support of the other.

#### **3. Environmental Management System**

The Environmental Management System is designed to be a comprehensive program for managing environmental issues associated with KeySpan operations and for facilitating Corporate Environmental Policy that align with business objectives and customer needs. The EMS is comprised of:

- The Corporate Environmental Policy and Principles and the Environmental Process Narratives contained in the Environmental Management Manual.



- Supporting documents and tools including Environmental Best practices, Quick Tips and operating organization procedures.

The EMS is maintained and implemented by Environmental Policy and Service (EP&S) and is supported by various other key KeySpan organizations.

#### **4. Environmental Training & Communication Programs**

In addition to required regulatory training, Environmental has established a number of outreach programs and mechanisms to foster education and compliance. The Environmental Outreach process provides information, guidance and services coupled with the interaction and feedback with our operating units to address environmental issues resulting from Company activities. A large part of the program development of this process deals with the day-to-day functions performed routinely and necessary to maintain compliance at work sites and waste generating locations. Just as important, however, is providing emergency efforts for unforeseen events such as spill response, assistance to field crews encountering contamination or planning a new project. Getting the word out to our employees is paramount; it comes in the form of presentations, Quick Tips, e-mails, construction site visits, Environmental Best Practices (EBPs), Environmental Bulletins and Operating Procedures. Reinforcement of programs, through feedback, followed up with repeated site visits, re-emphasis certain aspects of programs or creation of new initiatives is essential to keep current or to address areas of concern. Finally in the dedication of resources, it is crucial to achieve consensus and support from affected operating units. In the application of this Process continual input is sought at all levels, both from within and outside the Company.

#### **5. Environmental Permitting, Compliance and Monitoring**

KeySpan's Environmental Policy and Services Division is a process-based organization that supports all aspects of permitting, compliance and monitoring. Environmental has identified the following key processes to facilitate compliance activities:

**Project Licensing & Environmental Assessment:** The purpose of this Process is to acquire project specific licenses or approvals within the project schedule

**Permit Compliance & Management:** The purpose of this Process is ensuring that facilities are constructed, operated and maintained in accordance with various environmental permits, licenses, orders or certificates

**Continuous Emission Monitoring:** The purpose or goal of this Process is to implement and maintain regulatory compliance for air emissions from power stations and other sources through the installation and operation of continuous emission monitoring (CEM) systems as required by regulation.

**Emergency Response:** The purpose of this Process is to ensure the prompt reporting, response and remediation of spills of petroleum or hazardous materials from company facilities, vehicles or equipment and to minimize their environmental impact.

**Waste Management:** The goal of Waste Management is to provide regulatory guidance, disposal arrangements and direct operational support for all Company activities generating waste materials.

**PCB Compliance:** The first and utmost goal of the PCB Compliance Process is to assure the Company's ability to continue with the authorized use of its remaining PCB-contaminated assets by positioning the Company's compliance posture in accordance with the varied and multiple layers of PCB regulatory requirements. Beyond that, the goals focus on providing the necessary practical and cost effective tools to achieve that end, as well as, limiting or eventually phasing out the Company's PCB contamination are just as equally important.

**Sampling Services:** The purpose or goal of the Operations Technical Support Sampling Process is to obtain all regulatory required and customer requested samples so that final reports can be issued prior to their due dates.

## **8. Legal and Auditing**

The Legal Department provides assistance and counsel in a wide variety of matters including interpretation of laws and regulations, development of policy and compliance strategy, and representation in judicial actions, administrative regulatory proceedings and enforcement initiatives. The Legal Department also manages outside counsel whenever they are retained. A representative from the Legal Department is a member of the Environmental Oversight Committee and therefore has direct input and knowledge of all major environmental issues.

The Internal Audit Division conducts auditing of the operational compliance with governmental regulation, Company Environmental Policy and this Environmental Management System. Internal Audit provides feedback reporting to Legal, Environmental Policy and Services, the Board of Directors, the Environmental Oversight Committee and the operating organizations in an effort to continuously improve KeySpan's overall compliance posture.

## **9. Site Investigation and Remediation Program**

KeySpan has identified 123 former manufactured gas plant ("MGP") sites and related facilities, which were owned or operated by KeySpan subsidiaries or such companies predecessors. These former sites, some of which are no longer KeySpan-owned, have been identified to the various state regulators for inclusion on appropriate site inventories in New York, Massachusetts and New Hampshire.

KeySpan's Environmental Asset Management team provides an enterprise-wide framework to manage KeySpan's environmental and regulatory liabilities associated with these sites. This process covers the broad range of activities from establishing corporate policy and

strategy for all aspects of the MGP program through initial identification of a site and various prescribed state or federal regulatory programs and concludes with regulatory/site closure. The process includes establishment of strategy and policy for negotiation with regulatory agencies, environmental assessment, investigation, and remediation, as well as following and commenting on regulatory and legislative initiatives and rulemakings on remediation and spill response. In addition, the process also includes membership and participation in appropriate utility environmental research, regulatory action and lobbying groups to ensure up-to-date knowledge and input into federal and state regulations. The process of addressing a site is initiated by KeySpan's needs on its owned sites, regulatory concern, or 3rd party impacts or redevelopment plans. Regulatory orders or suitable agreements are negotiated and investigation, remediation, and other tasks as required by regulators are carried out. Positive reuse is integrated into the process to offset costs and to address and community concerns. The endpoint of the process occurs when regulatory closure is reached. Teams are led by Environmental Asset Management and include team members from legal, real estate, community relations, government relations, finance, and various consultants and contractors. In addition, KeySpan has initiated lawsuits in New York, Massachusetts and New Hampshire against numerous insurance carriers for reimbursement of costs incurred for the investigation and remediation of these MGP sites.

The regulatory basis for the process varies by state, since site investigation, risk assessment and remediation are governed by the environmental and health agencies for each state. In general, sites are placed in the state programs by order, agreement, or other vehicle. Activities at each site proceed according to state requirements, guidelines, programs and orders. In addition to these programs, remediation must be in compliance with applicable federal water and air quality regulations, and local regulations.

## **10. Waste Minimization**

KeySpan has developed its Waste Minimization Program to comply with the certification requirements of Sections 3002(b) and 3005(h) of the Resource Conservation and Recovery Act (RCRA). Section 3002(b) of RCRA requires hazardous waste generators who transport wastes offsite to certify on the hazardous waste manifest that a program is in place to reduce the volume or quantity and toxicity of hazardous waste generated to the extent economically practicable. Certification of a "program in place" is also required for a Treatment, Storage and Disposal Facilities such as the one KeySpan has in Hicksville, New York.

### **Top Management Support of the Program**

KeySpan's Waste Minimization Policy is stated in the Hazardous Waste Reduction Plan as follows.

"KeySpan facilities will strive to eliminate the release of any material that may cause personal or environmental damage, and will minimize the generation of waste by promoting source reduction, recycling and beneficial reuse of all

purchased material. The disposal of waste material, where necessary, will be conducted in a safe, responsible and legal manner.

KeySpan will minimize environmental, safety and health risks to employees, customers and the communities by employing safe technologies and by seeking to replace hazardous materials with safer ones wherever possible.

KeySpan companies will commit the resources necessary to implement this policy and to develop and maintain a pro-active approach to waste minimization.

KeySpan has set in place programs to monitor and sustain a process to ensure that all of its employees are kept informed of waste management goals and achievements.”

#### **11. Environmental Stewardship/Corporate Environmental Image**

KeySpan recognizes the value of having a strong commitment to the environment and to the local communities it serves – and the Company has built its strong corporate reputation by living up to these commitments. One of the Company’s core Corporate Values is: “We must be good neighbors and respect the environment.” In the interest of being a responsible steward for the environment, KeySpan has established longstanding relationships with numerous environmental organizations across its service territory. The Corporation works collaboratively to study and protect woodlands, save wildlife, and educate the public on key environmental issues. KeySpan also works cooperatively with environmental groups on its capital projects to make sure they’re performed in the most environmentally sensitive manners. And since its inception in December 1998, the KeySpan Foundation has provided more than \$1.25 million dollars to dozens of local, nonprofit environmental organizations to help them reach their goals. KeySpan communicate our environmental commitment through both the Company internet webpage and by periodically publishing an environmental report.



## **Attachment B**

### **National Grid Environmental Programs**

National Grid is committed to conducting business in a manner that preserves the quality of the environment by continuously seeking ways to minimize the environmental impact of past, present and future operations. We believe that aggressively addressing environmental issues is good business and in the best interest of the communities we serve, our employees, our shareholders, and all our other stakeholders. The following provides a brief overview of National Grid's environmental programs.

#### **1. Environmental Policy**

National Grid has stated its commitment to the environment in our Environmental Policy. We have also committed to thirteen (13) specific principles including to:

- Conduct our activities to meet all applicable laws and regulations as well as Company policies and compliance objectives;
- Work to prevent pollution, including the releases of oil and hazardous materials, minimize waste generation, recycle materials when economically feasible, and dispose of remaining wastes only through safe and environmentally sound methods; and
- Promote continual improvement in our environmental management systems and environmental performance.

#### **2. Environmental Organization**

The General Counsel who also chairs the Compliance Committee oversees National Grid's compliance program. The Compliance Committee has the following responsibilities:

- a. Overseeing the compliance by National Grid and its subsidiaries with all laws governing their operations, including the development of appropriate compliance programs and training;
- b. Setting and administering compliance goals for employee goals;
- c. Reviewing compliance violations and overseeing follow-up to prevent recurrence;
- d. Overseeing National Grid's Standard of Ethical Conduct; and

- e. Providing reports to the National Grid Board on compliance matters.

The National Grid Environmental Oversight Committee meets quarterly and reviews progress on the various aspects of our environmental compliance program.

The Vice President of the Environmental Department, along with his staff, provides regulatory and technical support to all functions within National Grid. This includes the development of environmental procedures, determination of permitting requirements, development of environmental training content, design and implementation of the environmental management systems, and participating in engineering staff meetings for environmental input.

Divisional Environmental Engineers have responsibility for all facets of environmental compliance at operations facilities and of field operations. This may include responding to spills of oil and hazardous materials, preparing and filing applicable reports, overseeing environmental compliance for underground storage tanks (USTs) and aboveground storage tanks (ASTs), developing and maintaining Contingency and Spill Prevention Control and Countermeasure (SPCC) Plans and conducting annual environmental training of all required personnel.

### 3. Environmental Management Systems

National Grid designed and implemented environmental management systems (EMSs), which are compatible with the ISO 14001 EMS Standard, for its T&D core business and support (e.g., Fleet, Supply Chain, Facilities, etc.) functions. National Grid's EMS has been registered in accordance with ISO 14001, and annual audits are conducted by an accredited registrar to verify continued conformance.

### 4. Environmental Training Program

All National Grid personnel involved with activities that may have a significant environmental impact receive training tailored to their specific job function, and in accordance with *Environmental Procedure No. 12, Environmental Training*. Elements of this program are designed to fulfill the training requirements of ISO Awareness, environmental regulatory standards as well as National Grid procedures and policies. Program elements are designed to assure that employees involved in hazardous waste management and/or spill response are taught how to safely perform their duties.

### 5. Environmental Monitoring

National Grid has several programs in place to monitor and measure on a regular basis the key characteristics of T&D system operations and activities that may have an impact on the environment. National Grid also monitors and approves hazardous waste and recycling vendors, through the Vendor Advisory Group, in order to minimize liabilities from off-site disposal activities.

Monitoring and measurement includes the following components:

- Environmental Compliance & EMS Conformance Monitoring
- Operations Monitoring for Environmental Performance
- Environmental Performance Monitoring – Objectives & Targets

The goals of National Grid's Environmental & Safety Compliance Audit Program are to ensure that the Company's operations are performed in accordance with applicable environmental and safety laws and regulations, that the Company's operations conform to internal policies and procedures, and those management systems are in place to ensure continued compliance.

The scope of the program includes all Company facilities and all environmental disciplines. The frequency of audits are risk-based and currently range from once every three years per each operations facility to initial audits of each substation. Audits of specific projects and /or programs are also included in the scope.

Audits of the EMSs are performed to determine that the elements of the EMS have been properly implemented and maintained, in accordance with the requirements of ISO 14001, and the organization's planned arrangement for environmental management.

Monitoring of operations is routinely conducted by Divisional Environmental Engineers with responsibility for maintaining compliance at all operating facilities and for field operations.

Progress in achieving National Grid's Environmental Objectives and Targets is periodically monitored by the EMS Coordinator.

6. Environmental Permitting of Transmission Lines, Substations and Vegetation Management

All new projects whether originating within the transmission, substation or district engineering functions are reviewed to determine potential environmental permitting and/or licensing requirements. The process for conducting environmental reviews of projects is documented in various Engineering Design Procedures (EDPs) and in *Environmental Procedure No. 3, Natural Resource Protection*.

Responsibility for performing environmental reviews and for obtaining all regulatory approvals includes Attorneys, Project Engineers, Environmental Engineers and the Transmission Environmental Engineers.



All required notifications, plan submittals, approvals and permits related to the management of vegetation on Transmission Rights-of-Way are overseen by the System Forester.

7. Environmental Compliance

The Environmental Department provides technical support and written guidance to Divisional Environmental Engineers and others within National Grid in a multitude of areas. Responsibility for compliance at operations facilities and for field operations has been delegated to the Divisional Environmental Engineers and to the Transmission Environmental Engineers.

National Grid's Environmental personnel have responsibility for ensuring compliance of Company activities in the following areas:

- Asbestos
- Air
- Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and state-specific (MA, RI, NH, VT and NY) notification, and clean-up regulations
- Emergency Planning and Right to Know Act (Tier II Reporting)
- Federal Water Pollution Control Act
  - National Pollutant Discharge Elimination System (NPDES)
  - Storm Water
  - SPCC Plans
- Oil Pollution Act (OPA Plan)
- Pollution Prevention Act of 1990 (Recycling Programs)
- Resource Conservation Recovery Act (RCRA)
  - EPA ID Generator facilities
  - Underground Storage Tank Program
- Rivers and Harbors Act of 1899 (Army Corps)
- Safe Drinking Water Act
- Solid Waste Disposal Act
- Toxic Substances Control Act (PCBs)

8. Legal and Other

National Grid's *Environmental Procedure No. 4 Regulatory Tracking* establishes a procedure for identifying legal and other requirements, such as Company commitments, as applicable to the organization's activities. This Procedure also describes the process to track and evaluate the impact of proposed environmental regulations on the National Grid operations, influence the development of final laws and regulations, and distribute the proposed and final regulations to appropriate environmental personnel. National Grid environmental counsel serves as Regulatory Tracking Coordinator for the Company. The designated "Issue Leader" will then identify recommended changes to operations, procedures or policies that may be necessary.

Additionally, Environmental Engineers, Project Engineers, or other environmental professionals are responsible for ensuring permit requirements are met, for tracking any changes to permits and for ensuring their timely renewal.

9. Environmental Stewardship

Besides constantly striving to improve the environmental quality of the products and services we deliver to our customers, National Grid has developed a variety of award-winning programs that contribute directly to the environmental health and safety of the communities we serve.

**Recycle and re-use**

In all aspects of the Company's operations, we try to recycle and re-use equipment, materials and supplies. We use non-chlorinated cleaners, for example, when splicing cables or maintaining our fleet of vehicles. Our recycling programs for fluorescent lamps, metal wire and utility poles re-use many tons of non-renewable resources every year.

**Vegetation Management**

We follow strict environmental standards for trimming trees and shrubs around our poles and wires and recycle many tons of the wood and brush into bales that protect the environment at construction sites.

Because we use herbicides in our vegetation management program, we actively participate in the Pesticide Environmental Stewardship Program, a voluntary partnership between the U.S. Environmental Protection Agency and users of pesticides that works to help reduce the health and environmental risks of pesticides.

**Partnerships**

With a number of corporate partners, we work to restore damaged wetlands. For more than twenty years, we have also provided the Massachusetts Division of Fisheries & Wildlife with technical and transportation assistance for their annual surveys of the state's bald eagle populations.

We are a contributor to the Conservation Law Foundation and a sponsor of the Massachusetts Audubon Society Broadmeadow Brook Sanctuary, which is located on National Grid property. In 2004, National Grid completed an environmental kiosk which is displayed in the lobby of the new conservation center.

We assessed the environmental impacts of National Grid's Right-of-Way Vegetation Management activities by co-funding a bird nesting success study on right-of-way and adjacent forestland during 2000.

During 2004, National Grid and other corporate partners continued to contribute money and in-kind services to the Massachusetts' Corporate Wetlands Restoration Partnership (CWRP). This partnership, established in 1999, was one of the first programs in the nation to enable corporations to combine talent and resources for the protection, enhancement and restoration of wetlands and other aquatic habitats. Facilitated by the Coastal America Partnership in Washington, D.C., the CWRP enables member corporations to donate funds, which are matched with federal and state funds to undertake restoration projects.

National Grid is a contributor to the Rhode Island CWRP, which was formed in 2001. The Company is participating in an ongoing effort to restore Town Pond, a 40-acre marsh in the town of Portsmouth. The marsh was damaged by fill when nearby shipping channels were dredged in the 1940s. Restoration would restore the flow of water, as well as coastal vegetation, to what was once a salt pond.

In New York, we led the formation of the state's chapter of the Corporate Wetlands Restoration Partnership, which sponsored its first projects in 2006.

### **Education**

Our classroom materials on energy efficiency and our sponsorship of Envirothon, a national competition, help teach children in our service territory how to understand and protect the environment. We also financially support the Massachusetts State Science Fair and its many student environmental projects; help with "Earth Day" cleanups and other environmental projects through our partner schools and also support two solar energy projects, Solar Now and Tour deSol.

10. Site Investigation and Remediation Program

National Grid's corporate history has resulted in responsibility for approximately 100 former manufactured gas plant ("MGP") sites and other historically contaminated properties. In response to the challenge of managing the regulatory compliance activities and contingent liabilities associated with these former sites, National Grid established a dedicated, centralized Site Investigation and Remediation (SIR) Program. The SIR program updates are provided to a Corporate Environmental Oversight Committee. In addition, semi-annual reports detailing program progress and expenditures are provided to the Massachusetts Department of Telecommunications and Energy for all sites in Massachusetts and the Rhode Island Public Utility Commission in Rhode Island. Monthly spending updates and cost projections are provided internally.

The current uses of the former MGPs include residential, recreational, commercial and industrial. The sites range in size from less than 1 acre to over 120 acres and are primarily located in New York, Massachusetts and Rhode Island, with one site located in Vermont. All sites are being assessed and remedied through Consent Orders with regulatory agencies and/or in accordance with state cleanup programs. The scope of assessment and cleanup varies from location to location and is subject to state government requirements and negotiations with current property owners.

The goals of SIR include the protection of human health, safety and the environment. The program also focuses on maintaining regulatory compliance and participating in the development of any regulations that might impact site assessment and cleanup. Through the program, National Grid manages costs, schedules and the internal and external labor resources required to address the sites. A major portion of the program also deals with maintaining positive community relations throughout the assessment and cleanup process.

The program also supports potential property reuse or redevelopment, where appropriate. Other areas of support include third-party cost recovery, insurance recovery and corporate liability estimation and disclosure.

11. Waste Minimization

National Grid actively promotes and implements a "Reduce, Reuse, and Recycle" policy for hazardous waste and other materials used by the Company. By reducing our use of natural resources and reusing and recycling what we use, we do our part to conserve the environment for future generations while reducing pollution and other harmful environmental impacts.

In most of our recycling programs, we collect waste materials and ship them to companies that specialize in different kinds of recycling:

- Ballasts and Lamps – We help reduce the release of mercury and PCBs into the environment by recycling the fluorescent lamps and “ballasts” (a component of the lamps) we use.
- Wood Chips – Our innovative program to recycle wood chips helps protect the environment at construction sites and also helps to support tree planting in the communities we serve.
- Metal and Oil – We recycle metal and oil from the millions of pounds of electrical equipment such as transformers, regulators and circuit-breakers we replace on our electricity T&D systems every year.
- Wood – We recycle wood waste where feasible. In FY05, we recycled over 470,000 pounds of wood.
- Treated Wood – We send out millions of pounds of treated wood from old electric poles and discarded shipping pallets to be burned in generators and recovered as energy.
- Scrap Metal – In FY03, 04 and 05, we recycled more than 7 million pounds each year of scrap metal left over from constructing and maintaining our T&D systems. Copper cable and wire, aluminum wire, lead cable and steel were collected at Company locations and sent to our Processing Facility or to licensed vendors who sorted and processed it into raw materials to be used in many different kinds of new products.
- Miscellaneous Materials – Among the many other materials we recycle are paper, plastics, corrugated cardboard from packaging and shipping materials, glass from broken decommissioned electric meters, and oil filters and oily rags that have been used to maintain the Company’s cars and trucks.

## 12. Communications/Corporate Environmental Image

National Grid has committed to communicating our Environmental Policy and environmental programs to our employees and stakeholders. The Corporate Communications Department provides technical writing and publishing services for internal customers and handles all communications from the media.

In an effort to communicate to the public about environmental issues, we have provided relevant information about environmental issues on our website. In addition, we publish a comprehensive “Environmental Performance Report,” which is available to all interested parties via our internal/external websites.

Internal communications between various levels and functions within the organization are accomplished through the “chain of command” and established communication practices.

All internal communications regarding the Environmental Policy, significant environmental aspects and the EMS fall into the following categories:

1. General Awareness communications will be provided through the various methods including, but not limited to:
  - Environmental Policy postings
  - New employee orientation
  - Environmental Awareness Training (Level 1):
  - Various internal publications on general or specific topics of interest;
  - Departmental leadership communications, e.g., meetings, memos, directives, etc.;
  - Staff meetings; and
  - Compliance Committee communications
2. Environmental guidance communications are accomplished through documented Operational Control and Environmental Procedures, various other training and internal correspondence.
3. Policy is communicated through executive directives and other policy documents, e.g., Corporate Code of Conduct, web pages, training, etc.
4. Feedback mechanisms for employee concerns.
5. Environmental performance reporting.



NYS DEPARTMENT OF STATE  
NOTICE OF PROPOSED RULE MAKING

PUBLIC SERVICE COMMISSION

NOTE: Typing and submission instructions are at the end of this form. Please be sure to COMPLETE ALL ITEMS. Incomplete forms and nonscannable text attachments will be cause for rejection of this notice.

Pursuant to the provisions of the State Administrative Procedure Act. (SAPA),  
NOTICE is hereby given of the following agency action:

1. *Proposed action:*  
The Public Service Commission is considering whether to approve in whole or in part, a joint petition by National Grid, plc, National Grid, USA, Inc. Niagara Mohawk Power Corporation, KeySpan Corporation and its Jurisdictional Affiliates for approval of (1) the acquisition of stock by National Grid, plc of the stock of KeySpan Corporation and (2) other regulatory authorizations.
2. *Statutory authority under which rule is proposed:*  
Public Service Law, Sections 70, 99, 100, *et al.*
3. *Subject of rule:*  
Stock purchase and other regulatory authorizations.
4. *Purpose of rule:*  
To approve the transfer of stock of KeySpan Corporation to National Grid, plc and other regulatory authorizations.
5. *Terms of rule: (Check applicable box):*  

☐ The rule contains 2,000 words or less. An original copy of the text in scannable format is attached to this form.

☐ The rule contains more than 2,000 words. Therefore, an original copy of a summary of the text (in scannable format) is attached to this form.

☐ Pursuant to SAPA Section 202(7)(b), the agency elects to print a description of the subject, purpose and substance of the rule containing less than 2,000 words. The original text in scannable format is attached to this form.
6. *The text of the rule, regulatory impact statement and regulatory flexibility analysis may be obtained from:*



STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

NATIONAL GRID  
and  
KEYSPAN

Exhibit 4

Stand-Alone Cost of Service  
KEDNY and KEDLI

JULY, 2006

**nationalgrid**

**KEYSPAN**



KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Balance Sheet  
(\$000)

		ASSETS AND OTHER DEBITS Year Ended December 31,				
Account Number		2001	2002	2003	2004	2005
<u>UTILITY PLANT</u>						
101	Utility Plant	\$ 2,176,458	\$ 2,296,965	\$ 2,420,130	\$ 2,532,573	\$ 2,635,557
105	Utility Plant Held for Future Use	367	367	367	367	367
107	Construction Work in Progress	52,590	17,142	5,149	12,677	36,017
108	Accumulated Provision for Depreciation of Gas Plant in Service	(608,118)	(653,358)	(709,079)	(734,464)	(774,626)
110	Accumulated Provision for Depreciation of Gas Plant Held for Future Use	(28)	(28)	(28)	(28)	(28)
111	Accumulated Provision for Amortization and Depletion of Gas Plant Held in Service	(60,404)	(71,916)	(83,688)	(95,568)	(108,193)
117	Gas Stored Underground - Noncurrent	858	858	858	858	858
Total Utility Plant		1,561,723	1,590,029	1,633,708	1,715,415	1,789,952
<u>OTHER PROPERTY AND INVESTMENTS</u>						
123.1	Investment in Subsidiary Companies	32,016	37,275	46,992	47,800	49,760
124	Other Investments	8,277	7,319	6,791	4,028	1,809
Total Other Property and Investments		40,293	44,593	53,783	51,828	51,568
<u>CURRENT AND ACCRUED ASSETS</u>						
131	Cash	8,987	11,657	5,097	(1,850)	21,090
132-134	Special Deposits	9,822	9,316	8,769	-	4,568
135	Working Funds	275	275	275	-	-
136	Temporary Cash Investments	21,600	-	-	-	-
142	Customer Accounts Receivable	80,162	97,371	101,262	138,298	183,391
143	Other Accounts Receivable	23,970	31,210	31,669	37,237	76,243
144	Accumulated Provision for Uncollectible Accounts - Credit	(13,633)	(17,416)	(16,081)	(18,811)	(25,401)
146	Accounts Receivable from Assoc. Companies	105,598	10,026	14,762	12,021	23,559
154	Plant Materials and Operating Supplies	8,801	10,314	9,583	8,823	8,735
163	Stores Expense Undistributed	147	(55)	91	42	-
164.1	Gas Stored Underground - Current	148,545	118,051	215,503	225,576	371,026
164.2	Liquefied Natural Gas Stored and Held for Processing	7,054	6,307	6,897	9,063	10,033
165	Prepayments	43,951	27,714	48,343	51,691	55,984
171	Interest and Dividends Receivable	1,986	13	13	13	14
172	Rents Receivable	(374)	375	404	35	4,106
173	Accrued Utility Revenues	128,469	157,264	166,079	231,830	262,844
174	Miscellaneous Current and Accrued Assets	-	-	-	-	43,728
Total Current and Accrued Assets		575,361	462,424	592,668	703,968	1,039,920
<u>DEFERRED DEBITS</u>						
181	Unamortized Debt Expense	21,326	20,005	18,794	17,473	20,292
182.3	Other Regulatory Assets	221,726	162,935	228,470	221,978	299,634
183	Preliminary Survey and Investigation Charges (Gas)	38	-	-	-	-
184	Clearing Accounts	(441)	-	-	-	-
186	Miscellaneous Deferred Debits	8,088	5,542	20,394	(11,426)	(40,580)
188	Research, Development and Demonstration Expenditures	97	97	97	-	-
190	Accumulated Deferred Income Taxes	34,855	59,430	29,117	8,265	11,349
Total Deferred Debits		285,669	248,008	296,872	236,289	290,696
Total Assets and Other Debits		2,463,066	2,345,054	2,577,031	2,707,500	3,172,133

Account Number	LIABILITIES AND OTHER CREDITS Year Ended December 31,				
	2001	2002	2003	2004	2005
<u>PROPRIETARY CAPITAL</u>					
201 Common Stock Issued	16,882	0	0	0	0
207 Premium on Capital Stock	495,767	468,747	472,627	472,627	472,627
211 Other Paid-in Capital	59,203	-	-	-	-
216 Retained Earnings	567,048	467,626	388,536	461,873	574,927
217 Reacquired Capital Stock	(103,261)	-	-	-	-
219 Accumulated Other Comprehensive Income	-	(12,103)	(10,174)	(15,493)	(20,877)
<b>TOTAL Proprietary Capital</b>	<b>1,035,639</b>	<b>924,270</b>	<b>850,989</b>	<b>919,008</b>	<b>1,026,676</b>
<u>LONG-TERM DEBT</u>					
221 Bonds	648,059	646,588	646,693	638,763	638,833
226 Unamortized Discount on Long-Term Debt-Debit	(1,070)	(990)	(917)	(837)	(758)
<b>TOTAL Long-Term Debt</b>	<b>646,989</b>	<b>645,598</b>	<b>645,776</b>	<b>637,926</b>	<b>638,075</b>
<u>OTHER NONCURRENT LIABILITIES</u>					
228.2 Accumulated Provision for Injuries and Damages	9,925	8,775	0	-	-
228.4 Accumulated Miscellaneous Operating Provisions	89,533	82,061	111,123	101,790	194,661
<b>TOTAL Other Noncurrent Liabilities</b>	<b>99,458</b>	<b>90,836</b>	<b>111,124</b>	<b>101,790</b>	<b>194,661</b>
232 Accounts Payable	74,867	91,829	111,210	158,731	199,121
233 Notes Payable to Associated Companies	-	37,811	277,365	360,948	547,651
234 Accounts Payable to Associated Companies	144,864	92,401	33,830	46,219	46,562
235 Customer Deposits	29,054	32,250	33,808	34,604	28,173
236 Taxes Accrued	3,505	13,964	26,363	10,209	25,711
237 Interest Accrued	11,962	6,972	8,380	3,772	7,879
238 Dividends Declared	2	-	-	-	-
239 Matured Long-Term Debt	5	-	-	-	-
240 Matured Interest	15	-	-	-	-
241 Tax Collections Payable	2,527	2,284	856	671	2,445
242 Miscellaneous Current and Accrued Liabilities	49,762	37,313	72,159	30,840	47,096
<b>TOTAL Current and Accrued Liabilities</b>	<b>316,562</b>	<b>314,823</b>	<b>563,972</b>	<b>645,995</b>	<b>904,640</b>
<u>DEFERRED CREDITS</u>					
252 Customer Advances for Construction	(0)	-	-	-	-
255 Accumulated Deferred Investment Tax Credits	15,047	14,136	13,225	12,314	11,404
253 Other Deferred Credits	10,965	988	1,525	14,455	16,680
254 Other Regulatory Liabilities	43,995	50,393	84,420	65,424	103,664
281-283 Accumulated Deferred Income Taxes	294,412	304,011	306,001	310,589	276,336
<b>TOTAL Deferred Credits</b>	<b>364,418</b>	<b>369,528</b>	<b>405,170</b>	<b>402,782</b>	<b>408,084</b>
<b>TOTAL Liabilities and Other Credits</b>	<b>2,463,068</b>	<b>2,345,054</b>	<b>2,577,031</b>	<b>2,707,500</b>	<b>3,172,136</b>

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Income Statement  
(\$000)

Utility Operating Income		Year Ended December 31,				
		2001	2002	2003	2004	2005
Account Number						
400	Operating Revenues	\$ 1,423,315	\$ 1,348,797	\$ 1,699,688	\$ 1,751,885	\$ 2,236,282
	Operating Expenses					
401	Operation Expenses	913,339	872,182	1,203,842	1,248,656	1,732,029
402	Maintenance Expenses	48,253	46,898	49,501	55,503	63,248
403	Depreciation Expense	64,599	67,427	69,856	72,394	71,457
404 - 405	Amortization & Depletion of Utility Plant	9,853	10,806	11,581	12,880	11,837
407.3	Regulatory Debits	9,896	9,896	9,896	9,896	9,896
407.4	(Less) Regulatory Credits	30,703	-	-	-	-
408.1	Taxes Other Than Income Taxes	142,158	135,668	131,580	115,784	121,852
409.1	Income Taxes -- Federal	18,312	62,313	23,099	39,319	70,352
409.1	-- Other	-	-	18,298	22,190	22,414
410.1	Provision for Deferred Income Taxes	64,563	14,394	58,057	78,980	48,191
411.1	(Less) Provision for Deferred Income Taxes -Cr.	3,191	9,210	25,971	67,150	80,344
	Total Utility Operating Expenses	1,237,080	1,210,375	1,549,838	1,588,452	2,070,732
	Total Utility Operating Income	186,236	138,422	149,850	163,433	165,550
	Other Income					
415	Revenues From Merchandising, Jobbing and Contract Work	-	-	-	-	-
416	(Less) Costs and Exp. of Merchandising, Job. & Contract Work	8	-	-	-	108
417	Revenues From Nonutility Operations	-	-	-	-	-
417.1	(Less) Expenses of Nonutility Operations	-	99	39	246	(82)
418.1	Equity in Earnings of Subsidiary Companies	5,616	5,228	7,322	6,440	6,809
419	Interest and Dividend Income	3,044	1,885	(946)	1,201	(972)
419.1	Allowance for Other Funds Used During Construction	1,096	2,158	1,165	540	719
421	Miscellaneous Nonoperating Income	50	-	(976)	-	(379)
421.1	Gain in Disposition of Property	734	586	(173)	-	76
	Total Other Income	10,532	9,758	6,353	7,936	6,228
	Other Income Deductions					
426.1 - 426.5	Miscellaneous Income Deductions	6,243	1,229	1,963	3,370	4,983
	Total Other Income Deductions	6,243	1,229	1,963	3,370	4,983
	Taxes Applicable to Other Income and Deductions					
408.2	Taxes Other Than Income Taxes	383	(7,375)	13	6	1
409.2	Income Taxes -- Federal	(1,319)	(2,677)	-	-	-
410.2	Provision for Deferred Inc. Taxes	456	(590)	1,396	-	-
411.2	(Less) Provision for Deferred Income Taxes -- Cr.	1,125	354	2,953	-	-
411.5	Investment Tax Credit Adj. -- Net	-	-	-	-	-
420	(Less) Investment Tax Credits	911	911	911	911	911
	Total Taxes on Other Income and Deductions	(2,515)	(11,908)	(2,454)	(905)	(910)
	Net Other Income and Deductions	8,804	20,436	6,843	5,471	2,174
427	Interest on Long-Term Debt	35,516	33,821	35,178	34,453	35,105
428	Amortization of Debt Discount and Expense	1,401	1,401	1,284	1,401	1,408
430	Interest on Debt to Associated Companies	1,125	16	552	5,129	9,674
431	Other Interest Expense	3,342	1,335	(263)	1,991	3,912
432	(Less) Allowance for Borrowed Funds Used During Construction-Cr.	915	1,792	968	407	279
	Net Interest Charges	40,469	34,781	35,783	42,566	49,820
	Net Income	\$ 152,571	\$ 124,078	\$ 120,910	\$ 126,337	\$ 117,904

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Statement of Unappropriated Earnings**  
**(\$000)**

Account Number		Year Ended December 31,				
		2001	2002	2003	2004	2005
216	Unappropriated Retained Earnings - Beginning of Year	\$ 374,733	\$ 521,687	\$ 417,037	\$ 330,625	\$ 408,441
433	Balance Transferred from Income	146,954	118,850	113,588	130,816	111,094
	Total Credits	<u>521,687</u>	<u>640,537</u>	<u>530,625</u>	<u>461,441</u>	<u>519,535</u>
438	Dividends Declared -- Common Stock	-	223,500	200,000	53,000	4,850
	Total Debits	<u>-</u>	<u>223,500</u>	<u>200,000</u>	<u>53,000</u>	<u>4,850</u>
216	Unappropriated Retained Earnings - End of Year	<u>521,687</u>	<u>417,037</u>	<u>330,625</u>	<u>408,441</u>	<u>514,685</u>

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Utility Operating Income - Before & After Taxes  
(\$000)

	Year Ended December 31,				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Operating Revenues	\$ 1,423,315	\$ 1,348,797	\$ 1,699,688	\$ 1,751,885	\$ 2,236,282
Operation Expenses	913,339	872,182	1,203,842	1,248,656	1,732,029
Maintenance Expenses	48,253	46,898	49,501	55,503	63,248
Depreciation Expense	64,599	67,427	69,956	72,394	71,457
Amort. & Depl. of Utility Plant	9,853	10,806	11,581	12,880	11,637
Regulatory Debits	9,896	9,896	9,896	9,896	9,896
Regulatory Credits	(30,703)	-	-	-	-
Taxes Other Than Income Taxes	142,158	135,668	131,580	115,784	121,852
Total Operating Expenses (before Income Taxes)	1,157,396	1,142,877	1,476,356	1,515,113	2,010,119
Total Operating Income (before Income Taxes)	265,920	205,920	223,332	236,772	226,163
Income Taxes -- Federal	18,312	62,313	23,099	39,319	70,352
Income Taxes -- Other	-	-	18,298	22,190	22,414
Provision for Deferred Income Taxes	61,372	5,184	32,086	11,830	(32,154)
Total Operating Income (after Income Taxes)	186,236	138,422	149,850	163,433	165,550
<u>Equivalent Cents per Dth of Gas Sold</u>	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>
Operating Revenues	709.44	622.00	801.20	846.26	996.94
Operation Expenses	455.24	402.21	567.47	603.17	772.14
Maintenance Expenses	24.05	21.63	23.33	26.81	28.20
Depreciation Expense	32.20	31.09	32.98	34.97	31.86
Amort. & Depl. of Utility Plant	4.91	4.98	5.46	6.22	5.19
Regulatory Debits	4.93	4.56	4.66	4.78	4.41
Regulatory Credits	-15.30	0.00	0.00	0.00	0.00
Taxes Other Than Income Taxes	70.86	62.56	62.02	55.93	54.32
Total Operating Expenses (before Income Taxes)	576.89	527.04	695.93	731.88	896.12
Total Operating Income (before Income Taxes)	132.54	94.96	105.28	114.37	100.82
Income Taxes -- Federal	9.13	28.74	10.89	18.99	31.36
Income Taxes -- Other	-	-	8.63	10.72	9.99
Provision for Deferred Income Taxes	30.59	2.39	15.12	5.71	-14.33
Total Operating Income (after Income Taxes)	92.83	63.83	70.64	78.95	73.80

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Statement of Operating Revenues  
(\$000)

Account Number	Year Ended December 31,				
	2001	2002	2003	2004	2005
<u>OPERATING REVENUES</u>					
<u>SALES OF GAS</u>					
480 Residential Sales	\$ 960,323	\$ 896,607	\$ 1,138,988	\$ 1,162,802	\$ 1,374,704
481 Commercial and Industrial Sales	223,086	242,746	305,071	335,678	289,953
482 Other Sales-Public Authorities	73,407	72,311	120,187	122,438	174,382
483 Sales for Resale	4,443	(28)	12,182	12,466	279,780
Total Sales of Gas	1,261,259	1,211,637	1,576,428	1,633,385	2,118,819
<u>OTHER OPERATING REVENUES</u>					
488 Miscellaneous Service Revenues	3,181	3,118	4,001	3,903	3,852
489 Transportation of Gas of Others	144,312	129,948	111,274	104,897	106,386
493 Rent from Gas Property	4,409	4,407	3,890	4,075	3,127
495 Other Gas Revenues	9,754	8,394	10,510	12,039	10,512
Total Other Operating Revenues	161,657	145,866	129,675	124,914	123,878
414 Other Utility Operating Income	399	(8,706)	(6,415)	(6,415)	(6,415)
Total Operating Revenues	1,423,315	1,348,797	1,699,688	1,751,885	2,236,282
<u>Equivalent Cents per Dth of Gas Sold</u>					
<u>SALES OF GAS</u>					
480 Residential Sales	Cents 478.66	Cents 413.47	Cents 536.90	Cents 561.70	Cents 612.85
481 Commercial and Industrial Sales	111.20	111.94	143.81	162.15	129.26
482 Other Sales-Public Authorities	36.59	33.35	56.65	59.14	77.74
483 Sales for Resale	2.21	(0.01)	5.74	6.02	124.73
Total Sales of Gas	628.66	558.75	743.10	789.02	944.57
<u>OTHER OPERATING REVENUES</u>					
488 Miscellaneous Service Revenues	1.59	1.44	1.89	1.89	1.72
489 Transportation of Gas of Others	71.93	59.93	52.45	50.67	47.43
493 Rent from Gas Property	2.20	2.03	1.83	1.97	1.39
495 Other Gas Revenues	4.86	3.87	4.95	5.82	4.69
Total Other Operating Revenues	80.58	67.27	61.13	60.34	55.22
414 Other Utility Operating Income	0.20	-4.01	-3.02	-3.10	-2.86
Total Operating Revenues	709.44	622.00	801.20	846.26	996.94



KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Statement of Utility Operating by Income Class

Year Ended December 31, 2005

Account Number	SERVICE CLASSIFICATION NUMBER		Gas Sold Dth	Revenue (in 000's)	Revenue per Dth Cents
<u>Residential Sales of Gas</u>					
480	1a	RESIDENTIAL - NON HEATING	5,950,173	\$ 174,435	2931.60
	1b	RESIDENTIAL - HEATING	60,776,919	945,298	1555.36
	3	RESIDENTIAL - MULTI FAMILY	6,643,570	86,679	1304.71
	5	INTERRUPTIBLE - LARGE VOLUME HEATING	28,663	303	1057.23
	6	TEMPERATURE CONTROL - MULTI FAMILY	15,177,143	190,599	1255.83
	7	SEASONAL OFF-PEAK	15,807	165	1041.16
		Total Residential Sales	88,592,275	1,397,479	1577.43
<u>Commercial and Industrial Sales of Gas</u>					
481	2	GENERAL	11,773,511	174,853	1485.14
	4a	COGENERATION	4,024,932	43,620	1083.75
	4b	YEAR-ROUND AIR CONDITIONING	209,812	2,654	1265.09
	5	INTERRUPTIBLE-LARGE VOLUME	40,347	330	817.41
	6	TEMPERATURE CONTROL - COMMERCIAL	5,113,749	66,466	1299.75
	7	SEASONAL OFF PEAK	5,066	58	1135.29
	14	COMPRESSED NATURAL GAS	628,538	6,776	1078.09
		Total Commercial and Industrial Sales	21,795,953	294,757	1,352.35
<u>Public Authority Sales of Gas</u>					
482	1a	1AR RESIDENTIAL (NON-HEATING)	20,266	338	1666.80
	1b	1BR RESIDENTIAL (HOUSING AUTH)	61,010	958	1570.69
	2	GENERAL	1,734,292	25,925	1494.83
	3	HEATING AND OR AIR-CONDITIONING	1,950,625	26,108	1338.42
	4	YEAR-ROUND AIR-CONDITIONING	41,595	510	1225.21
	4a	COGENERATION	452,633	5,260	1162.10
	5	INTERRUPTIBLE LARGE-VOLUME	27,415	310	1129.10
	6g	TEMPERATURE CONTROL (GOVERNMENT)	9,711,563	117,824	1,213.23
	7	SEASONAL OFF-PEAK	4,042	40	979.34
		Total Public Authority Sales	14,003,439	177,271	1,265.91
483		Sales for Resale - Transportation	30,602,499	279,780	914.24
486		GAC Adjustments	-	(30,468)	-
		Total Gas Sales	154,994,167	2,118,819	1367.03

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Statement of Utility Operating by Income Class

Year Ended December 31, 2004

Account Number	SERVICE CLASSIFICATION NUMBER		Gas Sold Dth	Revenue (in 000's)	Revenue per Dth Cents
<u>Residential Sales of Gas</u>					
480	1a	RESIDENTIAL - NON HEATING	6,297,363	\$ 162,608	2582.17
	1b	RESIDENTIAL - HEATING	62,571,988	796,941	1273.64
	3	RESIDENTIAL - MULTI FAMILY	6,574,158	66,849	1016.85
	5	INTERRUPTIBLE - LARGE VOLUME HEATING	624,535	4,710	754.13
	6	TEMPERATURE CONTROL - MULTI FAMILY	14,811,940	142,715	963.52
	7	SEASONAL OFF-PEAK	26,140	212	811.47
		Total Residential Sales	90,906,124	1,174,036	1291.48
<u>Commercial and Industrial Sales of Gas</u>					
481	2	GENERAL	12,165,436	144,898	1191.06
	4a	COGENERATION	1,228,541	9,724	791.53
	4b	YEAR-ROUND AIR CONDITIONING	72,730	736	1011.39
	5	INTERRUPTIBLE-LARGE VOLUME	248,659	1,502	604.09
	5a	OFF SYSTEM SALES	19,168,755	121,442	633.54
	6	TEMPERATURE CONTROL - COMMERCIAL	5,530,327	53,146	960.99
	7	SEASONAL OFF PEAK	7,708	61	795.97
	14	COMPRESSED NATURAL GAS	893,586	7,412	829.50
		Total Commercial and Industrial Sales	39,315,742	338,921	862.05
<u>Public Authority Sales of Gas</u>					
482	1a	1AR RESIDENTIAL (NON-HEATING)	27,280	347	1270.50
	1b	1BR RESIDENTIAL (HOUSING AUTH)	105,541	1,240	1175.18
	2	GENERAL	3,008,289	33,634	1118.04
	3	HEATING AND OR AIR-CONDITIONING	441,142	4,412	1000.12
	4	YEAR-ROUND AIR-CONDITIONING	134,352	994	739.65
	5	INTERRUPTIBLE LARGE-VOLUME	22,665	463	2041.23
	6g	TEMPERATURE CONTROL (GOVERNMENT)	9,208,091	82,513	896.09
	7	SEASONAL OFF-PEAK	2,303	20	852.32
		Total Public Authority Sales	12,949,663	123,621	954.63
483		Sales for Resale - Transportation	-	12,466	-
486		GAC Adjustments	-	(15,659)	-
		Total Gas Sales	143,171,529	1,633,385	1140.86

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Statement of Utility Operating by Income Class

Year Ended December 31, 2003

Account Number	SERVICE CLASSIFICATION NUMBER		Gas Sold Dth	Revenue (in 000's)	Revenue per Dth Cents
<u>Residential Sales of Gas</u>					
480	1a	RESIDENTIAL - NON HEATING	6,383,945	\$ 160,353	2511.82
	1b	RESIDENTIAL - HEATING	62,957,808	772,023	1226.25
	3	RESIDENTIAL - MULTI FAMILY	6,620,846	64,815	978.96
	5	INTERRUPTIBLE - LARGE VOLUME HEATING	621,137	2,893	465.83
	6	TEMPERATURE CONTROL - MULTI FAMILY	17,247,291	139,210	807.14
	7	SEASONAL OFF-PEAK	10,404	78	752.50
		Total Residential Sales	93,841,431	1,139,373	1214.15
<u>Commercial and Industrial Sales of Gas</u>					
481	2	GENERAL	11,310,360	131,272	1160.64
	4a	COGENERATION	836,065	6,202	741.79
	4b	YEAR-ROUND AIR CONDITIONING	80,889	776	959.53
	5	INTERRUPTIBLE-LARGE VOLUME	864,300	6,212	718.76
	5a	OFF SYSTEM SALES	19,417,344	104,753	539.48
	6	TEMPERATURE CONTROL - COMMERCIAL	6,103,735	50,555	828.26
	7	SEASONAL OFF PEAK	7,430	55	745.24
	14	COMPRESSED NATURAL GAS	760,978	5,349	702.91
		Total Commercial and Industrial Sales	39,381,101	305,174	774.93
<u>Public Authority Sales of Gas</u>					
482	1a	1AR RESIDENTIAL (NON-HEATING)	26,865	341	1267.94
	1b	1BR RESIDENTIAL (HOUSING AUTH)	124,451	1,420	1141.36
	2	GENERAL	3,035,912	33,070	1089.30
	3	HEATING AND OR AIR-CONDITIONING	223,417	2,161	967.43
	4	YEAR-ROUND AIR-CONDITIONING	46,394	428	922.08
	5	INTERRUPTIBLE LARGE-VOLUME	70,558	974	1381.11
	6g	TEMPERATURE CONTROL (GOVERNMENT)	10,349,902	81,833	790.66
		Total Public Authority Sales	13,877,499	120,228	866.35
483		Sales for Resale - Transportation	-	12,182	-
486		GAC Adjustments	-	(529)	-
		Total Gas Sales	147,100,031	1,576,428	1071.67

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Statement of Utility Operating by Income Class

Year Ended December 31, 2002

Account Number	SERVICE CLASSIFICATION NUMBER		Gas Sold Dth	Revenue (in 000's)	Revenue per Dth Cents
<u>Residential Sales of Gas</u>					
480	1a	RESIDENTIAL - NON HEATING	6,370,660	\$ 149,137	2341.01
	1b	RESIDENTIAL - HEATING	53,108,391	591,165	1113.13
	3	RESIDENTIAL - MULTI FAMILY	5,943,662	48,415	814.57
	5	INTERRUPTIBLE - LARGE VOLUME HEATING	1,115,532	4,799	430.17
	6	TEMPERATURE CONTROL - MULTI FAMILY	17,185,584	96,436	561.15
	7	SEASONAL OFF-PEAK	40,646	213	523.33
		Total Residential Sales	83,764,475	890,166	1062.70
<u>Commercial and Industrial Sales of Gas</u>					
481	2	GENERAL	9,151,966	92,137	1006.74
	4a	COGENERATION	721,255	3,749	519.76
	4b	YEAR-ROUND AIR CONDITIONING	127,688	947	741.43
	5	INTERRUPTIBLE-LARGE VOLUME	985,892	4,113	417.21
	5a	OFF SYSTEM SALES	26,556,535	99,193	373.52
	6	TEMPERATURE CONTROL - COMMERCIAL	6,389,775	37,706	590.10
	7	SEASONAL OFF PEAK	8,902	47	526.90
	14	COMPRESSED NATURAL GAS	645,112	3,110	482.14
		Total Commercial and Industrial Sales	44,587,125	241,002	540.52
<u>Public Authority Sales of Gas</u>					
482	1a	1AR RESIDENTIAL (NON-HEATING)	14,997	168	1118.96
	1b	1BR RESIDENTIAL (HOUSING AUTH)	122,244	1,240	1014.68
	2	GENERAL	1,348,097	12,329	914.53
	3	HEATING AND OR AIR-CONDITIONING	232,348	1,934	832.37
	4	YEAR-ROUND AIR-CONDITIONING	6,107	45	744.23
	5	INTERRUPTIBLE LARGE-VOLUME	127,546	800	627.10
	6g	TEMPERATURE CONTROL (GOVERNMENT)	10,522,012	55,275	525.33
		Total Public Authority Sales	12,373,351	71,792	580.21
483		Sales for Resale - Transportation	-	(28)	-
486		GAC Adjustments	-	8,705	-
		Total Gas Sales	140,724,951	1,211,637	861.00

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Statement of Utility Operating by Income Class

Year Ended December 31, 2001

Account Number	SERVICE CLASSIFICATION NUMBER		Gas Sold Dth	Revenue (in 000's)	Revenue per Dth Cents
<u>Residential Sales of Gas</u>					
480	1a	RESIDENTIAL - NON HEATING	6,139,055	\$ 152,172	2478.75
	1b	RESIDENTIAL - HEATING	52,918,562	681,981	1288.74
	3	RESIDENTIAL - MULTI FAMILY	5,619,117	57,378	1021.13
	5	INTERRUPTIBLE - LARGE VOLUME HEATING	88,400	406	459.80
	6	TEMPERATURE CONTROL - MULTI FAMILY	14,449,390	101,565	702.90
	7	SEASONAL OFF-PEAK	18,464	116	628.97
		Total Residential Sales	79,232,988	993,619	1254.05
<u>Commercial and Industrial Sales of Gas</u>					
481	2	GENERAL	8,988,425	107,419	1195.08
	4a	COGENERATION	474,583	3,084	649.86
	4b	YEAR-ROUND AIR CONDITIONING	145,348	1,369	941.83
	5	INTERRUPTIBLE-LARGE VOLUME	680,230	3,626	533.04
	5a	OFF SYSTEM SALES	16,174,702	68,257	422.00
	6	TEMPERATURE CONTROL - COMMERCIAL	5,808,236	39,547	680.89
	7	SEASONAL OFF PEAK	11,188	69	615.74
	14	COMPRESSED NATURAL GAS	692,946	5,083	733.55
		Total Commercial and Industrial Sales	32,975,658	228,455	692.80
<u>Public Authority Sales of Gas</u>					
482	1a	1AR RESIDENTIAL (NON-HEATING)	91,578	1,293	1411.74
	1b	1BR RESIDENTIAL (HOUSING AUTH)	111,541	1,323	1186.34
	2	GENERAL	1,086,794	11,929	1097.60
	3	HEATING AND OR AIR-CONDITIONING	332,332	3,461	1041.39
	5	INTERRUPTIBLE LARGE-VOLUME	169,817	1,089	641.47
		Total Public Authority Sales	10,228,758	75,952	742.53
483		Sales for Resale - Transportation	-	4,597	-
486		GAC Adjustments	-	(41,363)	-
		Total Gas Sales	122,437,404	1,261,259	1030.13

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Statement of Operations and Maintenance Expenses

Account  
Number

	2001 (in 000's)	Cents Per Dth Sold	2002 (in 000's)	Cents Per Dth Sold	2003 (in 000's)	Cents Per Dth Sold	2004 (in 000's)	Cents Per Dth Sold	2005 (in 000's)	Cents Per Dth Sold
<u>PRODUCTION EXPENSES</u>										
<u>OTHER GAS SUPPLY EXPENSES</u>										
804 NATURAL GAS CITY GATE PURCHASES	707,289	352.5407	641,849	295.9913	943,969	444.9711	1,001,326	483.6965	1,462,411	651.9456
808.1 GAS WITHDRAWN FROM STORAGE -- DEBIT	1,530	0.7627	1,634	0.7533	4,516	2.1289	1,573	0.7601	2,111	0.9411
808.2 GAS DELIVERED TO STORAGE -- CREDIT	(1,632)	(0.8136)	(887)	(0.4089)	(5,106)	(2.4067)	(3,740)	(1.8067)	(3,080)	0.0000
809.2 GAS USED IN UTILITY OPERATIONS -- CREDIT	(102)	(0.0509)	747	0.3444	(589)	(0.2778)	(2,167)	(1.0466)	(969)	(1.3733)
812 GAS USED FOR OTHER UTILITY OPERATIONS -- CREDIT	(960)	(0.4787)	(722)	(0.3327)	(1,189)	(0.5606)	(986)	(0.4764)	(1,234)	(0.5502)
813 OTHER GAS SUPPLY EXPENSES	-	-	-	-	-	-	-	-	213	-
TOTAL OTHER GAS SUPPLY EXPENSE	706,226	352.0111	641,874	296.0029	942,190	444.1327	998,173	482.1735	1,460,420	651.0581
TOTAL PRODUCTION EXPENSES	706,226	352.0111	641,874	296.0029	942,190	444.1327	998,173	482.1735	1,460,420	651.0581
<u>OTHER STORAGE EXPENSES</u>										
<u>OPERATION</u>										
840 OPERATION SUPERVISION AND ENGINEERING	506	0.2524	-	-	-	-	-	-	-	-
841 OPERATION LABOR AND EXPENSES	1,367	0.6811	1,698	0.7830	3,061	1.4429	2,860	1.3814	3,028	1.3500
TOTAL OPERATION	1,873	0.9335	1,698	0.7830	3,061	1.4429	2,860	1.3814	3,028	1.3500
<u>MAINTENANCE</u>										
843.1 MAINTENANCE SUPERVISION AND ENGINEERING	924	0.4604	0	0.0000	-	-	-	-	-	-
848 MAINTENANCE OF VAPORIZING EQUIPMENT	1,353	0.6743	748	0.3451	1,510	0.7118	1,468	0.7091	1,830	0.8157
TOTAL MAINTENANCE	2,277	1.1347	748	0.3451	1,510	0.7118	1,468	0.7091	1,830	0.8157
TOTAL OTHER STORAGE EXPENSES	4,149	2.0683	2,446	1.1282	4,571	2.1547	4,328	2.0904	4,858	2.1657
<u>TRANSMISSION EXPENSES</u>										
<u>OPERATION</u>										
856 MAINS EXPENSES	180	0.0898	658	0.3037	565	0.2663	496	0.2398	438	0.1951
860 RENTS	-	-	450	0.2075	2,368	1.1164	2,809	1.3568	2,876	1.2819
TOTAL OPERATION	180	0.0898	1,108	0.5112	2,933	1.3827	3,305	1.5966	3,313	1.4771
<u>MAINTENANCE</u>										
863 MAINTENANCE OF MAINS	16	0.0081	58	0.0267	107	0.0503	9	0.0042	735	0.3276
865 MAINTENANCE OF MEASURING AND REG. STATION EQUIP.	-	-	34	0.0157	255	0.1204	331	0.1598	502	0.2238
867 MAINTENANCE OF OTHER EQUIPMENT	331	0.1650	(71)	(0.0329)	14	0.0068	-	-	-	-
TOTAL MAINTENANCE	347	0.1731	21	0.0095	377	0.1775	339	0.1640	1,237	0.5515
TOTAL TRANSMISSION EXPENSES	527	0.2629	1,129	0.5207	3,310	1.5602	3,645	1.7606	4,550	2.0285

Account Number	2001 (in 000's)	Cents Per Dth Sold	2002 (in 000's)	Cents Per Dth Sold	2003 (in 000's)	Cents Per Dth Sold	2004 (in 000's)	Cents Per Dth Sold	2005 (in 000's)	Cents Per Dth Sold
<u>DISTRIBUTION EXPENSES</u>										
<u>OPERATION</u>										
870 OPERATION SUPERVISION AND ENGINEERING	5,465	2.7238	1,572	0.7251	28	0.0132	19	0.0090	(3)	(0.0012)
874 MAINS AND SERVICES EXPENSES	5,781	2.8815	6,539	3.0153	8,002	3.7721	7,077	3.4185	9,897	4.4119
875 MEASURING AND REGULATING STATION EXPENSES - GENERAL	823	0.4101	2,101	0.9690	2,832	1.3352	2,564	1.2385	3,042	1.3563
876 MEASURING AND REGULATING STATION EXPENSES - INDUST.	179	0.0891	268	0.1237	17	0.0081	-	-	-	-
878 METER AND HOUSE REGULATOR EXPENSES	9,748	4.8590	10,026	4.6236	12,258	5.7784	11,171	5.3962	10,745	4.7903
879 CUSTOMER INSTALLATIONS EXPENSES	7,619	3.7974	4,214	1.9433	4,645	2.1894	4,141	2.0005	2,849	1.2701
880 OTHER EXPENSES	28	0.0138	25	0.0113	218	0.1027	186	0.0901	500	0.2230
881 RENTS	6,726	3.3526	6,902	3.1830	4,524	2.1328	4,471	2.1599	5,600	2.4966
TOTAL OPERATION	36,368	18.1273	31,647	14.5943	32,525	15.3319	29,629	14.3127	32,631	14.5471
<u>MAINTENANCE</u>										
885 MAINTENANCE SUPERVISION AND ENGINEERING	9,526	4.7481	2,358	1.0876	-	-	-	-	-	-
886 MAINTENANCE OF STRUCTURES AND IMPROVEMENTS	41	0.0203	166	0.0764	155	0.0732	132	0.0638	123	0.0548
887 MAINTENANCE OF MAINS	25,085	12.5035	31,316	14.4414	37,840	17.8372	39,554	19.1068	44,003	19.6167
889 MAINTENANCE OF MEAS. AND REG. STA. EQUIP. - GENERAL	759	0.3782	805	0.3712	1,995	0.9403	2,154	1.0406	2,257	1.0062
890 MAINTENANCE OF MEAS. AND REG. STA. EQUIP. - INDUST.	111	0.0555	227	0.1047	409	0.1929	427	0.2064	398	0.1773
892 MAINTENANCE OF SERVICES	7,030	3.5039	8,099	3.7351	4,853	2.1934	6,869	3.3183	7,761	3.4600
893 MAINTENANCE OF METERS AND HOUSE REGULATORS	2,471	1.2314	2,019	0.9312	805	0.3794	3,404	1.6443	1,682	0.7497
894 MAINTENANCE OF OTHER EQUIPMENT	566	0.2772	1,110	0.5118	1,141	0.5378	592	0.2859	3,406	1.5184
TOTAL MAINTENANCE	45,579	22.7182	46,100	21.2594	46,998	22.1542	53,133	25.6661	59,630	26.5830
TOTAL DISTRIBUTION EXPENSES	81,947	40.8455	77,748	35.8536	79,523	37.4860	82,762	39.9787	92,261	41.1301
<u>CUSTOMER ACCOUNTS EXPENSES</u>										
<u>OPERATION</u>										
901 SUPERVISION	604	0.3011	355	0.1638	292	0.1378	184	0.0891	310	0.1381
902 METER READING EXPENSES	4,280	2.1331	4,252	1.9607	5,741	2.7064	5,461	2.6382	5,549	2.4737
903 CUSTOMER RECORDS AND COLLECTION EXPENSES	28,751	14.3308	30,299	13.9726	39,278	18.5148	37,014	17.8797	46,787	20.8577
904 UNCOLLECTIBLE ACCOUNTS	15,426	7.6889	17,289	7.9727	14,248	6.7161	23,777	11.4855	42,479	18.9370
TOTAL CUSTOMER ACCOUNTS EXPENSES	49,061	24.4539	52,195	24.0698	59,559	28.0752	66,436	32.0924	95,124	42.4064

Account  
Number

	2001 (in 000's)	Cents Per Dth Sold	2002 (in 000's)	Cents Per Dth Sold	2003 (in 000's)	Cents Per Dth Sold	2004 (in 000's)	Cents Per Dth Sold	2005 (in 000's)	Cents Per Dth Sold
<u>CUSTOMER SERVICE AND INFORMATIONAL EXPENSES</u>										
<u>OPERATION</u>										
908 CUSTOMER ASSISTANCE EXPENSES	214	0.1085	142	0.0657	3,197	1.5068	2,438	1.1779	1,712	0.7633
TOTAL OPERATION	214	0.1085	142	0.0657	3,197	1.5068	2,438	1.1779	1,712	0.7633
<u>SALES EXPENSES</u>										
<u>OPERATION</u>										
912 DEMONSTRATING AND SELLING EXPENSES	13	0.0064				0.7826		0.9657		
916 MISCELLANEOUS SALES EXPENSES	2	0.0009			15,160	6.3638	12,908	5.2694	11,888	5.2996
TOTAL SALES EXPENSES	15	0.0073			15,160	7.1464	12,908	6.2351	11,888	5.2996
<u>ADMINISTRATIVE AND GENERAL EXPENSES</u>										
<u>OPERATION</u>										
920 ADMINISTRATIVE AND GENERAL SALARIES	2,314	1.1535	297	0.1370	50,534	23.8207	46,939	22.6744	47,371	21.1182
921 OFFICE SUPPLIES AND EXPENSES	8,191	4.0828	6,356	2.9311	34,002	16.0278	27,895	13.4750	22,616	10.0821
923 OUTSIDE SERVICES EMPLOYED	110,287	54.9712	120,825	55.7190	5,452	2.5698	9,473	4.5762	9,378	4.1806
924 PROPERTY INSURANCE					902	0.0000	770	0.0000	858	0.3825
925 INJURIES AND DAMAGES	361	0.1800	594	0.2739	263	0.1240	1,433	0.6921	1,768	0.7884
926 EMPLOYEE PENSIONS AND BENEFITS	(7,590)	(3.7830)	7,695	3.5484	31,127	14.6726	22,584	10.9091	19,116	8.5220
927 FRANCHISE REQUIREMENTS	1,500	0.7475	1,222	0.5636	1,670	0.7871	1,703	0.8228	2,039	0.9089
928 REGULATORY COMMISSION EXPENSES	3,007	1.4989	3,470	1.6000	3,531	1.6643	3,964	1.9148	6,743	3.0062
930.1 GENERAL ADVERTISING EXPENSES	247	0.1230	246	0.1136	316	0.1488	405	0.1955	990	0.4413
930.2 MISCELLANEOUS GENERAL EXPENSES	1,086	0.5411	2,812	1.2969	17,201	8.1085	17,652	8.5269	12,939	5.7683
931.1 RENTS					219	0.1034	88	0.0424	94	0.0419
TOTAL OPERATION	119,402	59.5148	143,517	66.1836	145,216	68.4522	132,907	64.2014	123,912	55.2404
<u>MAINTENANCE</u>										
932 MAINTENANCE OF GENERAL PLANT	50	0.0251	28	0.0131	617	0.2906	556	0.2687	552	0.2460
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	119,453	59.5399	143,546	66.1967	145,832	68.7428	133,463	64.4702	124,464	55.4864
TOTAL GAS OPERATION AND MAINTENANCE EXPENSES	961,592	479.2954	919,080	423.8376	1,253,343	590.8049	1,304,153	629.9788	1,795,277	800.3382



KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Statement of Depreciation  
(\$000)

	Year Ended December 31,				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Accruals during the year charged to:</u>					
Depreciation Expense	\$ 64,599	\$ 67,427	\$ 69,956	\$ 72,394	\$ 71,457
Amortization of Other Limited-Term Gas Plant	1,665	1,665	1,675	1,677	1,678
Amortization of Other Gas Plant	8,188	9,142	9,906	11,203	9,958
	<hr/>				
Total	74,452	78,233	81,537	85,274	83,094
	<hr/>				

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Operating and Federal Income Taxes  
(\$000)

Account Number	Year Ended December 31,				
	2001	2002	2003	2004	2005
408 <u>Taxes Other than Income Taxes</u>					
<u>Local</u>					
Real Estate	\$ 21,656	\$ 18,415	\$ 11,162	\$ 11,632	\$ 12,422
Special Franchise	28,077	34,672	45,595	45,153	49,197
Public Utility Excise	31,876	28,509	36,666	37,745	45,778
Total Local Taxes	81,610	81,596	93,423	94,530	107,397
<u>State</u>					
Franchise - Gross Income - 186a	30,444	24,629	21,449	15,228	9,677
Franchise - Gross Earnings - 186	(6)	-	-	-	-
MTA Surcharge - Gross Income	-	6,987	4,582	1,759	745
Unemployment Insurance	-	17	172	241	291
Sales and Use	-	82	92	88	111
NYS Excise Tax	8,567	-	384	15	22
NYS Hazardous Waste	-	-	7	26	83
NYS Franchise Tax on Net Income	7	17,338	16,368	15,252	20,722
Franchise Tax on Net Income Deferred	5,102	-	-	-	-
MTA Surcharge - Net Income	-	-	7,803	6,247	1,693
Other	11,255	-	-	(1)	0
Total State Taxes	55,370	49,051	50,856	38,855	33,345
<u>Federal</u>					
FICA Contribution	5,173	5,009	5,527	4,505	3,418
Unemployment	6	12	72	84	107
Total Federal Taxes	5,179	5,021	5,599	4,589	3,525
Total Taxes Other than Income Taxes	142,158	135,668	149,878	137,974	144,266
409 Income Taxes	18,312	62,313	23,099	39,319	70,352
Total Taxes	160,471	197,981	172,977	177,292	214,618

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Operating and Federal Income Taxes  
(In cents/dths)

Account Number	Year Ended December 31,				
	2001	2002	2003	2004	2005
408 <u>Taxes Other than Income Taxes</u>					
<u>Local</u>					
Real Estate	10.79	8.49	5.26	5.62	6.00
Special Franchise	13.99	15.99	21.49	21.81	23.76
Public Utility Excise	15.89	13.15	17.28	18.23	22.11
Total Local Taxes	40.68	37.63	44.04	45.66	51.88
<u>State</u>					
Franchise - Gross Income - 186a	15.17	11.36	10.11	7.36	4.67
Franchise - Gross Earnings - 186	(0.00)	-	-	-	-
MTA Surcharge - Gross Income	-	3.22	2.16	0.85	0.36
Unemployment Insurance	-	0.01	0.08	0.12	0.14
Sales and Use	-	0.04	0.04	0.04	0.05
NYS Excise Tax	4.27	-	0.18	0.01	0.01
NYS Hazardous Waste	-	-	0.00	0.01	0.04
NYS Franchise Tax on Net Income	0.00	8.00	7.72	7.37	10.01
Franchise Tax on Net Income Deferred	2.54	-	-	-	-
MTA Surcharge - Net Income	-	-	3.68	3.02	0.82
Other	5.61	-	-	(0.00)	0.00
Total State Taxes	27.60	22.62	23.97	18.77	16.11
<u>Federal</u>					
FICA Contribution	2.58	2.31	2.61	2.18	1.65
Unemployment	0.00	0.01	0.03	0.04	0.05
Total Federal Taxes	2.58	2.32	2.64	2.22	1.70
Total Taxes Other than Income Taxes	70.86	62.56	70.65	66.65	69.69
409 <u>Income Taxes</u>	9.13	28.74	10.89	18.99	33.98
Total Taxes	79.98	91.30	81.54	85.64	103.67

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Book Cost of Gas Plant in Service  
(\$000)

		Year Ended December 31,				
		2001	2002	2003	2004	2005
<u>Intangible Plant</u>						
302	Franchises and Consents	11	11	11	11	11
303	Miscellaneous Intangible Plant	85,934	96,636	96,924	99,932	108,038
Total Intangible Plant		85,945	96,647	96,936	99,943	108,050
<u>Other Storage Plant</u>						
360	Land and Land Rights	2,626	2,626	2,626	2,626	2,626
361	Structures and Improvements	4,014	4,082	4,409	4,541	4,541
362	Gas Holders	28,861	29,288	29,335	31,203	31,144
363	Purification Equipment	2,004	2,004	2,004	3,281	3,281
363.1	Liquefaction Equipment	5,934	6,520	6,520	8,499	9,331
363.2	Vaporizing Equipment	20,015	20,821	20,821	21,590	21,592
363.3	Compressor Equipment	431	431	431	431	431
363.4	Measuring and Reg. Equipment	1,527	1,527	1,527	1,527	1,527
363.5	Other Equipment	7,958	7,958	7,958	7,994	7,994
363.6	Asset Retirement Costs for Other Storage Plant	-	-	-	-	48
Total Other Storage Plant		73,371	75,256	75,632	81,693	82,515
<u>Transmission Plant</u>						
365.1	Land and Land Rights	18	18	18	18	18
365.2	Rights-of-Way	28	28	28	28	28
366	Structures and Improvements	44	44	44	44	44
367	Mains	84,906	85,256	85,752	86,856	88,968
369	Measuring and Reg. Station Equipment	5,638	5,656	5,656	6,070	6,262
Total Transmission Plant		90,634	91,002	91,497	93,016	93,320
<u>Distribution Plant</u>						
374	Land and Land Rights	14,980	14,424	14,424	14,424	14,418
375	Structures and Improvements	87,623	88,670	88,682	91,963	93,044
376	Mains	773,355	840,560	914,134	1,005,165	1,051,673
378	Meas. and Reg. Sta. Equip. - General	40,283	40,723	41,151	43,593	44,223
380	Services	646,562	675,847	709,090	739,546	772,301
381	Meters	128,552	132,317	140,861	136,670	139,852
382	Meter Installations	35,269	36,909	40,486	44,169	44,197
383	House Regulators	1,240	1,238	1,236	1,235	4,665
384	House Reg. Installations	8,618	8,618	8,618	10,188	10,188
385	Industrial Meas. and Reg. Sta. Equipment	8,329	8,329	8,329	8,329	8,329
386	Other Prop. on Customers' Premises	6,646	6,646	6,646	7,032	7,098
388	Asset Retirement Costs for Distribution Plant	-	-	-	-	5,039
Total Distribution Plant		1,751,455	1,854,279	1,973,656	2,102,315	2,195,226

<u>General Plant</u>						
389	Land and Land Rights	21	21	21	21	21
390	Structures and Improvements	38,599	38,629	38,803	38,974	39,718
391	Office Furniture and Equipment	55,538	57,903	62,445	44,565	44,871
392	Transportation Equipment	27,871	24,201	21,382	11,648	10,736
393	Stores Equipment	1,400	1,400	1,400	1,388	1,372
394	Tools, Shop and Garage Equipment	20,947	24,636	25,581	27,973	29,742
395	Laboratory Equipment	1,665	1,893	1,933	1,922	1,939
396	Power Operated Equipment	5,226	4,648	4,395	2,772	2,489
397	Communication Equipment	15,123	16,100	16,100	15,999	15,178
398	Miscellaneous Equipment	8,662	10,350	10,350	10,344	10,330
399.1	Asset Retirement Costs for General Plant	-	-	-	-	50
Total General Plant		175,053	179,780	182,410	155,606	156,446
Total Gas Plant in Service		2,176,458	2,296,965	2,420,130	2,532,573	2,635,557

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Statement of Accumulated Depreciation Balances  
(\$000)

<u>Account</u>		<u>2001</u>	<u>2002</u>	December 31, <u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Other Storage Plant</u>						
361	Structures and Improvements	5,307	3,935	4,474	5,032	5,591
362	Gas Holders	29,984	32,225	34,481	36,824	39,067
363	Purification Equipment	1,902	2,032	2,170	2,451	2,677
363.1	Liquefaction Equipment	5,347	5,734	6,116	6,643	7,149
363.2	Vaporizing Equipment	23,574	25,225	26,869	28,679	30,377
363.3	Compressor Equipment	609	629	650	670	691
363.4	Measuring and Regulating Equipment	1,820	1,939	2,058	2,177	2,296
363.5	Other Equipment	10,696	11,804	12,911	13,854	14,928
363.6	Asset Retirement Obligation for Other Storage Plant	-	-	-	-	(26)
Total Other Storage Plant		79,240	83,523	89,729	96,331	102,751
<u>Transmission Plant</u>						
365.2	Rights-of-Way	11	12	12	12	12
366	Structures and Improvements	14	15	16	17	18
367	Mains	21,405	22,767	24,516	25,969	27,373
369	Measuring and Regulating Station Equipment	1,275	1,360	1,478	1,586	1,729
Total Transmission Plant		22,706	24,154	26,022	27,585	29,133
<u>Distribution Plant</u>						
374	Land and Land Rights	563	8	8	8	1
375	Structures and Improvements	19,366	20,988	22,887	23,512	25,141
376	Mains	151,403	161,331	176,569	192,687	205,346
377	Compressor Station Equipment	4,806	1,286	1,953	2,620	3,287
378	Measuring and Regulating Station Equipment General	11,009	11,793	12,503	13,352	14,099
380	Services	191,824	208,322	220,290	237,005	251,091
381	Meters	45,436	52,094	58,617	55,712	60,467
382	Meter Installations	11,488	12,436	13,426	14,528	15,732
383	House Regulators	385	418	451	486	577
384	House Regulator Installations	2,471	2,717	2,964	3,210	3,457
385	Industrial Meas. and Reg. Sta. Equipment	3,217	3,426	3,634	3,842	4,050
386	Other Prop. on Customers' Premises	1,494	1,826	2,158	2,505	2,858
388	Asset Retirement Obligation for Distribution Plant	-	-	-	-	(2,681)
Total Distribution Plant		443,461	476,645	515,459	549,467	583,426

<u>Account</u>		<u>2001</u>	<u>2002</u>	December 31, <u>2003</u>	<u>2004</u>	<u>2005</u>
<u>General Plant</u>						
391	Office Furniture and Equipment	22,960	28,361	35,052	25,200	24,459
392	Transportation Equipment	23,644	23,165	23,367	15,821	16,026
393	Stores Equipment	559	603	647	680	708
394	Tools, Shop, and Garage Equipment	4,496	5,344	6,316	7,090	8,033
395	Laboratory Equipment	440	467	530	583	646
396	Power Operated Equipment	3,002	2,853	3,017	1,747	1,704
397	Communication Equipment	4,497	4,993	5,798	6,342	4,443
398	Miscellaneous Equipment	3,058	3,327	3,643	3,902	4,195
399.1	Asset Retirement Obligation for General Plant	-	-	-	-	(268)
Total General Plant		62,656	69,114	78,371	61,364	59,946
Accumulated Provision for Depreciation - Gas Plant		608,063	653,435	709,581	734,747	775,255
Retirement Work in Progress		(708)	(771)	(1,281)	(1,149)	(1,597)
Total Accumulated Provision for Depreciation of Gas Plant in Service		607,355	652,664	708,300	733,598	773,658
Accumulated Provision for Amortization of Other Plant in Service		61,194	72,638	84,495	97,462	109,189
Total Accumulated Provision for Depreciation, Amortization and Depletion of Gas Plant in Service		668,550	725,302	792,795	831,059	882,847

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Federal & State Income Tax Accruals  
For The Twelve Months Ended December 31, 2005  
(\$000)

OPERATING REVENUES PER BOOKS	
OPERATING EXPENSES PER BOOKS	
INTEREST CHARGES	
BOOK INCOME BEFORE FIT	177,985

**SECTION I - FLOW THROUGH ITEMS**

**ADDITIONS**

Book Depreciation in Excess of Tax	2,356
FASB 109 Adjustment	6,415
Lobbying Expenses	-
Meals and Entertainment	1
TOTAL	<u>8,772</u>

**DEDUCTIONS**

AFUDC Equity	719
Equity Income (Loss)	6,797
Medicare Income	1,728
State Income Tax Provision	16,575
Contribution OF Land	11,000
TOTAL	<u>36,819</u>

Income Subject to Federal Income Tax	149,938
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**SECTION II - NORMALIZED ITEMS**

**ADDITIONS**

Pension Cost	2,911
Bad Debts	5,889
Gas Research Institute	1,572
Merger Cost Deferral/Amortization	9,896
MTA Deferral	4,876
Balancing Account	4,703
FASB 106	6,621
Performance Shares	592
Premium/Discount - Refinancing	331
Deferred Taxes Rate	231
Contributions in Aid of Construction - Deferral	3
Book Depreciation	83,094
Capitalized Interest	279
Deferred Gas Costs	4,890
Relocation Of Mains	8,876
Environmental Costs	13,170
UNICAP - Self Constructed Assets	55,978
TOTAL	<u>203,912</u>

**DEDUCTIONS**

AFUDC Debt	279
Transition Costs	16,015
CC Imbalance Old vs. New SIT	134
Directors' Pension Payments	119
MTA Amortization	1,544
Contributions in Aid of Construction - Amortization	477
Tax Depreciation	65,854
Lien Property Tax Date	415
Vacation Pay Accrual	177
Removal Costs - Deferral	4,080
Deferred State Income Tax Provision	10,067
TOTAL	<u>99,162</u>

**TAXABLE INCOME** 254,687

**CURRENT FEDERAL INCOME TAX EXPENSE**

Current Federal Income Tax @ 35%	89,141
Accrual to Return Adjustment - Current	<u>(18,787)</u>
TOTAL CURRENT FIT	<u>70,354</u>

**DEFERRED FEDERAL INCOME TAX**

Pension Cost	(1,019)
Bad Debts	(2,061)
Gas Research Institute	(550)
Merger Cost Deferral/Amortization	(3,464)
MTA Deferral	(1,707)
Premium/Discount - Refinancing	(116)
Vacation Pay Accrual	62
Deferred Taxes Rate	(81)
Contributions in Aid of Construction - Deferral	(1)
Book Depreciation	(29,083)
Capitalized Interest	(98)
Deferred State Income Tax Not Deducted on Fed Return	3,524
Deferred Gas Costs	(1,712)
AFUDC Debt	98
Transition Costs	5,605
CC Imbalance Old vs. New SIT	47
Balancing Account	(1,646)
Directors' Pension Payments	42
MTA Amortization	540
Relocation of Mains	(3,107)
Environmental Clean Up Costs	(4,610)
Contributions in Aid of Construction - Amortization	167
Tax Depreciation	23,049
Removal Costs - Deferral	1,428
UNICAP - Self Constructed Assets	(19,592)
Lien Date Property Taxes	145
FASB 106	(2,317)
Performance Shares	(207)
	<u>(36,662)</u>

**ADJUSTMENTS**

Regulatory Liability Deferred Federal	(6,415)
Accrual to Return Adjustment - Deferred	14,251
	<u>7,836</u>

NET DEF. FIT ACCOUNT (28,826)

FASB 106 6,415

**TOTAL FEDERAL INCOME TAX EXPENSE 47,942**

Current State Income Taxes	22,414
Deferred State Income Taxes	14,046
State Income Taxes True Up Adjustment	(17,375)
<b>TOTAL State INCOME TAX EXPENSE</b>	<b><u>19,086</u></b>

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Summary of Operating Income  
Rate Base and Rate of Return  
Historic Year Ended December 31, 2005 and Rate Year Ending March 31, 2008  
(\$000)

	Reference	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008	Proposed Rate Increase	Rate Year Ending March 31, 2008 As Adjusted
Operating Revenues	JFB-3	2,242,697	114,915	2,357,612	180,691	2,538,303
Operation & Maintenance Expenses	JFB-4	1,795,277	160,507	1,955,784	2,710	1,958,494
Depreciation	Schedule 2	83,094	26,980	110,074		110,074
Amortization	Schedule 3	9,896	14,582	24,478		24,478
Taxes Other Than Income Taxes	JFB-5	121,852	73,886	195,737		195,737
Total Operating Revenue Deductions		<u>2,010,119</u>	<u>275,954</u>	<u>2,286,074</u>	<u>2,710</u>	<u>2,288,784</u>
Operating Income Before Federal Income Taxes		<u>232,578</u>	<u>(161,039)</u>	<u>71,538</u>	<u>177,981</u>	<u>249,519</u>
State Income Taxes	JFB-6	19,086	(18,248)	838	16,072	16,910
Federal Income Taxes	JFB-6	41,528	(36,372)	5,155	56,668	61,823
Total Income Taxes		<u>60,613</u>	<u>(54,620)</u>	<u>5,993</u>	<u>72,740</u>	<u>78,733</u>
Operating Income After Federal & State Income Taxes		<u>171,964</u>	<u>(106,419)</u>	<u>65,545</u>	<u>105,241</u>	<u>170,786</u>
Rate Base	JFB-7&8	<u>2,042,686</u>	<u>(68,680)</u>	<u>1,974,006</u>		<u>1,974,006</u>
Rate of Return		<u>8.42%</u>		<u>3.32%</u>		<u>8.65%</u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Depreciation Expense**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Total Depreciation Expense	83,094	3,968	87,062
Depreciation Expense of Corporate Services Assets		3,205	3,205
Add: Depreciation related to Accounting changes proposed by Mr. Aikman based on 12/31/05 Plant Balances		18,555	18,555
Depreciation related to Accounting changes proposed by Mr. Aikman on Plant Additions (4/1/07 - 3/31/08)		1,252	1,252
	<u>83,094</u>	<u>26,980</u>	<u>110,074</u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Amortizations**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Amortization Merger Costs	9,896	(327)	9,569
Amortization Property Taxes	-	5,542	5,542
Amortization Environmental Costs	-	9,367	9,367
Total Amortizations	<u>9,896</u>	<u>14,582</u>	<u>24,478</u>

Merger Costs - continue current Amortization

7 Year Amortization of March 31, 2007 Deferred Property Tax

7 Year Amortization of March 31, 2007 Deferred Environmental Cost

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Comparison of Operating Revenues and Cost of Gas Purchased and Produced**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Total Revenues from Sale of Gas (Accounts 480, 481, 482, 483, 485, 486, and 489)	2,225,205	113,818	2,339,023
Other Operating Revenues (Accounts 488, 489, 493, and 495)	17,492	1,097	18,589
Total Gas Operating Revenues	<u>2,242,697</u>	<u>114,915</u>	<u>2,357,612</u>
Cost of Gas Purchased and Produced	<u>1,460,207</u>	<u>147,319</u>	<u>1,607,526</u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Other Gas Revenue**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Miscellaneous Service Revenues (Account 480)			
Disconnect Fees	803	-	803
Net Revenues - Governors Island	76	-	76
Revenues - Premium Service Charges	114	524	638
Right Of Access-Penalty Charge	1,995	-	1,995
Reconnect Fees	864	-	864
	<u>3,852</u>	<u>524</u>	<u>4,376</u>
Rent from Gas Property (Account 493)	3,127	-	3,127
Other Gas Revenues (Account 495)			
Field Collections	1,084	573	1,657
Charge For Statements	2	-	2
Verify Meter Information	4	-	4
Late Payment Charge Revenue/Penalty	8,869	-	8,869
NG Check Charge	223	-	223
Other Gas Revenues	331	-	331
	<u>10,513</u>	<u>573</u>	<u>11,086</u>
Total	<u>17,492</u>	<u>1,097</u>	<u>18,589</u>

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Summary of Operating Expenses by Component  
Historic Year Ended December 31, 2005 and Rate Year Ending March 31, 2008  
(\$000)

	Reference	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Operation & Maintenance Expenses				
Gas Cost	Schedule 1	1,460,207	147,319	1,607,526
Labor	Schedule 2	108,645	9,158	117,802
Incentive Programs & Rebates	Schedule 3	2,515	140	2,655
Other Employee Related Expenses & Benefits	Schedule 4	2,816	157	2,973
Health & Hospitalization	Schedule 5	12,618	1,525	14,143
401k Match	Schedule 6	2,589	222	2,811
Advertising	Schedule 7	2,495	139	2,634
Building Services	Schedule 8	9,635	306	9,942
Collection Agency Fees	Schedule 9	2,376	132	2,509
Computer Software Purchases	Schedule 10	3,247	181	3,428
Contract Labor	Schedule 11	8,935	498	9,433
Contributions, Tickets & Sponsorships	Schedule 12	1,355	(1,355)	-
Dues & Memberships	Schedule 13	910	51	960
Fleet Leasing	Schedule 14	2,779	155	2,934
Franchise Requirements	Schedule 15	2,039	114	2,152
Insurance	Schedule 16	6,075	339	6,414
Lock Box	Schedule 17	438	24	463
Materials & Supplies	Schedule 18	5,505	307	5,812
NY Facilities	Schedule 19	7,868	439	8,307
OPEB's	Schedule 20	21,151	775	21,926
Other	Schedule 21	12,971	723	13,694
Paving	Schedule 22	3,526	197	3,723
Payroll Taxes	Schedule 23	4,558	371	4,929
Pensions	Schedule 24	9,759	8,138	17,898
Permits	Schedule 25	1,363	76	1,439
Postage	Schedule 26	5,502	307	5,808
PSC Assessment Fees	Schedule 27	6,730	375	7,105
Purchased Services	Schedule 28	22,649	1,262	23,912
Servco Asset Recovery Charge	Schedule 29	12,163	(12,163)	-
Telecommunications	Schedule 30	3,441	192	3,633
Transportation	Schedule 31	4,740	264	5,004
Transportation - Liquid Fuels	Schedule 32	1,197	67	1,263
Uncollectibles	Schedule 33	42,479	(32,496)	9,982
Accounting Change	Schedule 34	-	(2,821)	(2,821)
Program Changes	JFB-11	-	35,389	35,389
		1,795,277	160,507	1,955,784



**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Gas Cost**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	1,460,706	146,820	1,607,526
Corporate Services	(532)	532	-
Utility Services	33	(33)	-
Engineering Services	-	-	-
Total	<u>1,460,207</u>	<u>147,319</u>	<u>1,607,526</u>
Operation			
Other Gas Supply	1,460,207	147,319	1,607,526
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	<u>1,460,207</u>	<u>147,319</u>	<u>1,607,526</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>1,460,207</u>	<u>147,319</u>	<u>1,607,526</u>

Notes:

Allocation based on actual year ended December 31, 2005

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)

Operating Expenses by Component

Labor

(\$000)

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	59,089	5,261	64,351
Corporate Services	40,439	2,884	43,323
Utility Services	8,969	999	9,969
Engineering Services	147	13	160
Total	<u>108,645</u>	<u>9,158</u>	<u>117,802</u>
Operation			
Other Gas Supply	112	9	122
Natural Gas Storage	1,504	127	1,631
Transmission	290	24	314
Distribution	18,205	1,534	19,739
Customer Accounts	23,481	1,979	25,460
Customer Service	702	59	762
Sales Promotion	4,293	362	4,654
Admin and General	32,438	2,734	35,172
Allocated Service Company	(7)	(1)	(8)
Total Operation	<u>81,018</u>	<u>6,829</u>	<u>87,847</u>
Maintenance			
Natural Gas Storage	808	68	876
Transmission	573	48	621
Distribution	26,084	2,199	28,283
Admin and General	162	14	175
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>27,627</u>	<u>2,329</u>	<u>29,955</u>
Total Operation & Maintenance	<u>108,645</u>	<u>9,158</u>	<u>117,802</u>

Notes:

Allocation based on actual year ended December 31, 2005

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Operating Expenses by Component  
Labor - Adjustments  
(\$000)

Company Affiliation Wage Increase	Union	Management	Adjustment
KEDNY (38) Direct	3,892	1,020	4,911
Corporate Services (31) Direct	967	2,628	3,594
Utility Services (32) Direct	129	686	816
Engineering Services (33) Direct	11	1	12
<b>Sub Total</b>	<b>4,998</b>	<b>4,335</b>	<b>9,333</b>

Company Affiliation	Union Gainsharing	Management Incentive Compensation	Adjustment
KEDNY (38) Direct	174	176	350
Corporate Services (31) Direct	58	(768)	(710)
Utility Services (32) Direct	10	174	184
Engineering Services (33) Direct	1	--	1
<b>SubTotal</b>	<b>242</b>	<b>(418)</b>	<b>(175)</b>

	Wage Increase	Gainsharing & Incentive Compensation	Total Adjustment
KEDNY (38) Direct	4,911	350	<b>5,261</b>
Corporate Services (31) Direct	3,594	(710)	<b>2,884</b>
Utility Services (32) Direct	816	184	<b>999</b>
Engineering Services (33) Direct	12	1	<b>13</b>
<b>Grand Total</b>	<b>9,333</b>	<b>(175)</b>	<b>9,158</b>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Labor - Summary of Union Employees**  
**(\$000)**

<b>Company Affiliation</b>	<i>O&amp;M</i>	<i>Union Wage</i>	<i>Adjustment</i>
<b>Unions</b>	<i>Labor Cost</i>	<i>Increase</i>	
KEDNY (38)	48,272	8.06%	3,892
Corporate Services (31)	12,567	7.69%	967
Utility Services (32)	1,690	7.65%	129
Engineering Services (33)	134	8.06%	11
<b>Total Union</b>	<b>62,664</b>		<b>4,998</b>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Labor - Summary of Management Employees**  
**(\$000)**

<b>Company Affiliation</b>	<b>O&amp;M</b>	<b>Management</b>	<b>Adjustment</b>
<b>Management</b>	<b>Labor Cost</b>	<b>Wage Increase</b>	
KEDNY (38)	10,818	9.43%	1,020
Corporate Services (31)	27,872	9.43%	2,628
Utility Services (32)	7,279	9.43%	686
Engineering Services (33)	13	9.43%	1
<b>Total Management</b>	<b>45,981</b>		<b>4,335</b>

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Operating Expenses by Component  
Labor - Summary of Employees  
(\$000)

Employee Affiliation	Total Salaries		Average	Overall Increases	Effective	Union Wage
	Headcount	(Current)	Salary	Historical Yr to Rate Yr	Co %	Increase
Management	175	14,739	84	9.43%		
Bargaining						
Local 101	973	54,176	56	8.06%	85.31%	6.88%
Local 3	165	9,326	57	8.06%	14.69%	1.18%
<b>Total Unions</b>	<b>1,138</b>	<b>63,502</b>	<b>56</b>		<b>100.00%</b>	<b>8.06%</b>
<b>Grand Total</b>	<b>1,313</b>	<b>78,241</b>	<b>60</b>			

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Labor - Summary of Employees in Corporate Services (31) (CSV)**  
**(\$000)**

<b>Employee Affiliation</b>	<i>Total Salaries</i>		<i>Average</i>	<i>Overall Increases</i>	<i>Effective</i>	<i>Union Wage</i>
	<i>Headcount</i>	<i>(Current)</i>	<i>Salary</i>	<i>Historical Yr to Rate Yr</i>	<i>Co %</i>	<i>Increase</i>
<b>Management</b>	1,355	118,224	87	9.43%		
<b>Bargaining</b>						
<i>Local 101</i>	351	17,106	49	7.48%	21.26%	1.59%
<i>Local 3</i>	5	315	63	7.48%	0.39%	0.03%
<i>Local 1049</i>	170	10,846	64	8.06%	13.48%	1.09%
<i>Local 1381</i>	713	35,328	50	8.06%	43.91%	3.54%
<i>Local 012</i>	11	668	61	6.89%	0.83%	0.06%
<i>Local 120</i>	1	49	49	7.48%	0.06%	0.00%
<i>Local 318</i>	3	167	56	6.89%	0.21%	0.01%
<i>Local CAP</i>	2	114	57	6.89%	0.14%	0.01%
<i>Local 12003</i>	267	15,869	59	6.89%	19.72%	1.36%
<b>Total Unions</b>	<b>1,523</b>	<b>80,462</b>	<b>53</b>		<b>100.00%</b>	<b>7.69%</b>
<b>Grand Total</b>	<b>2,878</b>	<b>198,686</b>	<b>69</b>			

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Labor - Summary of Employees in Utility Services (32) (USV)**  
**(\$000)**

<b>Employee Affiliation</b>	<i>Total Salaries</i>		<i>Average</i>	<i>Overall Increases</i>	<i>Effective</i>	<i>Union Wage</i>
	<i>Headcount</i>	<i>(Current)</i>	<i>Salary</i>	<i>Historical Yr to Rate Yr</i>	<i>Co %</i>	<i>Increase</i>
<b>Management</b>	214	18,825	88	9.43%		
<b>Bargaining</b>						
<i>Local 101</i>	64	4,034	63	7.48%	68.38%	5.12%
<i>Local 3</i>	3	190	63	7.48%	3.21%	0.24%
<i>Local 1049</i>	14	947	68	8.06%	16.06%	1.29%
<i>Local 1381</i>	15	728	49	8.06%	12.35%	1.00%
<b>Total Unions</b>	<b>96</b>	<b>5,899</b>	<b>61</b>		<b>100.00%</b>	<b>7.65%</b>
<b>Grand Total</b>	<b>310</b>	<b>24,724</b>	<b>80</b>			



KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Operating Expenses by Component  
Labor - Summary of Employees in Engineering Services (33) (KEC)  
(\$000)

Employee Affiliation	Total Salaries		Average	Overall Increases	Effective	Union Wage
	Headcount	(Current)	Salary	Historical Yr to Rate Yr	Co %	Increase
<b>Management</b>	282	24,238	86	9.43%		
<b>Bargaining</b>						
Local 101	2	138	69	7.48%	0.47%	0.04%
Local 1049	418	26,279	63	8.06%	90.26%	7.28%
Local 1381	46	2,696	59	8.06%	9.26%	0.75%
<b>Total Unions</b>	<b>466</b>	<b>29,113</b>	<b>62</b>		<b>100.00%</b>	<b>8.06%</b>
<b>Grand Total</b>	<b>748</b>	<b>53,351</b>	<b>71</b>			

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Incentive Programs & Rebates**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	(5)	-	(5)
Corporate Services	246	14	260
Utility Services	2,273	127	2,400
Engineering Services	-	-	-
Total	<u>2,515</u>	<u>140</u>	<u>2,655</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	1	-	1
Customer Service	-	-	-
Sales Promotion	2,273	127	2,400
Admin and General	240	13	253
Allocated Service Company	-	-	-
Total Operation	<u>2,514</u>	<u>140</u>	<u>2,655</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>2,515</u>	<u>140</u>	<u>2,655</u>

**Notes:**

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Other Employee Related Expenses & Benefits**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	1,628	91	1,719
Corporate Services	869	48	918
Utility Services	318	18	336
Engineering Services	-	-	-
Total	<u>2,816</u>	<u>157</u>	<u>2,973</u>
Operation			
Other Gas Supply	3	-	3
Natural Gas Storage	6	-	7
Transmission	8	-	9
Distribution	44	2	46
Customer Accounts	134	7	141
Customer Service	10	1	10
Sales Promotion	195	11	206
Admin and General	2,299	128	2,427
Allocated Service Company	-	-	-
Total Operation	<u>2,699</u>	<u>150</u>	<u>2,849</u>
Maintenance			
Natural Gas Storage	6	-	6
Transmission	-	-	-
Distribution	111	6	117
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>117</u>	<u>7</u>	<u>124</u>
Total Operation & Maintenance	<u>2,816</u>	<u>157</u>	<u>2,973</u>

Notes:

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Health & Hospitalization**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Year Ending March 31, 2008
Provider Company			
KEDNY	7,115	496	7,612
Corporate Services	4,584	900	5,484
Utility Services	900	125	1,025
Engineering Services	19	4	22
Total	<u>12,618</u>	<u>1,525</u>	<u>14,143</u>
Operation			
Other Gas Supply	13	2	14
Natural Gas Storage	68	8	77
Transmission	-	-	-
Distribution	649	78	727
Customer Accounts	1,840	222	2,062
Customer Service	69	8	78
Sales Promotion	430	52	482
Admin and General	8,180	989	9,169
Allocated Service Company	-	-	-
Total Operation	<u>11,250</u>	<u>1,360</u>	<u>12,609</u>
Maintenance			
Natural Gas Storage	69	8	77
Transmission	-	-	-
Distribution	1,279	155	1,434
Admin and General	20	2	22
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>1,368</u>	<u>165</u>	<u>1,534</u>
Total Operation & Maintenance	<u>12,618</u>	<u>1,525</u>	<u>14,143</u>

Notes:

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Adjustments to Health & Hospitalization**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

<u>Health Care Increases</u>	<u>Direct</u>	<u>Percentage</u>	<u>Adjustment</u>
KEDNY (38) Direct	7,115	6.97%	496
Corporate Services (31) Direct	4,584	19.63%	900
Utility Services (32) Direct	900	13.90%	125
Engineering Services (33) Direct	19	20.80%	4
Total	<u>12,618</u>		<u>1,525</u>

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Operating Expenses by Component  
401k Match  
(\$000)

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	1,494	133	1,627
Corporate Services	833	59	893
Utility Services	260	29	289
Engineering Services	2	-	3
Total	<u>2,589</u>	<u>222</u>	<u>2,811</u>
Operation			
Other Gas Supply	3	-	4
Natural Gas Storage	(1)	(1)	(1)
Transmission	-	-	-
Distribution	49	4	53
Customer Accounts	329	28	358
Customer Service	19	2	21
Sales Promotion	118	10	128
Admin and General	1,978	169	2,147
Allocated Service Company	-	-	-
Total Operation	<u>2,496</u>	<u>214</u>	<u>2,710</u>
Maintenance			
Natural Gas Storage	(1)	(1)	(1)
Transmission	-	-	-
Distribution	90	8	98
Admin and General	4	-	4
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>93</u>	<u>8</u>	<u>101</u>
Total Operation & Maintenance	<u>2,589</u>	<u>222</u>	<u>2,811</u>

Notes:

Allocation based on actual year ended December 31, 2005

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Operating Expenses by Component  
401k Match  
(\$000)

December-2005	O&M Labor Cost	Percentage	Adjustment
KEDLI (37)	1,494	8.90%	133
Corporate Services (31)	833	7.13%	59
Utility Services (32)	260	11.15%	29
Engineering Services (33)	2	8.61%	-
Total	2,589		222

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Advertising**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDNY	123	7	130
Corporate Services	1,495	83	1,579
Utility Services	877	49	926
Engineering Services	-	-	-
Total	<u>2,495</u>	<u>139</u>	<u>2,634</u>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	1	-	1
Transmission	-	-	-
Distribution	2	-	3
Customer Accounts	118	7	124
Customer Service	54	3	57
Sales Promotion	1,699	95	1,793
Admin and General	619	35	654
Allocated Service Company	-	-	-
Total Operation	<u>2,493</u>	<u>139</u>	<u>2,632</u>
<b>Maintenance</b>			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	2	-	2
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>2</u>	<u>-</u>	<u>2</u>
<b>Total Operation &amp; Maintenance</b>	<u>2,495</u>	<u>139</u>	<u>2,634</u>

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor



**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Building Services**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	2,753	88	2,841
Corporate Services	5,894	187	6,081
Utility Services	988	31	1,019
Engineering Services	-	-	-
Total	<u>9,635</u>	<u>306</u>	<u>9,942</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	60	2	62
Transmission	-	-	-
Distribution	737	23	761
Customer Accounts	2,954	94	3,048
Customer Service	266	8	275
Sales Promotion	712	23	735
Admin and General	3,747	119	3,866
Allocated Service Company	-	-	-
Total Operation	<u>8,477</u>	<u>269</u>	<u>8,747</u>
Maintenance			
Natural Gas Storage	60	2	62
Transmission	-	-	-
Distribution	1,098	35	1,133
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>1,158</u>	<u>37</u>	<u>1,195</u>
Total Operation & Maintenance	<u>9,635</u>	<u>306</u>	<u>9,942</u>

Notes:

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Collection Agency Fees**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	-	-	-
Corporate Services	2,376	132	2,508
Utility Services	-	-	-
Engineering Services	-	-	-
Total	<u>2,376</u>	<u>132</u>	<u>2,509</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	2,376	132	2,508
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	<u>2,376</u>	<u>132</u>	<u>2,509</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>2,376</u>	<u>132</u>	<u>2,509</u>

Notes:

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Computer Software Purchases**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDNY	146	8	154
Corporate Services	3,062	171	3,232
Utility Services	40	2	42
Engineering Services	-	-	-
<b>Total</b>	<b>3,247</b>	<b>181</b>	<b>3,428</b>
<b>Operation</b>			
Other Gas Supply	7	-	7
Natural Gas Storage	5	-	5
Transmission	-	-	-
Distribution	21	1	23
Customer Accounts	42	2	44
Customer Service	-	-	-
Sales Promotion	26	1	28
Admin and General	3,051	170	3,221
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>3,151</b>	<b>176</b>	<b>3,327</b>
<b>Maintenance</b>			
Natural Gas Storage	5	-	5
Transmission	-	-	-
Distribution	91	5	96
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>96</b>	<b>5</b>	<b>101</b>
<b>Total Operation &amp; Maintenance</b>	<b>3,247</b>	<b>181</b>	<b>3,428</b>

**Notes:**

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Contract Labor**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	8,928	498	9,426
Corporate Services	6	-	6
Utility Services	1	-	1
Engineering Services	-	-	-
Total	<u>8,935</u>	<u>498</u>	<u>9,433</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	75	4	79
Transmission	-	-	-
Distribution	1,048	58	1,106
Customer Accounts	2	-	2
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	3	-	4
Allocated Service Company	-	-	-
Total Operation	<u>1,128</u>	<u>63</u>	<u>1,191</u>
Maintenance			
Natural Gas Storage	11	1	12
Transmission	637	35	672
Distribution	7,158	399	7,557
Admin and General	1	-	1
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>7,807</u>	<u>435</u>	<u>8,242</u>
Total Operation & Maintenance	<u>8,935</u>	<u>498</u>	<u>9,433</u>

Notes:  
Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Contributions, Tickets & Sponsorships**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	174	(174)	-
Corporate Services	1,035	(1,035)	-
Utility Services	147	(147)	-
Engineering Services	-	-	-
Total	<u>1,355</u>	<u>(1,355)</u>	<u>-</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	1	(1)	-
Customer Accounts	150	(150)	-
Customer Service	9	(9)	-
Sales Promotion	80	(80)	-
Admin and General	1,110	(1,110)	-
Allocated Service Company	-	-	-
Total Operation	<u>1,350</u>	<u>(1,350)</u>	<u>-</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	5	(5)	-
Admin and General	-	-	-
Total Maintenance	<u>5</u>	<u>(5)</u>	<u>-</u>
Total Operation & Maintenance	<u>1,355</u>	<u>(1,355)</u>	<u>-</u>

Notes:

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Dues & Memberships**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	429	24	453
Corporate Services	459	26	485
Utility Services	21	1	22
Engineering Services	-	-	-
Total	<u>910</u>	<u>51</u>	<u>960</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	1	-	1
Customer Accounts	12	1	13
Customer Service	8	-	8
Sales Promotion	7	-	7
Admin and General	879	49	928
Allocated Service Company	-	-	-
Total Operation	<u>907</u>	<u>51</u>	<u>957</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	3	-	3
Admin and General	-	-	-
Total Maintenance	<u>3</u>	<u>-</u>	<u>3</u>
Total Operation & Maintenance	<u>910</u>	<u>51</u>	<u>960</u>

Notes:  
Allocation based on actual year ended December 31, 2005

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Operating Expenses by Component  
Fleet Leasing  
(\$000)

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	2,596	145	2,741
Corporate Services	143	8	151
Utility Services	35	2	36
Engineering Services	6	-	6
Total	<u>2,779</u>	<u>155</u>	<u>2,934</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	56	3	59
Transmission	-	-	-
Distribution	934	52	986
Customer Accounts	499	28	527
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	207	12	218
Allocated Service Company	-	-	-
Total Operation	<u>1,696</u>	<u>95</u>	<u>1,790</u>
Maintenance			
Natural Gas Storage	55	3	58
Transmission	-	-	-
Distribution	1,028	57	1,086
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>1,084</u>	<u>60</u>	<u>1,144</u>
Total Operation & Maintenance	<u>2,779</u>	<u>155</u>	<u>2,934</u>

Notes:

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Franchise Requirements**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	2,039	114	2,152
Corporate Services	-	-	-
Utility Services	-	-	-
Engineering Services	-	-	-
Total	<u>2,039</u>	<u>114</u>	<u>2,152</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	2,039	114	2,152
Allocated Service Company	-	-	-
Total Operation	<u>2,039</u>	<u>114</u>	<u>2,152</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>2,039</u>	<u>114</u>	<u>2,152</u>

**Notes:**

Allocation based on actual year ended December 31, 2005



KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Operating Expenses by Component  
Insurance  
(\$000)

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	1,247	70	1,317
Corporate Services	4,822	269	5,091
Utility Services	6	-	6
Engineering Services	-	-	-
Total	<u>6,075</u>	<u>339</u>	<u>6,414</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	4,828	269	5,097
Allocated Service Company	-	-	-
Total Operation	<u>4,828</u>	<u>269</u>	<u>5,097</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	1,247	69	1,316
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>1,247</u>	<u>69</u>	<u>1,316</u>
Total Operation & Maintenance	<u>6,075</u>	<u>339</u>	<u>6,414</u>

Notes:

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Lock Box**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	-	-	-
Corporate Services	438	24	463
Utility Services	-	-	-
Engineering Services	-	-	-
Total	<u>438</u>	<u>24</u>	<u>463</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	438	24	463
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	<u>438</u>	<u>24</u>	<u>463</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>438</u>	<u>24</u>	<u>463</u>

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Materials & Supplies**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	4,598	256	4,855
Corporate Services	694	39	733
Utility Services	186	10	196
Engineering Services	27	2	29
Total	<u>5,505</u>	<u>307</u>	<u>5,812</u>
Operation			
Other Gas Supply	3	-	3
Natural Gas Storage	240	13	253
Transmission	8	-	8
Distribution	1,090	61	1,151
Customer Accounts	770	43	813
Customer Service	2	-	2
Sales Promotion	9	1	10
Admin and General	617	34	651
Allocated Service Company	-	-	-
Total Operation	<u>2,737</u>	<u>153</u>	<u>2,890</u>
Maintenance			
Natural Gas Storage	214	12	226
Transmission	36	2	38
Distribution	2,490	139	2,629
Admin and General	28	2	29
Total Maintenance	<u>2,768</u>	<u>154</u>	<u>2,922</u>
Total Operation & Maintenance	<u>5,505</u>	<u>307</u>	<u>5,812</u>

Notes:

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**NY Facilities**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDNY	7,868	439	8,307
Corporate Services	-	-	-
Utility Services	-	-	-
Engineering Services	-	-	-
<b>Total</b>	<b>7,868</b>	<b>439</b>	<b>8,307</b>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	2,876	160	3,036
Distribution	4,993	278	5,271
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>7,868</b>	<b>439</b>	<b>8,307</b>
<b>Maintenance</b>			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Operation &amp; Maintenance</b>	<b>7,868</b>	<b>439</b>	<b>8,307</b>

**Notes:**

Allocation based on actual year ended December 31, 2005

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Operating Expenses by Component  
OPEBs  
(\$000)

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	12,564	(1,745)	10,818
Corporate Services	6,688	2,002	8,690
Utility Services	1,878	501	2,379
Engineering Services	22	17	39
Total	<u>21,151</u>	<u>775</u>	<u>21,926</u>
Operation			
Other Gas Supply	27	1	28
Natural Gas Storage	85	3	88
Transmission	-	-	-
Distribution	884	32	917
Customer Accounts	2,745	101	2,845
Customer Service	139	5	144
Sales Promotion	887	33	920
Admin and General	14,248	522	14,770
Allocated Service Company	-	-	-
Total Operation	<u>19,016</u>	<u>697</u>	<u>19,713</u>
Maintenance			
Natural Gas Storage	85	3	88
Transmission	-	-	-
Distribution	2,019	74	2,093
Admin and General	30	1	32
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>2,135</u>	<u>78</u>	<u>2,213</u>
Total Operation & Maintenance	<u>21,151</u>	<u>775</u>	<u>21,926</u>

Notes:  
Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Other**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	8,317	464	8,781
Corporate Services	4,404	245	4,649
Utility Services	199	11	210
Engineering Services	51	3	54
Total	<u>12,971</u>	<u>723</u>	<u>13,694</u>
Operation			
Other Gas Supply	4	-	5
Natural Gas Storage	623	35	658
Transmission	4	-	4
Distribution	954	53	1,007
Customer Accounts	(7)	-	(8)
Customer Service	252	14	266
Sales Promotion	189	11	200
Admin and General	4,115	229	4,344
Allocated Service Company	46	3	48
Total Operation	<u>6,180</u>	<u>344</u>	<u>6,524</u>
Maintenance			
Natural Gas Storage	70	4	74
Transmission	(83)	(5)	(87)
Distribution	6,589	367	6,956
Admin and General	215	12	227
Total Maintenance	<u>6,791</u>	<u>379</u>	<u>7,170</u>
Total Operation & Maintenance	<u>12,971</u>	<u>723</u>	<u>13,694</u>

Notes:

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Paving**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	3,526	197	3,723
Corporate Services	-	-	-
Utility Services	-	-	-
Engineering Services	-	-	-
Total	<u>3,526</u>	<u>197</u>	<u>3,723</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	6	-	6
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	<u>6</u>	<u>-</u>	<u>6</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	61	4	65
Distribution	3,460	193	3,651
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>3,520</u>	<u>197</u>	<u>3,717</u>
Total Operation & Maintenance	<u>3,526</u>	<u>197</u>	<u>3,723</u>

Notes:

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Payroll Taxes**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDNY	1,112	99	1,211
Corporate Services	2,776	198	2,974
Utility Services	658	73	731
Engineering Services	12	1	13
<b>Total</b>	<b>4,558</b>	<b>371</b>	<b>4,929</b>
<b>Operation</b>			
Other Gas Supply	8	1	8
Natural Gas Storage	35	3	38
Transmission	-	-	-
Distribution	339	28	366
Customer Accounts	1,116	91	1,207
Customer Service	50	4	55
Sales Promotion	310	25	335
Admin and General	1,969	160	2,129
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>3,826</b>	<b>312</b>	<b>4,138</b>
<b>Maintenance</b>			
Natural Gas Storage	35	3	38
Transmission	-	-	-
Distribution	685	56	740
Admin and General	12	1	13
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>732</b>	<b>60</b>	<b>791</b>
<b>Total Operation &amp; Maintenance</b>	<b>4,558</b>	<b>371</b>	<b>4,929</b>

Notes:  
Allocation based on actual year ended December 31, 2005



KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Operating Expenses by Component  
Payroll Taxes  
(\$000)

	December-05 Test Year	Overall increase	Total
KEDNY (38)	1,112	8.90%	99
Corporate Services (31)	2,776	7.13%	198
Utility Services (32)	658	11.15%	73
Engineering Services (33)	12	8.61%	1
Total	<u>4,558</u>		<u>371</u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Pensions**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDNY	2,365	3,425	5,790
Corporate Services	6,315	3,756	10,071
Utility Services	1,056	937	1,994
Engineering Services	23	20	43
<b>Total</b>	<b>9,759</b>	<b>8,138</b>	<b>17,898</b>
<b>Operation</b>			
Other Gas Supply	22	19	41
Natural Gas Storage	22	19	41
Transmission	-	-	-
Distribution	183	153	336
Customer Accounts	2,464	2,055	4,519
Customer Service	84	70	155
Sales Promotion	503	420	923
Admin and General	5,822	4,855	10,678
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>9,102</b>	<b>7,590</b>	<b>16,692</b>
<b>Maintenance</b>			
Natural Gas Storage	22	19	41
Transmission	-	-	-
Distribution	607	506	1,113
Admin and General	28	24	52
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>657</b>	<b>548</b>	<b>1,206</b>
<b>Total Operation &amp; Maintenance</b>	<b>9,759</b>	<b>8,138</b>	<b>17,898</b>

**Notes:**

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Permits**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDNY	1,279	71	1,351
Corporate Services	84	5	89
Utility Services	-	-	-
Engineering Services	-	-	-
<b>Total</b>	<b>1,363</b>	<b>76</b>	<b>1,439</b>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	18	1	19
Transmission	-	-	-
Distribution	5	-	5
Customer Accounts	12	1	13
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	30	2	32
Allocated Service Company	19	1	20
<b>Total Operation</b>	<b>85</b>	<b>5</b>	<b>90</b>
<b>Maintenance</b>			
Natural Gas Storage	1	-	1
Transmission	-	-	-
Distribution	1,278	71	1,349
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>1,278</b>	<b>71</b>	<b>1,350</b>
<b>Total Operation &amp; Maintenance</b>	<b>1,363</b>	<b>76</b>	<b>1,439</b>

**Notes:**

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Postage**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDNY	655	36	691
Corporate Services	4,841	270	5,111
Utility Services	6	-	6
Engineering Services	-	-	-
<b>Total</b>	<b>5,502</b>	<b>307</b>	<b>5,808</b>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	5,338	298	5,635
Customer Service	-	-	-
Sales Promotion	3	-	3
Admin and General	161	9	170
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>5,502</b>	<b>307</b>	<b>5,808</b>
<b>Maintenance</b>			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Operation &amp; Maintenance</b>	<b>5,502</b>	<b>307</b>	<b>5,808</b>

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**PSC Assessment Fees**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDNY	6,543	365	6,908
Corporate Services	187	10	198
Utility Services	-	-	-
Engineering Services	-	-	-
<b>Total</b>	<b>6,730</b>	<b>375</b>	<b>7,105</b>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	6,730	375	7,105
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>6,730</b>	<b>375</b>	<b>7,105</b>
<b>Maintenance</b>			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Operation &amp; Maintenance</b>	<b>6,730</b>	<b>375</b>	<b>7,105</b>

Notes:  
Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Purchased Services**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDNY	7,633	425	8,059
Corporate Services	14,803	825	15,628
Utility Services	213	12	225
Engineering Services	-	-	-
<b>Total</b>	<b>22,649</b>	<b>1,262</b>	<b>23,912</b>
<b>Operation</b>			
Other Gas Supply	9	-	9
Natural Gas Storage	57	3	60
Transmission	128	7	135
Distribution	361	20	381
Customer Accounts	5,898	329	6,227
Customer Service	41	2	44
Sales Promotion	36	2	38
Admin and General	14,727	821	15,548
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>21,257</b>	<b>1,185</b>	<b>22,442</b>
<b>Maintenance</b>			
Natural Gas Storage	215	12	227
Transmission	13	1	14
Distribution	1,140	64	1,203
Admin and General	25	1	26
<b>Total Maintenance</b>	<b>1,393</b>	<b>78</b>	<b>1,470</b>
<b>Total Operation &amp; Maintenance</b>	<b>22,649</b>	<b>1,262</b>	<b>23,912</b>

**Notes:**

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Service Asset Recovery Charge**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	-	-	-
Corporate Services	11,663	(11,663)	-
Utility Services	501	(501)	-
Engineering Services	-	-	-
Total	<u>12,163</u>	<u>(12,163)</u>	<u>-</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	<u>12,163</u>	<u>(12,163)</u>	<u>-</u>
Total Operation	<u>12,163</u>	<u>(12,163)</u>	<u>-</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>12,163</u>	<u>(12,163)</u>	<u>-</u>

Notes:

Allocation based on actual year ended December 31, 2005

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Operating Expenses by Component  
Telecommunications  
(\$000)

Provider Company	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
KEDNY	1,377	77	1,453
Corporate Services	1,793	100	1,893
Utility Services	236	13	249
Engineering Services	35	2	37
Total	<u>3,441</u>	<u>192</u>	<u>3,633</u>
Operation			
Other Gas Supply	2	-	2
Natural Gas Storage	27	1	28
Transmission	-	-	-
Distribution	442	25	466
Customer Accounts	916	51	967
Customer Service	4	-	5
Sales Promotion	114	6	120
Admin and General	1,412	79	1,490
Allocated Service Company	-	-	-
Total Operation	<u>2,917</u>	<u>163</u>	<u>3,079</u>
Maintenance			
Natural Gas Storage	27	1	28
Transmission	-	-	-
Distribution	496	28	524
Admin and General	1	-	1
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>524</u>	<u>29</u>	<u>553</u>
Total Operation & Maintenance	<u>3,441</u>	<u>192</u>	<u>3,633</u>

Notes:

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor



**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Transportation**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDNY	4,538	253	4,791
Corporate Services	99	6	105
Utility Services	91	5	96
Engineering Services	11	1	12
<b>Total</b>	<b>4,740</b>	<b>264</b>	<b>5,004</b>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	109	6	115
Transmission	-	-	-
Distribution	1,391	78	1,469
Customer Accounts	940	52	992
Customer Service	-	-	-
Sales Promotion	3	-	3
Admin and General	176	10	186
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>2,618</b>	<b>146</b>	<b>2,764</b>
<b>Maintenance</b>			
Natural Gas Storage	109	6	115
Transmission	-	-	-
Distribution	1,986	111	2,097
Admin and General	26	1	27
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>2,121</b>	<b>118</b>	<b>2,239</b>
<b>Total Operation &amp; Maintenance</b>	<b>4,740</b>	<b>264</b>	<b>5,004</b>

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Transportation - Liquid Fuels**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	1,128	63	1,191
Corporate Services	39	2	41
Utility Services	22	1	23
Engineering Services	8	-	8
Total	<u>1,197</u>	<u>67</u>	<u>1,263</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	38	2	40
Transmission	-	-	-
Distribution	292	16	309
Customer Accounts	78	4	82
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	67	4	71
Allocated Service Company	-	-	-
Total Operation	<u>475</u>	<u>26</u>	<u>502</u>
Maintenance			
Natural Gas Storage	38	2	40
Transmission	-	-	-
Distribution	684	38	722
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>721</u>	<u>40</u>	<u>762</u>
Total Operation & Maintenance	<u>1,197</u>	<u>67</u>	<u>1,263</u>

Notes:

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Uncollectibles**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	42,479	(32,496)	9,982
Corporate Services	-	-	-
Utility Services	-	-	-
Engineering Services	-	-	-
Total	<u>42,479</u>	<u>(32,496)</u>	<u>9,982</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	42,479	(32,496)	9,982
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	<u>42,479</u>	<u>(32,496)</u>	<u>9,982</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>42,479</u>	<u>(32,496)</u>	<u>9,982</u>

Notes:  
Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Uncollectibles**  
**(\$000)**

Total Gas Revenues	2,339,023
Other Revenues	<u>18,589</u>
Total Gas Revenues	<u>2,357,612</u>
Less Gas Costs	1,607,526
Less Revenue Taxes	84,589
Net Margin	665,497
Uncollectible Rate	1.50%
	<b>9,982</b>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Accounting Change**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	-	(2,821)	(2,821)
Corporate Services	-	-	-
Utility Services	-	-	-
Engineering Services	-	-	-
Total	<u>-</u>	<u>(2,821)</u>	<u>(2,821)</u>
Operation	-	-	-
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	<u>-</u>	<u>-</u>	<u>-</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	(2,821)	(2,821)
Admin and General	-	-	-
Total Maintenance	<u>-</u>	<u>(2,821)</u>	<u>(2,821)</u>
Total Operation & Maintenance	<u>-</u>	<u>(2,821)</u>	<u>(2,821)</u>

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Summary of Taxes Other Than Income Taxes**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31 30, 2008
Taxes Other than Income Taxes (Account 408)			
Local			
Real Estate	12,422	3,678	16,100
Special Franchise	49,197	41,467	90,664
Municipal Gross Revenue	45,778	22,396	68,174
Total Local Taxes	<u>107,397</u>	<u>67,541</u>	<u>174,938</u>
State			
Franchise - Gross Income - 186a	9,677	4,734	14,411
NYS Excise Tax	22	1	23
MTA Surcharge	745	1,259	2,004
Unemployment Insurance	292	26	318
Sales and Use	111	6	117
Other	83	5	88
Total State Taxes	<u>10,930</u>	<u>6,031</u>	<u>16,961</u>
Federal			
FICA Tax	3,418	304	3,722
Unemployment Tax	107	10	117
Total Federal Taxes	<u>3,525</u>	<u>314</u>	<u>3,839</u>
Total Taxes Other than Income Taxes	<u>121,852</u>	<u>73,886</u>	<u>195,738</u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Federal Income Tax Computation- Utility Operations**  
**Historic Year Ended December 31, 2005 and Rate Year Ending March 31,2008**  
**(\$000)**

	<u>Projected</u>	<u>Impact of Rate Relief</u>	<u>Adjusted with Rate Relief</u>
OPERATING INCOME BEFORE INCOME TAXES& INTEREST CHARGES	71,539	177,981	249,519
INTEREST CHARGES and Other Charges	62,261		62,261
OPERATING INCOME BEFORE INCOME TAXES	<u>9,278</u>	<u>177,981</u>	<u>187,258</u>
<b><u>SECTION I - FLOW THROUGH ITEMS</u></b>			
<b><u>ADDITIONS</u></b>			
Meals and Entertainment	1		1
Book Depreciation in Excess of Tax (Not Deferred) -			
current depreciation rates	4,375		4,375
proposed depreciation rates	1,912		1,912
	<u>6,289</u>	<u>-</u>	<u>6,289</u>
<b><u>DEDUCTIONS</u></b>			
New York State Income Tax Provision	838	16,072	16,910
	<u>838</u>	<u>16,072</u>	<u>16,910</u>
Total Flow Through	5,451	(16,072)	(10,620)
Income Subject to Income Tax	14,729	161,909	176,638
Income Tax Provision @ 35.00%	<u>5,155</u>	<u>56,668</u>	<u>61,823</u>
<b><u>SECTION II - NORMALIZED ITEMS</u></b>			
<b><u>ADDITIONS</u></b>			
Medicare Income	1,804		1,804
Merger Cost Deferral/Amortization	9,569	-	9,569
Performance Shares	592		592
CIAC Deferral	3		3
Book Depreciation - current depreciation rates	90,267		90,267
Book Depreciation - proposed depreciation rates	19,807		19,807
Removal Cost Amortization	751		751
Senior Securities Expense Amortization	1,565		1,565
Property Tax Amortization	5,542	-	5,542
Environmental Clean Up Cost Amortization	9,367	-	9,367
	<u>140,832</u>	<u>-</u>	<u>140,832</u>
<b><u>DEDUCTIONS</u></b>			
Environmental Clean Up Cost Expenditures	58,104		58,104
Tax Depreciation	107,264		107,264
Removal Costs Expenditures	9,658		9,658
Lien Date Property Taxes	415		415
Deferred State tax provision	(3,782)	-	(3,782)
	<u>171,659</u>	<u>-</u>	<u>171,659</u>
Total Timing Differences	(30,827)	-	(30,827)
TAXABLE INCOME	(16,098)	161,909	145,811
CURRENT FEDERAL INCOME TAX EXPENSE @ 35.00%	(5,634)	56,668	51,034
	<u>(5,634)</u>	<u>56,668</u>	<u>51,034</u>
DEFERRED FEDERAL INCOME TAX EXPENSE @ 35.00%	10,790	-	10,790
	<u>10,790</u>	<u>-</u>	<u>10,790</u>
TOTAL FEDERAL INCOME TAX	<u>5,155</u>	<u>56,668</u>	<u>61,823</u>

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
New York State Income Tax Computation-Utility Operations  
Historic Year Ended December 31, 2005 and Rate Year Ending March 31,2008  
(\$000)

	Projected	Impact of Rate Relief	Adjusted with Rate Relief
OPERATING INCOME BEFORE INCOME TAXES& INTEREST CHARGES	71,539	177,981	249,519
INTEREST CHARGES and Other Charges	62,261		62,261
OPERATING INCOME BEFORE INCOME TAXES	9,278	177,981	187,258

**SECTION I - FLOW THROUGH ITEMS**

**ADDITIONS**

Meals and Entertainment	1		1
Book Depreciation in Excess of Tax (Non Deferred)	-		-
	1	-	1

**DEDUCTIONS**

	-		-
	-	-	-

Total Flow Through 1 1

Income Subject to Income Tax	9,279	177,981	187,260
Income Tax Provision @ 9.03%	838	16,072	16,910

**SECTION II - NORMALIZED ITEMS**

**ADDITIONS**

Medicare Income	1,804		1,804
Gas Cost Deferred	-		-
Pension Cost	-		-
Bad Debts	-		-
Balancing Account	-		-
Gas Research Institute	-		-
Merger Cost Deferral/Amortization	9,569	-	9,569
MTA Amortization	-		-
Performance Shares	592		592
FAS 106	-		-
Premium/Discount - Refinancing	1,565		1,565
Relocation of Mains	-		-
Environmental Clean Up Cost Expenditures	-		-
Deferred Tax Rate	-		-
CIAC Deferral	3		3
Book Depreciation - current depreciation rates	90,267	-	90,267
Book Depreciation - proposed depreciation rates	19,807	-	19,807
Removal Cost Amortization	751		751
Senior Securities Expense Amortization	1,565		1,565
Property Tax Amortization	5,542	-	5,542
Environmental Clean Up Cost Amortization	9,387	-	9,387
	140,832	-	140,832

**DEDUCTIONS**

Environmental Clean Up Cost Expenditures	58,104		58,104
Tax Depreciation	114,537		114,537
Removal Costs Expenditures	9,658		9,658
Lien Date Property Taxes	415		415
	182,714	-	182,714

Total Timing Differences (41,882) - (41,882)

TAXABLE INCOME (32,603) 177,981 145,378

CURRENT STATE INCOME TAX EXPENSE @ 9.03% (2,944) 16,072 13,128

Adjustment: Ratemaking Excess - - -  
(2,944) 16,072 13,128

DEFERRED STATE INCOME TAX EXPENSE @ 9.03% 3,782 - 3,782

Adjustment: Ratemaking Excess - - -  
3,782 - 3,782

TOTAL STATE INCOME TAX 838 16,072 16,910



KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Income Tax Computation - Utility Operations - Interest Deduction  
Rate Year Ending March 31,2008  
(\$000)

	<u>Projected</u>	<u>Impact of Rate Relief</u>	<u>Adjusted with Rate Relief</u>
Average Rate Base	\$ 1,974,005,921		\$ 1,974,005,921
Long Term Debt Weighted Average Cost Rate	3.15%		3.15%
	<u>\$ 62,260,710</u>		<u>\$ 62,260,710</u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Average Rate Base**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	Total Gas Plant	Noninterest Bearing CWIP	Reserve for Depreciation	(Total) Net Utility Plant Service
December 2004	2,533,797	4,252	(831,059)	1,706,990
January	2,534,502	17,525	(836,653)	1,715,374
February	2,538,759	19,706	(842,643)	1,715,822
March	2,540,375	22,262	(847,362)	1,715,275
April	2,555,437	15,500	(853,265)	1,717,671
May	2,571,572	10,721	(858,440)	1,723,854
June	2,591,341	(2,520)	(864,687)	1,724,134
July	2,591,286	5,472	(871,238)	1,725,521
August	2,590,540	8,553	(871,557)	1,727,536
September	2,601,732	19,060	(874,334)	1,746,459
October	2,604,604	24,006	(879,705)	1,748,906
November	2,610,233	29,318	(884,204)	1,755,347
December 2005	2,631,644	7,450	(885,822)	1,753,272
Subtotal	33,495,822	181,307	(11,200,969)	22,476,161
Less:				
1/2 December 04	1,266,899	2,126	(415,530)	853,495
1/2 December 05	1,315,822	3,725	(442,911)	876,636
Total	30,913,102	175,456	(10,342,528)	20,746,030
Average (Total + 12)	2,576,092	14,621	(861,877)	1,728,836

Property Base Adjustments (Sch. 2, Pg. 1) (237,081)

Adjusted Property Base 1,491,755  
Working Capital (Sch. 3, Pg. 1) 550,931

Average Rate Base 2,042,686

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Summary of Property Base Adjustments**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	<u>Reference</u>	<u>Amount</u>
<b>Average Balance of:</b>		
Deferred Merger Costs to Achieve	Page 2	26,887
Deferred Site Investigation & Remediation Expenditures	Page 3	7,830
Unamortized Senior Securities' Expense	Page 4	19,766
Unamortized Deferred Assets - Other	Page 5	51,724
Deferred Income Taxes	Page 6	<u>(333,796)</u>
Sub-Total		(227,590)
Excess of Rate Base over Capitalization	Page 7	<u>(9,491)</u>
Net Property Base Adjustment		<u><u>(237,081)</u></u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Deferred Merger Costs to Achieve**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	<u>Total</u>
December 2004	31,835
January	31,010
February	30,185
March	29,361
April	28,536
May	27,711
June	26,887
July	26,062
August	25,237
September	24,413
October	23,588
November	22,763
December 2005	21,939
Subtotal	<u>349,529</u>
Less:	
1/2 December 04	15,917
1/2 December 05	<u>10,969</u>
Total	<u>322,642</u>
Average (Total ÷ 12)	<u><u>26,887</u></u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Deferred Site Investigation & Remediation Expenditures**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	Total Coney Island & Citizens	Total of All Other Sites	AEGIS Settlement to Environ	Total
December 2004	(9,714)	22,145	-	12,432
January	(9,714)	22,145	-	12,432
February	(9,714)	22,145	(8,150)	4,282
March	(8,809)	23,497	(8,150)	6,539
April	(8,809)	23,497	(8,150)	6,539
May	(8,809)	23,497	(11,976)	2,713
June	(8,406)	26,290	(11,976)	5,908
July	(8,406)	26,290	(11,976)	5,908
August	(8,406)	26,290	(11,976)	5,908
September	(7,811)	30,092	(11,976)	10,305
October	(7,811)	30,092	(11,976)	10,305
November	(7,811)	30,092	(12,116)	10,165
December 2005	(7,237)	32,836	(12,116)	13,484
Subtotal	(111,455)	338,910	(120,538)	106,917
Less:				
1/2 December 04	(4,857)	11,073	-	6,216
1/2 December 05	(3,618)	16,418	(6,058)	6,742
Total	(102,979)	311,419	(114,480)	93,959
Average (Total + 12)	(8,582)	25,952	(9,540)	7,830

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Unamortized Senior Securities' Expense**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	Debt Expense	Discount on Long Term Debt	Total
December 2004	19,210	837	20,047
January	19,094	831	19,925
February	18,978	824	19,802
March	18,862	817	19,680
April	18,746	811	19,557
May	18,630	804	19,435
June	18,515	798	19,312
July	18,399	791	19,189
August	18,283	784	19,067
September	18,167	778	18,944
October	18,481	771	19,252
November	20,885	764	21,649
December 2005	21,959	758	22,717
Subtotal	248,209	10,368	258,577
Less:			
1/2 December 04	9,605	419	10,024
1/2 December 05	10,980	379	11,358
Total	227,624	9,570	237,194
Average (Total ÷ 12)	18,969	798	19,766

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Unamortized Deferred Assets - Other**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	FAS-109	Public Works	Other	Total
December 2004	42,436	16,741	(3,131)	56,047
January	42,436	17,101	(3,715)	55,822
February	42,436	18,789	(3,909)	57,316
March	40,893	17,599	(3,943)	54,549
April	40,893	16,671	(3,955)	53,609
May	40,893	16,221	(3,065)	54,049
June	39,350	15,796	(3,021)	52,125
July	39,350	16,995	(2,947)	53,398
August	39,350	16,639	(2,794)	53,195
September	37,807	10,504	(2,492)	45,818
October	37,807	10,838	(2,379)	46,266
November	37,807	10,299	(2,497)	45,608
December 2005	36,263	7,866	(2,316)	41,813
Subtotal	517,721	192,058	(40,163)	669,615
Less:				
1/2 December 04	21,218	8,371	(1,565)	28,023
1/2 December 05	18,132	3,933	(1,158)	20,907
Total	478,371	179,755	(37,440)	620,685
Average (Total ÷ 12)	39,864	14,980	(3,120)	51,724

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Deferred Income Taxes**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	Federal	New York State	Total
December 2004	(309,885)	(19,680)	(329,565)
January	(309,885)	(19,680)	(329,565)
February	(309,885)	(19,680)	(329,565)
March	(308,941)	(14,730)	(323,671)
April	(308,941)	(14,730)	(323,671)
May	(308,942)	(13,350)	(322,292)
June	(317,189)	(20,193)	(337,383)
July	(317,189)	(20,193)	(337,383)
August	(317,189)	(20,193)	(337,383)
September	(318,019)	(26,041)	(344,060)
October	(318,019)	(26,041)	(344,060)
November	(326,319)	(28,395)	(354,714)
December 2005	(290,376)	(23,665)	(314,041)
Subtotal	(4,060,779)	(266,575)	(4,327,354)
Less:			
1/2 December 04	(154,942)	(9,840)	(164,782)
1/2 December 05	(145,188)	(11,833)	(157,021)
Total	(3,760,649)	(244,902)	(4,005,551)
Average (Total ÷ 12)	(313,387)	(20,408)	(333,796)



**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Comparison of Capitalization and Earnings Base**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

Average Capitalization

Long-Term Debt	(651,917)
Customer Deposits	(31,155)
Common Equity	(1,021,291)
Investments in Subsidiaries & Non-Utility Property	54,135
Intercompany Notes Payable net Notes Receivable	(308,512)
Intercompany Accounts Payable net Accounts Receivable	(47,805)
Transition & Gas Balancing Accounts	(17,893)
Deferred Regulatory Liabilities - Interest Bearing	(30,171)
Total	<u>(2,054,609)</u>

Average Earnings Base

Property Base	1,501,246
Working Capital	550,931
Construction Work In Progress - Interest Bearing	11,923
Total	<u>2,064,100</u>

Excess Earnings Base Over Capitalization	<u>9,491</u>
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**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Summary of Working Capital**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

Gas Storage Inventory	255,482
Prepayments	122,351
Materials & Supplies	9,245
Cash Working Capital Allowance	<u>163,853</u>
Total Working Capital	<u><u>550,931</u></u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Gas Storage Inventory**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	Gas Storage Underground Inventory	Liquified Natural Gas In Storage	Total
December 2004	225,576	9,063	234,640
January	164,357	8,771	173,128
February	123,069	8,570	131,639
March	95,158	8,193	103,350
April	130,095	8,425	138,520
May	172,744	9,415	182,159
June	210,275	10,020	220,295
July	249,704	9,864	259,569
August	292,490	9,690	302,181
September	349,784	9,549	359,333
October	428,511	10,346	438,857
November	438,611	10,291	448,902
December 2005	381,059		381,059
Subtotal	3,261,434	112,199	3,373,632
Less:			
1/2 December 04	112,788	4,532	117,320
1/2 December 05	190,530		190,530
Total	2,958,116	107,667	3,065,783
Average (Total ÷ 12)	246,510	8,972	255,482

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Prepayments**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	PSC Assessment	Cost of Gas	Property Tax	Pensions & OPEBs	Other	Total
December 2004	1,771	7,220	37,739	91,608	3,066	141,404
January	1,181	1,961	31,447	90,752	2,954	128,295
February	3,858	(2,168)	25,155	89,896	2,484	119,225
March	3,268	(4,957)	18,875	89,040	2,109	108,335
April	2,723	(5,221)	12,584	88,185	1,744	100,014
May	2,179	(2,221)	6,292	87,329	2,062	95,640
June	1,634	864	49,041	89,525	1,936	143,000
July	1,089	3,910	40,864	89,178	1,806	136,849
August	4,021	6,944	32,241	88,831	1,677	133,715
September	3,477	9,919	24,194	88,714	1,551	127,854
October	2,897	12,929	16,129	88,367	1,484	121,806
November	2,318	11,485	8,065	88,020	847	110,735
December 2005	1,738	7,063	47,081	88,093	101	144,076
Subtotal	32,156	47,728	349,708	1,157,539	23,820	1,610,950
Less:						
1/2 December 04	886	3,610	18,870	45,804	1,533	70,702
1/2 December 05	869	3,532	23,541	44,046	50	72,038
Total	30,401	40,586	307,298	1,067,689	22,236	1,468,210
Average (Total ÷ 12)	2,533	3,382	25,608	88,974	1,853	122,351

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Materials & Supplies**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	Materials & Supplies	Stores Expense Undistributed	Total
December 2004	8,823	42	8,864
January	8,742	(38)	8,704
February	8,586	74	8,660
March	8,711	229	8,940
April	8,854	307	9,161
May	8,748	415	9,163
June	8,928	568	9,496
July	8,806	648	9,454
August	8,575	850	9,426
September	8,759	1,144	9,903
October	8,970	1,214	10,184
November	9,052		9,052
December 2005	8,735		8,735
Subtotal	114,290	5,453	119,743
Less:			
1/2 December 04	4,411	21	4,432
1/2 December 05	4,367		4,367
Total	105,511	5,432	110,943
Average (Total ÷ 12)	8,793	453	9,245

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Cash Working Capital Allowance  
For The Twelve Months Ended December 31, 2005  
(\$000)

Operations & Maintenance Expense		1,795,277	
Less:			
Purchased Gas	1,460,706		
Uncollectible Losses Allowance	<u>42,479</u>		
		<u>1,503,185</u>	
Net		<u>292,093</u>	
Cash Allowance at 1/7th of Net Operations & Maintenance Expense			36,512
Plus:			
Purchased Gas			
Cash Allowance at 31.82/365			<u>127,342</u>
Total Cash Working Capital Allowance			<u>163,853</u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Average Rate Base**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	Total Gas Plant	Noninterest Bearing CWIP	Reserve for Depreciation	(Total) Net Utility Plant Service
March 2007	2,826,397	14,621	(951,355)	1,889,663
April	2,839,105	14,621	(956,892)	1,896,835
May	2,851,813	14,621	(962,465)	1,903,969
June	2,864,521	14,621	(968,076)	1,911,066
July	2,877,229	14,621	(973,567)	1,918,283
August	2,889,937	14,621	(979,096)	1,925,463
September	2,902,645	14,621	(984,661)	1,932,605
October	2,915,353	14,621	(990,192)	1,939,782
November	2,928,061	14,621	(995,761)	1,946,922
December 2007	2,961,598	14,621	(1,001,481)	1,974,738
January	2,973,707	14,621	(1,007,360)	1,980,968
February	2,985,816	14,621	(1,013,268)	1,987,169
March 2008	2,999,374	14,621	(1,019,217)	1,994,778
Subtotal	37,815,559	190,073	(12,803,392)	25,202,240
Less:				
1/2 March 2007	1,413,199	7,311	(475,678)	944,831
1/2 March 2008	1,499,687	7,311	(509,609)	997,389
Total	34,902,673	175,452	(11,818,106)	23,260,020
Average (Total ÷ 12)	2,908,556	14,621	(984,842)	1,938,335
Charged from - Corporate Services:				
Average (Total ÷ 12)	74,957	2,240	(33,355)	43,842
Total Plant	2,983,513	16,861	(1,018,197)	1,982,177
Property Base Adjustments (Sch. 2, Pg. 1)				(172,737)
Adjusted Property Base				1,809,440
Working Capital (Sch. 3, Pg. 1)				164,566
Average Rate Base				1,974,006

**KEYSPAN Corporate Services LLC (COMPANY 31)**  
**Average Rate Base**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	Total Common Plant	Noninterest Bearing CWIP	Reserve for Depreciation	(Total) Net Utility Plant Service
March 2007	74,352	2,240	(31,739)	44,853
April	74,453	2,240	(32,015)	44,678
May	74,554	2,240	(32,292)	44,502
June	74,675	2,240	(32,569)	44,345
July	74,515	2,240	(32,839)	43,916
August	74,850	2,240	(33,099)	43,991
September	74,992	2,240	(33,360)	43,871
October	75,093	2,240	(33,622)	43,711
November	75,194	2,240	(33,884)	43,549
December 2007	75,315	2,240	(34,148)	43,407
January	75,393	2,240	(34,413)	43,221
February	75,474	2,240	(34,678)	43,036
March 2008	75,597	2,240	(34,944)	42,893
Subtotal	974,455	29,120	(433,602)	569,973
Less:				
1/2 March 2007	37,176	1,120	(15,869)	22,426
1/2 March 2008	37,798	1,120	(17,472)	21,446
Total	899,481	26,880	(400,261)	526,100
Average (Total ÷ 12)	74,957	2,240	(33,355)	43,842



**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Summary of Property Base Adjustments**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	<u>Reference</u>	<u>Amount</u>
<b>Average Balance of:</b>		
Deferred Merger Costs to Achieve	Page 2	4,634
Deferred Site Investigation & Remediation Expenditures	Page 3	90,669
Unamortized Senior Securities' Expense	Page 4	19,942
Unamortized Property Tax Costs	Page 5	36,025
Unamortized Deferred Assets - Other	Page 6	38,496
Deferred Income Taxes	Page 7	<u>(353,013)</u>
Sub-Total		(163,246)
Excess of Rate Base over Capitalization		<u>(9,491)</u>
Net Property Base Adjustment		<u><u>(172,737)</u></u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Deferred Merger Costs to Achieve**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	<u>Total</u>
March 2007	9,569
April	8,744
May	7,920
June	7,095
July	6,270
August	5,446
September	4,621
October	3,796
November	2,972
December 2007	2,147
January	1,322
February	498
March 2008	-
Subtotal	<u>60,398</u>
Less:	
1/2 March 2007	4,784
1/2 March 2008	<u>          </u>
Total	<u>55,614</u>
Average (Total ÷ 12)	<u><u>4,634</u></u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Deferred Site Investigation & Remediation Expenditures**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	<u>Expenditures</u>	<u>Amortization</u>	<u>Total</u>
March 2007	-	-	65,566
April	5,005	(781)	69,791
May	5,005	(781)	74,015
June	5,005	(781)	78,240
July	5,005	(781)	82,465
August	5,005	(781)	86,689
September	5,005	(781)	90,914
October	5,005	(781)	95,138
November	5,005	(781)	99,363
December 2007	5,005	(781)	103,587
January	4,353	(781)	107,160
February	4,353	(781)	110,732
March 2008	4,353	(781)	114,304
Subtotal	<u>58,104</u>	<u>(9,367)</u>	<u>1,177,964</u>
Less:			
1/2 March 2007	-	-	32,783
1/2 March 2008	<u>2,176</u>	<u>(390)</u>	<u>57,152</u>
Total	<u>55,928</u>	<u>(8,976)</u>	<u>1,088,028</u>
Average (Total ÷ 12)	<u>4,661</u>	<u>(748)</u>	<u>90,669</u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Unamortized Senior Securities' Expense**  
**For The Twelve Months Ending Marc 31, 2008**  
**(\$000)**

	Debt Expense	Discount on Long Term Debt	Total
March 2007	20,102	658	20,760
April	19,973	651	20,624
May	19,843	645	20,488
June	19,713	638	20,351
July	19,584	631	20,215
August	19,454	625	20,079
September	19,324	618	19,942
October	19,195	611	19,806
November	19,065	605	19,670
December 2007	18,935	598	19,534
January	18,806	591	19,397
February	18,676	585	19,261
March 2008	18,546	578	19,125
Subtotal	251,216	8,035	259,251
Less:			
1/2 March 2007	10,051	329	10,380
1/2 March 2008	9,273	289	9,562
Total	231,892	7,417	239,309
Average (Total ÷ 12)	19,324	618	19,942

**KEYSPAN ENERGY DELIVERY NYCOMPANY 38)**  
**Unamortized Property Tax Costs**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	<u>Unamortized Property Tax</u>
March	38,796
April	38,334
May	37,872
June	37,411
July	36,949
August	36,487
September	36,025
October	35,563
November	35,101
December 2007	34,639
January	34,178
February	33,716
March	<u>33,254</u>
Subtotal	<u>468,326</u>
Less:	
1/2 March 07	19,398
1/2 March 08	<u>16,627</u>
Total	<u>432,300</u>
Average (Total ÷ 12)	<u><u>36,025</u></u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Unamortized Deferred Assets - Other**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	<u>FAS-109</u>	<u>Public Works</u>	<u>Other</u>	<u>Total</u>
March 2007	28,547	15,815	(3,294)	41,068
April	28,547	15,815	(3,294)	41,068
May	28,547	15,815	(3,294)	41,068
June	27,004	15,815	(3,294)	39,525
July	27,004	15,815	(3,294)	39,525
August	27,004	15,815	(3,294)	39,525
September	25,461	15,815	(3,294)	37,982
October	25,461	15,815	(3,294)	37,982
November	25,461	15,815	(3,294)	37,982
December 2007	23,917	15,815	(3,294)	36,439
January	23,917	15,815	(3,294)	36,439
February	23,917	15,815	(3,294)	36,439
March 2008	22,374	15,815	(3,294)	34,895
Subtotal	<u>337,162</u>	<u>205,595</u>	<u>(42,821)</u>	<u>- 499,936</u>
Less:				
1/2 March 2007	14,274	7,907	(1,647)	20,534
1/2 March 2008	<u>11,187</u>	<u>7,907</u>	<u>(1,647)</u>	<u>17,448</u>
Total	<u>311,702</u>	<u>189,780</u>	<u>(39,527)</u>	<u>461,955</u>
Average (Total ÷ 12)	<u>25,975</u>	<u>15,815</u>	<u>(3,294)</u>	<u>38,496</u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Deferred Income Taxes**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	Federal	New York State	Total
March 2007	(313,738)	(33,465)	(347,203)
April	(314,775)	(33,821)	(348,596)
May	(315,800)	(34,173)	(349,974)
June	(315,270)	(34,522)	(349,792)
July	(316,322)	(34,882)	(351,204)
August	(317,361)	(35,238)	(352,600)
September	(316,846)	(35,591)	(352,437)
October	(317,884)	(35,948)	(353,832)
November	(318,911)	(36,301)	(355,212)
December 2007	(318,346)	(36,640)	(354,986)
January	(319,549)	(37,036)	(356,585)
February	(320,742)	(37,431)	(358,172)
March 2008	(320,483)	(37,851)	(358,333)
Subtotal	(4,126,028)	(462,898)	(4,588,926)
Less:			
1/2 March 2007	(156,869)	(16,733)	(173,602)
1/2 March 2008	(160,241)	(18,925)	(179,167)
Total	(3,808,918)	(427,241)	(4,236,158)
Average (Total + 12)	(317,410)	(35,603)	(353,013)

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Working Capital  
For The Twelve Months Ending March 31, 2008  
(\$000)

Gas Storage Inventory ( <i>moved to GAC</i> )	-
Prepayments	112,714
Materials & Supplies	9,568
Cash Working Capital Allowance	<u>42,284</u>
Total Working Capital	<u><u>164,566</u></u>



**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Prepayments**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	PSC Assessment	Property Tax	Pensions & OPEBs	Other	Total
March 2007	1,809	25,123	88,974	105	116,011
April	1,809	16,749	88,974	105	107,637
May	1,809	8,374	88,974	105	99,262
June	1,809		88,974	105	90,888
July	1,809	43,966	88,974	105	134,854
August	1,809	35,173	88,974	105	126,061
September	1,809	26,380	88,974	105	117,267
October	1,809	17,586	88,974	105	108,474
November	1,809	8,793	88,974	105	99,681
December 2007	1,809		88,974	105	90,888
January	1,809	43,966	88,974	105	134,854
February	1,809	35,173	88,974	105	126,061
March 2008	1,809	26,380	88,974	105	117,267
Subtotal	23,512	287,664	1,156,663	1,366	1,469,205
Less:					
1/2 March 2007	904	12,562	44,487	53	58,006
1/2 March 2008	904	13,190	44,487	53	58,634
Total	21,703	261,912	1,067,689	1,261	1,352,565
Average (Total ÷ 12)	1,809	21,826	88,974	105	112,714

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Materials & Supplies**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	Materials & Supplies	Stores Expense Undistributed	Total
March 2007	9,090	478	9,568
April	9,090	478	9,568
May	9,090	478	9,568
June	9,090	478	9,568
July	9,090	478	9,568
August	9,090	478	9,568
September	9,090	478	9,568
October	9,090	478	9,568
November	9,090	478	9,568
December 2007	9,090	478	9,568
January	9,090	478	9,568
February	9,090	478	9,568
March 2008	9,090	478	9,568
Subtotal	118,168	6,217	124,385
Less:			
1/2 March 2007	4,545	239	4,784
1/2 March 2008	4,545	239	4,784
Total	109,078	5,739	114,817
Average (Total ÷ 12)	9,090	478	9,568

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Cash Working Capital Allowance  
For The Twelve Months Ending March 31, 2008  
(\$000)

Operations & Maintenance Expense		1,955,784	
Less:			
Purchased Gas	1,607,526		
Uncollectible Losses Allowance	<u>9,982</u>		
		<u>1,617,508</u>	
	Net	<u>338,276</u>	
Cash Allowance at 1/8th of Net Operations & Maintenance Expense			42,284
Plus:			
Purchased Gas		<u>1,607,526</u>	
Cash Allowance at 31.82/365 ( <i>moved to GAC</i> )			<u>-</u>
Total Cash Working Capital Allowance			<u>42,284</u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Estimated Revenue Requirement**  
**GAC/TAC/ Surcharges**  
**(\$000)**

Estimated Increases in GAC/ TAC/ Surcharges

Uncollectibles	(Page 2)	24,113
Cash Working Capital	(Page 3)	17,105
Storage Costs	(Page 3)	27,372
Total		<u>68,590</u>

Estimated Decreases in GAC/TAC/ Surcharges

State Income Taxes	(JFB-2 - Schedule 1 Summary)	19,086
Interruptible Margins	(Workpaper - Change to Pat Revenue (2))	4,813
Power Generation Margins	(Workpaper - Change to Pat Revenue (2))	3,966
Increases In TC Demand Charges	(Workpaper - Change to Pat Revenue )	7,954
Total		<u>35,819</u>

Total Increase In GAC/ TAC/ Surcharges

32,771

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Estimated Revenue Requirement  
GAC/TAC/ Surcharges  
Uncollectibles  
(\$000)

Total Gas Costs	(JFB-4 Schedule 1 Page 1)	1,607,526
Uncollectible Rate	(JFB-4 Schedule 33 Page 2)	1.50%
Gas Cost Uncollectibles		<u>24,113</u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Estimated Revenue Requirement**  
**GAC/TAC/ Surcharges**  
**Carrying Charges**  
**(\$000)**

Total Gas Costs	(JFB-4 Schedule 1 Page 1)	1,607,526
Cash Allowance at 30.84/365	(JFB-8 Schedule 3 Page 4)	0.084493
Cash Working Capital Allowance		<u>135,825</u>
Pre Tax Weighted Cost Of Capital	(Workpaper)	12.59%
Total Carrying Charges on Cash Working Capital		<u><u>17,105</u></u>

Estimated Rate Year Storage Balances		217,358
Pre Tax Weighted Cost Of Capital	(Workpaper)	12.59%
Total Carrying Charges on Cash Working Capital		<u><u>27,372</u></u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Cost Adjustment Factors Reflecting Changes in Price Levels**  
**27 Month Inflation Estimate**

	<u>Year</u>	<u>Calendar Quarter</u>	<u>GDP Deflator</u>
Actual	2005	III	2.90%
Forecast	2005	IV	2.90%
Forecast	2006	I	2.70%
Forecast	2006	II	2.60%
Forecast	2006	III	2.30%
Forecast	2006	IV	2.20%
Forecast	2007	I	2.10%
Forecast	2007	II	2.10%
Forecast	2007	III	<u>2.20%</u>
Average Annual Inflation Rate			2.44%
Monthly Inflation Factor	$(1.0244)^{1/12} - 1$		0.2011%
Escalation Factor for 27 Months	$(1.002011)^{27} - 1$		5.5741%

Source: Blue Chip Economic Indicators - Vol. 31, No. 1, January 10, 2006

Test Year = January 1, 2005 - December 31, 2005 (mid-point July 2, 2005)

Rate Year = April 1, 2007 - March 31, 2008 (mid-point October 1, 2007)

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Cost Adjustment Factors Reflecting Changes in Price Levels**  
**March 2009 through March 2012 Rate Years**

	<u>Year</u>	<u>Calendar Quarter</u>	<u>GDP Deflator</u>
Forecast	2007	IV	2.20%
Forecast	2008	I	2.30%
Forecast	2008	II	2.30%
Forecast	2008	III	2.30%
<b>Rate Year March 2009</b>			<b>2.28%</b>
Forecast	2008	IV	2.30%
Forecast	2009	I	2.20%
Forecast	2009	II	2.20%
Forecast	2009	III	2.20%
<b>Rate Year March 2010</b>			<b>2.23%</b>
Forecast	2009	IV	2.20%
Forecast	2010	I	2.30%
Forecast	2010	II	2.30%
Forecast	2010	III	2.30%
<b>Rate Year March 2011</b>			<b>2.28%</b>
Forecast	2010	IV	2.30%
Forecast	2011	I	2.20%
Forecast	2011	II	2.20%
Forecast	2011	III	2.20%
<b>Rate Year March 2012</b>			<b>2.23%</b>

Source: Blue Chip Economic Indicators - Vol. 30, No. 10, October 10, 2005

Rate Years = April 1 - March 31 (mid-point October 1)



KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Incremental Activity Operating Expenses by Area  
(\$000)

	Reference	Test Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
KEDNY	Schedule 2	-	13,826	13,826
Marketing	Schedule 3	-	6,229	6,229
Information Technology	Schedule 4	-	5,181	5,181
Customer Relations	Schedule 5	-	8,121	8,121
Facilities	Schedule 6	-	1,830	1,830
Corporate Affairs	Schedule 7	-	203	203
Total		-	35,389	35,389

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Incremental Program Changes Operating Expenses by Area**  
**(\$000)**

	Reference	Rate Year Ending March 31, 2008	Rate Year Ending March 31, 2009	Rate Year Ending March 31, 2010	Rate Year Ending March 31, 2011	Rate Year Ending March 31, 2012
KEDNY	Schedule 2	13,826	14,932	15,375	16,376	16,742
Marketing	Schedule 3	6,229	6,371	6,513	6,661	6,810
Information Technology	Schedule 4	5,181	4,794	6,972	5,895	6,026
Customer Relations	Schedule 5	8,121	7,040	7,197	7,361	7,525
Facilities	Schedule 6	1,830	1,251	1,499	1,910	1,808
Corporate Affairs	Schedule 7	203	207	212	217	222
<hr/>						
Total		35,389	34,595	37,768	38,420	39,133
		5.5741%	7.9812%	10.3892%	12.9060%	15.4238%

Factor Utilized to Inflate O&M Expenditures (in 2005 \$) to the Respective Rate Year Cost - JFB-10, pg. 2, Cost Adjustment Factors Reflecting Changes in Price Levels  
March 2009 through March 2012 Rate Years

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Incremental Activities - KEDNY**  
**(\$000)**

	Test Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	-	13,826	13,826
Corporate Services	-	-	-
Utility Services	-	-	-
Engineering Services	-	-	-
Total	-	13,826	13,826
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	2,054	2,054
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	-	2,054	2,054
Maintenance			
Natural Gas Storage	-	546	546
Transmission	-	1,156	1,156
Distribution	-	10,070	10,070
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	-	11,771	11,771
Total Operation & Maintenance	-	13,826	13,826

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Incremental Activity Operating Expenses by Area**  
**KEDNY - Direct**  
**(\$000)**

	<u>Estimated Expenses</u>	<u>Inflation Adjustment*</u>	<u>Adj. to Normalize Historic Test Yr. &amp; Reflect Conditions in Rate Year</u>
KEDNY - Direct	13,096	730	13,826
Total	13,096	730	13,826

\* See JFB-10, pg. 1, Cost Adjustment Factors Reflecting Changes in Price Levels 27 Month Inflation Estimate

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Incremental Activities - Marketing**  
**(\$000)**

	Test Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	-	-	-
Corporate Services	-	-	-
Utility Services	-	6,229	6,229
Engineering Services	-	-	-
Total	-	6,229	6,229
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	6,229	6,229
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	-	6,229	6,229
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	-	-	-
Total Operation & Maintenance	-	6,229	6,229

Notes:

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Incremental Activity Operating Expenses by Area**  
**Marketing Expenses**  
**(\$000)**

	<u>Estimated Expenses</u>	<u>Inflation Adjustment*</u>	<u>Adj. to Normalize Historic Test Yr. &amp; Reflect Conditions in Rate Year</u>
Marketing	5,900	329	6,229
Total	5,900	329	6,229

\* See JFB-10, pg. 1, Cost Adjustment Factors Reflecting Changes in Price Levels 27 Month Inflation Estimate

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Incremental Activities - Information Technology**  
**(\$000)**

	Test Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	-	-	-
Corporate Services	-	5,181	5,181
Utility Services	-	-	-
Engineering Services	-	-	-
Total	-	5,181	5,181
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	1,561	1,561
Customer Accounts	-	1,721	1,721
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	1,898	1,898
Allocated Service Company	-	-	-
Total Operation	-	5,181	5,181
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	-	-	-
Total Operation & Maintenance	-	5,181	5,181

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Incremental Activity Operating Expenses by Area**  
**Information Technology Expenses**  
**(\$000)**

	<u>Estimated Expenses</u>	<u>Inflation Adjustment*</u>	<u>Adj. to Normalize Historic Test Yr. &amp; Reflect Conditions in Rate Year</u>
Information Technology			
GBU	1,479	82	1,561
Corporate Service	316	18	333
Customer	1,630	91	1,721
Infrastructure	<u>1,483</u>	<u>83</u>	<u>1,565</u>
Total	4,907	274	5,181

\* See JFB-10, pg. 1, Cost Adjustment Factors Reflecting Changes in Price Levels 27 Month Inflation Estimate



**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Incremental Activities - Customer Relations**  
**(\$000)**

	Test Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	-	-	-
Corporate Services	-	8,121	8,121
Utility Services	-	-	-
Engineering Services	-	-	-
Total	-	8,121	8,121
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	8,121	8,121
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	-	8,121	8,121
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	-	-	-
Total Operation & Maintenance	-	8,121	8,121

Notes:

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Incremental Activity Operating Expenses by Area**  
**Customer Relations Expenses**  
**(\$000)**

	<u>Estimated Expenses</u>	<u>Inflation Adjustment*</u>	<u>Adj. to Normalize Historic Test Yr. &amp; Reflect Conditions in Rate Year</u>
Customer Relations			
On Track Expansion	698	39	737
Monthly Billing	5,276	294	5,570
Toll Free Customer Number	<u>1,719</u>	<u>96</u>	<u>1,814</u>
Total	7,693	429	8,121

On going Expenses past Rate Yr

On Track Expansion	698
Monthly Billing	4,592
Toll Free Customer Number	1,230
Total	6,520

\* See JFB-10, pg. 1, Cost Adjustment Factors Reflecting Changes in Price Levels 27 Month Inflation Estimate

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Incremental Activities - Facilities**  
**(\$000)**

	Test Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	-	-	-
Corporate Services	-	1,830	1,830
Utility Services	-	-	-
Engineering Services	-	-	-
Total	-	1,830	1,830
Operation			-
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	1,830	1,830
Allocated Service Company	-	-	-
Total Operation	-	1,830	1,830
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	-	-	-
Total Operation & Maintenance	-	1,830	1,830

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Incremental Activity Operating Expenses by Area**  
**Facilities Expenses**  
**(\$000)**

	<u>Estimated Expenses</u>	<u>Inflation Adjustment*</u>	<u>Adj. to Normalize Historic Test Yr. &amp; Reflect Conditions in Rate Year</u>
Facilities	1,733	97	1,830
Total	1,733	97	1,830

\* See JFB-10, pg. 1, Cost Adjustment Factors Reflecting Changes in Price Levels 27 Month Inflation Estimate

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Operating Expenses by Component**  
**Incremental Activities - Corporate Affairs**  
**(\$000)**

	Test Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	-	-	-
Corporate Services	-	203	203
Utility Services	-	-	-
Engineering Services	-	-	-
Total	-	203	203
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	203	203
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	-	203	203
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	-	-	-
Total Operation & Maintenance	-	203	203

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Incremental Activity Operating Expenses by Area**  
**Corporate Affairs Expenses**  
**(\$000)**

	<u>Estimated Expenses</u>	<u>Inflation Adjustment**</u>	<u>Adj. to Normalize Historic Test Yr. &amp; Reflect Conditions in Rate Year</u>
Corporate Affairs	192 *	11	203
Total	192	11	203

\* \$58,000 was spent in KEDNY in Calendar 2005 - Full program is budgeted at \$250,000

\*\* See JFB-10, pg. 1, Cost Adjustment Factors Reflecting Changes in Price Levels 27 Month Inflation Estimate

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Capital Expenditures**  
**Actual 12 Months ended December 2005**  
**And Estimated Ten Years 2008 - 2017**  
**(\$000)**

	<b><u>Capital Expenditures</u></b>
Actual Twelve Months Ended December 2005	142,964
Estimated Rate Year Ending:	
31-Mar-2008	203,571
31-Mar-2009	190,793
31-Mar-2010	184,666
31-Mar-2011	188,876
31-Mar-2012	193,088
31-Mar-2013	197,491
31-Mar-2014	202,033
31-Mar-2015	206,680
31-Mar-2016	211,433
31-Mar-2017	<u>216,296</u>
<b>Total</b>	<b>1,994,927</b>
	<hr/>
<b>Ten Year Average</b>	<b>199,493</b>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Details of Estimated Capital Additions 2008 - 2017 Rate Years - Case A**  
**(\$000)**

	<b>Rate Years ending:</b>									
	<u>31-Mar-2008</u>	<u>31-Mar-2009</u>	<u>31-Mar-2010</u>	<u>31-Mar-2011</u>	<u>31-Mar-2012</u>	<u>31-Mar-2013</u>	<u>31-Mar-2014</u>	<u>31-Mar-2015</u>	<u>31-Mar-2016</u>	<u>31-Mar-2017</u>
<b><u>Distribution,</u></b>										
<b><u>Transmission,</u></b>										
<b><u>Production &amp; Other</u></b>										
Growth	50,700	50,700	50,700	51,856	53,012	54,221	55,468	56,744	58,049	59,384
Mandated	92,033	86,445	85,945	87,905	89,865	91,914	94,028	96,190	98,403	100,666
Reliability/Integrity	25,658	30,555	31,110	31,819	32,529	33,271	34,036	34,819	35,620	36,439
Other	2,075	2,075	2,075	2,122	2,170	2,219	2,270	2,322	2,376	2,430
Total Gas	170,467	169,775	169,830	173,702	177,576	181,625	185,802	190,075	194,447	198,919
<b><u>Information Tech</u></b>										
<b><u>Projects and Support</u></b>										
Gas Operations	17,940	9,535	-	-	-	-	-	-	-	-
Corporate Services	1,047	3,055	1,336	1,366	1,397	1,429	1,462	1,495	1,530	1,565
Customer	6,072	1,207	3,680	3,764	3,848	3,936	4,026	4,119	4,214	4,311
Infrastructure	2,279	2,879	3,628	3,710	3,793	3,880	3,969	4,060	4,153	4,249
Total IT	27,338	16,677	8,644	8,841	9,038	9,244	9,457	9,674	9,897	10,124
<b><u>Facilities</u></b>	4,522	3,096	4,947	5,060	5,173	5,291	5,413	5,537	5,664	5,795
<b><u>Corporate Services</u></b>										
<b><u>Allocated Capital</u></b>	1,245	1,245	1,245	1,273	1,301	1,331	1,362	1,393	1,425	1,458
<b><u>Total</u></b>	<b>203,571</b>	<b>190,793</b>	<b>184,666</b>	<b>188,876</b>	<b>193,088</b>	<b>197,491</b>	<b>202,033</b>	<b>206,680</b>	<b>211,433</b>	<b>216,296</b>



**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Projected Balance of Costs**  
**Deferred for Future Recovery by KEDNY**  
**Through Case 97-M-0567 Settlement Balancing Account**  
**For the Years Ending**  
**March 31, 2007 Through March 31, 2010**  
**(\$000)**

Actual	12/31/2005	578
Actual	3/31/2006	12,987
Projected	12/31/2006	57,884
Projected	3/31/2007 *	77,822
Projected	3/31/2008 *	179,555
Projected	3/31/2009 *	275,866
Projected	3/31/2010 *	359,723

\* Assuming continued Deferral and no Amortization

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Summary of Operations & Maintenance Expenses**  
**(\$000)**

	Year Ended December 31,				
	2001	2002	2003	2004	2005
	(in thousands of dollars)				
OTHER GAS SUPPLY EXPENSE	\$ 706,226	\$ 641,874	\$ 942,190	\$ 998,173	\$ 1,460,420
OTHER STORAGE EXPENSES	4,149	2,446	4,571	4,328	4,858
TRANSMISSION EXPENSES	527	1,129	3,310	3,645	4,550
DISTRIBUTION EXPENSES	81,947	77,748	79,523	82,762	92,261
CUSTOMER ACCOUNTS EXPENSES	49,061	52,195	59,559	66,436	95,124
CUSTOMER SERVICE AND INFORMATION EXPENSES	214	142	3,197	2,438	1,712
SALES EXPENSES	15	-	15,160	12,908	11,888
ADMINISTRATIVE AND GENERAL EXPENSES	119,453	143,546	145,832	133,463	124,464
<b>TOTAL GAS OPERATION AND MAINTENANCE EXPENSES</b>	<b>\$ 961,592</b>	<b>\$ 919,080</b>	<b>\$ 1,253,343</b>	<b>\$ 1,304,153</b>	<b>\$ 1,795,277</b>
<b><u>COST ANALYSIS W/O MAINTENANCE CONSIDERATIONS</u></b>					
TOTAL GAS OPERATION AND MAINTENANCE EXPENSES	\$ 961,592	\$ 919,080	\$ 1,253,343	\$ 1,304,153	\$ 1,795,277
LESS:					
OTHER GAS SUPPLY EXPENSE	706,226	641,874	942,190	998,173	1,460,420
UNCOLLECTIBLE ACCOUNTS	15,426	17,289	14,248	23,777	42,479
EMPLOYEE PENSIONS AND BENEFITS	(7,590)	7,695	31,127	22,584	19,116
<b>TOTAL</b>	<b>714,063</b>	<b>666,858</b>	<b>987,565</b>	<b>1,044,533</b>	<b>1,522,015</b>
NET CONTROLLABLE EXPENSES	\$ 247,529	\$ 252,223	\$ 265,778	\$ 259,619	\$ 273,263
GROWTH RATE OF CONTROLLABLE EXPENSES		1.90%	5.37%	-2.32%	5.26%
U.S. INFLATION RATE		2.38%	1.88%	3.26%	3.42%
CONTROLLABLE EXPENSES IF GROWTH RATE EQUALED U.S. INFLATION RATE		253,420	258,185	266,601	275,719
VARIANCE (bracketed amounts are favorable)		(1,198)	7,594	(6,982)	(2,457)
<b><u>COST ANALYSIS WITH MAINTENANCE CONSIDERATIONS</u></b>					
TOTAL GAS OPERATION AND MAINTENANCE EXPENSES	\$ 961,592	\$ 919,080	\$ 1,253,343	\$ 1,304,153	\$ 1,795,277
LESS:					
OTHER GAS SUPPLY EXPENSE	706,226	641,874	942,190	998,173	1,460,420
UNCOLLECTIBLE ACCOUNTS	15,426	17,289	14,248	23,777	42,479
EMPLOYEE PENSIONS AND BENEFITS	(7,590)	7,695	31,127	22,584	19,116
MAINTENANCE OF MAINS	25,085	31,316	37,840	39,554	44,003
MAINTENANCE OF SERVICES	7,030	8,099	4,653	6,869	7,761
<b>TOTAL</b>	<b>746,178</b>	<b>706,273</b>	<b>1,030,058</b>	<b>1,090,957</b>	<b>1,573,779</b>
NET CONTROLLABLE EXPENSES	\$ 215,414	\$ 212,808	\$ 223,285	\$ 213,196	\$ 221,498
GROWTH RATE OF CONTROLLABLE EXPENSES		-1.21%	4.92%	-4.52%	3.89%
U.S. INFLATION RATE		2.38%	1.88%	3.26%	3.42%
CONTROLLABLE EXPENSES IF GROWTH RATE EQUALED U.S. INFLATION RATE		220,541	224,687	232,012	239,947
VARIANCE (bracketed amounts are favorable)		(7,733)	(1,402)	(18,816)	(18,448)

	Year Ended December 31,				
	2001	2002	2003	2004	2005
Cents per Decatherm of Gas Sold					
OTHER GAS SUPPLY EXPENSE	352.0111	296.0029	444.1327	482.1735	651.0581
OTHER STORAGE EXPENSES	2.0683	1.1282	2.1547	2.0904	2.1657
TRANSMISSION EXPENSES	0.2629	0.5207	1.5602	1.7606	2.0285
DISTRIBUTION EXPENSES	40.8455	35.8536	37.4860	39.9787	41.1301
CUSTOMER ACCOUNTS EXPENSES	24.4539	24.0698	28.0752	32.0924	42.4064
CUSTOMER SERVICE AND INFORMATION EXPENSES	0.1065	0.0657	1.5068	1.1779	0.7633
SALES EXPENSES	0.0073	0.0000	7.1464	6.2351	5.2996
ADMINISTRATIVE AND GENERAL EXPENSES	59.5399	66.1967	68.7428	64.4702	55.4864
TOTAL GAS OPERATION AND MAINTENANCE EXPENSES	479.2954	423.8376	590.8049	629.9788	800.3382
<b><u>COST ANALYSIS W/O MAINTENANCE CONSIDERATIONS</u></b>					
Cents per Decatherm of Gas Sold					
TOTAL GAS OPERATION AND MAINTENANCE EXPENSES	479.2954	423.8376	590.8049	629.9788	800.3382
LESS:					
OTHER GAS SUPPLY EXPENSE	352.0111	296.0029	444.1327	482.1735	651.0581
UNCOLLECTIBLE ACCOUNTS	7.6889	7.9727	6.7161	11.4855	18.9370
EMPLOYEE PENSIONS AND BENEFITS	(3.7830)	3.5484	14.6726	10.9091	8.5220
TOTAL	355.9170	307.5241	465.5215	504.5681	678.5171
NET CONTROLLABLE EXPENSES	123.3783	116.3135	125.2834	125.4107	121.8211
GROWTH RATE OF CONTROLLABLE EXPENSES		-5.73%	7.71%	0.10%	-2.86%
U.S. INFLATION RATE		2.38%	1.88%	3.26%	3.42%
CONTROLLABLE EXPENSES IF GROWTH RATE EQUALED U.S. INFLATION RATE		126.3147	128.6894	132.8847	137.4294
VARIANCE (negative amounts are favorable)		-10.0012	-3.4060	-7.4740	-15.6083
<b><u>COST ANALYSIS WITH MAINTENANCE CONSIDERATIONS</u></b>					
Cents per Decatherm of Gas Sold					
TOTAL GAS OPERATION AND MAINTENANCE EXPENSES	479.2954	423.8376	590.8049	629.9788	800.3382
LESS:					
OTHER GAS SUPPLY EXPENSE	352.0111	296.0029	444.1327	482.1735	651.0581
UNCOLLECTIBLE ACCOUNTS	7.6889	7.9727	6.7161	11.4855	18.9370
EMPLOYEE PENSIONS AND BENEFITS	(3.7830)	3.5484	14.6726	10.9091	8.5220
MAINTENANCE OF MAINS	12.5035	14.4414	17.8372	19.1068	19.6167
MAINTENANCE OF SERVICES	3.5039	3.7351	2.1934	3.3183	3.4600
TOTAL	371.9245	325.7005	485.5521	526.9932	701.5938
NET CONTROLLABLE EXPENSES	107.3709	98.1371	105.2528	102.9856	98.7444
GROWTH RATE OF CONTROLLABLE EXPENSES		-8.60%	7.25%	-2.15%	-4.12%
U.S. INFLATION RATE		2.38%	1.88%	3.26%	3.42%
CONTROLLABLE EXPENSES IF GROWTH RATE EQUALED U.S. INFLATION RATE		109.9263	111.9929	115.6439	119.5989
VARIANCE (negative amounts are favorable)		-11.7892	-6.7401	-12.6583	-20.8545

KEYSPAN ENERGY DELIVERY NY (COMPANY 38)  
Weighted Average Cost of Senior Securities  
At December 31, 2005  
(\$000)

<u>LONG-TERM DEBT</u>	<u>RATE %</u>	<u>PRINCIPLE AMOUNT</u>	<u>ANNUAL INTEREST</u>	<u>ANNUAL AMORTIZATION DEBT DISCOUNT AND EXPENSE OR PREMIUM</u>	<u>TOTAL INTEREST AND ANNUAL AMORTIZATION</u>	<u>EFFECTIVE RATE</u>
<u>NYSERDA Gas Facility Revenue Bonds</u>						
Series 2005 A Due 2/01/24	4.70%	\$82,000	\$3,854	\$271	\$4,125	
Series 1991 A Due 7/01/26	6.95%	50,000	3,475	31	3,506	
Series 1991 B Due 7/01/26	6.95%	50,000	3,475	31	3,506	
Series 1991 D Due 7/01/26	3.00%	50,000	1,631	41	1,672	
Series 1993 A Due 4/01/20	6.37%	37,500	2,388	135	2,523	
Series 1993 B Due 4/01/20	6.37%	37,500	2,388	135	2,523	
Series 2005 B Due 6/01/25	3.15%	55,000	1,878	133	2,010	
Series 1996 Due 1/01/21	5.50%	153,500	8,443	477	8,919	
Series 1997 A-1 Due 12/01/20	2.85%	75,000	2,338	208	2,546	
Series 1997 A-2 Due 12/01/20	2.85%	50,000	1,556	139	1,695	
		<u>\$640,500</u>	<u>\$31,425</u>	<u>\$1,601</u>	<u>\$33,026</u>	<u>5.16%</u>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Estimated Cost of Senior Securities and Rate of Return**  
**(\$000)**

	<u>Principle Amount</u>	<u>Effective Rate</u>	<u>Total Interest and Annual Amortization</u>
Estimated Cost of Long-Term Debt as of March 31, 2008			
As of December 30, 2005 (Per JFB-15, Schedule 1)	\$640,500	5.16%	\$33,026
Variable Rate Change 2005 Series B Due June 1, 2025		1.68%	924
Variable Rate Change GRFB 1991 Series D Due July 1, 2026		1.83%	915
Variable Rate Change GFRB Series 1997 A-1 Due December 1, 2020		1.98%	1,485
Variable Rate Change GFRB Series 1997 A-2 Due December 1, 2020		1.98%	990
July 1, 2007 Issue \$400 Million of 7.25% 30-Year Debentures	400,000	7.25%	29,000
Amortization of Issue Costs			200
<b>Total Long-Term Debt</b>	<b><u>\$1,040,500</u></b>	<b><u>6.39%</u></b>	<b><u>\$66,540</u></b>

**KEYSPAN ENERGY DELIVERY NY (COMPANY 38)**  
**Estimated Cost of Senior Securities and Rate of Return**  
**(\$000)**

	Long-Term Debt	Common Stock	Retained Earnings	Total Common Equity	Customer Deposits	Total Capitalization
Balance as of December 31, 2005	640,500	472,627	525,167	997,794	28,173	1,666,467
Changes to March 31, 2007	400,000	0	68,557	68,557	0	468,557
Balance as of March 31, 2007	1,040,500	472,627	593,724	1,066,351	28,173	2,135,024
April 2007	1,040,500	472,627	601,493	1,074,120	28,173	2,142,793
May 2007	1,040,500	472,627	603,196	1,075,823	28,173	2,144,496
June 2007	1,040,500	472,627	565,245	1,037,872	28,173	2,106,545
July 2007	1,040,500	472,627	562,852	1,035,479	28,173	2,104,152
August 2007	1,040,500	472,627	562,861	1,035,488	28,173	2,104,161
September 2007	1,040,500	472,627	558,716	1,031,343	28,173	2,100,016
October 2007	1,040,500	472,627	563,931	1,036,558	28,173	2,105,231
November 2007	1,040,500	472,627	578,885	1,051,512	28,173	2,120,185
December 2007	1,040,500	472,627	604,346	1,076,973	28,173	2,145,646
January 2008	1,040,500	472,627	636,287	1,108,914	28,173	2,177,587
February 2008	1,040,500	472,627	664,932	1,137,559	28,173	2,206,232
Eleven Months Total	11,445,500	5,198,897	6,502,744	11,701,641	309,903	23,457,044
March 2007	1,040,500	472,627	593,724	1,066,351	28,173	2,135,024
March 2008	1,040,500	472,627	684,793	1,157,420	28,173	2,226,093
Total March 2007 & 2008	2,081,000	945,254	1,278,517	2,223,771	56,346	4,361,117
March 2007 & 2008 Average	1,040,500	472,627	639,259	1,111,886	28,173	2,180,559
Twelve Months Total	12,486,000	5,671,524	7,142,003	12,813,527	338,076	25,637,603
Annual Average	1,040,500	472,627	595,167	1,067,794	28,173	2,136,467
Capitalization Ratios	48.7%			50.0%	1.3%	100.0%
Cost Rates	6.39%			11.00%	3.00%	
Return Components	3.11%			5.50%	0.04%	<u>8.65%</u>



KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Balance Sheet  
(\$000)

		ASSETS AND OTHER DEBITS Year Ended December 31,				
Account Number		2001	2002	2003	2004	2005
<u>UTILITY PLANT</u>						
101	Utility Plant	\$ 1,525,285	\$ 1,757,664	\$ 1,863,989	\$ 1,977,393	\$ 2,081,811
105	Utility Plant Held for Future Use	94	94	94	94	94
107	Construction Work in Progress	104,584	14,022	34,153	21,038	48,055
108	Accumulated Provision for Depreciation of Gas Plant in Service	(293,820)	(320,296)	(351,499)	(375,563)	(391,901)
110	Accumulated Provision for Depreciation of Gas Plant Held for Future Use	(2)	(3)	(3)	(3)	(3)
111	Accumulated Provision for Amortization and Depletion of Gas Plant Held in Service	(578)	(1,937)	(3,875)	(8,121)	(8,734)
Total Utility Plant		1,335,563	1,449,544	1,542,840	1,616,838	1,709,121
<u>OTHER PROPERTY AND INVESTMENTS</u>						
121	Nonutility Property	4,803	4,803	1,244	1,252	1,615
122	Accumulated Provision for Depreciation and Amortization - Credit	(3,554)	(3,555)	(85)	(86)	(8)
123	Investments in Associated Companies	12	-	-	-	-
123.1	Investment in Subsidiary Companies	1	-	-	-	-
124	Other Investments	1,539	1,469	1,123	873	707
Total Other Property and Investments		2,801	2,717	2,282	2,039	2,314
<u>CURRENT AND ACCRUED ASSETS</u>						
131	Cash	-	9,517	1,554	(894)	3,526
132-134	Special Deposits	10	10	10	-	1,397
135	Working Funds	(0)	-	-	-	-
136	Temporary Cash Investments	-	-	-	-	-
142	Customer Accounts Receivable	68,000	103,670	94,179	102,410	151,049
143	Other Accounts Receivable	28,463	25,085	35,256	37,437	28,812
144	Accumulated Provision for Uncollectible Accounts - Credit	(9,951)	(7,920)	(8,222)	(9,863)	(9,719)
146	Accounts Receivable from Assoc. Companies	110,477	7,781	10,942	4,407	44,551
154	Plant Materials and Operating Supplies	9,295	8,671	8,218	8,150	7,519
163	Stores Expense Undistributed	38	(888)	(2)	(23)	-
164.1	Gas Stored Underground - Current	70,886	47,516	100,342	115,574	183,933
164.2	Liquefied Natural Gas Stored and Held for Processing	1,399	1,564	2,873	2,855	4,062
165	Prepayments	39,389	31,263	28,603	28,947	20,375
172	Rents Receivable	32,498	6,035	9,892	10,463	7,100
173	Accrued Utility Revenues	69,896	64,172	78,424	99,200	112,950
174	Miscellaneous Current and Accrued Assets	0	-	-	-	38,591
Total Current and Accrued Assets		418,400	296,476	362,068	398,863	594,145
<u>DEFERRED DEBITS</u>						
181	Unamortized Debt Expense	2,452	2,114	2,098	1,699	1,318
182.3	Other Regulatory Assets	187,573	192,019	223,450	207,017	255,324
184	Clearing Accounts	251	-	-	-	-
186	Miscellaneous Deferred Debits	145	1,952	5,001	(12,604)	(14,959)
188	Research, Devel. and Demonstration Expend.	42	42	-	-	-
190	Accumulated Deferred Income Taxes	122,832	1,549	(87,097)	(78,610)	34,983
Total Deferred Debits		313,095	197,675	163,453	117,502	276,664
Total Assets and Other Debits		2,069,859	1,948,412	2,070,643	2,135,242	2,582,244



		LIABILITIES AND OTHER CREDITS Year Ended December 31,				
Account Number		2001	2002	2003	2004	2005
<u>PROPRIETARY CAPITAL</u>						
201	Common Stock Issued	0	0	0	0	0
207	Premium on Capital Stock	532,862	532,862	582,862	582,862	582,862
211	Other Paid-in Capital	(284)	-	-	-	-
216	Retained Earnings	77,950	146,545	225,118	259,368	340,839
219	Accumulated Other Comprehensive Income		(32,318)	(25,757)	(26,632)	(26,728)
TOTAL Proprietary Capital (Enter Total of lines 2 thru 13)		610,528	647,089	782,224	815,597	896,973
<u>LONG-TERM DEBT</u>						
221	Bonds	525,000	525,000	525,000	525,000	525,000
223	Advances from Associated Companies	175,962	175,904	125,904	-	-
TOTAL Long-Term Debt		700,962	700,904	650,904	525,000	525,000
<u>OTHER NONCURRENT LIABILITIES</u>						
228.4	Accumulated Miscellaneous Operating Provisions	75,320	62,132	116,923	106,428	162,097
TOTAL Other Noncurrent Liabilities		75,320	62,132	116,923	106,428	162,097
232	Accounts Payable	69,880	68,772	84,703	111,551	149,677
233	Notes Payable to Associated Companies	105,507	118,112	123,840	240,111	193,989
234	Accounts Payable to Associated Companies	268,897	68,512	3,298	(8,455)	144,313
235	Customer Deposits	4,223	3,730	4,233	6,715	8,017
236	Taxes Accrued	1,351	7,848	(2,654)	20,154	15,510
237	Interest Accrued	17,050	17,014	16,916	16,969	17,292
241	Tax Collections Payable	1,220	(1,119)	(2,369)	(425)	804
242	Miscellaneous Current and Accrued Liabilities	71,792	77,702	80,907	76,569	71,324
TOTAL Current and Accrued Liabilities		539,920	360,370	308,874	463,188	600,927
<u>DEFERRED CREDITS</u>						
252	Customer Advances for Construction	67	(6)	-	-	-
253	Other Deferred Credits	5,471	3,073	3,168	3,280	15,275
254	Other Regulatory Liabilities	10,089	31,585	18,764	2,296	48,553
281-283	Accumulated Deferred Income Taxes	127,502	141,264	189,785	219,453	333,419
TOTAL Deferred Credits		143,129	175,916	211,718	225,029	397,247
TOTAL Liabilities and Other Credits		2,069,859	1,946,412	2,070,643	2,135,242	2,582,244

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Income Statement  
(\$000)

		Year Ended December 31,				
<u>Utility Operating Income</u>		<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Account Number						
400	Operating Revenues	\$ 871,135	\$ 810,601	\$ 1,046,931	\$ 1,124,417	\$ 1,432,906
	Operating Expenses					
401	Operation Expenses	586,903	492,442	696,552	787,494	1,080,075
402	Maintenance Expenses	16,230	17,099	22,479	25,112	24,633
403	Depreciation Expense	29,604	34,736	37,086	39,500	40,298
404 - 405	Amortization & Depletion of Utility Plant	613	1,278	1,914	2,246	2,613
406	Amortization of Utility Plant Acq. Adj.	7,499	29,896	38,602	38,110	33,994
408.1	Taxes Other Than Income Taxes	91,204	85,614	77,503	65,715	65,857
409.1	Income Taxes -- Federal	1,023	(120,726)	(60,168)	(21,178)	53,563
409.1	-- Other	-	-	(1,670)	2,396	13,695
410.1	Provision for Deferred Income Taxes	60,405	151,913	102,635	85,664	60,904
411.1	(Less) Provision for Deferred Income Taxes -Cr.	32,537	-	-	31,048	80,012
	Total Utility Operating Expenses	760,944	692,253	914,932	994,012	1,295,621
	Total Utility Operating Income	110,191	118,348	132,000	130,405	137,285
	Other Income					
415	Revenues From Merchandising, Jobbing and Contract Work	(44)	(143)	214	221	374
416	(Less) Costs and Exp. of Merchandising, Job. & Contract Work	14	-	-	-	-
417	Revenues From Nonutility Operations	-	111	41	(3)	(33)
418	Nonoperating Rental Income	1,443	(1)	(340)	(1)	(499)
419	Interest and Dividend Income	27	431	(497)	(120)	247
419.1	Allowance for Other Funds Used During Construction	2,353	4,149	898	500	881
421	Miscellaneous Nonoperating Income	8,096	6,986	4,155	3,622	2,474
421.1	Gain in Disposition of Property	454	1,165	13,859	(60)	43
	Total Other Income	12,313	12,698	18,331	4,160	3,486
	Other Income Deductions					
426.1 - 426.5	Miscellaneous Income Deductions	1,814	3,712	12,240	3,341	497
	Total Other Income Deductions	1,814	3,712	12,240	3,341	497
	Taxes Applicable to Other Income and Deductions					
408.2	Taxes Other Than Income Taxes	779	835	752	(17)	262
409.2	Income Taxes -- Federal	(1,502)	-	-	-	-
410.2	Provision for Deferred Inc. Taxes	1,925	-	-	-	-
411.2	(Less) Provision for Deferred Income Taxes -- Cr.	995	-	-	-	-
	Total Taxes on Other Income and Deductions	206	835	752	(17)	262
	Net Other Income and Deductions	10,294	8,151	5,339	836	2,727
427	Interest on Long-Term Debt	39,768	40,125	40,125	40,053	40,125
428	Amortization of Debt Discount and Expense	330	355	357	399	383
430	Interest on Debt to Associated Companies	18,388	18,339	16,557	12,510	10,187
431	Other Interest Expense	3,762	3,579	2,701	4,514	8,353
432	(Less) Allowance for Borrowed Funds Used During Construction-Cr.	2,549	4,495	973	484	507
	Net Interest Charges	59,698	57,904	58,766	56,992	58,541
	Net Income	\$ 60,787	\$ 68,595	\$ 78,573	\$ 74,249	\$ 81,471

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Statement of Unappropriated Earnings  
(\$000)

Account Number		Year Ended December 31,				
		2001	2002	2003	2004	2005
216	Unappropriated Retained Earnings - Beginning of Year	\$ 17,163	\$ 77,950	\$ 146,545	\$ 225,118	\$ 259,368
433	Balance Transferred from Income	60,787	68,595	78,573	74,249	81,471
	Total Credits	77,950	146,545	225,118	299,368	340,839
438	Dividends Declared -- Common Stock	-	-	-	40,000	-
	Total Debits	-	-	-	40,000	-
216	Unappropriated Retained Earnings - End of Year	77,950	146,545	225,118	259,368	340,839

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Utility Operating Income - Before & After Taxes  
(\$000)

	Year Ended December 31,				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Operating Revenues	\$ 871,135	\$ 810,601	\$ 1,046,931	\$ 1,124,417	\$ 1,432,906
Operation Expenses	586,903	492,442	696,552	787,494	1,080,075
Maintenance Expenses	16,230	17,099	22,479	25,112	24,633
Depreciation Expense	29,604	34,736	37,086	39,500	40,298
Amort. & Depl. of Utility Plant	613	1,278	1,914	2,246	2,613
Amort. of Utility Plant Acq. Adj.	7,499	29,896	38,602	38,110	33,994
Regulatory Debits	-	-	-	-	-
Regulatory Credits	-	-	-	-	-
Taxes Other Than Income Taxes	91,204	85,614	77,503	65,715	65,857
Total Operating Expenses (before Income Taxes)	732,053	661,066	874,135	958,177	1,247,470
Total Operating Income (before Income Taxes)	139,082	149,535	172,796	166,239	185,436
Income Taxes -- Federal	1,023	(120,726)	(60,168)	(21,178)	53,563
Income Taxes -- Other	-	-	(1,670)	2,396	13,695
Provision for Deferred Income Taxes	27,868	151,913	102,635	54,616	(19,108)
Total Operating Income (after Income Taxes)	110,191	118,348	132,000	130,405	137,285
<u>Equivalent Cents per Dth of Gas Sold</u>	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>
Operating Revenues	542.87	495.68	769.65	866.98	985.41
Operation Expenses	365.74	301.13	512.07	607.20	742.77
Maintenance Expenses	10.11	10.46	16.53	19.36	16.94
Depreciation Expense	18.45	21.24	27.26	30.46	27.71
Amort. & Depl. of Utility Plant	0.38	0.78	1.41	1.73	1.80
Amort. of Utility Plant Acq. Adj.	4.67	18.28	28.38	29.38	23.38
Regulatory Debits	0.00	0.00	0.00	0.00	0.00
Regulatory Credits	0.00	0.00	0.00	0.00	0.00
Taxes Other Than Income Taxes	56.84	52.35	56.98	50.67	45.29
Total Operating Expenses (before Income Taxes)	456.20	404.24	642.62	738.81	857.89
Total Operating Income (before Income Taxes)	86.67	91.44	127.03	128.18	127.52
Income Taxes -- Federal	0.64	-73.82	-44.23	-16.33	36.84
Income Taxes -- Other	-	-	-1.23	1.85	9.42
Provision for Deferred Income Taxes	17.37	92.89	75.45	42.11	-13.14
Total Operating Income (after Income Taxes)	68.67	72.37	97.04	100.55	94.41

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Statement of Operating Revenues  
(\$000)

Account Number		Year Ended December 31,				
		2001	2002	2003	2004	2005
	<u>OPERATING REVENUES</u>					
	<u>SALES OF GAS</u>					
480	Residential Sales	\$ 489,090	\$ 436,046	\$ 580,329	\$ 599,399	\$ 698,004
481	Commercial and Industrial Sales	234,184	226,665	314,454	330,054	389,575
483	Sales for Resale	61,978	48,579	64,447	110,270	255,062
	Total Sales of Gas	<u>785,252</u>	<u>711,291</u>	<u>959,230</u>	<u>1,039,723</u>	<u>1,342,641</u>
	<u>OTHER OPERATING REVENUES</u>					
489	Transportation of Gas of Others	63,055	74,073	58,739	61,097	64,781
493	Rent from Gas Property	7,502	8,186	8,365	8,638	10,391
495	Other Gas Revenues	15,325	17,051	20,598	14,958	15,093
	Total Other Operating Revenues	<u>85,883</u>	<u>99,311</u>	<u>87,702</u>	<u>84,694</u>	<u>90,265</u>
	Total Operating Revenues	<u>871,135</u>	<u>810,601</u>	<u>1,046,931</u>	<u>1,124,417</u>	<u>1,432,906</u>
	<u>Equivalent Cents per Dth of Gas Sold</u>					
	<u>SALES OF GAS</u>	Cents	Cents	Cents	Cents	Cents
480	Residential Sales	304.79	266.64	426.63	462.17	480.02
481	Commercial and Industrial Sales	145.94	138.61	231.17	254.49	267.91
483	Sales for Resale	38.62	29.71	47.38	85.02	175.41
	Total Sales of Gas	<u>489.35</u>	<u>434.95</u>	<u>705.18</u>	<u>801.68</u>	<u>923.33</u>
	<u>OTHER OPERATING REVENUES</u>					
489	Transportation of Gas of Others	39.29	45.30	43.18	47.11	44.55
493	Rent from Gas Property	4.68	5.01	6.15	6.66	7.15
495	Other Gas Revenues	9.55	10.43	15.14	11.53	10.38
	Total Other Operating Revenues	<u>53.52</u>	<u>60.73</u>	<u>64.47</u>	<u>65.30</u>	<u>62.08</u>
	Total Operating Revenues	<u>542.87</u>	<u>495.68</u>	<u>769.65</u>	<u>866.98</u>	<u>985.41</u>

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Statement of Utility Operating by Income Class

Year Ended December 31, 2005

Account Number	SERVICE CLASSIFICATION NUMBER		Gas Sold Dth	Revenue (in 000's)	Revenue per Dth Cents
		<u>Residential Sales of Gas</u>			
480	1	General	1,112,100	25,768	2317.07
	1	Water Heating	1,616,814	28,946	1790.33
	1	Space Heating	41,890,136	621,721	1484.17
		Total Residential Sales	44,619,050	676,436	1516.02
		<u>Commercial and Industrial Sales of Gas</u>			
481	2	General	2,422,940	34,414	1420.33
	2	Water Heating Steam Production	471,194	6,769	1436.56
	3	Interruptible	2,008,942	23,580	1173.75
	3	Interruptible	1,703,877	19,654	1153.51
	4	Interruptible Distribution System Restrictions	62,683	656	1047.24
	6	Space Heating	15,003,826	202,713	1351.08
	6	Multiple Dwelling Heating	1,800,420	21,110	1172.49
	6	Multiple Dwelling Other	97,987	1,206	1231.11
	8	Uncompressed Nat. Gas Vehicles	719,468	8,818	1225.68
		Temperature Controlled	3,967,819	47,952	1208.52
		Interruptible - Freeport	0	1,421	
		High Load Factor Svc	637,822	8,485	1330.37
		Year Round Space Cond Svc	48,627	630	1295.51
		Distributed Generation	10,838	127	1171.53
		Total Commercial and Industrial Sales	28,956,443	377,537	1303.81
483		Sales for Resale - Gas	33,638,132	255,062	758.25
486		GAC Adjustments		33,606	
		Total Gas Sales	107,213,625	1,342,641	1252.30

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Statement of Utility Operating by Income Class

Year Ended December 31, 2004

Account Number	SERVICE CLASSIFICATION NUMBER		Gas Sold Dth	Revenue (in 000's)	Revenue per Dth Cents
		<u>Residential Sales of Gas</u>			
480	1	General	1,086,054	\$ 23,531	2166.66
	1	Water Heating	1,603,832	25,645	1598.99
	1	Space Heating	41,564,101	541,529	1302.88
		Total Residential Sales	44,253,987	590,705	1334.81
		<u>Commercial and Industrial Sales of Gas</u>			
481	2	General	2,449,911	29,459	1202.44
	2	Water Heating Steam Production	478,540	5,837	1219.65
	3	Interruptible	2,139,630	19,973	933.48
	3	Interruptible	2,426,404	21,967	905.32
	4	Interruptible Distribution System Restrictions	71,913	643	893.49
	6	Space Heating	15,219,663	180,046	1182.98
	6	Multiple Dwelling Heating	1,524,546	15,010	984.57
	6	Multiple Dwelling Other	102,206	1,031	1008.63
	8	Uncompressed Nat. Gas Vehicles	669,354	5,768	861.66
		Temperature Controlled	3,943,561	36,420	923.53
		Interruptible - Freeport	1,052	575	54619.87
		High Load Factor Svc	931,582	8,083	867.66
		Year Round Space Cond Svc	42,278	456	1079.58
		Total Commercial and Industrial Sales	30,000,640	325,266	1084.20
483		Sales for Resale - Gas	16,261,344	110,270	678.11
486		GAC Adjustments		13,482	
		Total Gas Sales	90,515,971	1,039,723	1148.66

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Statement of Utility Operating by Income Class

Year Ended December 31, 2003

Account Number	SERVICE CLASSIFICATION NUMBER		Gas Sold	Revenue	Revenue per Dth
			Dth	(in 000's)	Cents
		<u>Residential Sales of Gas</u>			
480	1	General	1,115,710	\$ 23,997	2150.79
	1	Water Heating	1,619,806	25,516	1575.23
	1	Space Heating	42,516,362	529,667	1245.80
		Total Residential Sales	45,251,878	579,179	1279.90
		<u>Commercial and Industrial Sales of Gas</u>			
481	2	General	2,640,288	31,279	1184.68
	2	Water Heating Steam Production	491,684	5,955	1211.13
	3	Interruptible	2,175,596	16,480	757.50
	3	Interruptible	2,841,683	21,120	743.21
	4	Interruptible Distribution System Restrictions	90,306	672	743.99
	6	Space Heating	15,871,554	182,103	1147.35
	6	Multiple Dwelling Heating	1,503,330	14,198	944.42
	6	Multiple Dwelling Other	108,119	1,066	986.03
	8	Uncompressed Nat. Gas Vehicles	595,855	4,492	753.94
		Temperature Controlled	3,416,721	26,170	765.95
		Interruptible - Freeport	74,183	554	747.17
		High Load Factor Svc	1,087,258	9,540	877.41
		Year Round Space Cond Svc	19,265	202	1048.12
		Total Commercial and Industrial Sales	30,915,842	313,831	1,015.11
483		Sales for Resale - Gas	14,782,037	64,319	435.11
486		GAC Adjustments			
		Total Gas Sales	90,949,757	957,329	1052.59



KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Statement of Utility Operating by Income Class

Year Ended December 31, 2002

Account Number	SERVICE CLASSIFICATION NUMBER		Gas Sold Dth	Revenue (in 000's)	Revenue per Dth Cents
		<u>Residential Sales of Gas</u>			
480	1	General	1,103,381	\$ 22,336	2024.35
	1	Water Heating	1,531,085	22,113	1444.30
	1	Space Heating	33,650,621	391,597	1163.71
		Total Residential Sales	36,285,087	436,046	1201.72
		<u>Commercial and Industrial Sales of Gas</u>			
481	2	General	2,414,160	25,201	1043.90
	2	Water Heating Steam Production	528,144	5,567	1054.12
	3	Interruptible	2,781,928	14,122	507.62
	3	Interruptible	3,136,821	15,393	490.73
	4	Interruptible Distribution System Restrictions	100,999	491	486.28
	6	Space Heating	12,499,498	130,720	1045.80
	6	Multiple Dwelling Heating	1,365,419	11,149	816.51
	6	Multiple Dwelling Other	98,122	814	830.05
	8	Uncompressed Nat. Gas Vehicles	599,610	3,682	613.99
		Temperature Controlled	3,095,331	16,416	530.33
		Interruptible - Freeport	94,385	468	495.85
		High Load Factor Svc	349,129	2,602	745.28
		Year Round Space Cond Svc	4,351	40	925.81
		Total Commercial and Industrial Sales	27,067,897	226,665	837.39
483		Sales for Resale - Gas	20,975,826	48,579	231.60
486		GAC Adjustments			
		Total Gas Sales	84,328,810	711,291	843.47

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Statement of Utility Operating by Income Class

Year Ended December 31, 2001

Account Number	SERVICE CLASSIFICATION NUMBER		Gas Sold Dth	Revenue (in 000's)	Revenue per Dth Cents
		<u>Residential Sales of Gas</u>			
480	1	General	1,143,226	\$ 22,064	1929.97
	1	Water Heating	1,596,644	22,167	1388.38
	1	Space Heating	35,227,522	444,859	1262.82
		Total Residential Sales	37,967,392	489,090	1288.18
		<u>Commercial and Industrial Sales of Gas</u>			
481	2	General	2,383,350	23,157	971.63
	2	Water Heating Steam Production	492,518	5,130	1041.58
	3	Interruptible	2,291,436	14,772	644.66
	3	Interruptible	3,133,827	20,518	654.72
	6	SC6 Space Heating	12,666,088	134,391	1061.03
	6	SC6 Multiple Dwelling Heating	1,483,620	12,855	866.47
	6	SC6 Multiple Dwelling Other	97,606	790	809.26
	8	SC8 Uncompressed Nat. Gas Vehicles	543,152	3,105	571.73
		Temperature Controlled	2,445,296	16,668	681.65
		Interruptible - Freeport	76,306	446	584.59
		High Load Factor Svc	335,928	2,302	685.28
		Year Round Space Cond Svc	5,162	50	966.27
		Total Commercial and Industrial Sales	25,954,289	234,184	902.29
483		Sales for Resale - Gas	20,668,723	61,978	299.86
486		GAC Adjustments		-	
		Total Gas Sales	84,590,404	785,252	928.30

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Statement of Operations & Maintenance Expenses

Account Number		2001 (in 000's)	Cents Per Dth Sold	2002 (in 000's)	Cents Per Dth Sold	2003 (in 000's)	Cents Per Dth Sold	2004 (in 000's)	Cents Per Dth Sold	2005 (in 000's)	Cents Per Dth Sold
	<u>PRODUCTION EXPENSES</u>										
	<u>NATURAL GAS PRODUCTION AND GATHERING</u>										
	<u>OPERATION</u>										
759	OTHER EXPENSES					7	0.0053				
	<u>OTHER GAS SUPPLY EXPENSES</u>										
804	NATURAL GAS CITY GATE PURCHASES	487,591	303.8535	374,847	229.6496	578,269	425.1162	663,810	511.8325	966,390	664.5861
806	EXCHANGE GAS	(488)	(0.3041)	(9,654)	(5.9144)	(1,046)	(0.7690)	-	-	(991)	(0.6816)
808.1	GAS WITHDRAWN FROM STORAGE -- DEBIT	95,398	59.4497	23,209	14.2189	637	0.4684	1,822	1.4046	832	0.5722
809.2	(LESS) DELIVERIES OF NAT. GAS FOR PROCESSING -- CREDIT	(122,713)	(76.4710)	(2,829)	(1.7334)	(2,738)	(2.0131)	(1,804)	(1.3906)	(2,039)	(1.4022)
	GAS USED IN UTILITY OPERATIONS -- CREDIT	(27,314)	(17.0214)	20,379	12.4854	(2,101)	(1.5448)	18	0.0140	(1,206.99)	-
812	GAS USED FOR OTHER UTILITY OPERATIONS -- CREDIT	(10)	(0.0061)	(831)	(0.5089)	(1,113)	(0.8181)	(854)	(0.6585)	(1,175)	(0.8081)
	TOTAL OTHER GAS SUPPLY EXPENSE	459,780	286.5219	384,742	235.7117	574,009	421.9843	662,974	511.1880	963,016	662.2664
	TOTAL PRODUCTION EXPENSES	\$459,780	286.5219	\$384,742	235.7117	\$574,016	421.9896	\$662,974	511.1880	\$963,016	662.2664
	<u>OTHER STORAGE EXPENSES</u>										
	<u>OPERATION</u>										
840	OPERATION SUPERVISION AND ENGINEERING	689	0.4292								
841	OPERATION LABOR AND EXPENSES	979	0.6099	1,084	0.6641	2,090	1.5367	2,023	1.5595	2,305	1.5850
	TOTAL OPERATION	\$1,668	1.0391	\$1,084	0.6641	\$2,090	1.5367	2,023	1.5595	2,305	1.5850
	<u>MAINTENANCE</u>										
843.1	MAINTENANCE SUPERVISION AND ENGINEERING	\$361	0.2252								
	TOTAL MAINTENANCE	361	0.2252								
	TOTAL OTHER STORAGE EXPENSES	\$2,029	1.2643	\$1,084	0.6641	\$2,090	1.5367	\$2,023	1.5595	\$2,305	1.5850
	<u>LIQUEFIED NATURAL GAS TERMINALING AND PROCESSING EXPENSE</u>										
	<u>MAINTENANCE</u>										
848	MAINTENANCE OF VAPORIZING EQUIPMENT	271	0.1686	22	0.0134	208	0.1532	186	0.1431	324	0.2231
	TOTAL NATURAL GAS STORAGE	2,299	1.4329	1,106	0.6775	2,299	1.6899	2,208	1.7026	2,629	1.8082
	<u>TRANSMISSION EXPENSES</u>										
	<u>OPERATION</u>										
850	OPERATION SUPERVISION AND ENGINEERING	40	0.0247	1	0.0007						
853	COMPRESSOR STATION LABOR AND EXPENSES	12	0.0074	9	0.0053	11	0.0082	9	0.0071	6	0.0039
856	MAINS EXPENSES	161	0.1005	793	0.4858	753	0.5535	442	0.3406	256	0.1762
860	RENTS	3,299	2.0559	3,414	2.0919	3,202	2.3536	3,526	2.7186	3,933	2.7049
	TOTAL OPERATION	\$3,512	2.1885	\$4,217	2.5838	\$3,966	2.9153	\$3,977	3.0663	\$4,195	2.8850
	<u>MAINTENANCE</u>										
863	MAINTENANCE OF MAINS	533	0.3324	601	0.3680	1,015	0.7459	280	0.2159	316	0.2176
864	MAINTENANCE OF COMPRESSOR STATION EQUIPMENT	11	0.0067	2	0.0013						
865	MAINTENANCE OF MEASURING AND REG. STATION EQUIP.	596	0.3711	716	0.4386	2,034	1.4952	2,172	1.6746	2,382	1.6383
	TOTAL MAINTENANCE	\$1,140	0.7103	\$1,319	0.8080	\$3,048	2.2411	\$2,452	1.8906	\$2,699	1.8559
	TOTAL TRANSMISSION EXPENSES	\$4,652	2.8988	\$5,536	3.3917	\$7,014	5.1564	\$6,429	4.9568	\$6,894	4.7409

Account  
Number

	2001 (in 000's)	Cents Per Dth Sold	2002 (in 000's)	Cents Per Dth Sold	2003 (in 000's)	Cents Per Dth Sold	2004 (in 000's)	Cents Per Dth Sold	2005 (in 000's)	Cents Per Dth Sold
<b>DISTRIBUTION EXPENSES</b>										
<b>OPERATION</b>										
870 OPERATION SUPERVISION AND ENGINEERING	428	0.2669	0	0.0000	95	0.0698	110	0.0848	65	0.0445
872 COMPRESSOR STATION LABOR AND EXPENSES									1	
874 MAINS AND SERVICES EXPENSES	6,870	4.2814	6,391	3.9152	8,184	6.0164	7,808	6.0201	8,545	5.8765
875 MEASURING AND REGULATING STATION EXPENSES - GENERAL	423	0.2638	263	0.1613	318	0.2339	320	0.2466	380	0.2616
876 MEASURING AND REGULATING STATION EXPENSES - INDUST.	0	-	16	0.0095	0	0.0002	0			
878 METER AND HOUSE REGULATOR EXPENSES	1,898	1.1825	2,857	1.7504	3,586	2.6360	3,836	2.9580	4,763	3.2753
879 CUSTOMER INSTALLATIONS EXPENSES	(0)	(0.0002)	70	0.0427	1,288	0.9468	1,160	0.8943	1,056	0.7261
880 OTHER EXPENSES	653	0.4072	476	0.2915	278	0.2043	122	0.0939	243	0.1668
TOTAL OPERATION	\$10,273	6.4016	\$10,072	6.1707	\$13,749	10.1074	\$13,355	10.2977	\$15,052	10.3509
<b>MAINTENANCE</b>										
885 MAINTENANCE SUPERVISION AND ENGINEERING	484	0.3018								
886 MAINTENANCE OF STRUCTURES AND IMPROVEMENTS	0	-	22	0.0137	81	0.0592	16	0.0127	32	0.0219
887 MAINTENANCE OF MAINS	8,631	5.3787	11,945	7.3182	14,536	10.6864	15,821	12.1991	15,579	10.7138
889 MAINTENANCE OF MEAS. AND REG. STA. EQUIP. - GENERAL	286	0.1782	343	0.2099	411	0.3019	406	0.3130	440	0.3026
890 MAINTENANCE OF MEAS. AND REG. STA. EQUIP. - INDUST.	14	0.0087	15	0.0091	51	0.0375	72	0.0553	90	0.0620
892 MAINTENANCE OF SERVICES	3,706	2.3093	2,787	1.7076	3,400	2.4995	4,452	3.4324	4,276	2.9407
893 MAINTENANCE OF METERS AND HOUSE REGULATORS	531	0.3308	532	0.3259	173	0.1269	1,245	0.9600	722	0.4967
894 MAINTENANCE OF OTHER EQUIPMENT	53	0.0331	2	0.0012						
TOTAL MAINTENANCE	\$13,705	8.5408	\$15,646	9.5855	\$18,651	13.7113	\$22,012	16.9724	\$21,139	14.5376
TOTAL DISTRIBUTION EXPENSES	\$23,978	14.9424	\$25,718	15.7562	\$32,400	23.8187	\$35,367	27.2701	\$36,191	24.8885

Account  
Number

	2001 (in 000's)	Cents Per Dth Sold	2002 (in 000's)	Cents Per Dth Sold	2003 (in 000's)	Cents Per Dth Sold	2004 (in 000's)	Cents Per Dth Sold	2005 (in 000's)	Cents Per Dth Sold
<b>CUSTOMER ACCOUNTS EXPENSES</b>										
<u>OPERATION</u>										
902 METER READING EXPENSES	74	0.0462	43	0.0264	4,481	3.2943	4,889	3.7699	5,251	3.6109
903 CUSTOMER RECORDS AND COLLECTION EXPENSES	(821)	(0.5118)	(220)	(0.1346)	14,935	10.9797	15,901	12.2603	16,765	11.5294
904 UNCOLLECTIBLE ACCOUNTS	6,488	4.0431	2,140	1.3108	5,860	4.3078	8,407	6.4824	6,194	4.2597
TOTAL CUSTOMER ACCOUNTS EXPENSES	5,741	3.5775	1,963	1.2026	25,276	18.5817	29,197	22.5126	28,210	19.4000
<b>CUSTOMER SERVICE AND INFORMATIONAL EXPENSES</b>										
<u>OPERATION</u>										
910 CUSTOMER ASSISTANCE EXPENSES					(70)	(0.0516)	598	0.4611	485	0.3338
TOTAL CUSTOMER SERVICE AND INFORMATION EXPENSES					(70)	(0.0516)	598	0.4611	485	0.3338
<b>SALES EXPENSES</b>										
<u>OPERATION</u>										
916 DEMONSTRATING AND SELLING EXPENSES					16,486	12.1197	12,157	9.3738	7,734	5.3188
917 ADVERTISING EXPENSES					958	0.7046	1,362	1.0505	1,350	0.9285
918 MISCELLANEOUS SALES EXPENSES					565	0.4153	550	0.4240	836	0.5748
TOTAL SALES EXPENSES					18,009	13.2395	14,069	10.8483	9,920	6.8221
<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>										
<u>OPERATION</u>										
920 ADMINISTRATIVE AND GENERAL SALARIES	351	0.2188	(611)	(0.3742)	27,034	19.8740	27,096	20.8921	27,808	19.1234
921 OFFICE SUPPLIES AND EXPENSES	(127)	(0.0794)	392	0.2399	13,272	9.7566	12,477	9.6207	11,114	7.6430
923 OUTSIDE SERVICES EMPLOYED	87,740	54.6772	84,443	51.7336	10,330	7.5939	5,181	3.9945	4,916	3.3807
924 PROPERTY INSURANCE					755	0.5553	661	0.5093	753	0.5180
925 INJURIES AND DAMAGES					153	0.1128	838	0.6462	1,876	1.2902
926 EMPLOYEE PENSIONS AND BENEFITS	11,423	7.1183	8,548	5.2369	3,085	2.2677	(720)	(0.5552)	(2,788)	(1.9171)
928 REGULATORY COMMISSION EXPENSES	486	0.3030	699	0.4279	870	0.6399	834	0.6432	3,838	2.6396
930.1 GENERAL ADVERTISING EXPENSES					151	0.1109	237	0.1831	597	0.4105
930.2 MISCELLANEOUS GENERAL EXPENSES	6,058	3.7751	(3,106)	(1.9029)	3,866	2.8420	2,810	2.1669	8,776	6.0355
931 RENTS							102	0.0785	101	
TOTAL OPERATION	105,931	66.0131	90,364	55.3613	59,516	43.7532	49,516	38.1792	56,891	39.1239
<u>MAINTENANCE</u>										
932 MAINTENANCE OF GENERAL PLANT	753	0.4695	112	0.0687	571	0.4197	459	0.3538	470	0.3233
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	106,684	66.4826	90,476	55.4299	60,087	44.1729	49,975	38.5331	57,361	39.4472
TOTAL GAS OPERATION AND MAINTENANCE EXPENSES	\$603,133	375.8560	\$509,541	312.1697	\$719,030	528.5972	\$800,817	617.4727	\$1,104,707	759.7071

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Statement of Depreciation  
(\$000)

	Year Ended December 31,				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Accruals during the year charged to:</u>					
Depreciation Expense	\$ 29,604	\$ 34,736	\$ 37,086	\$ 39,500	\$ 40,298
Amortization of Other Gas Plant	613	1,278	1,914	2,246	2,613
	<hr/>				
Total	30,217	36,015	39,001	41,746	42,911
	<hr/>				

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Operating and Federal Income Taxes  
(\$000)

Account Number	Year Ended December 31,				
	2001 Utility Operations	2002 Utility Operations	2003 Utility Operations	2004 Utility Operations	2005 Utility Operations
408 <u>Taxes Other than Income Taxes</u>					
<u>Local</u>					
Real Estate	\$ 54,824	\$ 54,895	\$ 55,013	\$ 51,782	\$ 54,821
Municipal Gross Income	2,832	2,641	3,395	3,471	4,045
Total Local Taxes	57,655	57,535	58,407	55,253	58,866
<u>State</u>					
Franchise - Gross Income - 186a	18,435	15,170	12,938	8,814	5,648
Franchise Tax on Net Income	-	6,937	(1,670)	2,249	13,725
Franchise Tax on Net Income Deferred	-	547	-	-	-
Rate Making Tax Expense	-	(1,926)	-	-	-
MTA Surcharge - Net Income	-	-	-	7	(30)
Unemployment Insurance	7,367	32	58	110	144
MTA Surcharge - Gross Income	-	5,132	3,622	23	(139)
Sales and Use	1	-	-	-	-
Petroleum Business Tax - New York	5,521	-	-	-	-
Other	-	151	133	109	122
Total State Taxes	31,324	26,042	15,080	11,312	19,469
<u>Federal</u>					
FICA Contribution	2,223	2,022	2,313	1,508	1,166
Unemployment	1	6	32	39	52
Other	-	9	-	-	-
Total Federal Taxes	2,224	2,037	2,345	1,546	1,217
Total Taxes Other than Income Taxes	91,204	85,614	75,832	68,112	79,552
409 <u>Income Taxes</u>	1,023	(120,726)	(60,168)	(21,178)	53,563
Total Taxes	92,227	(35,111)	15,664	46,934	133,116

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Operating and Federal Income Taxes  
(in cents/dths)

Account Number	Year Ended December 31,				
	2001 Utility Operations	2002 Utility Operations	2003 Utility Operations	2004 Utility Operations	2005 Utility Operations
408 <u>Taxes Other than Income Taxes</u>					
<u>Local</u>					
Real Estate	34.16	33.63	40.44	39.93	42.27
Municipal Gross Income	1.76	1.62	2.50	2.68	3.12
Total Local Taxes	35.93	35.25	42.94	42.60	45.39
<u>State</u>					
Franchise - Gross Income - 186a	11.49	9.29	9.51	6.80	4.35
Franchise Tax on Net Income	-	4.25	(1.23)	1.73	10.58
Franchise Tax on Net Income Deferred	-	0.34	-	-	-
Rate Making Tax Expense	-	(1.18)	-	-	-
MTA Surcharge - Net Income	-	-	-	0.01	(0.02)
Unemployment Insurance	4.59	0.02	0.04	0.08	0.11
MTA Surcharge - Gross Income	-	3.14	2.66	0.02	(0.11)
Sales and Use	0.00	-	-	-	-
Petroleum Business Tax - New York	3.44	-	-	-	-
Other	-	0.09	0.10	0.08	0.09
Total State Taxes	19.52	15.95	11.09	8.72	15.01
<u>Federal</u>					
FICA Contribution	1.39	1.24	1.70	1.16	0.90
Unemployment	0.00	0.00	0.02	0.03	0.04
Other	-	0.01	-	-	-
Total Federal Taxes	1.39	1.25	1.72	1.19	0.94
Total Taxes Other than Income Taxes	56.84	52.45	55.75	52.52	61.34
409 Income Taxes	0.64	(73.96)	(44.23)	(16.33)	41.30
Total Taxes	57.47	(21.51)	11.52	36.19	102.64



KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Book Cost of Gas Plant in Service  
(\$000)

		Year Ended December 31,				
		2001	2002	2003	2004	2005
<u>Intangible Plant</u>						
303	Miscellaneous Intangible Plant	6,790	13,358	13,464	15,019	17,990
Total Intangible Plant		6,790	13,358	13,464	15,019	17,990
<u>Manufactured Gas Production Plant</u>						
304 - 320.3	Manufactured Gas Production Plant	2,372	2,008	2,008	2,380	2,380
Total Manufactured Gas Production Plant		2,372	2,008	2,008	2,380	2,380
<u>Other Storage Plant</u>						
360	Land and Land Rights	1,730	1,730	1,730	1,730	1,730
361	Structures and Improvements	4,916	5,077	5,090	5,090	5,308
362	Gas Holders	6,452	6,687	6,839	6,988	7,006
363	Purification Equipment	32	32	32	32	32
363.1	Liquefaction Equipment	277	17,767	17,767	17,767	18,105
363.2	Vaporizing Equipment	913	1,869	2,730	2,730	2,718
363.3	Compressor Equipment	2,979	2,975	2,975	2,975	2,975
363.4	Measuring and Reg. Equipment	367	389	389	389	389
363.5	Other Equipment	3,111	3,100	3,100	3,160	3,160
363.6	Asset Retirement Costs for Other Storage Plant					5
Total Other Storage Plant		20,778	39,626	40,653	40,662	41,428
<u>Transmission Plant</u>						
365.1	Land and Land Rights	330	330	330	330	330
365.2	Rights-of-Way	76	76	76	76	76
366	Structures and Improvements	2,439	2,926	3,251	3,251	3,251
367	Mains	115,075	126,080	135,623	148,459	145,439
368	Compressor Station Equipment	5,002	990	990	990	990
369	Measuring and Reg. Station Equipment	38,670	49,128	49,384	51,781	52,141
Total Transmission Plant		161,591	179,527	189,653	204,866	202,227
<u>Distribution Plant</u>						
374	Land and Land Rights	828	828	828	828	828
375	Structures and Improvements	1,121	1,044	1,044	1,044	1,206
376	Mains	719,019	824,418	883,250	943,704	988,774
377	Compressor Station Equipment	157	534	534	534	534
378	Meas. and Reg. Sta. Equip. - General	33,642	52,260	46,113	49,172	49,365
380	Services	466,857	520,569	554,720	590,922	616,503
381	Meters	45,159	47,393	51,062	48,374	49,506
382	Meter Installations	30,180	33,987	35,732	35,732	35,732
383	House Regulators	5,048	5,048	5,048	5,048	5,048
384	House Reg. Installations	2,638	2,638	2,638	3,159	3,159
388	Asset Retirement Costs for Distribution Plant	-	-	-	-	2,189
Total Distribution Plant		1,304,650	1,488,718	1,580,968	1,678,517	1,750,843

<u>General Plant</u>						
389	Land and Land Rights	735	938	938	1,271	4,533
390	Structures and Improvements	7,804	7,700	7,811	7,700	12,729
391	Office Furniture and Equipment	5,690	7,963	9,668	7,335	8,852
392	Transportation Equipment	367	215	140	48	35
394	Tools, Shop and Garage Equipment	7,849	9,726	10,564	11,457	12,365
395	Laboratory Equipment	6,208	6,492	6,719	6,663	6,548
396	Power Operated Equipment	101	87	60	-	-
397	Communication Equipment	326	810	811	731	1,058
398	Miscellaneous Equipment	28	495	512	524	523
Total General Plant		29,105	34,426	37,223	35,729	46,742
Total Gas Plant in Service		1,525,285	1,757,664	1,863,969	1,977,393	2,061,611

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Statement of Accumulated Provision for Depreciated Balances  
(\$000)

Account		2001	2002	December 31, 2003	2004	2005
<u>Manufactured Gas Production Plant</u>						
305	Structures and Improvements	(1,218)	(1,288)	(1,286)	(1,241)	(1,224)
306	Boiler Plant Equipment	(283)	(402)	(402)	(402)	(402)
307	Other Power Equipment	(9)	(9)	(9)	(9)	(9)
311	Liquefied Petroleum Gas Equipment	(350)	(343)	(336)	(329)	(323)
320	Other Equipment	131	120	125	131	136
Total Manufactured Gas Production Plant		(1,729)	(1,924)	(1,909)	(1,851)	(1,822)
<u>Other Storage Plant</u>						
361	Structures and Improvements	2,680	2,862	3,053	3,249	3,394
362	Gas Holders	5,544	5,757	6,041	6,350	6,656
363	Purification Equipment	29	29	29	29	29
363.1	Liquefaction Equipment	(1,114)	(98)	691	1,480	2,284
363.2	Vaporizing Equipment	1,103	1,147	1,310	1,431	1,536
363.3	Compressor Equipment	1,450	1,578	1,710	1,842	1,974
363.4	Measuring and Regulating Equipment	230	247	264	282	299
363.5	Other Equipment	1,875	2,003	2,140	2,283	2,423
363.6	Asset Retirement Costs for Other Storage Plant	-	-	-	-	(16)
Total Other Storage Plant		11,797	13,524	15,239	16,945	18,580
<u>Transmission Plant</u>						
365.2	Rights-of-Way	2	10	17	25	32
368	Structures and Improvements	1,056	1,145	1,285	1,410	1,535
367	Mains	28,940	30,739	32,803	35,143	37,350
368	Compressor Station Equipment	1,421	(3,131)	(3,091)	(3,052)	(3,013)
369	Measuring and Regulating Station Equipment	11,675	12,511	14,243	16,339	18,386
Total Transmission Plant		43,093	41,275	45,258	49,865	54,291
<u>Distribution Plant</u>						
374	Land and Land Rights	94	110	125	141	157
375	Structures and Improvements	246	170	170	170	170
378	Mains	136,722	148,036	161,363	175,236	188,729
377	Compressor Station Equipment	(595)	(588)	(567)	(546)	(525)
378	Measuring and Regulating Station Equipment General	9,983	11,644	13,441	15,339	17,312
380	Services	75,287	83,975	92,419	102,055	112,841
381	Meters	9,880	11,155	12,533	8,185	8,684
382	Meter Installations	2,122	2,751	3,411	4,102	4,799
383	House Regulators	2,547	2,687	2,826	2,965	3,105
384	House Regulator Installations	1,247	1,297	1,348	1,399	1,449
388	Asset Retirement Costs for Distribution Plant	-	-	-	-	(8,110)
Total Distribution Plant		237,534	261,236	287,069	308,048	328,610

<u>Account</u>		<u>2001</u>	<u>2002</u>	December 31, <u>2003</u>	<u>2004</u>	<u>2005</u>
<u>General Plant</u>						
389	Land and Land Rights	-	-	-	-	(405)
390	Structures and Improvements	1,085	1,270	1,463	1,644	62
391	Office Furniture and Equipment	2,176	2,821	3,532	2,904	2,766
392	Transportation Equipment	58	(77)	(138)	(223)	(235)
394	Tools, Shop, and Garage Equipment	1,075	1,349	1,626	1,972	2,215
395	Laboratory Equipment	933	1,114	1,294	1,410	1,579
396	Power Operated Equipment	102	96	76	1	1
397	Communication Equipment	117	145	194	148	142
398	Miscellaneous Equipment	11	16	35	54	72
Total General Plant		5,557	6,735	8,082	7,911	6,196
Accumulated Provision for Depreciation - Gas Plant		296,252	320,847	353,739	381,916	405,854
Retirement Work in Progress		(2,513)	(551)	(2,241)	(6,353)	(13,954)
Total Accumulated Provision for Depreciation of Gas Plant in Service		293,739	320,296	351,499	375,563	391,900
Accumulated Provision for Amortization of Other Plant in Service		661	1,940	3,878	6,124	8,737
Total Accumulated Provision for Depreciation, Amortization and Depletion of Gas Plant in Service		294,400	322,236	355,376	381,687	400,638

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Federal & State Income Tax Accruals  
For The Twelve Months Ended December 31, 2005  
(\$000)

OPERATING REVENUES PER BOOKS	
OPERATING EXPENSES PER BOOKS	
INTEREST CHARGES	
BOOK INCOME BEFORE FIT	129,826

**SECTION I - FLOW THROUGH ITEMS**

**ADDITIONS**

Lobbying Expenses	-
Penalties & Fines	8
TOTAL	8

**DEDUCTIONS**

AFUDC Equity	881
State Income Tax Provision	11,617
TOTAL	12,498

Income Subject to Federal Income Tax	117,336
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**SECTION II - NORMALIZED ITEMS**

**ADDITIONS**

Gas Cost Deferred	10,547
Transition Costs	10,920
Bad Debts	4,724
Gas Research Institute	1,339
Merger Cost Deferral/Amortization	1,971
Vacation Pay Accrual	152
Contributions in Aid of Construction - Deferral	2,944
Book Depreciation	42,911
Capitalized Interest	507
Cost Of Removal Amortization	104
Merger Carry Costs	273
MTA Amortization	169
Performance Shares	345
OPEBs Pensions	3,454
UNICAP Self Construction Assets	107,070
TOTAL	<u>187,430</u>

**DEDUCTIONS**

AFUDC Debt	507
Carrying Charges- Transition Costs	265
Pension Cost	3,920
CC Imbalance Old vs. New SIT	1,108
Balancing Account	18,722
MTA Amortization	960
OPEB/Pensions	2,401
Relocation of Mains	544
Removal Costs - Deferral	2,775
Environmental Clean Up Cost	17,953
Environmental Clean Up Cost CC	316
Deferred Taxes Rate	46
Tax Depreciation	74,167
Lien Date Property Taxes	3,106
Property Tax Deferral	905
Property Tax Carrying Charges	5,441
Deferred State tax Provision	4,878
Accrued Other	1,067
TOTAL	<u>139,081</u>

**TAXABLE INCOME** 165,685

**CURRENT FEDERAL INCOME TAX EXPENSE**

Current Federal Income Tax @ 35%	57,990
Accrual to Return Adjustment - Current	(4,426)
TOTAL CURRENT FIT	<u>53,564</u>

**DEFERRED FEDERAL INCOME TAX**

Gas Cost Deferred	(3,691)
Transition Costs	(3,822)
Bad Debts	(1,653)
Gas Research Institute	(469)
Merger Carry Costs	(96)
Merger Cost Deferral/Amortization	(690)
Performance Shares	(121)
MTA Amortization	(59)
Vacation Pay Accrual	(53)
Contributions in Aid of Construction - Deferral	(1,030)
Book Depreciation	(15,019)
Cost Of Removal Amortization	(36)
Capitalized Interest	(177)
Property Tax Deferral	317
Deferred State tax Provision	1,707
AFUDC Debt	177
Pension Cost	1,372
CC Imbalance Old vs. New SIT	388
Balancing Account	6,553
MTA Amortization	336
Transition Costs CC	93
OPEB/Pensions	840
OPEB/Pensions CC	(1,209)
Relocation of Mains	190
Environmental Clean Up Cost	6,284
Environmental Clean Up Cost CC	111
Deferred Taxes Rate	16
Tax Depreciation	25,958
Removal Costs - Deferral	1,087
UNICAP - Self Constructed Assets	(37,475)
Property Tax Carrying Charges	1,904
Removal Costs Deferral	971
Accrued Other	373
	<u>(16,922)</u>

**ADJUSTMENTS**

Accrual to Return Adjustment - Deferred	3,163
	<u>3,163</u>

NET DEF. FIT (13,759)

**TOTAL FEDERAL INCOME TAX EXPENSE 39,805**

Current State Income Tax	13,695
Deferred State Income Tax	11,535
State Income Tax True Up Adjustment	(16,885)
Total State Income Tax	<u><u>8,345</u></u>

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Summary of Operating Income  
Rate Base and Rate of Return  
Historic Year Ended December 31, 2005 and Rate Year Ending March 31, 2008  
(\$000)

	Reference	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008	Proposed Rate Increase	Rate Year Ending March 31, 2008 As Adjusted
Operating Revenues	JFB-3	1,432,906	21,488	1,454,394	145,060	1,599,454
Operation & Maintenance Expenses	JFB-4	1,104,708	72,182	1,176,889	899	1,177,789
Depreciation	Schedule 2	42,911	29,541	72,452		72,452
Amortization	Schedule 3	33,994	(18,549)	15,445		15,445
Taxes Other Than Income Taxes	JFB-5	65,857	51,434	117,291		117,291
Total Operating Revenue Deductions		<u>1,247,470</u>	<u>134,608</u>	<u>1,382,078</u>	<u>899</u>	<u>1,382,978</u>
Operating Income Before Income Taxes		<u>185,436</u>	<u>(113,120)</u>	<u>72,316</u>	<u>144,161</u>	<u>216,476</u>
State Income Taxes	JFB-6	8,345	(7,432)	913	13,018	13,931
Federal Income Taxes	JFB-6	39,805	(36,586)	3,219	45,900	49,119
Total Income Taxes		<u>48,150</u>	<u>(44,018)</u>	<u>4,132</u>	<u>58,918</u>	<u>63,050</u>
Operating Income After Federal & State Income Taxes		<u>137,285</u>	<u>(69,101)</u>	<u>68,184</u>	<u>85,243</u>	<u>153,427</u>
Rate Base	JFB-7&8	<u>1,652,066</u>	<u>2,360</u>	<u>1,658,624</u>	<u>-</u>	<u>1,658,624</u>
Rate of Return		<u>8.31%</u>		<u>4.11%</u>		<u>9.25%</u>



**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Depreciation Expense**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Total Depreciation Expense	42,911	6,038	48,949
Depreciation Expense of Corporate Services Assets		2,668	2,668
Add: Depreciation related to Accounting changes proposed by Mr. Aikman based on 12/31/05 Plant Balances		18,933	18,933
Depreciation related to Accounting changes proposed by Mr. Aikman on Plant Additions (4/1/07 - 3/31/08)		1,902	1,902
	<u>42,911</u>	<u>29,541</u>	<u>72,452</u>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Amortizations**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Amortization of Merger Costs	1,971	-	1,971
Amortization of Property Tax	32,023	(32,023)	-
Amortization of Pension and OPEBS	-	6,829	6,829
Amortization of Environmental Costs	-	6,644	6,645
Total Amortizations	<u>33,994</u>	<u>(18,550)</u>	<u>15,445</u>

Merger Costs - continue current Amortization

Pending OPEBs cost - 7 year amortization of 3/31/07 Projected Balance

Environmental Cost - 7 year amortization of 3/31/07 Projected Balance

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Comparison of Operating Revenues and Cost of Gas Purchased**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Total Revenues from Sale of Gas (Accounts 480, 481, 483, 486 and 489)	1,407,422	25,063	1,432,485
Other Operating Revenues (Accounts 489, 493, and 495)	25,484	(3,576)	21,908
Total Gas Operating Revenues	1,432,906	21,488	1,454,393
Cost of Gas Purchased and Produced	963,016	44,005	1,007,021

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Other Gas Revenues**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Rent from Gas Property (Account 493)	10,391	-	10,391
Other Gas Revenues (Account 495)			
Penalty Revenues	1,454	-	1,454
Off System Management Fees	10,137	(3,000)	7,137
Off System Gas Sales - End User NY State	-	-	-
Late Payment Charges	1,699	-	1,699
Dishonored Checks	96	-	96
Special Charge for Non Access to Meter	24	-	24
Profit Realized on Synthetic Storage	-	-	-
Late Payment Charge Revenue/Penalty	9	-	9
Revenue Adjustment - GRI Surcharge	(1,338)	1,338	-
General	12	1,086	1,098
LIPA Bill Separation	3,000	(3,000)	-
	<u>15,093</u>	<u>(3,576)</u>	<u>11,517</u>
	<u>25,484</u>	<u>(3,576)</u>	<u>21,908</u>

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Summary of Operating Expenses by Component  
Historic Year Ended December 31, 2005 and Rate Year Ending March 31, 2008  
(\$000)

	Reference	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Operation & Maintenance Expenses				
Gas Cost	Schedule 1	963,016	44,005	1,007,021
Labor	Schedule 2	55,439	4,737	60,176
Incentive Programs & Rebates	Schedule 3	1,689	94	1,783
Other Employee Related Expenses & Benefits	Schedule 4	3,889	217	4,106
Health & Hospitalization	Schedule 5	6,026	1,197	7,223
401k Match	Schedule 6	990	84	1,075
Advertising	Schedule 7	2,654	148	2,802
Building Services	Schedule 8	2,782	1	2,783
Collection Agency Fees	Schedule 9	500	28	528
Computer Software Purchases	Schedule 10	1,936	108	2,044
Contract Labor	Schedule 11	4,134	230	4,364
Contributions, Tickets & Sponsorships	Schedule 12	694	(694)	-
Dues & Memberships	Schedule 13	571	32	603
Fleet Leasing	Schedule 14	1,488	83	1,571
Franchise Requirements	Schedule 15	-	-	-
Insurance	Schedule 16	3,224	180	3,404
Lock Box	Schedule 17	328	18	346
Materials & Supplies	Schedule 18	3,131	175	3,306
NY Facilities	Schedule 19	2,986	166	3,152
OPEB's	Schedule 20	4,654	9,158	13,812
Other	Schedule 21	2,954	165	3,118
Paving	Schedule 22	1,684	94	1,777
Payroll Taxes	Schedule 23	2,835	235	3,070
Pensions	Schedule 24	2,323	9,802	12,125
Permits	Schedule 25	184	66	250
Postage	Schedule 26	3,110	173	3,283
PSC Assessment Fees	Schedule 27	3,838	214	4,052
Purchased Services	Schedule 28	8,936	498	9,434
Servco Asset Recovery Charge	Schedule 29	8,171	(8,171)	-
Telecommunications	Schedule 30	1,823	102	1,924
Transportation	Schedule 31	2,083	116	2,199
Transportation - Liquid Fuels	Schedule 32	441	25	466
Uncollectibles	Schedule 33	6,194	(3,521)	2,673
Accounting Change	Schedule 34	-	-	-
Program Changes	JFB-11	-	12,417	12,417
		1,104,708	72,182	1,176,889

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Gas Cost**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	963,225	43,796	1,007,021
Corporate Services	(216)	216	-
Utility Services	7	(7)	-
Engineering Services	-	-	-
Total	<u>963,016</u>	<u>44,005</u>	<u>1,007,021</u>
Operation			
Other Gas Supply	963,016	44,005	1,007,021
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	<u>963,016</u>	<u>44,005</u>	<u>1,007,021</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>963,016</u>	<u>44,005</u>	<u>1,007,021</u>

Notes:

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Labor**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDLI	22,235	2,070	24,305
Corporate Services	26,370	1,914	28,284
Utility Services	6,330	717	7,047
Engineering Services	504	35	539
<b>Total</b>	<b>55,439</b>	<b>4,737</b>	<b>60,176</b>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	1,236	106	1,342
Transmission	577	49	626
Distribution	8,801	752	9,553
Customer Accounts	10,256	876	11,132
Customer Service	166	14	180
Sales Promotion	3,720	318	4,038
Admin and General	18,653	1,594	20,247
Allocated Service Company	(4)	( )	(4)
<b>Total Operation</b>	<b>43,404</b>	<b>3,709</b>	<b>47,113</b>
<b>Maintenance</b>			
Natural Gas Storage	156	13	169
Transmission	1,716	147	1,863
Distribution	9,997	854	10,851
Admin and General	167	14	181
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>12,035</b>	<b>1,028</b>	<b>13,063</b>
<b>Total Operation &amp; Maintenance</b>	<b>55,439</b>	<b>4,737</b>	<b>60,176</b>

**Notes:**

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Labor - Adjustments**  
**(\$000)**

<b>Company Affiliation Wage Increase</b>	<i>Union</i>	<i>Management</i>	<i>Adjustment</i>
<i>KEDLI (37) Direct</i>	1,397	462	1,859
<i>Corporate Services (31) Direct</i>	794	1,512	2,307
<i>Utility Services (32) Direct</i>	66	516	581
<i>Engineering Services (33) Direct</i>	17	28	45
<b>Sub Total</b>	2,274	2,518	4,792

<b>Company Affiliation</b>	<i>Union</i>	<i>Management</i>	<i>Adjustment</i>
	<i>Gainsharing</i>	<i>Incentive Compensation</i>	
<i>KEDLI (37) Direct</i>	148	63	211
<i>Corporate Services (31) Direct</i>	47	(439)	(393)
<i>Utility Services (32) Direct</i>	5	130	136
<i>Engineering Services (33) Direct</i>	1	(11)	(9)
<b>Sub Total</b>	201	(257)	(55)

	<i>Wage</i>	<i>Gainsharing &amp;</i>	<i>Total</i>
	<i>Increase</i>	<i>Incentive Compensation</i>	<i>Adjustment</i>
<i>KEDLI (37) Direct</i>	1,859	211	2,070
<i>Corporate Services (31) Direct</i>	2,307	(393)	1,914
<i>Utility Services (32) Direct</i>	581	136	717
<i>Engineering Services (33) Direct</i>	45	(9)	35
<b>Grand Total</b>	4,792	(55)	4,737



**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Labor - Summary of Union Employees**  
**(\$000)**

<b>Employee Affiliation</b>	<i>O&amp;M</i>	<i>Union Wage</i>	<i>Adjustment</i>
<b>Unions</b>	<i>Labor Cost</i>	<i>Increase</i>	
KEDLI (37)	17,333	8.06%	1,397
Corporate Services (31)	10,329	7.69%	794
Utility Services (32)	857	7.65%	66
Engineering Services (33)	210	8.06%	17
<b>Total Union</b>	<b>28,730</b>		<b>2,274</b>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Labor - Summary of Management Employees**  
**(\$000)**

<b>Employee Affiliation</b>	<i>O&amp;M</i>	<i>Management</i>	<i>Adjustment</i>
<b>Management</b>	<i>Labor Cost</i>	<i>Wage Increase</i>	
KEDLI (37)	4,901	9.43%	462
Corporate Services (31)	16,041	9.43%	1,512
Utility Services (32)	5,472	9.43%	516
Engineering Services (33)	294	9.43%	28
<b>Total Management</b>	<b>26,709</b>		<b>2,518</b>

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Operating Expenses by Component  
Labor - Summary of Employees  
(\$000)

Employee Affiliation	Total Salaries		Average	Overall Increases	Effective	Union Wage
	Headcount	(Current)	Salary	Historical Yr to Rate Yr	Co %	Increase
Management	117	10,532	90	9.43%		
Bargaining						
Local 1049	466	27,895	60	8.06%	86.34%	6.96%
Local 1381	71	4,412	62	8.06%	13.66%	1.10%
Total Unions	537	32,306	60		100.00%	8.06%
Grand Total	654	42,839	66			

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Labor - Summary of Employees in Corporate Services (31) (CSV)**  
**(\$000)**

<b>Employee Affiliation</b>	<i>Total Salaries</i>		<i>Average</i>	<i>Overall Increases</i>	<i>Effective</i>	<i>Union Wage</i>
	<i>Headcount</i>	<i>(Current)</i>	<i>Salary</i>	<i>Historical Yr to Rate Yr</i>	<i>Co %</i>	<i>Increase</i>
<b>Management</b>	1,355	118,224	87	9.43%		
<b>Bargaining</b>						
<i>Local 101</i>	351	17,106	49	7.48%	21.26%	1.59%
<i>Local 3</i>	5	315	63	7.48%	0.39%	0.03%
<i>Local 1049</i>	170	10,846	64	8.06%	13.48%	1.09%
<i>Local 1381</i>	713	35,328	50	8.06%	43.91%	3.54%
<i>Local 012</i>	11	668	61	6.89%	0.83%	0.06%
<i>Local 120</i>	1	49	49	7.48%	0.06%	0.00%
<i>Local 318</i>	3	167	56	6.89%	0.21%	0.01%
<i>Local CAP</i>	2	114	57	6.89%	0.14%	0.01%
<i>Local 12003</i>	267	15,869	59	6.89%	19.72%	1.36%
<b>Total Unions</b>	<b>1,523</b>	<b>80,462</b>	<b>53</b>		<b>100.00%</b>	<b>7.69%</b>
<b>Grand Total</b>	<b>2,878</b>	<b>198,686</b>	<b>69</b>			

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Labor - Summary of Employees in Utility Services (32) (USV)**  
**(\$000)**

<b>Employee Affiliation</b>	<i>Total Salaries</i>		<i>Average</i>	<i>Overall Increases</i>	<i>Effective</i>	<i>Union Wage</i>
	<i>Headcount</i>	<i>(Current)</i>	<i>Salary</i>	<i>Historical Yr to Rate Yr</i>	<i>Co %</i>	<i>Increase</i>
<b>Management</b>	214	18,825	88	9.43%		
<b>Bargaining</b>						
<i>Local 101</i>	64	4,034	63	7.48%	68.38%	5.12%
<i>Local 3</i>	3	190	63	7.48%	3.21%	0.24%
<i>Local 1049</i>	14	947	68	8.06%	16.06%	1.29%
<i>Local 1381</i>	15	728	49	8.06%	12.35%	1.00%
<b>Total Unions</b>	<b>96</b>	<b>5,899</b>	<b>61</b>		<b>100.00%</b>	<b>7.65%</b>
<b>Grand Total</b>	<b>310</b>	<b>24,724</b>	<b>80</b>			

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Operating Expenses by Component  
Labor - Summary of Employees in Engineering Services (33) (KEC)  
(\$000)

Employee Affiliation	Total Salaries		Average	Overall Increases	Effective	Union Wage
	Headcount	(Current)	Salary	Historical Yr to Rate Yr	Co %	Increase
Management	282	24,238	86	9.43%		
Bargaining						
Local 101	2	138	69	7.48%	0.47%	0.04%
Local 1049	418	26,279	63	8.06%	90.26%	7.28%
Local 1381	46	2,696	59	8.06%	9.26%	0.75%
Total Unions	466	29,113	62		100.00%	8.06%
Grand Total	748	53,351	71			

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Incentive Programs & Rebates**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDLI	57	3	60
Corporate Services	145	8	153
Utility Services	1,487	83	1,570
Engineering Services	-	-	-
Total	<u>1,689</u>	<u>94</u>	<u>1,783</u>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	1,512	84	1,596
Admin and General	175	10	185
Allocated Service Company	-	-	-
Total Operation	<u>1,688</u>	<u>94</u>	<u>1,782</u>
<b>Maintenance</b>			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	1	-	1
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>1</u>	<u>-</u>	<u>1</u>
<b>Total Operation &amp; Maintenance</b>	<u>1,689</u>	<u>94</u>	<u>1,783</u>

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Other Employee Related Expenses & Benefits**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDLI	2,995	167	3,162
Corporate Services	412	23	435
Utility Services	475	26	501
Engineering Services	7	-	7
<b>Total</b>	<b>3,889</b>	<b>217</b>	<b>4,106</b>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	3	-	3
Transmission	43	2	45
Distribution	16	1	17
Customer Accounts	14	1	15
Customer Service	1	-	1
Sales Promotion	129	7	136
Admin and General	3,642	203	3,845
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>3,848</b>	<b>214</b>	<b>4,062</b>
<b>Maintenance</b>			
Natural Gas Storage	2	-	2
Transmission	4	-	4
Distribution	33	2	35
Admin and General	3	-	3
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>41</b>	<b>2</b>	<b>44</b>
<b>Total Operation &amp; Maintenance</b>	<b>3,889</b>	<b>217</b>	<b>4,106</b>

**Notes:**

Allocation based on actual year ended December 31, 2005



**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Health & Hospitalization**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Year Ending March 31, 2008
Provider Company			
KEDLI	2,335	507	2,843
Corporate Services	3,005	590	3,594
Utility Services	629	87	717
Engineering Services	57	12	69
Total	<u>6,026</u>	<u>1,197</u>	<u>7,223</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	57	11	69
Transmission	-	-	-
Distribution	410	81	492
Customer Accounts	1,232	245	1,477
Customer Service	16	3	20
Sales Promotion	362	72	433
Admin and General	3,311	657	3,968
Allocated Service Company	-	-	-
Total Operation	<u>5,389</u>	<u>1,070</u>	<u>6,459</u>
Maintenance			
Natural Gas Storage	8	2	9
Transmission	86	17	103
Distribution	523	104	627
Admin and General	20	4	24
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>637</u>	<u>127</u>	<u>764</u>
Total Operation & Maintenance	<u>6,026</u>	<u>1,197</u>	<u>7,223</u>

Notes:

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Adjustments to Health & Hospitalization**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

<u>Health Care Increases</u>	<u>Direct</u>	<u>Percentage</u>	<u>Adjustment</u>
KEDLI (37) Direct	2,335	21.72%	507
Corporate Services (31) Direct	3,005	19.63%	590
Utility Services (32) Direct	629	13.90%	87
Engineering Services (33) Direct	57	20.80%	12
Total	<u>6,026</u>		<u>1,197</u>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**401k Match**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	251	23	274
Corporate Services	553	40	593
Utility Services	179	20	199
Engineering Services	7	1	8
Total	<u>990</u>	<u>84</u>	<u>1,075</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	4	-	4
Transmission	-	-	-
Distribution	39	3	42
Customer Accounts	234	20	254
Customer Service	4	-	5
Sales Promotion	104	9	113
Admin and General	558	48	606
Allocated Service Company	-	-	-
Total Operation	<u>943</u>	<u>80</u>	<u>1,023</u>
Maintenance			
Natural Gas Storage	1	-	1
Transmission	6	-	6
Distribution	36	3	39
Admin and General	4	-	4
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>47</u>	<u>4</u>	<u>51</u>
Total Operation & Maintenance	<u>990</u>	<u>84</u>	<u>1,075</u>

Notes:

Allocation based on actual year ended December 31, 2005

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Operating Expenses by Component  
401k Match  
(\$000)

December-2005	O&M Labor Cost	Percentage	Adjustment
KEDLI (37)	251	9.31%	23
Corporate Services (31)	553	7.26%	40
Utility Services (32)	179	11.34%	20
Engineering Services (33)	7	6.98%	1
Total	990		84

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Advertising**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	3	-	3
Corporate Services	1,467	82	1,548
Utility Services	1,184	66	1,250
Engineering Services	-	-	-
Total	<u>2,654</u>	<u>148</u>	<u>2,802</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	2	-	2
Customer Accounts	-	-	-
Customer Service	9	1	10
Sales Promotion	2,271	127	2,397
Admin and General	372	21	393
Allocated Service Company	-	-	-
Total Operation	<u>2,654</u>	<u>148</u>	<u>2,802</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>2,654</u>	<u>148</u>	<u>2,802</u>

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Building Services**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDLI	345	-	345
Corporate Services	2,194	1	2,196
Utility Services	242	-	243
Engineering Services	-	-	-
<b>Total</b>	<b>2,782</b>	<b>1</b>	<b>2,783</b>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	21	-	21
Transmission	-	-	-
Distribution	116	-	116
Customer Accounts	345	-	345
Customer Service	1	-	1
Sales Promotion	32	-	32
Admin and General	2,059	1	2,060
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>2,573</b>	<b>1</b>	<b>2,575</b>
<b>Maintenance</b>			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	31	-	31
Admin and General	177	-	177
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>208</b>	<b>-</b>	<b>209</b>
<b>Total Operation &amp; Maintenance</b>	<b>2,782</b>	<b>1</b>	<b>2,783</b>

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Collection Agency Fees**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	-	-	-
Corporate Services	500	28	528
Utility Services	-	-	-
Engineering Services	-	-	-
Total	<u>500</u>	<u>28</u>	<u>528</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	500	28	528
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	<u>500</u>	<u>28</u>	<u>528</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>500</u>	<u>28</u>	<u>528</u>

Notes:

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Computer Software Purchases**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDLI	158	9	167
Corporate Services	1,728	96	1,824
Utility Services	23	1	25
Engineering Services	27	1	28
<b>Total</b>	<b>1,936</b>	<b>108</b>	<b>2,044</b>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	10	1	10
Transmission	1	-	1
Distribution	53	3	55
Customer Accounts	7	-	7
Customer Service	-	-	-
Sales Promotion	55	3	58
Admin and General	1,717	96	1,813
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>1,841</b>	<b>103</b>	<b>1,944</b>
<b>Maintenance</b>			
Natural Gas Storage	-	-	-
Transmission	14	1	15
Distribution	81	5	85
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>95</b>	<b>5</b>	<b>101</b>
<b>Total Operation &amp; Maintenance</b>	<b>1,936</b>	<b>108</b>	<b>2,044</b>

**Notes:**

Allocation based on actual year ended December 31, 2005



**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Contract Labor**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	4,010	224	4,234
Corporate Services	6	-	7
Utility Services	1	-	1
Engineering Services	116	6	123
Total	<u>4,134</u>	<u>230</u>	<u>4,364</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	44	2	47
Transmission	192	11	202
Distribution	1,484	83	1,567
Customer Accounts	1	-	1
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	8	-	9
Allocated Service Company	-	-	-
Total Operation	<u>1,729</u>	<u>96</u>	<u>1,826</u>
Maintenance			
Natural Gas Storage	44	2	47
Transmission	275	15	290
Distribution	2,085	116	2,201
Admin and General	1	-	1
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>2,405</u>	<u>134</u>	<u>2,539</u>
Total Operation & Maintenance	<u>4,134</u>	<u>230</u>	<u>4,364</u>

Notes:  
Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Contributions, Tickets & Sponsorship**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	11	(11)	-
Corporate Services	569	(569)	-
Utility Services	114	(114)	-
Engineering Services	-	-	-
Total	<u>694</u>	<u>(694)</u>	<u>-</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	1	(1)	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	63	(63)	-
Admin and General	628	(628)	-
Allocated Service Company	-	-	-
Total Operation	<u>692</u>	<u>(692)</u>	<u>-</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	1	(1)	-
Admin and General	-	-	-
Total Maintenance	<u>2</u>	<u>(2)</u>	<u>-</u>
Total Operation & Maintenance	<u>694</u>	<u>(694)</u>	<u>-</u>

Notes:

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Dues & Memberships**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	289	16	305
Corporate Services	267	15	282
Utility Services	16	1	17
Engineering Services	-	-	-
Total	<u>571</u>	<u>32</u>	<u>603</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	4	-	4
Admin and General	567	32	598
Allocated Service Company	-	-	-
Total Operation	<u>571</u>	<u>32</u>	<u>603</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>571</u>	<u>32</u>	<u>603</u>

Notes:

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Fleet Leasing**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	1,190	66	1,257
Corporate Services	262	15	277
Utility Services	23	1	24
Engineering Services	13	1	14
Total	<u>1,488</u>	<u>83</u>	<u>1,571</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	72	4	76
Transmission	-	-	-
Distribution	411	23	433
Customer Accounts	134	7	141
Customer Service	20	1	21
Sales Promotion	-	-	-
Admin and General	135	8	143
Allocated Service Company	-	-	-
Total Operation	<u>771</u>	<u>43</u>	<u>814</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	108	6	113
Distribution	609	34	643
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>717</u>	<u>40</u>	<u>757</u>
Total Operation & Maintenance	<u>1,488</u>	<u>83</u>	<u>1,571</u>

Notes:

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Franchise Requirements**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	-	-	-
Corporate Services	-	-	-
Utility Services	-	-	-
Engineering Services	-	-	-
Total	-	-	-
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	-	-	-
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	-	-	-
Total Operation & Maintenance	-	-	-

Notes:

Allocation based on actual year ended December 31, 2005

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Operating Expenses by Component  
Insurance  
(\$000)

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	-	-	-
Corporate Services	3,031	169	3,200
Utility Services	193	11	204
Engineering Services	-	-	-
Total	<u>3,224</u>	<u>180</u>	<u>3,404</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	3,224	180	3,404
Allocated Service Company	-	-	-
Total Operation	<u>3,224</u>	<u>180</u>	<u>3,404</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>3,224</u>	<u>180</u>	<u>3,404</u>

Notes:

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Lock Box**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	-	-	-
Corporate Services	328	18	346
Utility Services	-	-	-
Engineering Services	-	-	-
Total	<u>328</u>	<u>18</u>	<u>346</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	328	18	346
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	<u>328</u>	<u>18</u>	<u>346</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>328</u>	<u>18</u>	<u>346</u>

Notes:

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Materials & Supplies**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDLI	2,428	135	2,564
Corporate Services	583	33	616
Utility Services	109	6	115
Engineering Services	11	1	12
<b>Total</b>	<b>3,131</b>	<b>175</b>	<b>3,306</b>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	107	6	113
Transmission	35	2	37
Distribution	635	35	670
Customer Accounts	296	17	313
Customer Service	30	2	31
Sales Promotion	2	-	3
Admin and General	271	15	286
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>1,376</b>	<b>77</b>	<b>1,453</b>
<b>Maintenance</b>			
Natural Gas Storage	48	3	50
Transmission	188	11	199
Distribution	1,504	84	1,588
Admin and General	15	1	16
<b>Total Maintenance</b>	<b>1,756</b>	<b>98</b>	<b>1,854</b>
<b>Total Operation &amp; Maintenance</b>	<b>3,131</b>	<b>175</b>	<b>3,306</b>

**Notes:**

Allocation based on actual year ended December 31, 2005



**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**NY Facilities**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	2,986	166	3,152
Corporate Services	-	-	-
Utility Services	-	-	-
Engineering Services	-	-	-
Total	<u>2,986</u>	<u>166</u>	<u>3,152</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	3,461	193	3,654
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	<u>3,461</u>	<u>193</u>	<u>3,654</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	(476)	(27)	(502)
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>(476)</u>	<u>(27)</u>	<u>(502)</u>
Total Operation & Maintenance	<u>2,986</u>	<u>166</u>	<u>3,152</u>

Notes:

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**OPEBs**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	(1,095)	7,312	6,216
Corporate Services	4,400	1,305	5,705
Utility Services	1,285	527	1,812
Engineering Services	65	15	80
Total	<u>4,654</u>	<u>9,158</u>	<u>13,812</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	131	257	388
Transmission	1	1	2
Distribution	874	1,719	2,593
Customer Accounts	1,831	3,603	5,433
Customer Service	33	64	97
Sales Promotion	751	1,478	2,228
Admin and General	(373)	(735)	(1,108)
Allocated Service Company	-	-	-
Total Operation	<u>3,246</u>	<u>6,387</u>	<u>9,633</u>
Maintenance			
Natural Gas Storage	10	20	29
Transmission	196	387	583
Distribution	1,172	2,306	3,478
Admin and General	30	59	88
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>1,408</u>	<u>2,771</u>	<u>4,179</u>
Total Operation & Maintenance	<u>4,654</u>	<u>9,158</u>	<u>13,812</u>

Notes:

Allocation based on actual year ended December 31, 2005

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)

Operating Expenses by Component

Other  
(\$000)

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	(192)	(11)	(202)
Corporate Services	2,964	165	3,129
Utility Services	183	10	193
Engineering Services	(1)	-	(1)
Total	<u>2,954</u>	<u>165</u>	<u>3,118</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	318	18	336
Transmission	(144)	(8)	(152)
Distribution	284	16	299
Customer Accounts	155	9	163
Customer Service	92	5	97
Sales Promotion	201	11	212
Admin and General	1,278	71	1,349
Allocated Service Company	38	2	40
Total Operation	<u>2,222</u>	<u>124</u>	<u>2,345</u>
Maintenance			
Natural Gas Storage	19	1	20
Transmission	70	4	74
Distribution	543	30	574
Admin and General	100	6	105
Total Maintenance	<u>732</u>	<u>41</u>	<u>773</u>
Total Operation & Maintenance	<u>2,954</u>	<u>165</u>	<u>3,118</u>

Notes:

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Paving**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	1,684	94	1,777
Corporate Services	-	-	-
Utility Services	-	-	-
Engineering Services	-	-	-
Total	<u>1,684</u>	<u>94</u>	<u>1,777</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	31	2	33
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	<u>31</u>	<u>2</u>	<u>33</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	29	2	30
Distribution	1,624	91	1,714
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>1,652</u>	<u>92</u>	<u>1,745</u>
Total Operation & Maintenance	<u>1,684</u>	<u>94</u>	<u>1,777</u>

Notes:

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Payroll Taxes**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDLI	514	48	562
Corporate Services	1,827	133	1,960
Utility Services	458	52	510
Engineering Services	36	3	39
<b>Total</b>	<b>2,835</b>	<b>235</b>	<b>3,070</b>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	30	3	33
Transmission	-	-	-
Distribution	224	19	243
Customer Accounts	758	63	821
Customer Service	12	1	13
Sales Promotion	264	22	286
Admin and General	1,207	100	1,307
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>2,495</b>	<b>207</b>	<b>2,702</b>
<b>Maintenance</b>			
Natural Gas Storage	5	-	5
Transmission	45	4	49
Distribution	278	23	301
Admin and General	12	1	13
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>340</b>	<b>28</b>	<b>369</b>
<b>Total Operation &amp; Maintenance</b>	<b>2,835</b>	<b>235</b>	<b>3,070</b>

**Notes:**

Allocation based on actual year ended December 31, 2005

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Operating Expenses by Component  
Payroll Taxes  
(\$000)

	December-05 Test Year	Overall increase	Total
KEDLI (37)	514	9.31%	48
Corporate Services (31)	1,827	7.26%	133
Utility Services (32)	458	11.34%	52
Engineering Services (33)	36	6.98%	3
Total	2,835		235

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Pensions**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	(2,664)	6,865	4,201
Corporate Services	4,183	2,186	6,369
Utility Services	736	735	1,471
Engineering Services	69	16	85
Total	<u>2,323</u>	<u>9,802</u>	<u>12,125</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	85	358	443
Transmission	-	1	1
Distribution	598	2,524	3,122
Customer Accounts	1,742	7,352	9,095
Customer Service	20	84	104
Sales Promotion	425	1,794	2,219
Admin and General	(1,482)	(6,254)	(7,736)
Allocated Service Company	-	-	-
Total Operation	<u>1,389</u>	<u>5,859</u>	<u>7,248</u>
Maintenance			
Natural Gas Storage	10	42	52
Transmission	128	538	666
Distribution	768	3,242	4,011
Admin and General	29	120	149
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>934</u>	<u>3,943</u>	<u>4,878</u>
Total Operation & Maintenance	<u>2,323</u>	<u>9,802</u>	<u>12,125</u>

Notes:

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Permits**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	163	59	222
Corporate Services	21	8	29
Utility Services	-	-	-
Engineering Services	-	-	-
Total	<u>184</u>	<u>66</u>	<u>250</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	2	1	2
Transmission	-	-	-
Distribution	5	2	7
Customer Accounts	5	2	7
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	16	6	22
Allocated Service Company	-	-	-
Total Operation	<u>28</u>	<u>10</u>	<u>39</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	1
Distribution	155	56	211
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>155</u>	<u>56</u>	<u>212</u>
Total Operation & Maintenance	<u>184</u>	<u>66</u>	<u>250</u>

Notes:

Allocation based on actual year ended December 31, 2005



**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Postage**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	341	19	360
Corporate Services	2,766	154	2,920
Utility Services	3	-	4
Engineering Services	-	-	-
Total	<u>3,110</u>	<u>173</u>	<u>3,283</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	3,046	170	3,216
Customer Service	-	-	-
Sales Promotion	1	-	1
Admin and General	63	4	66
Allocated Service Company	-	-	-
Total Operation	<u>3,110</u>	<u>173</u>	<u>3,283</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>3,110</u>	<u>173</u>	<u>3,283</u>

Notes:

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**PSC Assessment Fees**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDLI	3,838	214	4,052
Corporate Services	-	-	-
Utility Services	-	-	-
Engineering Services	-	-	-
<b>Total</b>	<b>3,838</b>	<b>214</b>	<b>4,052</b>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	3,838	214	4,052
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>3,838</b>	<b>214</b>	<b>4,052</b>
<b>Maintenance</b>			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Operation &amp; Maintenance</b>	<b>3,838</b>	<b>214</b>	<b>4,052</b>

**Notes:**

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Purchased Services**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	1,217	68	1,285
Corporate Services	7,533	420	7,953
Utility Services	121	7	128
Engineering Services	65	4	69
Total	<u>8,936</u>	<u>498</u>	<u>9,434</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	36	2	38
Transmission	29	2	30
Distribution	245	14	259
Customer Accounts	366	20	387
Customer Service	17	1	18
Sales Promotion	24	1	25
Admin and General	7,831	436	8,267
Allocated Service Company	-	-	-
Total Operation	<u>8,548</u>	<u>476</u>	<u>9,024</u>
Maintenance			
Natural Gas Storage	22	1	24
Transmission	53	3	56
Distribution	285	16	301
Admin and General	28	2	29
Total Maintenance	<u>388</u>	<u>22</u>	<u>410</u>
Total Operation & Maintenance	<u>8,936</u>	<u>498</u>	<u>9,434</u>

Notes:

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Servco Asset Recovery Charge**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDLI	-	-	-
Corporate Services	7,828	(7,828)	-
Utility Services	349	(349)	-
Engineering Services	(7)	7	-
Total	<u>8,171</u>	<u>(8,171)</u>	<u>-</u>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	8,171	(8,171)	-
Total Operation	<u>8,171</u>	<u>(8,171)</u>	<u>-</u>
<b>Maintenance</b>			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Operation &amp; Maintenance</b>	<u>8,171</u>	<u>(8,171)</u>	<u>-</u>

**Notes:**

Allocation based on actual year ended December 31, 2005

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Telecommunications**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	587	33	620
Corporate Services	1,065	59	1,124
Utility Services	163	9	172
Engineering Services	8	-	9
Total	<u>1,823</u>	<u>102</u>	<u>1,924</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	35	2	37
Transmission	-	-	-
Distribution	195	11	206
Customer Accounts	385	21	407
Customer Service	-	-	-
Sales Promotion	1	-	1
Admin and General	853	48	900
Allocated Service Company	-	-	-
Total Operation	<u>1,469</u>	<u>82</u>	<u>1,551</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	53	3	56
Distribution	300	17	317
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>353</u>	<u>20</u>	<u>373</u>
Total Operation & Maintenance	<u>1,823</u>	<u>102</u>	<u>1,924</u>

Notes:

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Transportation**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDLI	1,561	87	1,648
Corporate Services	459	26	484
Utility Services	49	3	52
Engineering Services	14	1	15
<b>Total</b>	<b>2,083</b>	<b>116</b>	<b>2,199</b>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	94	5	100
Transmission	-	-	-
Distribution	525	29	554
Customer Accounts	318	18	336
Customer Service	45	3	47
Sales Promotion	2	-	2
Admin and General	93	5	98
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>1,077</b>	<b>60</b>	<b>1,137</b>
<b>Maintenance</b>			
Natural Gas Storage	-	-	-
Transmission	142	8	149
Distribution	802	45	847
Admin and General	63	3	66
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>1,006</b>	<b>56</b>	<b>1,062</b>
<b>Total Operation &amp; Maintenance</b>	<b>2,083</b>	<b>116</b>	<b>2,199</b>

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Transportation - Liquid Fuels**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDLI	317	18	335
Corporate Services	101	6	107
Utility Services	20	1	21
Engineering Services	3	-	3
<b>Total</b>	<b>441</b>	<b>25</b>	<b>466</b>
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	19	1	20
Transmission	-	-	-
Distribution	106	6	112
Customer Accounts	62	3	66
Customer Service	20	1	21
Sales Promotion	-	-	-
Admin and General	42	2	44
Allocated Service Company	-	-	-
<b>Total Operation</b>	<b>249</b>	<b>14</b>	<b>262</b>
<b>Maintenance</b>			
Natural Gas Storage	-	-	-
Transmission	29	2	30
Distribution	163	9	173
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
<b>Total Maintenance</b>	<b>192</b>	<b>11</b>	<b>203</b>
<b>Total Operation &amp; Maintenance</b>	<b>441</b>	<b>25</b>	<b>466</b>

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Uncollectibles**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	6,194	(3,521)	2,673
Corporate Services	-	-	-
Utility Services	-	-	-
Engineering Services	-	-	-
Total	<u>6,194</u>	<u>(3,521)</u>	<u>2,673</u>
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	6,194	(3,521)	2,673
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	<u>6,194</u>	<u>(3,521)</u>	<u>2,673</u>
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation & Maintenance	<u>6,194</u>	<u>(3,521)</u>	<u>2,673</u>

Notes:

Allocation based on actual year ended December 31, 2005



**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Uncollectibles**  
**(\$000)**

Total Gas Revenues	1,432,485
Other Gas Revenues	<u>21,908</u>
	<u>1,454,393</u>
Less Gas Costs	1,007,021
Less Revenue Taxes	16,210
Net Margin	431,162
Uncollectible Rate	0.62%
	<b>2,673</b>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Accounting Change**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDNY	-	-	-
Corporate Services	-	-	-
Utility Services	-	-	-
Engineering Services	-	-	-
Total	-	-	-
Operation	-	-	-
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	-	-	-
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Total Maintenance	-	-	-
Total Operation & Maintenance	-	-	-

**Notes:**

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Summary of Taxes Other Than Income Taxes**  
**(\$000)**

	Rate Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Taxes Other than Income Taxes (Account 408)			
Local			
Real Estate/Special Franchise	54,821	44,645	99,466
Municipal Gross Revenue	4,045	2,717	6,762
Total Local Taxes	58,866	47,362	106,228
State			
Franchise - Gross Income - 186a	5,648	3,793	9,441
NYS Excise Tax	5	-	5
MTA Surcharge	(139)	146	7
Unemployment Insurance	143	13	156
Sales and Use	-	-	-
NYS Hazardous Waste	-	-	-
Other	117	7	124
Total State Taxes	5,774	3,959	9,733
Federal			
FICA Tax	1,165	108	1,273
Unemployment Tax	52	5	57
Total Federal Taxes	1,217	113	1,330
Total Taxes Other than Income Taxes	65,857	51,434	117,291

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Federal Income Tax Computation- Utility Operations**  
**Historic Year Ended December 31, 2005 and Rate Year Ending March 31,2008**  
**(\$000)**

	<u>Projected</u>	<u>Impact of Rate Relief</u>	<u>Adjusted with Rate Relief</u>
OPERATING INCOME BEFORE INCOME TAXES& INTEREST CHARGES	72,316	144,161	216,476
INTEREST CHARGES and Other Charges	<u>62,214</u>		<u>62,214</u>
OPERATING INCOME BEFORE INCOME TAXES	<u>10,102</u>	<u>144,161</u>	<u>154,263</u>

**SECTION I - FLOW THROUGH ITEMS**

**ADDITIONS**

Meals and Entertainment	8		8
	<u>8</u>	<u>-</u>	<u>8</u>

**DEDUCTIONS**

New York State Income Tax Provision	913	13,018	13,931
	<u>913</u>	<u>13,018</u>	<u>13,931</u>

Total Flow Through (905) (13,018) (13,923)

Income Subject to Income Tax 9,197 131,143 140,340

Income Tax Provision @ 35.00%	<u>3,219</u>	<u>45,900</u>	<u>49,119</u>
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**SECTION II - NORMALIZED ITEMS**

**ADDITIONS**

Medicare Income	1,808		1,808
Merger Cost Deferral/Amortization	1,971	-	1,971
Performance Shares	345		345
Book Depreciation - current depreciation rates	51,617		51,617
Book Depreciation - proposed depreciation rates	20,835		20,835
Removal Cost Amortization	887		887
Senior Securities Expense Amortization	383		383
Pensions & OPEBs (Amortization)	10,279	-	10,279
Environmental Clean Up Cost Amortization	6,645	-	6,645
	<u>94,771</u>	<u>-</u>	<u>94,771</u>

**DEDUCTIONS**

Environmental Clean Up Cost Expenditures	38,069		38,069
Tax Depreciation	101,156		101,156
Removal Costs Expenditures	6,963		6,963
Lien Date Property Taxes	3,106		3,106
Deferred State tax provision	(5,422)	-	(5,422)
	<u>143,871</u>	<u>-</u>	<u>143,871</u>

Total Timing Differences (49,100) - (49,100)

**TAXABLE INCOME** (39,903) 131,143 91,240

<b>CURRENT FEDERAL INCOME TAX EXPENSE @ 35.00%</b>	<u>(13,966)</u>	<u>45,900</u>	<u>31,934</u>
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Adjustment: Accrual to Return	-	-	-
	<u>(13,966)</u>	<u>45,900</u>	<u>31,934</u>

<b>DEFERRED FEDERAL INCOME TAX EXPENSE @ 35.00%</b>	<u>17,185</u>	<u>-</u>	<u>17,185</u>
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Adjustment: Accrual to Return	-	-	-
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Adjustment: FAS 106 amortization	-	-	-
	<u>17,185</u>	<u>-</u>	<u>17,185</u>

<b>TOTAL FEDERAL INCOME TAX</b>	<u>3,219</u>	<u>45,900</u>	<u>49,119</u>
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**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**New York State Income Tax Computation- Utility Operations**  
**Historic Year Ended December 31, 2005 and Rate Year Ending March 31,2008**  
**(\$000)**

	<u>Projected</u>	<u>Impact of Rate Relief</u>	<u>Adjusted with Rate Relief</u>
OPERATING INCOME BEFORE INCOME TAXES& INTEREST CHARGES	72,316	144,161	216,476
INTEREST CHARGES and Other Charges	62,214		62,214
OPERATING INCOME BEFORE INCOME TAXES	<u>10,102</u>	<u>144,161</u>	<u>154,263</u>
<b><u>SECTION I - FLOW THROUGH ITEMS</u></b>			
<b><u>ADDITIONS</u></b>			
Meals and Entertainment	<u>8</u>		<u>8</u>
	<u>8</u>	<u>-</u>	<u>8</u>
<b><u>DEDUCTIONS</u></b>			
	<u>-</u>		<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Total Flow Through	8		8
Income Subject to Income Tax	<u>10,110</u>	<u>144,161</u>	<u>154,271</u>
Income Tax Provision @ 9.03%	<u>913</u>	<u>13,018</u>	<u>13,931</u>
<b><u>SECTION II - NORMALIZED ITEMS</u></b>			
<b><u>ADDITIONS</u></b>			
Medicare Income	1,808		1,808
Merger Cost Deferral/Amortization	1,971	-	1,971
Performance Shares	345		345
Book Depreciation - current depreciation rates	51,617	-	51,617
Book Depreciation - proposed depreciation rates	20,835	-	20,835
Removal Cost Amortization	887		887
Senior Securities Expense Amortization	383		383
Pensions & OPEBs (Amortization)	10,279	-	10,279
Environmental Clean Up Cost Amortization	6,645	-	6,645
	<u>94,771</u>	<u>-</u>	<u>94,771</u>
<b><u>DEDUCTIONS</u></b>			
Environmental Clean Up Cost Expenditures	38,069		38,069
Tax Depreciation	106,682		106,682
Removal Costs Expenditures	6,963		6,963
Lien Date Property Taxes	3,106		3,106
	<u>154,819</u>	<u>-</u>	<u>154,819</u>
Total Timing Differences	(60,048)	-	(60,048)
TAXABLE INCOME	(49,938)	144,161	94,222
CURRENT STATE INCOME TAX EXPENSE @ 9.03%	<u>(4,509)</u>	<u>13,018</u>	<u>8,508</u>
	(4,509)	13,018	8,508
DEFERRED STATE INCOME TAX EXPENSE @ 9.03%	<u>5,422</u>	<u>-</u>	<u>5,422</u>
	5,422	-	5,422
TOTAL STATE INCOME TAX	<u>913</u>	<u>13,018</u>	<u>13,931</u>

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Income Tax Computation - Utility Operations - Interest Deduction  
Rate Year Ending March 31,2008  
(\$000)

	<u>Projected</u>	<u>Impact of Rate Relief</u>	<u>Adjusted with Rate Relief</u>
Average Rate Base	\$ 1,658,624,324		\$ 1,658,624,324
Long Term Debt Weighted Average Cost Rate	3.75%		3.75%
	<u>\$ 62,213,593</u>		<u>\$ 62,213,593</u>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Average Rate Base**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	Total Gas Plant	Noninterest Bearing CWIP	Reserve for Depreciation	(Total) Net Utility Plant Service
December 2004	1,977,487	15,149	(381,687)	1,610,949
January	1,981,604	7,178	(385,019)	1,603,763
February	1,988,617	3,523	(386,987)	1,605,153
March	1,996,313	2,646	(390,472)	1,608,488
April	2,000,807	7,686	(391,926)	1,616,568
May	2,005,140	9,282	(395,117)	1,619,305
June	2,009,419	3,937	(396,151)	1,617,205
July	2,010,293	8,637	(399,385)	1,619,545
August	2,015,767	14,708	(400,456)	1,630,019
September	2,034,886	18,800	(402,304)	1,651,383
October	2,039,337	24,756	(404,757)	1,659,335
November	2,048,231	29,813	(408,200)	1,669,843
December 2005	2,059,510	32,820	(408,763)	1,683,566
Subtotal	26,167,411	178,935	(5,151,222)	21,195,124
Less:				
1/2 December 04	988,743	7,575	(190,843)	805,475
1/2 December 05	1,029,755	16,410	(204,382)	841,783
Total	24,148,912	154,950	(4,755,997)	19,547,866
Average (Total ÷ 12)	2,012,409	12,913	(396,333)	1,628,989

Property Base Adjustments (Sch. 2, Pg. 1) (208,387)

Adjusted Property Base 1,420,601  
Working Capital (Sch. 3, Pg. 1) 231,465

Average Rate Base 1,652,065

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Summary of Property Base Adjustments**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

<b>Average Balance of:</b>	<b>Reference</b>	<b>Amount</b>
Deferred Merger Costs to Achieve	Page 2	6,407
Deferred Site Investigation & Remediation Expenditures	Page 3	19,320
Unamortized Senior Securities' Expense	Page 4	1,508
Unamortized Property Tax Costs	Page 5	45,578
Deferred OPEBs/Pension Costs	Page 6	45,667
Unamortized Deferred Assets - Other	Page 7	1,301
Deferred Income Taxes	Page 8	<u>(317,879)</u>
Sub-Total		(198,098)
Excess of Rate Base over Capitalization	Page 9	<u>(10,290)</u>
Net Property Base Adjustment		<u><u>(208,387)</u></u>



**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Deferred Merger Costs to Achieve**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	Total
December 2004	7,256
January	7,115
February	6,973
March	6,832
April	6,690
May	6,549
June	6,407
July	6,266
August	6,124
September	5,983
October	5,841
November	5,700
December 2005	5,558
Subtotal	83,294
Less:	
1/2 December 04	3,628
1/2 December 05	2,779
Total	76,887
Average (Total ÷ 12)	6,407

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Deferred Site Investigation & Remediation Expenditures  
For The Twelve Months Ended December 31, 2005  
(\$000)

	Deferred Debits	Deferred Credits	Other	AEGIS Settlement to Environ	Total
December 2004	105,428	(79,619)	-	-	25,809
January	105,428	(79,869)	-	-	25,559
February	105,428	(80,119)	-	(6,275)	19,034
March	103,427	(76,368)	-	(6,275)	20,785
April	103,427	(76,618)	-	(6,275)	20,535
May	103,427	(76,868)	-	(9,220)	17,339
June	101,012	(72,287)	-	(9,470)	19,255
July	101,012	(72,537)	-	(9,470)	19,005
August	101,012	(72,787)	-	(9,470)	18,755
September	99,825	(70,663)	(3,113)	(9,470)	16,578
October	99,825	(70,913)	(3,113)	(9,470)	16,328
November	99,825	(71,163)	(3,113)	(9,470)	16,078
December 2005	161,097	(129,155)	(3,113)	(9,470)	19,358
Subtotal	1,390,174	(1,028,965)	(12,453)	(94,338)	254,418
Less:					
1/2 December 04	52,714	(39,810)			12,904
1/2 December 05	80,549	(64,578)	(1,557)	(4,735)	9,679
Total	1,256,911	(924,578)	(10,896)	(89,603)	231,835
Average (Total + 12)	104,743	(77,048)	(908)	(7,467)	19,320

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Unamortized Senior Securities' Expense**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	<u>Total</u>
December 2004	1,699
January	1,667
February	1,635
March	1,603
April	1,572
May	1,540
June	1,508
July	1,476
August	1,443
September	1,416
October	1,380
November	1,348
December 2005	1,316
Subtotal	<u>19,604</u>
Less:	
1/2 December 04	850
1/2 December 05	<u>658</u>
Total	<u>18,096</u>
Average (Total ÷ 12)	<u><u>1,508</u></u>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Unamortized Property Tax Costs**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	<u>Unamortized Property Tax</u>
December 2004	45,235
January	43,652
February	41,682
March	39,653
April	39,351
May	42,500
June	44,163
July	45,934
August	47,839
September	49,795
October	51,661
November	52,497
December 2005	51,195
Subtotal	<u>595,156</u>
Less:	
1/2 December 04	22,617
1/2 December 05	<u>25,598</u>
Total	<u>546,941</u>
Average (Total ÷ 12)	<u><u>45,578</u></u>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Deferred OPEBs/Pension Costs**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	OPEB Costs	Pension Costs	Total
December 2004	36,404	4,122	40,526
January	36,871	4,894	41,765
February	37,392	5,761	43,153
March	37,388	6,276	43,665
April	37,847	7,101	44,949
May	38,288	7,914	46,202
June	37,656	7,269	44,926
July	38,071	8,044	46,115
August	38,452	8,811	47,263
September	38,283	8,769	47,052
October	38,697	9,564	48,261
November	39,111	10,358	49,468
December 2005	39,664	10,191	49,856
Subtotal	494,125	99,074	593,200
Less:			
1/2 December 04	18,202	2,061	20,263
1/2 December 05	19,832	5,096	24,928
Total	456,091	91,918	548,009
Average (Total ÷ 12)	38,008	7,660	45,667

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Unamortized Deferred Assets - Other**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	Public Works	Other	Total
December 2004	797	(327)	470
January	821	(475)	346
February	846	(458)	388
March	877	(216)	661
April	916	(318)	598
May	943	1,047	1,990
June	965	299	1,264
July	991	(338)	653
August	1,020	379	1,399
September	1,191	249	1,441
October	1,241	1,038	2,279
November	1,283	2,184	3,466
December 2005	1,341	442	1,783
Subtotal	13,233	3,505	16,738
Less:			
1/2 December 04	398	(164)	235
1/2 December 05	671	221	892
Total	12,164	3,447	15,612
Average (Total ÷ 12)	1,014	287	1,301

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Deferred Income Taxes**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	Federal	New York State	Total
December 2004	(281,699)	(24,338)	(306,036)
January	(281,699)	(24,355)	(306,054)
February	(281,699)	(24,372)	(306,071)
March	(284,792)	(20,849)	(305,641)
April	(284,792)	(20,867)	(305,659)
May	(284,792)	(26,289)	(311,081)
June	(289,921)	(28,316)	(318,237)
July	(289,921)	(28,274)	(318,195)
August	(289,921)	(28,234)	(318,155)
September	(304,790)	(33,405)	(338,195)
October	(304,790)	(33,371)	(338,161)
November	(291,788)	(44,959)	(336,748)
December 2005	(267,862)	(50,811)	(318,673)
Subtotal	(3,738,466)	(388,440)	(4,126,906)
Less:			
1/2 December 04	(140,849)	(12,169)	(153,018)
1/2 December 05	(133,931)	(25,405)	(159,336)
Total	(3,463,685)	(350,866)	(3,814,551)
Average (Total ÷ 12)	(288,640)	(29,239)	(317,879)

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Comparison of Capitalization and Earnings Base**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

Average Capitalization

Long-Term Debt	(650,904)
Customer Deposits	(7,573)
Common Equity	(900,909)
Investments in Subsidiaries & Non-Utility Property	1,933
Intercompany Notes Payable net Notes Receivable	(46,787)
Intercompany Accounts Payable net Accounts Receivable	18,562
Transition & Gas Balancing Accounts	(20,378)
Deferred Regulatory Liabilities - Interest Bearing	(61,241)
	<hr/>
Total	(1,667,297)
	<hr/>

Average Earnings Base

Property Base	1,430,891
Working Capital	231,465
Construction Work In Progress - Interest Bearing	15,231
	<hr/>
Total	1,677,587
	<hr/>

Excess Earnings Base Over Capitalization	10,290
	<hr/>



**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Summary of Working Capital**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

Gas Storage Inventory	126,201
Prepayments	36,766
Materials & Supplies	8,624
Cash Working Capital Allowance	<u>59,874</u>
Total Working Capital	<u><u>231,465</u></u>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Gas Storage Inventory**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	Gas Storage Underground Inventory	Liquified Natural Gas In Storage	Total
December 2004	115,574	2,855	118,429
January	73,554	2,715	76,270
February	54,078	3,105	57,183
March	33,028	2,831	35,859
April	52,326	2,834	55,160
May	79,503	2,716	82,218
June	103,373	2,741	106,114
July	130,948	2,695	133,643
August	158,129	2,643	160,772
September	196,285	2,596	198,881
October	223,559	2,550	226,109
November	224,845	4,145	228,989
December 2005	187,995	-	187,995
Subtotal	1,633,197	34,426	1,667,623
Less:			
1/2 December 04	57,787	1,427	59,215
1/2 December 05	93,997	-	93,997
Total	1,481,413	32,998	1,514,411
Average (Total ÷ 12)	123,451	2,750	126,201

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Prepayments  
For The Twelve Months Ended December 31, 2005  
(\$000)

	PSC Assessment	Cost of Gas	Property Tax	Pensions & OPEBs	Other	Total
December 2004	1,049	18,687	(4,359)	16,650	53	32,079
January	700	15,424	5,217	15,732	47	37,119
February	2,265	12,899	5,408	14,755	41	35,368
March	1,915	11,227	(1,700)	13,773	35	25,251
April	1,596	11,113	(9,027)	12,797	30	16,509
May	1,277	13,069	9,673	11,820	23	35,862
June	958	15,026	6,101	11,908	18	34,010
July	638	16,927	13,073	11,114	12	41,764
August	2,341	18,864	5,947	10,320	6	37,478
September	2,022	20,741	(1,275)	24,513	-	46,001
October	1,685	22,712	2,631	23,713	60	50,800
November	1,348	21,807	(1,646)	22,870	54	44,433
December 2005	1,011	19,315	(1,424)	22,171	49	41,122
Subtotal	18,806	217,810	28,618	212,136	426	477,797
Less:						
1/2 December 04	525	9,344	(2,180)	8,325	26	16,040
1/2 December 05	506	9,658	(712)	11,085	24	20,561
Total	17,776	198,809	31,510	192,726	375	441,197
Average (Total ÷ 12)	1,481	16,567	2,626	16,061	31	36,766

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Materials & Supplies**  
**For The Twelve Months Ended December 31, 2005**  
**(\$000)**

	Materials & Supplies	Stores Expense Undistributed	Total
December 2004	8,150	(23)	8,127
January	8,150	79	8,229
February	8,150	295	8,445
March	8,658	-	8,658
April	8,658	240	8,898
May	8,658	458	9,116
June	8,658	799	9,457
July	8,658	1,026	9,684
August	8,658	1,220	9,878
September	7,851	-	7,851
October	7,698	-	7,698
November	7,698	53	7,751
December 2005	7,519	-	7,519
Subtotal	107,163	4,146	111,309
Less:			
1/2 December 04	4,075	(12)	4,063
1/2 December 05	3,759	-	3,759
Total	99,329	4,157	103,486
Average (Total ÷ 12)	8,277	346	8,624

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Cash Working Capital Allowance  
For The Twelve Months Ended December 31, 2005  
(\$000)

Operations & Maintenance Expense		<u>1,104,708</u>	
Less:			
Purchased Gas	963,225		
Uncollectible Losses Allowance	<u>6,194</u>		
		<u>969,420</u>	
Net		<u>135,288</u>	
Cash Allowance at 1/8th of Net Operations & Maintenance Expense			16,911
Plus:			
Purchased Gas			
Cash Allowance at 16.28/365			<u>42,962</u>
Total Cash Working Capital Allowance			<u>59,874</u>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Average Rate Base**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	Total Gas Plant	Noninterest Bearing CWIP	Reserve for Depreciation	(Total) Net Utility Plant Service
March 2007	2,192,583	12,913	(448,251)	1,757,245
April	2,202,509	12,913	(452,738)	1,762,684
May	2,212,436	12,913	(457,251)	1,768,098
June	2,222,362	12,913	(461,791)	1,773,485
July	2,232,289	12,913	(466,357)	1,778,845
August	2,242,215	12,913	(470,925)	1,784,203
September	2,252,142	12,913	(475,519)	1,789,535
October	2,262,068	12,913	(480,141)	1,794,841
November	2,318,895	12,913	(484,845)	1,846,962
December 2007	2,338,344	12,913	(489,689)	1,861,567
January	2,348,927	12,913	(494,603)	1,867,237
February	2,359,511	12,913	(499,544)	1,872,880
March 2008	2,370,094	12,913	(504,511)	1,878,496
Subtotal	29,554,373	167,869	(6,186,165)	23,536,077
Less:				
1/2 March 2007	1,096,291	6,457	(224,125)	878,622
1/2 March 2008	1,185,047	6,457	(252,256)	939,248
Total	27,273,035	154,956	(5,709,784)	21,718,207
Average (Total ÷ 12)	2,272,753	12,913	(475,815)	1,809,851
Charged from - Corporate Services:				
Average (Total ÷ 12)	62,415	1,756	(27,774)	36,397
Total Plant	2,335,168	14,669	(503,590)	1,846,248
Property Base Adjustments (Sch. 2, Pg. 1)				(236,807)
Adjusted Property Base				1,609,441
Working Capital (Sch. 3, Pg. 1)				49,183
Average Rate Base				1,658,624

**KEYSPAN Corporate Services LLC (COMPANY 31)**  
**Average Rate Base**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	Total Common Plant	Noninterest Bearing CWIP	Reserve for Depreciation	(Total) Net Utility Plant Service
March 2007	61,912	1,756	(26,429)	37,239
April	61,996	1,756	(26,658)	37,093
May	62,080	1,756	(26,889)	36,947
June	62,180	1,756	(27,120)	36,816
July	62,048	1,756	(27,345)	36,459
August	62,326	1,756	(27,561)	36,521
September	62,444	1,756	(27,778)	36,422
October	62,528	1,756	(27,997)	36,288
November	62,613	1,756	(28,215)	36,153
December 2007	62,714	1,756	(28,435)	36,035
January	62,779	1,756	(28,655)	35,880
February	62,846	1,756	(28,876)	35,726
March 2008	62,948	1,756	(29,097)	35,607
Subtotal	811,414	22,826	(361,054)	473,187
Less:				
1/2 March 2007	30,956	878	(13,214)	18,619
1/2 March 2008	31,474	878	(14,548)	17,804
Total	748,984	21,070	(333,291)	436,764
Average (Total ÷ 12)	62,415	1,756	(27,774)	36,397

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Summary of Property Base Adjustments**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	<u>Reference</u>	<u>Amount</u>
<b>Average Balance of:</b>		
Deferred Merger Costs to Achieve	Page 2	2,292
Deferred Site Investigation & Remediation Expenditures	Page 3	60,110
Unamortized Senior Securities' Expense	Page 4	263
Deferred OPEBs/Pension Costs	Page 5	61,309
Unamortized Deferred Assets - Other	Page 6	1,374
Deferred Income Taxes	Page 7	<u>(351,866)</u>
Sub-Total		(226,517)
Excess of Rate Base over Capitalization		<u>(10,290)</u>
Net Property Base Adjustment		<u><u>(236,807)</u></u>



**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Deferred Merger Costs to Achieve**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	<u>Amortization</u>	<u>Total</u>
March 2007		3,278
April	(164)	3,113
May	(164)	2,949
June	(164)	2,785
July	(164)	2,621
August	(164)	2,456
September	(164)	2,292
October	(164)	2,128
November	(164)	1,964
December 2007	(164)	1,799
January	(164)	1,635
February	(164)	1,471
March 2008	(164)	1,307
Subtotal	<u>(1,971)</u>	<u>29,798</u>
Less:		
1/2 March 2007		1,639
1/2 March 2008		<u>653</u>
Total		<u>27,506</u>
Average (Total ÷ 12)		<u><u>2,292</u></u>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Deferred Site Investigation & Remediation Expenditures**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	<u>Expenditures</u>	<u>Amortization</u>	<u>Bklyn Navy Yard Revenue deferral</u>	<u>Total</u>
March 2007			-	46,513
April	3,036	(554)	(250)	48,745
May	3,036	(554)	(250)	50,977
June	3,036	(554)	(250)	53,209
July	3,036	(554)	(250)	55,441
August	3,036	(554)	(250)	57,673
September	3,036	(554)	(250)	59,906
October	3,036	(554)	(250)	62,138
November	3,036	(554)	(250)	64,370
December 2007	3,036	(554)	(250)	66,602
January	3,582	(554)	(250)	69,380
February	3,582	(554)	(250)	72,158
March 2008	3,582	(554)	(250)	74,937
Subtotal	38,069	(6,645)	(3,000)	782,049
Less:				
1/2 March 2007				23,256
1/2 March 2008	1,791	(277)	(125)	37,468
Total	36,278	(6,368)	(2,875)	721,324
Average (Total ÷ 12)	3,023	(531)	(240)	60,110

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Unamortized Senior Securities' Expense**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	<u>Amortization</u>	<u>Total</u>
March 2007		455
April	(32)	423
May	(32)	391
June	(32)	359
July	(32)	327
August	(32)	295
September	(32)	263
October	(32)	231
November	(32)	199
December 2007	(32)	168
January	(32)	136
February	(32)	104
March 2008	(32)	72
Subtotal	<u>(383)</u>	<u>3,422</u>
Less:		
1/2 March 2007		227
1/2 March 2008		<u>36</u>
Total		<u>3,159</u>
Average (Total ÷ 12)		<u><u>263</u></u>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Deferred OPEBs/Pension Costs**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	<u>Amortization</u>	<u>Total</u>
March 2007		66,449
April	(857)	65,592
May	(857)	64,736
June	(857)	63,879
July	(857)	63,022
August	(857)	62,166
September	(857)	61,309
October	(857)	60,453
November	(857)	59,596
December 2007	(857)	58,740
January	(857)	57,883
February	(857)	57,027
March 2008	(857)	56,170
Subtotal	<u>(10,279)</u>	<u>797,022</u>
Less:		
1/2 March 2007		33,224
1/2 March 2008		<u>28,085</u>
Total		<u>735,712</u>
Average (Total ÷ 12)		<u><u>61,309</u></u>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Unamortized Deferred Assets - Other**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	Public Works	Other	Total
March 2007	1,071	303	1,374
April	1,071	303	1,374
May	1,071	303	1,374
June	1,071	303	1,374
July	1,071	303	1,374
August	1,071	303	1,374
September	1,071	303	1,374
October	1,071	303	1,374
November	1,071	303	1,374
December 2007	1,071	303	1,374
January	1,071	303	1,374
February	1,071	303	1,374
March 2008	1,071	303	1,374
Subtotal	13,917	3,939	17,856
Less:			
1/2 March 2007	535	151	687
1/2 March 2008	535	151	687
Total	12,846	3,636	16,482
Average (Total ÷ 12)	1,071	303	1,374

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Deferred Income Taxes**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	Federal	New York State	Total
March 2007	(284,625)	(56,313)	(340,939)
April	(286,002)	(56,751)	(342,753)
May	(287,371)	(57,186)	(344,557)
June	(288,732)	(57,618)	(346,350)
July	(290,084)	(58,048)	(348,132)
August	(291,435)	(58,478)	(349,913)
September	(292,778)	(58,906)	(351,684)
October	(294,113)	(59,331)	(353,444)
November	(295,420)	(59,749)	(355,169)
December 2007	(296,684)	(60,154)	(356,838)
January	(298,557)	(60,728)	(359,284)
February	(300,421)	(61,299)	(361,720)
March 2008	(302,277)	(61,868)	(364,145)
Subtotal	(3,808,498)	(766,430)	(4,574,928)
Less:			
1/2 March 2007	(142,313)	(28,157)	(170,469)
1/2 March 2008	(151,138)	(30,934)	(182,072)
Total	(3,515,047)	(707,339)	(4,222,386)
Average (Total ÷ 12)	(292,921)	(58,945)	(351,866)

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Working Capital**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

Gas Storage Inventory (moved to GAC)	-
Prepayments	20,094
Materials & Supplies	8,190
Cash Working Capital Allowance	<u>20,899</u>
Total Working Capital	<u><u>49,183</u></u>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Prepayments**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	PSC Assessment	Property Tax	Pensions & OPEBs	Other	Total
March 2007	1,052	2,931	16,061	51	20,094
April	1,052	2,931	16,061	51	20,094
May	1,052	2,931	16,061	51	20,094
June	1,052	2,931	16,061	51	20,094
July	1,052	2,931	16,061	51	20,094
August	1,052	2,931	16,061	51	20,094
September	1,052	2,931	16,061	51	20,094
October	1,052	2,931	16,061	51	20,094
November	1,052	2,931	16,061	51	20,094
December 2007	1,052	2,931	16,061	51	20,094
January	1,052	2,931	16,061	51	20,094
February	1,052	2,931	16,061	51	20,094
March 2008	1,052	2,931	16,061	51	20,094
Subtotal	13,677	38,100	208,787	663	261,226
Less:					
1/2 March 2007	526	1,465	8,030	25	10,047
1/2 March 2008	526	1,465	8,030	25	10,047
Total	12,625	35,169	192,726	612	241,132
Average (Total + 12)	1,052	2,931	16,061	51	20,094



**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Materials & Supplies**  
**For The Twelve Months Ending March 31, 2008**  
**(\$000)**

	Materials & Supplies	Stores Expense Undistributed	Total
March 2007	7,824	365	8,190
April	7,824	365	8,190
May	7,824	365	8,190
June	7,824	365	8,190
July	7,824	365	8,190
August	7,824	365	8,190
September	7,824	365	8,190
October	7,824	365	8,190
November	7,824	365	8,190
December 2007	7,824	365	8,190
January	7,824	365	8,190
February	7,824	365	8,190
March 2008	7,824	365	8,190
Subtotal	101,718	4,749	106,467
Less:			
1/2 March 2007	3,912	183	4,095
1/2 March 2008	3,912	183	4,095
Total	93,893	4,383	98,277
Average (Total ÷ 12)	7,824	365	8,190

KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Estimated Revenue Requirement  
GAC/TAC/ Surcharges  
(\$000)

Estimated Increases in GAC/ TAC/ Surcharges

Uncollectibles	(Page 2)	6,244
Cash Working Capital	(Page 3)	5,888
Storage Costs	(Page 3)	16,544
Total		<u>28,676</u>

Estimated Decreases in GAC/TAC/ Surcharges

State Income Taxes	(JFB-2 - Schedule 1 Summary)	8,345
Power Generation Margins	(Workpaper - Change to Pat Revenue (2))	4,665
Increases In TC Demand Charges	(Workpaper - Change to Pat Revenue)	2,028
Total		<u>15,038</u>

Total Increase In GAC/ TAC/ Surcharges	<u><u>13,638</u></u>
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KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Cash Working Capital Allowance  
For The Twelve Months Ending March 31, 2008  
(\$000)

Operations & Maintenance Expense		1,177,665	
Less:			
Purchased Gas	1,007,021		
Uncollectible Losses Allowance	<u>3,449</u>		
		<u>1,010,470</u>	
Net		<u>167,195</u>	
Cash Allowance at 1/8th of Net Operations & Maintenance Expense			20,899
Plus:			
Purchased Gas		<u>1,007,021</u>	
Cash Allowance at 16.28/365 ( <i>moved to GAC</i> )			<u>-</u>
Total Cash Working Capital Allowance			<u>20,899</u>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Estimated Revenue Requirement**  
**GAC/TAC/ Surcharges**  
**Uncollectibles**  
**(\$000)**

Total Gas Costs	(JFB-4 Schedule 1 Page 1)	1,007,021
Uncollectible Rate	(JFB-4 Schedule 33 Page 2)	0.62%
Gas Cost Uncollectibles		<u>6,244</u>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Estimated Revenue Requirement**  
**GAC/TAC/ Surcharges**  
**Carrying Charges**  
**(\$000)**

Total Gas Costs	(JFB-4 Schedule 1 Page 1)	1,007,021
Cash Allowance at 16.28/365	(JFB-8 Schedule 3 Page 4)	0.044603
Cash Working Capital Allowance		<u>44,916</u>
Pre Tax Weighted Cost Of Capital	(Workpaper)	13.11%
Total Carrying Charges on Cash Working Capital		<u><u>5,888</u></u>

Estimated Rate Year Storage Balances		126,201
Pre Tax Weighted Cost Of Capital	(Workpaper)	13.11%
Total Carrying Charges on Cash Working Capital		<u><u>16,544</u></u>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Cost Adjustment Factors Reflecting Changes in Price Levels**  
**27 Month Inflation Estimate**

	<u>Year</u>	<u>Calendar Quarter</u>	<u>GDP Deflator</u>
Actual	2005	III	2.90%
Forecast	2005	IV	2.90%
Forecast	2006	I	2.70%
Forecast	2006	II	2.60%
Forecast	2006	III	2.30%
Forecast	2006	IV	2.20%
Forecast	2007	I	2.10%
Forecast	2007	II	2.10%
Forecast	2007	III	<u>2.20%</u>
Average Annual Inflation Rate			2.44%
Monthly Inflation Factor	$(1.0244)^{1/12} - 1$		0.2011%
Escalation Factor for 27 Months	$(1.002011)^{27} - 1$		5.5741%

Source: Blue Chip Economic Indicators - Vol. 31, No. 1, January 10, 2006

Test Year = January 1, 2005 - December 31, 2005 (mid-point July 2, 2005)

Rate Year = April 1, 2007 - March 31, 2008 (mid-point October 1, 2007)

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Cost Adjustment Factors Reflecting Changes in Price Levels**  
**March 2009 through March 2012 Rate Years**

	<u>Year</u>	<u>Calendar Quarter</u>	<u>GDP Deflator</u>
Forecast	2007	IV	2.20%
Forecast	2008	I	2.30%
Forecast	2008	II	2.30%
Forecast	2008	III	2.30%
<b>Rate Year March 2009</b>			<b>2.28%</b>
Forecast	2008	IV	2.30%
Forecast	2009	I	2.20%
Forecast	2009	II	2.20%
Forecast	2009	III	2.20%
<b>Rate Year March 2010</b>			<b>2.23%</b>
Forecast	2009	IV	2.20%
Forecast	2010	I	2.30%
Forecast	2010	II	2.30%
Forecast	2010	III	2.30%
<b>Rate Year March 2011</b>			<b>2.28%</b>
Forecast	2010	IV	2.30%
Forecast	2011	I	2.20%
Forecast	2011	II	2.20%
Forecast	2011	III	2.20%
<b>Rate Year March 2012</b>			<b>2.23%</b>

Source: Blue Chip Economic Indicators - Vol. 30, No. 10, October 10, 2005

Rate Years = April 1 - March 31 (mid-point October 1)

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Incremental Activity Operating Expenses by Area**  
**(\$000)**

	Reference	Test Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
KEDLI	Schedule 2	-	2,132	2,132
Marketing	Schedule 3	-	6,229	6,229
Information Technology	Schedule 4	-	2,504	2,504
Customer Relations	Schedule 5	-	84	84
Facilities	Schedule 6	-	1,204	1,204
Corporate Affairs	Schedule 7	-	264	264
Total		-	12,417	12,417



**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Incremental Program Changes Operating Expenses by Area**  
**(\$000)**

	Reference	Rate Year Ending March 31, 2008	Rate Year Ending March 31, 2009	Rate Year Ending March 31, 2010	Rate Year Ending March 31, 2011	Rate Year Ending March 31, 2012
KEDLI	Schedule 2	2,132	2,243	2,337	2,497	2,553
Marketing	Schedule 3	6,229	6,371	6,513	6,661	6,810
Information Technology	Schedule 4	2,504	2,294	3,649	2,936	3,002
Customer Relations	Schedule 5	84	86	88	90	92
Facilities	Schedule 6	1,204	823	987	1,257	1,190
Corporate Affairs	Schedule 7	264	270	276	282	289
<hr/>						
Total		12,417	12,087	13,850	13,724	13,935
<hr/>						
		5.5741%	7.9812%	10.3892%	12.9060%	15.4238%

Factor Utilized to Inflate O&M Expenditures (in 2005 \$) to the Respective Rate Year Cost - JFB-10, pg. 2, Cost Adjustment Factors Reflecting Changes in Price Levels  
March 2009 through March 2012 Rate Years

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Incremental Activities - KEDLI**  
**(\$000)**

	Test Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	-	2,132	2,132
Corporate Services	-	-	-
Utility Services	-	-	-
Engineering Services	-	-	-
Total	-	2,132	2,132
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	902	902
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	-	902	902
Maintenance			
Natural Gas Storage	-	159	159
Transmission	-	771	771
Distribution	-	300	300
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	-	1,230	1,230
Total Operation & Maintenance	-	2,132	2,132

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Incremental Activity Operating Expenses by Area**  
**KEDLI - Direct**  
**(\$000)**

	<u>Estimated Expenses</u>	<u>Inflation Adjustment*</u>	<u>Adj. to Normalize Historic Test Yr. &amp; Reflect Conditions in Rate Year</u>
KEDLI - Direct	2,019	113	2,132
Total	2,019	113	2,132

\* See JFB-10, pg. 1, Cost Adjustment Factors Reflecting Changes in Price Levels 27 Month Inflation Estimate

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Incremental Activities - Marketing**  
**(\$000)**

	Test Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	-	-	-
Corporate Services	-	-	-
Utility Services	-	6,229	6,229
Engineering Services	-	-	-
Total	-	6,229	6,229
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	6,229	6,229
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	-	6,229	6,229
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	-	-	-
Total Operation & Maintenance	-	6,229	6,229

**Notes:**

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Incremental Activity Operating Expenses by Area**  
**Marketing Expenses**  
**(\$000)**

	<u>Estimated Expenses</u>	<u>Inflation Adjustment*</u>	<u>Adj. to Normalize Historic Test Yr. &amp; Reflect Conditions in Rate Year</u>
Marketing	5,900	329	6,229
Total	5,900	329	6,229

\* See JFB-10, pg. 1, Cost Adjustment Factors Reflecting Changes in Price Levels 27 Month Inflation Estimate

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Incremental Activities - Information Technology**  
**(\$000)**

	Test Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	-	-	-
Corporate Services	-	2,504	2,504
Utility Services	-	-	-
Engineering Services	-	-	-
Total	-	2,504	2,504
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	683	683
Customer Accounts	-	733	733
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	1,087	1,087
Allocated Service Company	-	-	-
Total Operation	-	2,504	2,504
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	-	-	-
Total Operation & Maintenance	-	2,504	2,504

**Notes:**

Allocation based on actual year ended December 31, 2005  
Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Incremental Activity Operating Expenses by Area**  
**Information Technology Expenses**  
**(\$000)**

	<u>Estimated Expenses</u>	<u>Inflation Adjustment*</u>	<u>Adj. to Normalize Historic Test Yr. &amp; Reflect Conditions in Rate Year</u>
Information Technology			
GBU	647	36	683
Corporate Service	217	12	230
Customer	695	39	733
Infrastructure	812	45	858
Total	2,372	132	2,504

\* See JFB-10, pg. 1, Cost Adjustment Factors Reflecting Changes in Price Levels 27 Month Inflation Estimate

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Incremental Activities - Customer Relations**  
**(\$000)**

	Test Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDLI	-	-	-
Corporate Services	-	84	84
Utility Services	-	-	-
Engineering Services	-	-	-
Total	-	84	84
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	84	84
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	-	84	84
<b>Maintenance</b>			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	-	-	-
<b>Total Operation &amp; Maintenance</b>	-	84	84

**Notes:**

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor



**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Incremental Activity Operating Expenses by Area**  
**Customer Relations Expenses**  
**(\$000)**

	<u>Estimated Expenses</u>	<u>Inflation Adjustment*</u>	<u>Adj. to Normalize Historic Test Yr. &amp; Reflect Conditions in Rate Year</u>
Customer Relations			
On Track Expansion	80	4	84
Total	80	4	84

\* See JFB-10, pg. 1, Cost Adjustment Factors Reflecting Changes in Price Levels 27 Month Inflation Estimate

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Incremental Activities - Facilities**  
**(\$000)**

	Test Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
Provider Company			
KEDLI	-	-	-
Corporate Services	-	1,204	1,204
Utility Services	-	-	-
Engineering Services	-	-	-
Total	-	1,204	1,204
Operation			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	-	-
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	1,204	1,204
Allocated Service Company	-	-	-
Total Operation	-	1,204	1,204
Maintenance			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	-	-	-
Total Operation & Maintenance	-	1,204	1,204

**Notes:**

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Incremental Activity Operating Expenses by Area**  
**Facilities Expenses**  
**(\$000)**

	<u>Estimated Expenses</u>	<u>Inflation Adjustment</u>	<u>Adj. to Normalize Historic Test Yr. &amp; Reflect Conditions in Rate Year</u>
Facilities	1,141	64	1,204
Total	1,141	64	1,204

\* See JFB-10, pg. 1, Cost Adjustment Factors Reflecting Changes in Price Levels 27 Month Inflation Estimate

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Operating Expenses by Component**  
**Incremental Activities - Corporate Affairs**  
**(\$000)**

	Test Year Ended December 31, 2005 Per Books	Adj. to Normalize Historic Test Yr. & Reflect Conditions in Rate Year	Rate Year Ending March 31, 2008
<b>Provider Company</b>			
KEDLI	-	-	-
Corporate Services	-	264	264
Utility Services	-	-	-
Engineering Services	-	-	-
Total	-	264	264
<b>Operation</b>			
Other Gas Supply	-	-	-
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Customer Accounts	-	264	264
Customer Service	-	-	-
Sales Promotion	-	-	-
Admin and General	-	-	-
Allocated Service Company	-	-	-
Total Operation	-	264	264
<b>Maintenance</b>			
Natural Gas Storage	-	-	-
Transmission	-	-	-
Distribution	-	-	-
Admin and General	-	-	-
Natural Gas Production and Gathering	-	-	-
Total Maintenance	-	-	-
<b>Total Operation &amp; Maintenance</b>	-	264	264

**Notes:**

Allocation based on actual year ended December 31, 2005

Adjustment reflects 27 month cost adjustment factor

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Incremental Activity Operating Expenses by Area**  
**Corporate Affairs Expenses**  
**(\$000)**

	<u>Estimated Expenses</u>	<u>Inflation Adjustment*</u>	<u>Adj. to Normalize Historic Test Yr. &amp; Reflect Conditions in Rate Year</u>
Corporate Affairs	250	14	264
Total	250	14	264

\* See JFB-10, pg. 1, Cost Adjustment Factors Reflecting Changes in Price Levels 27 Month Inflation Estimate

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Capital Expenditures**  
**Actual 12 Months ended December 2005**  
**And Estimated Ten Years 2008 - 2017**  
**(\$000)**

	<b><u>Capital Expenditures</u></b>
Actual Twelve Months Ended December 2005	117,059
Estimated Rate Year Ending:	
31-Mar-2008	185,108
31-Mar-2009	164,571
31-Mar-2010	120,269
31-Mar-2011	123,012
31-Mar-2012	125,755
31-Mar-2013	128,622
31-Mar-2014	131,580
31-Mar-2015	134,607
31-Mar-2016	137,703
31-Mar-2017	<u>140,870</u>
<b>Total</b>	<b><u>1,392,097</u></b>
<b>Ten Year Average</b>	<b><u>139,210</u></b>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Details of Estimated Capital Additions 2008 - 2017 Rate Years - Case A**  
**(\$000)**

	Rate Years ending:									
	<u>31-Mar-2008</u>	<u>31-Mar-2009</u>	<u>31-Mar-2010</u>	<u>31-Mar-2011</u>	<u>31-Mar-2012</u>	<u>31-Mar-2013</u>	<u>31-Mar-2014</u>	<u>31-Mar-2015</u>	<u>31-Mar-2016</u>	<u>31-Mar-2017</u>
<b><u>Gas Distribution, Transmission, Production &amp; Other</u></b>										
Growth	42,400	42,400	42,400	43,367	44,334	45,345	46,388	47,454	48,546	49,662
Mandated	41,223	44,973	43,723	44,720	45,717	46,759	47,835	48,935	50,061	51,212
Reliability/Integrity	34,164	33,249	23,022	23,546	24,071	24,620	25,187	25,766	26,358	26,965
Other	645	645	645	659	674	689	705	721	738	755
Total Gas	118,432	121,266	109,789	112,292	114,796	117,414	120,114	122,877	125,703	128,594
<b><u>Islander East</u></b>	46,900	-	-	-	-	-	-	-	-	-
<b><u>Information Tech Projects &amp; Support</u></b>										
Gas Operations	7,851	4,173	-	-	-	-	-	-	-	-
Corporate Services	644	1,911	836	855	874	894	914	935	957	979
Customer	2,019	27,628	1,611	1,647	1,684	1,723	1,762	1,803	1,844	1,887
Infrastructure	1,189	1,418	1,987	2,032	2,078	2,125	2,174	2,224	2,275	2,327
Total IT	11,703	35,130	4,433	4,534	4,636	4,741	4,850	4,962	5,076	5,193
<b><u>Facilities</u></b>	7,037	7,138	5,011	5,125	5,239	5,359	5,482	5,608	5,737	5,869
<b><u>Corporate Services Allocated Capital</u></b>	1,036	1,036	1,036	1,060	1,084	1,108	1,134	1,160	1,187	1,214
<b><u>Total</u></b>	<b>185,108</b>	<b>164,571</b>	<b>120,269</b>	<b>123,012</b>	<b>125,755</b>	<b>128,622</b>	<b>131,580</b>	<b>134,607</b>	<b>137,703</b>	<b>140,870</b>

**KEYSPAN ENERGY DELIVERY LI (COMPANY 37)**  
**Projected Balance of Costs**  
**Deferred for Future Recovery by KEDLI**  
**Through Case 97-M-0567 Settlement Balancing Account**  
**For the Years Ending March 31, 2007 Through March 31, 2010**  
**(\$000)**

Actual	12/31/2005	17,882
Actual	3/31/2006	21,864
Projected	12/31/2006	37,874
Projected	3/31/2007 *	51,356
Projected	3/31/2008 *	97,152
Projected	3/31/2009 *	147,816
Projected	3/31/2010 *	182,863

\* Assuming continued Deferral and no Amortization



KEYSPAN ENERGY DELIVERY LI (COMPANY 37)  
Summary of Operations & Maintenance Expenses  
(\$000)

	Year Ended December 31,				
	2001	2002	2003	2004	2005
	(in thousands of dollars)				
NATURAL GAS AND PRODUCTION GATHERING			\$ 7		
OTHER GAS SUPPLY EXPENSE	\$ 459,780	\$ 384,742	\$ 574,009	\$ 662,974	\$ 963,016
OTHER STORAGE EXPENSES	2,029	1,084	2,090	2,023	2,305
LIQUID NATURAL GAS TERMINALING AND PROCESSING EXPENSES	271	22	208	186	324
TRANSMISSION EXPENSES	4,652	5,536	7,014	6,429	6,894
DISTRIBUTION EXPENSES	23,978	25,718	32,400	35,367	36,191
CUSTOMER ACCOUNTS EXPENSES	5,741	1,963	25,276	29,197	28,210
CUSTOMER SERVICE AND INFORMATION EXPENSES	-	-	(70)	598	485
SALES EXPENSES	0	-	18,009	14,069	9,920
ADMINISTRATIVE AND GENERAL EXPENSES	108,684	90,476	60,087	49,975	57,361
TOTAL GAS OPERATION AND MAINTENANCE EXPENSES	\$ 603,133	\$ 509,541	\$ 719,030	\$ 800,817	\$ 1,104,707
<b>COST ANALYSIS W/O MAINTENANCE CONSIDERATIONS</b>					
TOTAL GAS OPERATION AND MAINTENANCE EXPENSES	\$ 603,133	\$ 509,541	\$ 719,030	\$ 800,817	\$ 1,104,707
LESS:					
OTHER GAS SUPPLY EXPENSE	459,780	384,742	574,009	662,974	963,016
UNCOLLECTIBLE ACCOUNTS	6,488	2,140	5,860	8,407	6,194
EMPLOYEE PENSIONS AND BENEFITS	11,423	8,548	3,085	(720)	(2,788)
TOTAL	477,690	395,430	582,953	670,661	966,423
NET CONTROLLABLE EXPENSES	\$ 125,443	\$ 114,111	\$ 136,077	\$ 130,156	\$ 138,284
GROWTH RATE OF CONTROLLABLE EXPENSES					
U.S. INFLATION RATE		-9.03%	19.25%	-4.35%	6.24%
CONTROLLABLE EXPENSES IF GROWTH RATE EQUALED U.S. INFLATION RATE		2.38%	1.88%	3.26%	3.42%
VARIANCE (bracketed amounts are favorable)		128,429	130,843	135,109	139,729
		(14,317)	5,234	(4,952)	(1,445)
<b>COST ANALYSIS WITH MAINTENANCE CONSIDERATIONS</b>					
TOTAL GAS OPERATION AND MAINTENANCE EXPENSES	\$ 603,133	\$ 509,541	\$ 719,030	\$ 800,817	\$ 1,104,707
LESS:					
OTHER GAS SUPPLY EXPENSE	459,780	384,742	574,009	662,974	963,016
UNCOLLECTIBLE ACCOUNTS	6,488	2,140	5,860	8,407	6,194
EMPLOYEE PENSIONS AND BENEFITS	11,423	8,548	3,085	(720)	(2,788)
MAINTENANCE OF MAINS	8,631	11,945	14,536	15,821	15,579
MAINTENANCE OF SERVICES	3,706	2,787	3,400	4,452	4,276
TOTAL	490,027	410,162	600,889	690,934	986,278
NET CONTROLLABLE EXPENSES	\$ 113,106	\$ 99,379	\$ 118,141	\$ 109,883	\$ 118,429
GROWTH RATE OF CONTROLLABLE EXPENSES					
U.S. INFLATION RATE		-12.14%	18.88%	-6.99%	7.78%
CONTROLLABLE EXPENSES IF GROWTH RATE EQUALED U.S. INFLATION RATE		2.38%	1.88%	3.26%	3.42%
VARIANCE (bracketed amounts are favorable)		115,798	117,975	121,821	125,987
		(16,419)	168	(11,938)	(7,558)

	Year Ended December 31,				
	2001	2002	2003	2004	2005
Cents per Decatherm of Gas Sold					
NATURAL GAS AND PRODUCTION GATHERING			0.0053		
OTHER GAS SUPPLY EXPENSE	286.5219	235.7117	421.9843	511.1880	662.2664
OTHER STORAGE EXPENSES	1.2643	0.6641	1.5387	1.5595	1.5850
LIQUID NATURAL GAS TERMINALING AND PROCESSING EXPENSES	0.1686	0.0134	0.1532	0.1431	0.2231
TRANSMISSION EXPENSES	2.8988	3.3917	5.1564	4.9568	4.7409
DISTRIBUTION EXPENSES	14.9424	15.7562	23.8187	27.2701	24.8885
CUSTOMER ACCOUNTS EXPENSES	3.5775	1.2026	18.5817	22.5126	19.4000
CUSTOMER SERVICE AND INFORMATION EXPENSES	0.0000	0.0000	(0.0516)	0.4611	0.3338
SALES EXPENSES	0.0000	0.0000	13.2395	10.8483	6.8221
ADMINISTRATIVE AND GENERAL EXPENSES	66.4826	55.4299	44.1729	38.5331	39.4472
TOTAL GAS OPERATION AND MAINTENANCE EXPENSES	375.8560	312.1697	528.5972	617.4727	759.7071
<b><u>COST ANALYSIS W/O MAINTENANCE CONSIDERATIONS</u></b>					
Cents per Decatherm of Gas Sold					
TOTAL GAS OPERATION AND MAINTENANCE EXPENSES	375.8560	312.1697	528.5972	617.4727	759.7071
LESS:					
OTHER GAS SUPPLY EXPENSE	286.5219	235.7117	421.9843	511.1880	662.2664
UNCOLLECTIBLE ACCOUNTS	4.0431	1.3108	4.3078	6.4824	4.2597
EMPLOYEE PENSIONS AND BENEFITS	7.1183	5.2369	2.2677	(0.5552)	(1.9171)
TOTAL	297.6833	242.2594	428.5597	517.1152	664.6090
NET CONTROLLABLE EXPENSES	78.1727	69.9102	100.0375	100.3575	95.0981
GROWTH RATE OF CONTROLLABLE EXPENSES		-10.57%	43.09%	0.32%	-5.24%
U.S. INFLATION RATE		2.38%	1.88%	3.26%	3.42%
CONTROLLABLE EXPENSES IF GROWTH RATE EQUALED U.S. INFLATION RATE		80.0332	81.5379	84.1960	87.0755
VARIANCE (negative amounts are favorable)		-10.1230	18.4997	16.1615	8.0226
<b><u>COST ANALYSIS WITH MAINTENANCE CONSIDERATIONS</u></b>					
Cents per Decatherm of Gas Sold					
TOTAL GAS OPERATION AND MAINTENANCE EXPENSES	375.8560	312.1697	528.5972	617.4727	759.7071
LESS:					
OTHER GAS SUPPLY EXPENSE	286.5219	235.7117	421.9843	511.1880	662.2664
UNCOLLECTIBLE ACCOUNTS	4.0431	1.3108	4.3078	6.4824	4.2597
EMPLOYEE PENSIONS AND BENEFITS	7.1183	5.2369	2.2677	(0.5552)	(1.9171)
MAINTENANCE OF MAINS	5.3787	7.3182	10.6864	12.1991	10.7138
MAINTENANCE OF SERVICES	2.3093	1.7076	2.4995	3.4324	2.9407
TOTAL	305.3714	251.2852	441.7456	532.7468	678.2634
NET CONTROLLABLE EXPENSES	70.4846	60.8845	86.8516	84.7259	81.4437
GROWTH RATE OF CONTROLLABLE EXPENSES		-13.62%	42.65%	-2.45%	-3.87%
U.S. INFLATION RATE		2.38%	1.88%	3.26%	3.42%
CONTROLLABLE EXPENSES IF GROWTH RATE EQUALED U.S. INFLATION RATE		72.1622	73.5188	75.9155	78.5118
VARIANCE (negative amounts are favorable)		-11.2777	13.3328	8.8104	2.9318

**KEYSPAN ENERGY DELIVERY LONG ISLAND (COMPANY 37)**  
**Weighted Average Cost of Senior Securities**  
**At December 31, 2005**  
**(\$000)**

<u>LONG-TERM DEBT</u>	<u>RATE %</u>	<u>PRINCIPLE AMOUNT</u>	<u>ANNUAL INTEREST</u>	<u>ANNUAL AMORTIZATION DEBT DISCOUNT AND EXPENSE OR PREMIUM</u>	<u>TOTAL INTEREST AND ANNUAL AMORTIZATION</u>	<u>EFFECTIVE RATE</u>
KeySpan Gas East MTN Program	7.88%	\$400,000	\$31,500	\$196	\$31,696	
KeySpan Gas East MTN Program	6.90%	125,000	8,625	139	8,764	
Prom note due to KeySpan Corp	7.25%	125,904	9,128		9,128	
		<u><b>\$650,904</b></u>	<u><b>\$49,253</b></u>	<u><b>\$335</b></u>	<u><b>\$49,588</b></u>	<u><b>7.62%</b></u>

**KEYSPAN ENERGY DELIVERY LONG ISLAND (COMPANY 37)**  
**Estimated Cost of Senior Securities and Rate of Return**  
**(\$000)**

	<u>Principle Amount</u>	<u>Effective Rate</u>	<u>Total Interest and Annual Amortization</u>
Estimated Cost of Long-Term Debt as of March 31, 2008			
As of December 31, 2005 (Per JFB-15, Schedule 1)	650,904	7.62%	49,588
February 1, 2007 Issue \$200 million of 7.25% 30-Year Debentures	200,000	7.25%	14,500
Amortization of Issue Costs			100
January 15, 2008 Issue \$125 Million of 6.85% 10-Year Notes	20,833	6.85%	1,427
Amortization of Issue Costs			31
Retire \$125 Million 6.90% MTNs Due Janaury 15, 2008	(20,833)	7.01%	(1,461)
<b>Total Long-Term Debt</b>	<u><b>850,904</b></u>	<u><b>7.54%</b></u>	<u><b>64,186</b></u>

**KEYSPAN ENERGY DELIVERY LONG ISLAND (COMPANY 37)**  
**Estimated Cost of Senior Securities and Rate of Return**  
**(\$000)**

	<u>Long-Term Debt</u>	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total Common Equity</u>	<u>Customer Deposits</u>	<u>Total Capitalization</u>
Balance as of December 31, 2005	650,904	582,862	340,839	923,701	8,017	1,582,622
Changes to March 31, 2007	200,000	0	(62,549)	(62,549)	0	137,451
Balance as of March 31, 2007	850,904	582,862	278,290	861,152	8,017	1,720,073
April 2007	850,904	582,862	284,083	866,945	8,017	1,725,866
May 2007	850,904	582,862	287,972	870,834	8,017	1,729,755
June 2007	850,904	582,862	253,921	836,783	8,017	1,695,704
July 2007	850,904	582,862	250,842	833,704	8,017	1,692,625
August 2007	850,904	582,862	248,936	831,798	8,017	1,690,719
September 2007	850,904	582,862	247,121	829,983	8,017	1,688,904
October 2007	850,904	582,862	250,594	833,456	8,017	1,692,377
November 2007	850,904	582,862	263,203	846,065	8,017	1,704,986
December 2007	850,904	582,862	280,470	863,332	8,017	1,722,253
January 2008	850,904	582,862	305,028	887,890	8,017	1,746,811
February 2008	850,904	582,862	326,856	909,718	8,017	1,768,639
						0
Eleven Months Total	9,359,947	6,411,482	2,999,026	9,410,508	88,187	18,858,642
March 2007	850,904	582,862	278,290	861,152	8,017	1,720,073
March 2008	850,904	582,862	343,802	926,664	8,017	1,785,585
Total March 2007 & 2008	1,701,809	1,165,724	622,092	1,787,816	16,034	3,505,659
March 2007 & 2008 Average	850,904	582,862	311,046	893,908	8,017	1,752,829
Twelve Months Total	10,210,851	6,994,344	3,310,072	10,304,416	96,204	20,611,471
Annual Average	850,904	582,862	275,839	858,701	8,017	1,717,623
Capitalization Ratios	49.5%			50.0%	0.5%	100.0%
Cost Rates	7.54%			11.00%	3.00%	
Return Components	3.74%			5.50%	0.01%	<u>9.25%</u>