



**Investigation and Audit of
National Grid's Affiliate Cost Allocations,
Policies and Procedures
Case 10-M-0451**

Submitted to:

New York Department of Public Service

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1. EXECUTIVE SUMMARY

This report describes the results of an investigation by Overland Consulting of the procedures and cost distributions of National Grid, Inc.'s U.S. service companies to Niagara Mohawk, KeySpan Energy Delivery Long Island (KEDLI) and KeySpan Energy Delivery New York (KEDNY) (also known as the NYS utilities). It was performed at the request of the New York Public Service Commission (Commission) in conjunction with Case 10-M-0451 – *Proceeding on Motion of the Commission to Investigate National Grid Affiliate Cost Allocations, Policies and Procedures*. The investigation, which we characterize as a regulatory audit, included the following key components:

- A review of the procedures and internal controls governing services provided and costs distributed by National Grid's service companies (Chapter 2).
- An investigation of the reasons that service company billings to the New York utilities increased significantly faster than inflation plus customer growth during the period 2005 through 2010 (Chapter 3).
- A review of the impact of service company cost distributions on Niagara Mohawk's Electric Distribution and Transmission cost of service for the historic test year ended September 30, 2009 (Chapter 4).
- An analysis of National Grid's organization, the functional and service relationships between National Grid's service companies and operating affiliates, and the costs distributed in 2009 by the service companies to operating affiliates from various functional organizations (Chapter 5).
- An analysis of the allocation methods and factors National Grid used to distribute service company costs in 2009 and 2010 (Chapter 6).
- Detailed testing of 1,425 service company transactions to assess the extent to which they had errors in cost direction (amounts charged to specific operating affiliates), errors in the above- or below-the-line status of the regulatory account charged on the utility's books or lacked adequate supporting documentation (Chapter 7).

Overall Findings, Conclusions and Recommendations

Following a merger with KeySpan in 2007, National Grid began charging common costs across legacy (pre-merger) company boundaries (from the legacy National Grid service company to legacy KeySpan operating affiliates, and vice versa). Instead of forming a combined service company entity to accomplish this, National Grid decided to maintain separate legacy service company entities, as well as two separate accounting systems and procedures for its U.S. operations, while it focused on realizing

merger synergies and redesigning its organization and operations. This decision added significant complexity to the internal accounting control environment and raised concerns about the comparability of, and potential overlap in, the costs charged by four different service companies through the different accounting systems to a merged set of affiliates. An inability to completely reconcile service company cost distributions from the legacy Grid accounting system with results reported to the FERC increased the skepticism surrounding the cost distribution process. This report addresses these concerns as they relate to the post-merger years through 2010. The concerns will not be completely alleviated until National Grid unifies its accounting under one system and implements one set of cost distribution procedures. Once this is done, cost distributions under the new system can be compared with the historical combined results from the PeopleSoft and Oracle accounting systems.

After reviewing National Grid's service company costs and cost distributions to the New York utilities based upon various assessment criteria, we found an error rate of approximately 5% impacting the New York utilities.¹ In dollar terms, we found approximately \$44.0 million of the costs were incorrectly allocated to the New York utilities on a twelve-month cost of service basis. Key findings for the audit are as follows.

1. Costs distributed by the service companies to the New York utilities, and primarily to Niagara Mohawk, increased significantly from 2005 through 2010. These increases were due primarily to the following:
 - Significant increases in capital spending (primarily transmission line upgrades) and O&M spending (primarily vegetation management and major storm repair) directly attributable to Niagara Mohawk and paid for by National Grid USA Service Company (National Grid USA);
 - The New York utilities' share of increased levels of corporate spending on consultants and temporary staffing following the KeySpan merger as the KeySpan companies were integrated into National Grid's U.S. operations;
 - Cross-legacy company allocations of service company costs (e.g. allocations by the legacy KeySpan service companies to Niagara Mohawk and allocations by National Grid USA to KEDLI and KEDNY) following the KeySpan merger, but prior to the completion of the merger integration process which reduced service company employee levels, and the migration of certain employees from Niagara Mohawk into National Grid USA;
 - A shift in responsibility from Niagara Mohawk to National Grid USA for payments of certain items directly attributable to Niagara Mohawk, primarily medical insurance claims and transportation charges for leased vehicles; and,

¹ Table 7-2.

- A significant increase in environmental remediation costs paid for by KeySpan Corporate Services but directly attributable to KEDLI and KEDNY. These costs peaked in 2008 and 2009 and began to decline in 2010.
2. O&M expenses charged by National Grid USA to Niagara Mohawk's Electric Distribution and Transmission segments during the historic test year ended September 30, 2009 were approximately \$36.4 million (16%) higher than the average annual amount charged during calendar years 2007 through 2010. Higher O&M expenses in the test year were attributable mainly to higher payroll burdens and higher payments to contractors and consultants. Higher payroll burdens were associated primarily with higher pension expenses caused by merger-related payouts for voluntary early retirement offers caused by merger integration and productivity enhancements. Pension expenses were adjusted downward in the rate case by \$12.2 million to eliminate abnormal expenses from the test year. Higher contractors and consultants charges were primarily the result of several large productivity enhancement projects. Although much of the additional contractors and consulting expense incurred in 2009 did not recur in 2010, for cost of service purposes in Niagara Mohawk's 2010 rate case it was treated as normal, recurring O&M expense.
3. We conducted an extensive analysis of 2009 service company cost distributions from a functional (organizational) perspective. Our review covered organizations containing 94% of National Grid's U.S. employees and cost centers containing 77% of the costs distributed by the service companies in 2009.² We found the following:
- Service company cost distributions were generally consistent with expectations, given the functions and activities performed by service company functional organizations.
 - Although differences between the separate legacy Grid and legacy KeySpan accounting systems affected the overall distribution of costs (compared with what would have occurred under a unified set of procedures), we did not find that the use of two accounting platforms and two sets of allocation procedures unfairly advantaged one group of legacy companies over another, or resulted in a significant over- or under-distribution of costs to the New York utilities relative to what would have occurred had only one set of procedures been used.
 - Our analysis did not reveal systemic procedural bias with respect to jurisdiction, entity, business segment or affiliate type (utility vs. non-utility) cost allocations, nor did the differences in procedures appear to have inadvertently shifted large amounts toward or away from the New York utilities.

². The 23% not reviewed were smaller cost centers with employees, as well as cost centers that did not have employees.

4. We conducted a detailed analysis of allocation methods and factors used to distribute service company costs under both legacy company accounting systems in 2009 and 2010. Our conclusions concerning allocation methods and factors are as follows:
 - Although the size-based financial measures used to distribute a majority of common service company costs were arbitrary, and there were differences in methods between legacy Grid and legacy KeySpan procedures that affected allocation results (compared with the results that would have been achieved with a unified set of procedures), in general, the procedures resulted in distributions of common costs proportional to the relative size of the affiliates deemed to be objectives (beneficiaries) of the costs.
 - Each legacy company's allocation procedures, although they did not maximize the opportunities to distribute costs on an "attributable" basis, appeared free from material systemic bias (i.e. bias that favored particular outcomes).
 - There were a few issues affecting allocation results that were arguably advantageous or disadvantageous to specific affiliates; however, the amounts involved were small in percentage and dollar terms, resulting in a potential change of a few percentage points in allocation factors and a maximum shift of a few million dollars per year among entities. These amounts are not material in the context of combined service company distributions exceeding \$2 billion annually.
 - Cost Allocation Manual documentation of procedures, and in particular, allocation method definitions, were inadequate to enable an accurate understanding of the basis for the allocation factors and how they were calculated.
5. We conducted transaction testing on 1,425 targeted and randomly sampled service company accounts payable, payroll and employee expense transactions (based on invoices and employee-months) valued at \$1.77 billion and drawn from the PeopleSoft and Oracle accounting systems. We found 176 transactions (approximately 12.4%) had errors in cost distribution or FERC accounting or lacked support sufficient to determine whether cost distribution and accounting were correct. Based on statistical analysis, we extrapolated the results of errors and transactions with insufficient support to the population of service company transactions for each New York utility's 12-month reporting period. This produced point-estimated cost of service adjustments for each utility. These adjustments, with error percentage estimates as a percentage of total service company cost distributions are as follows.

Table 1-1 – Service Co. Transaction Testing Results by Utility – COS Adjustment Point Estimates as % of Service Co. Charges

Service Company Transaction Testing Results By Utility Cost-of-Service Adjustment Point Estimates as a Percentage of Service Company Charges				
	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
Test Year - KS Serv Cos.	24,754,498	17,126,629	197,438,376	219,480,080
Test Year - NG Serv Cos.	390,678,204	52,203,002	9,957,194	21,483,672
Servco Cost Distributions	415,432,702	69,329,631	207,395,570	240,963,751
Error Point Estimate	(3,029,659)	(5,484,918)	(13,342,760)	(22,190,205)
Point-Estimated Error % of Total				
Cost Distributions	-0.73%	-7.91%	-6.43%	-9.21%
Sources: OC-1 Service Company Cost Allocation Databases and Testing Results, Oracle and PeopleSoft Database Extracts				
Note: Amounts in parentheses are negative values and indicate downward cost of service adjustments				

Approximately 69% of the cost of service population error estimate was the result of insufficient transaction support, and approximately 31% was attributable to errors in cost direction or FERC accounting.³

Recommendations

Following are our recommendations concerning service company procedures and documentation. These are also set forth in Chapter 2.

1. The costs paid by a service company for the benefit of one or more affiliates should be detailed on a service company income statement. Currently, National Grid USA does not maintain an income statement. It does not record any direct assignments of affiliate costs on its income statement and offsets costs that are allocated to multiple affiliates. The expenses in the latter case thus net to zero. The company has indicated that it intends to produce service company income statements in the future. However, these statements will only be useful if they are complete and provide adequate disclosure of all revenues and expenses as supported by the underlying accounting records.
2. The assignment of service company costs to recipients under the new cost allocation system should be readily discernible at the transactional level. The ability to trace service company costs to their ultimate distributions and to trace allocated distributions to their ultimate source is equally important. National Grid had difficulty producing this type of information during the audit period, primarily because of the mass allocation process employed by legacy KeySpan and the company's decision not to maintain certain historical data and relationships on both systems.
3. Service level agreements should be handled administratively in the same manner as contracts with third parties. Service level quantities, costs, and quality should be negotiated and agreed to beforehand by both the service provider and utility, and meaningful consequences for inadequate performance should be documented and enforced.

³ Details of point estimates by error type are shown in Chapter 7, Table 7-8.

4. If it has not already done so, the company should consider making satisfactory service company performance an additional trigger for the release of incentive compensation to service company management. Because of the captive nature of the service company customers who cannot “vote with their feet”, consideration should be given to adding both quantity and quality measures to the triggering of service function management incentive compensation.
5. Service level agreements should be implemented between all service company functions and all New York utilities. As a self-described tool to drive cost management and performance, the protection offered by service level agreements should be offered to all New York utilities, and not just to Niagara Mohawk. Recently, National Grid indicated that it would be evaluating whether or not to extend the service level agreement model to other New York operating utilities and jurisdictions.
6. Absent compelling evidence that the company’s proposal to employ “deep dive analyses” adequately demonstrates that service company offerings are competitive with the market, the company should provide up-to-date benchmarking data to the operating companies for all significant service company functions. Obtaining data from independent sources will have the added benefit of mitigating concerns that those representing the operating companies have a conflict of interest by being employed by the service company.
7. The company should include the following items in its new cost allocation manual (CAM):
 - A fully-referenced copy of the actual, underlying computations used in calculating system-generated allocation bases,⁴
 - The documentation and retention requirements associated with manual allocations made by employees independent of system-generated allocations, and
 - A detailed explanation of the service companies’ return on equity and how it impacts service company customers.
8. National Grid should put mechanisms in place to identify organizational changes which may impact service company cost allocations on a prospective basis. The company is expending a great deal of resources to ensure that its cost allocation methodologies and processes are reasonable when it consolidates onto the SAP accounting platform. All of this work will go to waste if subsequent changes to the organization go unnoticed and are not properly considered in future cost allocations. A Cost Allocation Review Committee met for a brief time in 2009 and 2010 and took organizational change into consideration when performing its work. However, this group subsequently disbanded and its responsibilities absorbed into the temporary FEPO program.

⁴ If changes are made to the system-generated allocations during the year, an explanation for the change should be provided; the effective date of the change should be noted; and the “old” allocation should be retained for reference purposes.

9. On at least an annual basis, Internal Audit should perform formal verification procedures on service company bills. Deficiencies identified during this testing should be corrected in a timely manner and reported to the NYDPS. Historically, service company invoices have not been scrutinized by operating companies for accuracy. Prospectively, given the perception that Jurisdictional executive management, which will represent the utilities in these transactions, may have a conflict of interest because some are service company employees, the verification of service company invoices should be performed by a separate group within the company.
10. If not already in place, the company should consider making the satisfactory performance of each New York utility an additional trigger for the release of incentive compensation to New York jurisdictional management. Under the new regional model; the interests of Niagara Mohawk, KEDNY, and KEDLI are represented by common New York jurisdictional management. This raises the potential for a conflict of interest if the individual interests of one New York utility are different than that of its sister New York utilities. To mitigate this concern, New York jurisdictional management's incentive compensation should only be triggered if all New York utilities achieve targeted individual performance.

Potential Impact of Losing the LIPA Electric Distribution Services Contract

National Grid subsidiary KeySpan Electric Services (KES) manages and operates the Long Island Power Authority's (LIPA's) electric distribution network. 2009 and 2010 charges from National Grid's service companies to KES averaged approximately \$240 million annually. KES received approximately 10.5% of the total costs distributed by the service companies during this period.

In 2014 the contract to operate LIPA's electric distribution network will transfer from National Grid to New Jersey-based PSEG. When it does, many of the employees and costs charged to KES through National Grid's service companies should also transfer to PSEG. However, an undetermined amount of service company costs from shared corporate and utility services currently allocated to KES will likely not transfer. These costs reflect economies of scale associated with the LIPA contract that will effectively be lost to National Grid when its contract with LIPA ends.

The loss of the LIPA contract will very likely increase the costs allocated by the service companies to the New York utilities, at least in the short run. The amount that utility allocations increase, which could be material, will depend on the costs currently distributed to KES that remain after the contract transfers. Many of the operational economies of scale realized from the LIPA contract are the result of customer activities shared by KES, KEDLI and other affiliates. Important shared customer activities include customer inquiry, billing, meter reading, field collections and business support, the costs of which are allocated between KES and National Grid's utilities based on meters. In 2010, cost allocations to KES based on meters totaled approximately \$32 million.⁵ Some portion of these costs is likely to remain with National Grid, and be reallocated to National Grid's utilities when the contract with LIPA ends. If just one quarter of approximately \$240 million in service company charges to KES cannot be shed

⁵ OC-1, Legacy KeySpan Allocation Database CY 2010

because they are joint costs of serving LIPA and other National Grid affiliates, rather than costs directly incremental to serving LIPA, approximately \$60 million will have to be redistributed annually by National Grid to its remaining affiliates. Among the affiliates likely to be most affected by this are KEDLI, because of services such as meter reading that are shared by KES and KEDLI, and Niagara Mohawk, which, because of its size, draws a significant share of joint corporate costs.

Background of Case 10-M-0451

Basis for Investigation

The Commission opened Case 10-M-0451 as a result of concerns over deficiencies in service company procedures and transactional errors identified by Staff in its audit of Niagara Mohawk's January 2010 rate case filing, Case 10-E-0050, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation for Electric Service*. During the rate case proceeding the NYDPS Staff uncovered a variety of service company-related problems. Some of Staff's criticisms were related to the underlying structure of National Grid's service companies. One such criticism was that the three legacy KeySpan service companies and the legacy National Grid service company utilized inconsistent cost allocation methodologies to distribute costs.

Staff also made observations regarding the substantial increases in service company charges directed toward Grid's regulated affiliates. Staff found that during the period it reviewed, service company charges to regulated affiliates increased by a substantial amount, while charges to unregulated affiliates actually decreased. The Company argued that making certain normalization adjustments would substantially reduce this difference. Staff also performed analytical procedures on the service company costs charged to Niagara Mohawk. Staff found that service company charges increased by roughly twice as much to Niagara Mohawk as they did to other National Grid affiliates, on average. The Company argued that these figures were overstated. Also, the Company explained that Niagara Mohawk's share of service company charges increased more than those of its affiliates largely due to increased storm costs, movement of employees from the service company, site remediation costs, and the cost of mitigating bad debt.

Ultimately, Case 10-E-0050 resulted in the Commission granting an increase in rates of \$119.3 million, in contrast to an increase of approximately \$390 million requested by National Grid. \$50 million of the \$119.3 million granted was subject to refund pending the outcome of this audit. The \$50 million amount was derived from a Staff recommended "macro" adjustment of \$26 million, which represented the excess increase in service company charges incurred by Niagara Mohawk - Electric versus the average increase experienced by all affiliates that received service company charges during the historic test year. This total provision was identified as a prudent amount that recognized the possibility that allocation and normalization errors identified in a more detailed audit could exceed the macro adjustment.

Auditor Selection

On September 16, 2010 the NYDPS formally initiated an investigation into National Grid's affiliate costs, and on November 18, 2010 it issued a Request for Proposals (RFP) for Case 10-M-0451, *Audit of National Grid's Affiliate Cost Allocations, Policies and Procedures*. The RFP organized this examination into two parts. Part One consisted of the following two steps:

- Perform a comprehensive review of the accounting procedures and internal controls of National Grid's service companies in allocating costs and of the National Grid New York utilities in obtaining goods or services and reviewing its bills from the National Grid Service Companies; and,
- Investigate whether and the extent to which National Grid service company charges were misallocated to New York utilities during specified review periods.

A second phase of the audit was included in the RFP to be undertaken if material levels of misallocated and inappropriate costs were discovered. It would essentially be an expansion of the testing performed to include additional testing periods. Six firms, including Overland Consulting, responded to this RFP with bids to perform the audit. After a review process that included in-person interviews with all team members, Overland was chosen as the auditor in February 2011.

Delays in Audit and Discovery Agreement

We began work with a preliminary meeting with National Grid during the week of March 28, 2011. Preliminary analysis and development of a plan for transactions testing resulted in a work plan approved by the Commission Staff in August 2011 and provided to National Grid. A key component of our audit approach was the detailed testing of a statistically valid number of service company transactions. In order to obtain representative, statistically valid results, testing required that we obtain and review a large amount of transaction-level data from National Grid. During the initial months, however, there were significant issues in obtaining transactional information from the Company. Some requests for information went unanswered while others were inadequate.⁶ We became concerned that the quality of the audit and/or the date of its completion would be impaired by these issues. After discussions among Overland, Staff and National Grid, a formal discovery agreement was entered into on January 3, 2012 which required National Grid to provide responses to all outstanding requests within a defined time period and required the company to provide all relevant information concerning the selected transactions.⁷

⁶ On average, it took the Company roughly 75 days to provide an initial response for our transaction testing selections. Over 270 selections were outstanding for more than 100 days before an initial response was received. The response time sometimes varied with the complexity of the selection. Of the 179 items Overland identified as errors, there was an average response time of 90 days. .

⁷ The company's own independent consultants also experienced difficulty in completing their own transactional review of National Grid's affiliate transactions. We note that these consultants released their final report in March of 2011 with only approximately 80 percent of their service-company originated transactional testing "essentially complete" (The Liberty Consulting Group Final Report on its Independent Review and Evaluation of the Affiliate Relationships and Transactions Affecting National Grid U.S. dated March 21, 2011, p. 14).

Key Audit Findings By Chapter

Chapter 2 – Accounting Systems and Controls

In recent cases before the Commission, National Grid’s internal controls over affiliate transactions were called into question by the Commission Staff and its consultants (Case 10-E-0050 and Case 08-E-0827). As a result, an integral part of this investigation concerned these internal controls and the impact they may have had on the allocation of service company costs to the New York utilities.

Following the merger with KeySpan in 2007, National Grid’s management decided to maintain two separate accounting systems (Oracle and PeopleSoft) for U.S. operations. This decision set the stage for subsequent choices made by National Grid management (including the maintenance of different general ledger account structures, the perpetuation of two distinct cost allocation manuals, the use of dissimilar allocators, etc.), all of which added complexity to the internal control environment and raised legitimate concerns about the comparability of the various systems’ output.

Recognizing the risks and inefficiencies resulting from the continued use of two accounting systems, National Grid’s management decided to consolidate its two U.S. accounting systems a single SAP system. This is scheduled to be implemented in late 2012. Additionally, in response to concerns raised by the Staff in recent proceedings, National Grid sponsored an independent review of its affiliate relationships and transactions by an outside consultant and recently began taking steps to standardize its allocation procedures and methodologies. Understanding that the systems and many controls that were operating during our retrospective review are subject to significant change in the future, we focused on supplementing rather than duplicating the work that had already been performed on internal controls by the company’s consultants and offering recommendations that are relevant both historically and prospectively.

In its 2011 report, the company’s independent consultants expressed concerns about the significant differences between National Grid’s two systems and the impact they had on the management of and accounting for costs. Of the sixty recommendations made by these consultants (a complete list can be found in an exhibit to Chapter 2 of this report), National Grid elected to fully implement all but two.⁸ One of the recommendations National Grid rejected was to use benchmarking studies to determine the competitiveness of internally-provided services. National Grid believes that so-called “deep-dive” studies (basically, detailed studies to identify ways of improving service productivity) obviate the need for external benchmarking. However, benchmarking studies are really the only effective means to compare services across company boundaries. Thus, for example, benchmarking is valuable *after* performing a “deep dive” study to assess whether it made the services more competitive relative to similar services provided by others. Benchmarking studies have the added benefit of providing regulators and their auditors with an independent, objective basis for comparison of productivity with that of other companies. We agree with National Grid’s independent consultant and believe the

⁸ In three cases, the company proposed alternative implementation actions which the consultants ultimately accepted.

competitiveness of National Grid's internally provided services should be assessed through external benchmarking, notwithstanding alternative efforts such as "deep dives," absent compelling evidence that the alternative is an effective substitute for benchmarking and achieves the same objectives.

Other key findings and associated recommendations associated with our review include:

- National Grid's commitment to the use of service level agreements is unclear. If properly designed, the maintenance of comprehensive service level agreements between the New York utilities and their service company affiliates should protect the interests of both parties, but especially those of the buyers (the utilities and other affiliates receiving the services). In response to a recommendation made by a previous Staff consultant, National Grid recently finalized formal agreements between Niagara Mohawk's and National Grid USA's business functions. However, we found these agreements to be lacking with respect to the protection they offered Niagara Mohawk, and furthermore, it was not clear whether the company intended to expand the use of such agreements to KEDNY or KEDLI. As a result, we recommend that service level quantities, costs, and quality be specified in future agreements with meaningful consequences for inadequate performance documented and enforced. In addition, we recommend that these modified agreements be utilized for all New York utilities and service company functions.
- While utilities have an opportunity to control costs if they are actively involved in setting service company levels and associated budgets, and in tracking performance against budgets, the National Grid utilities have not been involved in the budgeting of service company services or costs. Instead, this responsibility has been performed by the lines of business (i.e. Electric Distribution, Gas Distribution, etc.). According to National Grid this will change under the new jurisdictional management model that has recently been adopted. To ensure that management's interests are aligned appropriately under the new model, we recommend that management incentive compensation be triggered by the successful attainment of goals for individual companies that management is assigned to represent. This applies equally to management representing the utilities and the service companies, irrespective of by whom they are employed.
- The two separate cost allocation manuals maintained by National Grid after the KeySpan merger were not always consistent and exhibited some important omissions. The issue of consistency will most likely be addressed when the company consolidates all policies and procedures into one cost allocation manual and migrates to one accounting system. However, the new cost allocation manual should include, among other things, a fully-referenced derivation of allocation factors and detailed documentation and retention requirements related to manual allocations that are lacking in the current cost allocation manuals. In addition, the new, unified cost allocation manual should include up-to-date descriptions of the allocators with detail sufficient to enable the reader, given the proper input data, to accurately reproduce the allocators.
- While "convenience payments" (vendor payments made by the service companies on behalf of affiliates) were not employed by the legacy KeySpan service companies, they were historically

utilized by National Grid USA, the legacy Grid service company. From an accounting standpoint, these transactions were not reflected in the service company's results of operations. In addition, the legacy Grid service company recorded billings to multiple affiliates as offsets to expense rather than as revenue. As a result, National Grid USA's historic income statement did not present a complete picture of the transactions that it paid on behalf of its affiliates. We recommend that these practices be discontinued on a prospective basis. The company's decision not to allow National Grid USA to make convenience payments on behalf of affiliates in the future except in limited cases should significantly reduce one source of these issues.

- Finally, given the relative lack of scrutiny that service company bills underwent in the past before they were paid by the utilities, we recommend that National Grid's Corporate Internal Audit department perform formal verification procedures on service company bills on at least an annual basis. This should also alleviate concerns that, after the jurisdictional realignment, representatives of the utilities could have a conflict of interest since some are employees of the service companies whose very bills are the subject of review.

Chapter 3 - Increases in Service Company Costs

One of the key factors leading to this audit was the increase in annual service company charges to the New York utilities over the period 2005 through 2009. As the Commission noted in its Request for Proposals (RFP):

The total billings by the NG Service Companies to the NG NY utilities are a significant and growing source of costs.⁹

Chapter 3 describes service company charges to the New York utilities that increased during the years 2005 through 2010 and explains why they increased. It documents the nature and types of service company costs charged to the utilities and it describes the reasons underlying the increases in amounts billed to the New York utilities during the analysis period.

Total billings from National Grid's four service companies (National Grid USA, KeySpan Corporate Services, KeySpan Engineering Services and KeySpan Utility Services) to the New York utilities (Niagara Mohawk, KEDLI and KEDNY) increased from \$601.8 million in 2005 to \$1.057 billion in 2010, an annual rate of increase of approximately 12%. Of the \$455 million increase in annual billings in 2010 compared with 2005, \$380 million (83%) was charged to Niagara Mohawk and \$75 million (17%) was charged to KEDLI and KEDNY combined.

⁹ State of New York Department of Public Services, Re: Case 10-M-0451 – Proceeding on Motion of the Commission to Investigate National Grid Affiliate Cost Allocations, Policies and Procedures, Request for Proposals to perform an investigation of Niagara Mohawk Power dba National Grid (RFP), November 18, 2010

Increases in Service Company Charges to Niagara Mohawk

Charges from National Grid USA to Niagara Mohawk increased from approximately \$272 million in 2005 to approximately \$589 million in 2010, reflecting an annualized rate of increase of approximately 16.7%. Charges from the legacy KeySpan service companies to Niagara Mohawk increased from \$16.6 million in 2008 (the first full post-merger year) to \$63.2 million in 2010, as National Grid integrated the operations of the legacy Grid and legacy KeySpan service companies. The causes of increased service company billings to Niagara Mohawk over the period 2005 through 2010 include the following:

- Significantly higher capital spending in 2008 and 2009, primarily for transmission line upgrades, increased vegetation management spending, storm damage repair in 2008 and 2009, and increasing expense for Commission-mandated stray voltage testing were the primary contributors to significantly higher service company payments to vendors for services and materials provided to Niagara Mohawk in the years 2008 through 2010. A number of the vendor contracts associated with this spending were quite large and their scope extended to several National Grid affiliates; as such, the contracts were often managed and the vendors paid by National Grid USA instead of the utilities, even when the services and materials were directly attributable to a utility. The increased vendor charges were passed on to Niagara Mohawk through service company billings.
- Service company expenses for consultants and temporary staffing increased significantly following the October 2007 merger with the KeySpan companies as National Grid began to integrate the KeySpan companies into its structure. Among the largest merger integration and productivity enhancement projects were a redesign of National Grid's electric distribution operations (known as Electric Distribution Operations Transformation), design of a Global Procurement organization, design of a centralized Transactions Delivery Center organization, and the U.S. Foundations Project to implement the SAP enterprise accounting platform. In general, National Grid classified the spending on these projects as normal, recurring expense rather than costs to achieve the merger. Much of the expense was allocated, mostly by National Grid USA, to National Grid's operating affiliates.
- As the operations of the legacy Grid and legacy KeySpan service companies were integrated with one another in the years following the merger, the KeySpan service companies began to allocate costs to the legacy Grid companies, and the National Grid USA began to allocate costs to the legacy KeySpan utilities. The net effect of cross-legacy company allocation, plus the migration of employees from Niagara Mohawk into National Grid USA, produced higher service company billings to Niagara Mohawk. The increases in service company billings caused by these allocations began to abate in 2010 and 2011 as voluntary early retirements and normal attrition began to reduce the number of employees in the combined service companies.
- The National Grid affiliates which initially accrued and paid for certain items attributable to Niagara Mohawk were not consistent across the six-year period. Although by themselves these

inconsistencies had no effect on the level of costs incurred by Niagara Mohawk, they resulted in a higher level of costs charged to the utility through service company billings in the later years of the six-year analysis period. For example, at various times during the analysis period, the source company for Niagara Mohawk's medical claims accruals and payments was Niagara Mohawk itself, National Grid USA and National Grid USA Inc., the parent company. Although total medical claims attributable to Niagara Mohawk's employees increased at a relatively modest annual rate of 4.2%, from \$36.1 million in 2005 to \$44.6 million in 2010, amounts billed by the service company (net service company payments on behalf of Niagara Mohawk) increased more significantly, from \$23.6 million in 2005 to \$44.2 million in 2010, because some of the costs paid by the service company in later years were accrued and / or paid directly by Niagara Mohawk or by the parent company in the earlier years. Similarly, in 2009, when National Grid USA took over lease payments for Niagara Mohawk's vehicle fleet from the utility, net service company billings to the utility for transportation increased from \$6 million to nearly \$24 million annually, even though Niagara Mohawk's total cost of leasing vehicles did not change significantly.

Increases in Service Company Charges to KEDLI and KEDNY

Billings from the three legacy KeySpan service companies to KEDLI and KEDNY increased modestly from \$329.5 million in 2005 to \$364.3 million in 2010. Billings to KEDLI and KEDNY by the legacy KeySpan service companies increased for several years before reaching \$445.4 million in 2008 and beginning to decrease in 2009 and 2010. Charges from National Grid USA to KEDNY and KEDLI increased from \$8.1 million in 2008 (the first full post-merger year) to \$40.8 million in 2010. Total service company charges to KEDLI and KEDNY from all four service companies increased at an annual rate of slightly more than 4%, from \$329.5 million in 2005 to \$405.1 million in 2010.

The primary reason for significantly higher service company billings to KEDLI and KEDNY from the legacy KeySpan service companies in 2008 and 2009 was the cost of environmental remediation for decommissioned manufactured gas sites in KEDLI and KEDNY service territories. Environmental remediation provided by vendors drove billings to KEDLI and KEDNY \$83 million higher in 2008 and \$66 million higher in 2009, than billings in 2007 and 2010, which averaged \$362 million. The primary reason for increasing service company billings to KEDLI and KEDNY from National Grid USA was the integration of organizations and activities among the legacy Grid and legacy KeySpan service companies in the post-merger years. The increase in charges from National Grid USA was mitigated by charges from the legacy KeySpan service companies to the legacy Grid utilities, which also increased during the same period due to post-merger integration of service company operations.

Chapter 4 – Niagara Mohawk Cost of Service Issues

We analyzed the impact of service company cost distributions on Niagara Mohawk's Electric Distribution and Transmission cost of service for the historic test year ended September 30, 2009. We compared the level of service company O&M expense in Niagara Mohawk's cost of service for the historic test year with service company O&M expense in calendar years 2007 through 2010 to identify items included in

the test year that should have been subject to normalization for cost of service purposes in Niagara Mohawk's electric rate filing in Case 10-E-0050. Our key findings are as follows:

- O&M expense charged by National Grid USA to Niagara Mohawk's Electric Distribution and Transmission segments during the historic test year ended September 30 2009 was \$36.4 million (16%) higher than average annual expenses charged during calendar years 2007 through 2010. Approximately \$6.5 million of this was attributable to higher payroll burdens and \$24 million was attributable to higher outside services expenses from consultants and contractors. \$16.3 million in contractors and consultants expenses charged by National Grid USA in the test year were deferred major storm repair expenses. Most of the remaining higher consultant and contractors expenses, associated primarily with productivity enhancement projects, were considered to be recurring and were charged to test year O&M expense.
- A higher level of payroll burdens charged by National Grid USA to Niagara Mohawk Electric during the test year was caused primarily by higher service company pension expenses and, to a lesser extent, by higher service company post-retirement health care and other post-retirement benefits expenses. National Grid stated that the pension expense increase in the post-merger was primarily the result of accruals for merger-related voluntary early retirement offers (VEROs). A secondary cause of the increase was a decline in equity prices coincident with the financial crisis that occurred in 2008. Rate case schedules show that test year pension and other post-retirement expenses were adjusted downward by \$12.2 million to normalize them for VEROs and other non-recurring items.
- Several large productivity enhancement projects were major contributors to higher service company charges to Niagara Mohawk Electric for outside services during the test year compared with calendar years 2008 and 2010. \$10.2 million in consultants and contractors charges and \$1.6 million in "Other" charges (also mainly outside services) were charged to Niagara Mohawk Electric O&M expense during the test year for three large non-recurring projects (Electric Distribution Operations Transformation, Transaction Delivery Center and Global Procurement). Of the total \$11.9 million, National Grid removed \$647,340 from Niagara Mohawk's Electric cost of service that it deemed to be costs to achieve the KeySpan merger. The remainder, \$11.2 million, was considered by National Grid to be recurring expense and the Commission accepted this position based on forecasted information available at the time.¹⁰ Because the expenses associated with these projects were significant and similar projects were not incurred in either 2008 or 2010, we believe they should be classified as non-recurring and subject to treatment as non-recurring expenses for ratemaking purposes.¹¹

¹⁰ Revenue Requirements Panel Exhibit RRP-2, which includes adjustments to normalize O&M expenses incurred during the test year, does not include an adjustment to normalize productivity enhancement projects. The Commission adopted National Grid's proposed treatment in its rate order.

¹¹ Overland is not necessarily suggesting the Commission deny National Grid recovery of this expense; rather, we recommend that it be subject to whatever rate treatment is normally provided in New York to O&M expenses from regulated operations that are not expected to recur at similar levels in future periods.

- Niagara Mohawk's Electric Distribution vegetation management expenses (other than expenses deferred for storm damage repair) for the test year, \$33.9 million, exceeded annual average spending charged during the period 2007 through 2010, \$30.8 million, by \$3.1 million, or about 10%. Electric Distribution vegetation management was substantially higher in 2009 than 2008, and about 13% lower in 2010 than in 2009. . However, the overall level of spending on vegetation management during the test year (including both Electric Distribution and Transmission), \$41.4 million, was slightly *lower* than 2010 spending, \$42.4 million.
- Niagara Mohawk removed \$4.98 million paid to or on behalf for expatriates, from Niagara Mohawk's Electric Distribution and Transmission cost of service. National Grid stated that \$3.38 million in expatriate expenses were removed from Niagara Mohawk's revenue requirement in a supplemental filing in the rate case made on August 30, 2010. Subsequently, additional costs, consisting of \$1.6 million in tax payments made by National Grid in the U.K. on behalf of expatriates, and ultimately charged to Niagara Mohawk Electric, were also removed.

Chapter 5 - Functional Analysis of 2009 Service Company Cost Distributions

We performed an analysis of National Grid's organization, the functional and service relationships between the service companies and National Grid's operating affiliates, and costs distributed in 2009 by the service companies to operating affiliates from various functional organizations. The overall objective was to assess the reasonableness of 2009 cost distributions from the top down. We analyzed service company costs directly charged and allocated to the utilities. We evaluated distributions from each major service company functional organization to determine whether relative cost distributions among the New York utilities and other operating affiliates appeared reasonable based on the organization and the services it provided. We also considered whether there were unusual or unexpected cost distributions that raised questions about allocation procedures or amounts distributed to the New York utilities. The analysis covered functional organizations that included 16,695 (94%) of National Grid's 17,800 employee work force and approximately \$1.8 billion (77%) of \$2.3 billion in costs distributed by National Grid's service companies in 2009. However, the analysis was not transactional and it did not address the question of whether cost distributions at the transaction level were proper or contained adequate supporting documentation. These issues were addressed in transaction testing, which is covered in Chapter 7. Organizations covered in our analysis included the following:

Table 1-2 – National Grid Org & Service Company Cost Distribution Analysis Scope

Scope of National Grid Organizational and Service Company Cost Distribution Analysis		
Functional Organization	2009 Avg. Employees - All Affiliates	2009 Cost Distributions Analyzed
Corporate Services		
Corporate Financial Services	251	47,200,817
Corporate Human Resources	189	45,187,360
Corporate Legal	107	33,772,541
Non-Regulated Entities	531	17,661,927
Totals Corporate Services	1,077	143,822,646
Shared Services		
Property Services	317	81,957,833
Information Technology	637	215,037,329
Customer Interaction Mgmt	1,460	130,735,628
Customer Markets	597	95,044,692
Fleet and Materials	648	68,725,985
Safety, Health, Environmental	224	161,750,218
Totals Shared Services	3,881	753,251,686
Electric Operations		
Distribution Construction	212	98,056,941
Division Operations	2,364	26,728,111
Dispatch and Control	174	19,114,400
Protection and Telecom Ops	245	16,737,008
Distribution Support	255	42,803,779
Network Strategy	671	105,419,289
Transmission	591	218,250,885
Long Island T&D	1,107	49,537,709
Generation Operations	722	76,956,385
Energy Portfolio	112	19,542,003
Totals Electric Operations	6,450	673,146,510
Gas Operations		
Customer Meter Services	2,271	37,310,662
Gas Ops and Construction	2,202	57,240,388
Gas Distribution Support	501	60,906,042
Network Strategy	314	42,507,263
Totals Gas Operations	5,287	197,964,356
Total Analyzed	16,695	1,768,185,197
Total National Grid	17,800	2,285,022,000
Percentage Included in Analysis	94%	77%
Sources: OC-1 (Cost Distributions) & OC-4 Supplemental (Employee Data)		

Chapter 5 includes a summary of findings for each of the organizations listed above. It also contains a discussion of the analysis performed and includes the 2009 cost distributions from each organization to the New York utilities and to other affiliates. Overall findings and conclusions are as follows:

- 2009 cost distributions by National Grid's service companies were generally consistent with expectations, given the activities performed by individual service company functional organizations on behalf of National Grid's utilities and other affiliates. Service company costs charged to specific affiliates were generally in line with expectations based on the functions and activities performed by the various service company functional organizations.

- In functional organizations in which most of the employees, activities and major costs were concentrated in the service companies, and in which the types of costs incurred were consistent between legacy Grid and legacy KeySpan service companies, cost distributions to the affiliates were generally commensurate with the relative sizes of the affiliates. This is consistent with National Grid's heavy reliance on measures of relative affiliate size, such as O&M expense (for National Grid USA) and a composite of assets, revenue and O&M expense (for the legacy KeySpan companies), as a basis for allocation.
- The legacy Grid and legacy KeySpan service companies operated on different accounting platforms and each had their own set of allocation procedures and methods. Although both sets of procedures allowed for direct charging, and both allocated common costs using measures of relative entity size, the differences in the procedures affected the overall distribution of costs compared to what would have occurred using a single, uniform set of procedures. However, for the period analyzed (calendar year 2009), it does not appear that the use of two sets of allocation procedures unfairly advantaged one set of legacy companies over another, or resulted in a significant over- or under-distribution of costs to the New York utilities relative to what would have occurred had only one set of procedures been used.
- Our analysis of service company cost distributions did not reveal systemic procedural bias with respect to jurisdiction, entity, business segment or affiliate type (utility vs. non-utility), nor did the differences in procedures noted above appear to have inadvertently shifted any significant amounts of cost toward or away from the New York utilities in calendar year 2009.

Chapter 6 – Analysis of Service Company Cost Allocation Methods and Factors

Chapter 6 describes our analysis of the allocation methods and factors National Grid used to distribute service company costs in 2009 and 2010. We documented allocation procedures used during these years, analyzed significant individual factors to determine how they were calculated and how they worked, assessed whether the methods were free from systemic bias with respect to the distribution of costs between regulated and non-regulated affiliates, and assessed the reasonableness of the resulting cost allocations to the New York utilities.

Overall Assessment

During the analysis period, National Grid's cost allocation process was used primarily to distribute the common costs of shared utility and corporate activities performed by service company employees among multiple cost-regulated utilities, as well as to two companies (not cost-regulated) that provided electric generation and distribution services under contract with the Long Island Power Authority. Non-regulated entities engaged in activities not traditionally associated with regulated utilities (such as appliance repair services) were a small part of National Grid's business; as such, there was little risk of significant cross-subsidies flowing to non-regulated, non-utility ventures due to allocation procedures.

The size-based financial measures used to distribute a majority of common service company costs were arbitrary, and there were differences in methods between legacy Grid and legacy KeySpan procedures that affected allocation results (compared with the results that would have been achieved with a unified set of procedures). However, the procedures employed generally distributed common costs proportionally, based on relative size, among the entities deemed to be objectives (beneficiaries) of the costs. Viewed independently, each legacy company's allocation procedures, although they did not necessarily maximize the opportunities to distribute costs on an "attributable" basis, appeared free from material systemic bias (i.e. material bias that favored particular outcomes). There were issues that affected some allocation results and that could be argued to be advantageous or disadvantageous to a specific region or affiliate; however, the amounts involved were generally small in percentage and dollar terms, involving only a few percentage points difference in potential outcomes and a maximum potential shift of a few million dollars among entities.

Legacy Grid Allocation Procedures

National Grid USA distributed its costs to affiliates through the PeopleSoft accounting system. It directly charged nearly two-thirds of the total costs it billed to affiliates during calendar years 2009 and 2010. The high direct charge percentage is the result of the service company's heavy use of "convenience payments," which consisted of vendor payments made on behalf of specific affiliates (usually utilities) and then billed to those affiliates. Of the slightly more than one-third of costs that were allocated (\$479 million in 2009 and \$417 million in 2010), over 65% was distributed on the basis of relative financial size using O&M expense. The calculation of O&M expense excluded wheeling and purchased power and excluded A&G expenses (expenses charged to FERC accounts 920 through 930), but it included intercompany expense and service company allocations. About 7% of total allocated costs were distributed only among the segments of Niagara Mohawk using fixed allocation factors agreed to by National Grid and the New York Commission Staff. Remaining allocated costs were distributed based on relative levels of customers or employees and on a variety of other bases, including budgeted transportation expenses, aerial devices and a composite allocator consisting of purchase orders, invoices and average inventory balances.

Legacy KeySpan Allocation Procedures

The legacy KeySpan service companies (KeySpan Corporate Services, Engineering Services and Utility Services) directly charged 41% of their costs in 2010. Of the 59% of costs that was allocated, more than half was distributed using a three-factor formula based on an equally-weighted composite of assets, revenue and O&M expense. Unlike the equivalent legacy Grid O&M allocator, the O&M component of the three-factor allocator included A&G expense, but excluded intercompany expenses and service company allocations. Most of the costs allocated from the KeySpan service companies using methods other than the three-factor allocator were distributed on the basis of relative employees, customer meters or telephone calls. Property, revenue, customer bills and gas volumes were used to distribute a relatively small percentage (4%) of total allocated costs.

Allocation Methods and Factors - Specific Findings

- Inadequate Cost Allocation Manual Definitions - The definitions of some allocators in the legacy Grid and legacy KeySpan cost allocation manuals lack detail sufficient to understand the calculation of the allocator. For example, the definition of legacy Grid's O&M allocator notes that the calculation excludes wheeling and purchased power, but fails to note that it also excludes A&G expense (expense accounts 920 through 930). The legacy KeySpan manual defines the "3-Point Formula" as consisting of an "equal weighting of Revenue, Assets and Expenses" but does not describe what is meant by any of these terms.
- Circularity (Feedback) Built into the Legacy Grid O&M Expense Allocator - The legacy Grid O&M expense allocator includes prior period allocated expenses from the service company in the calculation of the factors used to allocate current period service company expense. This introduces a feedback mechanism into the allocation process whereby allocated expenses from one year contribute to the allocation factors used to distribute service company costs in the next year.
- Impact of Method Differences in Legacy Grid and Legacy KeySpan Financial Size Allocators – A majority of costs allocated from National Grid's service companies were distributed using "unattributable" allocators based on relative financial size. Legacy Grid used O&M expense and legacy KeySpan used a three-factor composite of assets, revenue and O&M expense. Although the methods were different - and even the calculations of O&M expenses were different - the distribution percentages applicable to the New York utilities resulting from them were similar.
- Differences between Actual Employees and Counts Used in Employee Allocators – The employee counts for some KeySpan affiliates in the legacy KeySpan employee allocators include an allocation of service company employees. In bill pools that include both legacy Grid and legacy KeySpan cost objectives, this tends to cause higher levels of cost to be drawn toward KeySpan affiliates that are weighted with service company employees. While this produces an arguably unbalanced result (since a number of National Grid USA's employees serving only New England might also have been, but were not, allocated to the New England utilities), the impact on the New York utilities, when compared with no service company employee allocation, was mildly favorable for Niagara Mohawk, and relatively insignificant for KEDLI and KEDNY, primarily because many of the allocated service company employees were distributed to the employee bases for KeySpan Generation and KeySpan Electric Services.
- Allocations Based on Customers or Customer Meters- We were unable to obtain customer counts for certain specific KeySpan affiliates for comparison and evaluation of the reasonableness of customer meter counts.
- Allocations Based on Telephone Calls – KeySpan allocated customer contact expenses incurred in New England and New York using telephone calls. Allocation inputs for Boston Gas showed an

unexpected decline in telephone calls in fiscal 2010 (dropping 22% from fiscal 2009) followed by an unexpected significant increase in fiscal 2011 (increasing 42% from fiscal 2010). National Grid acknowledged that there was a problem with Boston Gas' call count in fiscal year 2010 in that it included only a subset of total calls. National Grid estimated this resulted in a \$1.8 million under-allocation to Boston Gas, an over-allocation of \$1.1 million to KEDNY, an over-allocation of \$3,269 to KEDLI, and an over-allocation of \$671,545 to other entities receiving cost distributions through the allocator in fiscal 2010.

Chapter 7 – Transactions Testing

A significant component of our audit effort consisted of selecting and testing transactions for compliance with allocation and accounting requirements. In total, we tested 1,425 service company transactions (out of a combined population total of 536,884 transactions) valued at \$1.77 billion (out of a combined population value of \$4.97 billion). Transactions were drawn from accounts payable, payroll and employee expense sub-ledgers supporting the legacy Grid (PeopleSoft) and legacy KeySpan (Oracle) accounting systems for the 20-month period October 2008 through May 2010. The scope was designed to capture transactions in Niagara Mohawk Electric Distribution and Transmission historic test year (12 months ended September 30, 2009), in calendar year 2009 reporting periods for KEDLI and KEDNY, and in Niagara Mohawk Gas Distribution reporting period for the 12 months ended May 31, 2010.

The objective of transaction testing was to determine whether and to what extent amounts were unsupported or incorrectly charged by National Grid's service companies to the regulated operations of the New York utilities (Niagara Mohawk Electric and Gas, KEDLI Gas and KEDNY Gas). Including errors in allocation (cost direction), FERC accounting and transactions that lacked support sufficient to determine whether allocation and accounting were correct, our point-estimate for the cost of service (at 95% confidence) for the four New York utility jurisdictions during applicable reporting periods is as follows:

Table 1-3 – Service Co. Transaction Testing Results – COS Adjustment Point Estimates & 95% Confidence Intervals

Service Company Transaction Testing Results By Utility				
Cost-of-Service Adjustment Point Estimates and 95% Confidence Intervals				
Utility / (Segment)	Reporting Period	Lower Limit - 95% Confidence	Point Estimate	Upper Limit - 95% Confidence
Niagara Mohawk (Electric)	Oct 1, 2008 - Sept 30, 2009	(18,652,605)	(3,029,659)	12,593,286
Niagara Mohawk (Gas)	Jan 1, 2009 - Dec 31, 2009	(10,025,947)	(5,484,918)	(943,889)
KeySpan Energy Delivery Long Island	Jan 1, 2009 - Dec 31, 2009	(22,565,676)	(13,342,760)	(4,119,843)
KeySpan Energy Delivery New York	June 1, 2009 - May 31, 2010	(39,815,291)	(22,190,205)	(4,565,119)
Total		(69,745,853)	(44,047,542)	(18,349,230)
Source: Testing Results, Oracle and PeopleSoft Database Extracts				
Note: Amounts in parentheses are negative values (downward adjustments), positive values indicate upward adjustment				

Selection of Transactions for Testing

Our sampling process was designed to yield statistically valid estimates of transaction error values for the population of service company transactions in the PeopleSoft and Oracle systems for each utility's 12 month test year or reporting period. We obtained relevant general ledger and sub-ledger (accounts

payable, payroll and employee expense reimbursement) data for all service companies for the period October 2008 through May 2010. We selected both targeted and random samples from each accounting system. The targets consisted of all accounts payable transactions of \$1 million or more. The random samples were drawn from populations of accounts payable transactions under \$1 million, all payroll transactions and all employee expense transactions. Testing population and sample statistics are summarized below.

Table 1-4 – Service Co. Transaction Testing - Transaction Population, Sample and Error Statistical Summary

Service Company Transaction Testing Transaction Population, Sample and Error Statistical Summary (20-months)						
Description	Population Figures		Sample Figures		Identification of Errors	
	Nbr of Items	\$ Value of Items	Nbr of Items	\$ Value of Items	Nbr of Items	\$ Value of Items
Legacy KeySpan:						
Accounts Payable - Target	319	901,875,997	319	901,875,997	20	(4,688,562)
Accounts Payable - Sample	123,995	879,115,425	166	38,783,729	28	(851,644)
Payroll - Sample	89,902	570,511,877	153	1,361,992	23	(59,922)
Employee Expense - Sample	14,157	11,217,241	39	150,377	12	(5,453)
Total Legacy KeySpan	228,373	2,362,720,540	677	942,172,095	83	(5,605,581)
Legacy National Grid:						
Accounts Payable - Target	306	777,369,124	306	777,369,124	16	(3,638,918)
Accounts Payable - Sample	233,547	1,294,400,126	244	40,996,380	35	(1,110,257)
Payroll - Sample	60,256	513,126,331	137	10,014,731	17	156,936
Employee Expense - Sample	14,402	17,702,050	61	335,350	25	(12,152)
Total Legacy National Grid	308,511	2,602,597,631	748	828,715,585	93	(4,604,391)
Total of LKS and LNG	536,884	4,965,318,171	1,425	1,770,887,680	176	(10,209,972)
Source: Testing Results, Oracle and PeopleSoft Database Extracts						

We used a dollar-value sampling technique for the sample selections, which gave every dollar in each population an equal chance of being selected, with the additional constraint that no population would have fewer than 100 selections. Our audit units consisted of all unique invoice numbers found in the accounts payable sub-ledger (for accounts payable) and the payroll or employee expense charges for an individual employee during a single month.

Transaction Analysis

We developed questionnaires to obtain information about the selected transactions. The questionnaires were designed to obtain background information to understand the transactions and the procedures and controls governing them, and to obtain the supporting documentation necessary to assess the propriety of the cost direction (affiliate or affiliates to which the transactions were charged) and the FERC accounts to which they were charged. For many of the transactions tested obtaining sufficient, reliable information to support the transaction proved to be a significant challenge. For example, transactions often lacked supporting documentation sufficient to independently verify cost direction or FERC accounting. In many cases obtaining proper support required two or three follow-up attempts. This took approximately 10 months.

Errors and Error Adjustment Calculations

As shown in the table above, 176 of the 1,425 (12.4%) transactions tested were classified as having errors. Errors were classified in the following categories:

- Cost Direction – The transaction was charged to the wrong affiliate(s) or the proportions charged to the affiliates were incorrect. Error adjustments consisted of removing the amount that was allocated to each affiliate and replacing it with the amount that should have been allocated to the affiliates.
- FERC Account – The FERC (regulatory) account to which the transaction was recorded was incorrect with respect to above-the-line / below-the-line treatment. These errors consisted entirely of amounts recorded in above-the-line (regulated O&M) accounts that should have been recorded in below-the-line (non-operating) accounts. Error adjustments consisted of removing the amounts incorrectly recorded in regulated O&M accounts.
- Unsupported Transaction – The transaction lacked sufficient documentation to assess cost direction and / or FERC account. When a transaction was unsupported, the amount recorded to regulated capital and O&M accounts was removed from those accounts. This was the largest error category. These unsupported transactions included items where no third party support was provided and where the third party support was too vague to provide a reasonable basis for a conclusion over the reasonableness of the cost allocation. It also included selections where the underlying cost allocation methodology was not provided

In dollar terms, most of error adjustments fell into the unsupported transaction category. Tables 1-5 and 1-6 below break errors out into the three categories described above for the legacy KeySpan and legacy Grid testing populations.

Unsupported Transactions - New York Public Service Law states that the burden of demonstrating the reasonableness of costs incurred in transactions between affiliates rests with the company.¹² Our testing population consisted entirely of transactions between affiliates (i.e., between National Grid's service companies and one or more of its New York-regulated utilities.

We required supporting documentation to independently determine the nature of the transaction, whether amounts were charged to the correct affiliates and to the correct above-the-line or below-the-line account categories. The New York Public Service Commission does not have rules directly addressing what constitutes sufficient records support. However, the FERC, which also regulates National Grid, does have such rules. Specifically, 18 CFR 368.2 (j) and (k) state:

¹² NYS Public Service Law, Sec. 110 – Control of holding companies and of transactions between affiliated interests, par. 3.

(j) Records of services performed by associate companies. Holding companies and service companies must assure the availability of records of services performed by and for public utilities and licensees and natural gas companies with supporting cost information for the periods indicated in §§ 125.3 and 225.3 of this chapter as necessary to be able to readily furnish detailed information as to the nature of the transaction, the amounts involved, and the accounts used to record the transactions.

(k) Rate case. Notwithstanding the minimum retention periods provided in these regulations, the company must retain the appropriate records to support the costs and adjustments proposed in any rate case.

We used these FERC rules, and particularly FERC recordkeeping requirements, as a primary basis for assessing the adequacy of transaction support.¹³ According to these requirements, vouchers (including analysis sheets showing detailed distribution of charges), original bills and invoices, and other supporting papers must be retained for five years. All of the transactions we reviewed were within the five-year retention window when we reviewed them. We considered transactions which did not have documentation meeting the FERC requirements to be unsupported when the lack of such support prevented us from drawing independent conclusions about the nature of the transaction, the correctness of cost direction or above or below-the-line account treatment.

It is not possible to definitively state whether unsupported transactions were misallocated or charged to the incorrect account. The classification of these transactions as errors is premised solely on the lack of sufficient documentation.

20-Month and 12-Month General Ledger Error Calculations - As noted above, all of the targeted and randomly sampled selections fell within the 20-month period October 2008 through May 2010. However, the maximum that an error can affect the earnings or cost of service for one of the New York utilities is the 12 month reporting period applicable to that utility. To distinguish the errors associated with these different periods, we refer to the separate error calculations as 20-month and 12-month general ledger adjustments. Thus, any error found to affect Niagara Mohawk Electric is part of the 20-month general ledger adjustment for Niagara Mohawk Electric for whatever portion of the 20 months the error was applicable. However, it is part of the Niagara Mohawk Electric's 12-month general ledger adjustment only to the extent and in the amount it affects the utility's reporting period: the historic test year ended September 30, 2009.

¹³ FERC Order 684, October 16, 2006, codified in C.F.R. 18, Part 368

Cost of Service Calculations – To develop the cost of service impact of an error, the 12-month general ledger adjustment required further refinement. An error could include amounts directed to capital, to expense or both. In general, the cost of service adjustment is based on the following equation:¹⁴

$$\text{COS Error} = \text{O\&M Expense 12-Mo. GL Error} + (\text{Capital 12 Mo. GL Error} \times 15\%)$$

Correcting individual cost direction errors involved replacing the amounts that were allocated or charged to each affiliate with amounts that should have been charged. This typically meant a different distribution of transaction dollars among affiliates, increasing amounts attributable to some affiliates while decreasing amounts for others. For a given utility, the total cost of service impact of cost direction errors is the net of increases and decreases to the affiliate's regulated accounts as a result of correcting all applicable cost direction errors.

Summary of Transaction Errors

The following tables summarize the cost of service impact on the New York utilities by error type for 1) the target selection of accounts payable transactions of \$1 million or more and 2) for each of the samples (accounts payable, payroll and employee expenses). Apart from the target selection of invoices of \$1 million or more, the amounts reflect the sum of the errors in the sample, not the estimated impact on the populations. Transaction errors for legacy KeySpan are summarized as follows:

Table 1-5 – Legacy KeySpan Transaction Testing Error Summary – COS Adjustments for Tested Transactions

Legacy KeySpan Transaction Testing Error Summary Cost of Service Adjustments for Tested Transactions								
Error	Oracle Population	No. of Errors	Target Selection or Sample Size	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
Cost Direction	AP \$1 Million and Over	3	319	-	(74,008)	205,397	(88,393)	42,997
	AP Under \$1 Million	10	166	44,803	12,896	(17,726)	(32,849)	7,124
	Payroll	19	153	20,924	5,202	(17,128)	(32,953)	(23,955)
	Employee Expenses	12	39	2,822	554	(2,344)	(3,218)	(2,186)
Subtotal Cost Direction Errors				68,549	(55,356)	168,199	(157,413)	23,979
FERC Account	AP Under \$1 Million	3	166	-	(17,203)	-	-	(17,203)
	Payroll	1	153	-	-	(1,522)	(2,424)	(3,947)
Subtotal FERC Account Errors				-	(17,203)	(1,522)	(2,424)	(21,150)
Unsupported Transactions	AP \$1 Million and Over	17	319	(463,217)	(107,005)	(696,521)	(2,533,000)	(3,799,743)
	AP Under \$1 Million	15	166	(125,603)	(30,796)	(14,344)	(26,116)	(196,860)
	Payroll	3	153	-	-	(380)	(411)	(791)
Subtotal Unsupported Transactions				(588,820)	(137,801)	(711,245)	(2,559,528)	(3,997,394)
Total Legacy KeySpan Errors				(520,271)	(210,360)	(544,569)	(2,719,365)	(3,994,564)

Source: Chapter 7, Legacy KeySpan Transaction Error Tables

¹⁴ As discussed in Chapter 7, there were a small number of items, primarily "purchasing card" (credit card) transactions that could not be adequately defined as capital or expense. For purposes of calculating our cost of service adjustment figures, we assumed a 75% composite ratio for these selections.

For legacy Grid, transaction errors are summarized as follows:

Table 1-6 – Legacy Grid Transaction Testing Error Summary – COS Adjustment for Tested Transactions

Legacy Grid Transaction Testing Error Summary Cost of Service Adjustments for Tested Transactions								
Error	PeopleSoft Population	No. of Errors	Target Selection or Sample Size	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
Cost Direction	AP \$1 Million and Over	4	306	(22,729)	-	4,907	16,697	(1,125)
	AP Under \$1 Million	21	244	(208,630)	(9,400)	23,152	85,994	(108,885)
	Payroll	16	137	144,327	(2,872)	2,403	4,651	148,509
	Employee Expenses	25	61	159	(16,089)	1,417	2,772	(11,740)
Subtotal Cost Direction Errors				(86,873)	(28,361)	31,879	110,114	26,759
FERC Account	AP Under \$1 Million	1	244	-	(88)	(112)	(219)	(419)
Subtotal FERC Account Errors				-	(88)	(112)	(219)	(419)
Unsupported Transactions	AP \$1 Million and Over	12	306	(1,121,134)	(90,238)	(61,988)	(120,885)	(1,394,246)
	AP Under \$1 Million	13	244	(233,476)	(78,415)	(33,993)	(66,292)	(412,175)
	Payroll	1	137	(6,072)	-	-	-	(6,072)
Subtotal Unsupported Transactions				(1,360,682)	(168,653)	(95,982)	(187,177)	(1,812,493)
Total Legacy Grid Errors				(1,447,554)	(197,102)	(64,215)	(77,282)	(1,786,153)

Source: Chapter 7, Legacy Grid Transaction Error Tables

Cost direction errors comprised 110 of 176 (62.5%) total errors. Unsupported transactions comprised 61 of 176 (34.7%) of total errors, and FERC account errors comprise 5 of 176 (2.8%) of total errors.

Extrapolation to Population Values

The purpose of using a statistically valid sampling method was to enable an extrapolation of sample errors to the population of all service company transactions. We extrapolated amounts for our three samples (accounts payable, payroll and employee expenses) to the total population of transactions for each of the four entities under review. We developed a point estimate of the population error from the sample error rates and we calculated confidence intervals for each point estimate using a 95% level of confidence. For each error point estimate, the confidence intervals provide the upper and lower bounds within which the true population value lies with 95% assurance. Results are summarized in the table below.

Table 1-7 - Service Co. Transaction Testing Results by Utility – Population COS Adjustment Point Estimates & 95% Confidence Intervals

Service Company Transaction Testing Results By Utility Population Cost-of-Service Adjustment Point Estimates and 95% Confidence Intervals			
Utility	Lower Limit	Point Estimate	Higher Limit
NIMO-Electric			
NIMO Electric Sample Results	(17,045,525)	(1,422,580)	14,200,366
NIMO Electric Targeted Testing	(1,607,080)	(1,607,080)	(1,607,080)
Total	(18,652,605)	(3,029,659)	12,593,286
NIMO-Gas			
NIMO Gas Sample Results	(9,754,696)	(5,213,667)	(672,637)
NIMO Gas Targeted Testing	(271,251)	(271,251)	(271,251)
Total	(10,025,947)	(5,484,918)	(943,889)
KEDLI			
KEDLI Sample Results	(22,017,471)	(12,794,555)	(3,571,638)
KEDLI Targeted Testing	(548,205)	(548,205)	(548,205)
Total	(22,565,676)	(13,342,760)	(4,119,843)
KEDNY			
KEDNY Sample Results	(37,089,710)	(19,464,624)	(1,839,537)
KEDNY Targeted Testing	(2,725,581)	(2,725,581)	(2,725,581)
Total	(39,815,291)	(22,190,205)	(4,565,119)
Total for all NY Utilities	(69,745,853)	(44,047,542)	(18,349,230)
Source: Testing Results, Oracle and PeopleSoft Database Extracts			
Note: Amounts in parentheses are negative values and represent downward adjustments.			

The distribution of population error estimates among the error categories is as follows:

- Cost Direction Errors – 25.4%
- FERC Account Errors – 6.0%
- Unsupported Transactions – 68.6%

Additional detail concerning the composition of transaction testing errors is shown in Chapter 7.

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2. ACCOUNTING SYSTEMS AND CONTROLS

Systems and controls over affiliate transactions at National Grid are currently undergoing considerable change. They also have experienced significant scrutiny by both the company and third parties. The following chapter highlights the conditions that existed during the test period used by Niagara Mohawk in its January 2010 electric rate case filing along with the changes that the company has disclosed to us. We also include a list of recommendations to supplement those that have previously been proposed by others.

Summary of Findings

1. After acquiring KeySpan in 2007, National Grid management chose to maintain two separate accounting systems for its U.S. domestic operations for the following five years. National Grid subsidiaries originally owned by KeySpan operate on the Oracle system, and those that originate from National Grid use the PeopleSoft system. The company has plans to migrate both systems to its U.K. parent's SAP system in late 2012.
2. The accounting fields (code block) used to organize and classify information on the Oracle and PeopleSoft systems are similar but not identical. As a result, an internally-developed "Bridge" was created to link the two systems. The underlying data translation associated with the "Bridge" complicates the review of transactions that originate on one system and are reported on the other.
3. In addition to having a different accounting code block, there are other significant differences between the legacy KeySpan and legacy Grid companies that ultimately impact cost allocations. These range from differences in the manner in which financial information is recorded and maintained to differences in the underlying calculations of similar allocations between the two systems. Each difference complicates the evaluation of the process and raises potential questions about the comparability of data emerging from each system. Consultants retained by the company also raised concerns about the complexities that stemmed from system differences and made numerous recommendations to eliminate them, which the company accepted and is now in the process of implementing.
4. One significant difference between the legacy KeySpan and the legacy Grid service companies is that the legacy Grid service company does not maintain its own income statement unlike its counterparts at legacy KeySpan. Costs incurred by the legacy Grid service company that are directly assigned to an affiliate bypass service company income statement accounting and are recorded only on the affiliate's books. Expenses and reimbursements associated with costs that are allocated to multiple affiliates by the legacy Grid service company are netted against each other (expense and contra-expense) rather than recorded separately as revenue and expense.
5. Recent updates to National Grid's service level agreements raise questions about the company's commitment to their use. The company was spurred to develop and make changes to its service

level agreements when past auditors found their use to be both incomplete and inconsistent. In response, the company recently filed new service level agreements with the Staff for those services between Niagara Mohawk and National Grid's business functions. These new service level agreements lack a definitive price, a comprehensive delineation of service quality expectations, and explicit consequences for inadequate performance. In addition, National Grid may not even expand the use of service level agreements to other affiliate relationships, including those involving KEDNY and KEDLI.

6. Historically, budgeting was performed at National Grid by lines of business and various functional departments rather than individual utilities and the service companies.¹ While there may have been compelling reasons for elements of this approach, including a lack of specificity of the service company organization,² the result was a general inadequacy in control and accountability at the legal entity level. For instance, if budgeting and associated variance reporting had been performed on a legal entity basis, the company most likely would have been able to satisfactorily provide explanations for the increases in annual service company costs to Niagara Mohawk in its 2010 electric rate case.
7. National Grid does not intend to employ benchmarking or market testing to determine the reasonableness of the costs of the services that its service companies provide. Instead, it plans to perform "deep dive analyses". The limited information we were provided about the company's "deep dive analysis" on its legal function did not permit us to reach a conclusion concerning the adequacy of this alternative approach to determining market competitiveness.
8. National Grid currently has two different cost allocation manuals (CAMs) – one for each accounting system. However, the company's plan is to consolidate to one CAM when the accounting systems are combined in October 2012. We noted significant differences between the two existing CAMs and important omissions. The company already has plans to address some of these matters as evidenced by a preliminary draft of the proposed CAM, which presumably served as the basis for the new CAM that was filed in Case 06-M-0878 in March 2012.
9. Two processes put in place by the company to address controls over cost allocations have subsequently been subsumed within a new program entitled Finance Enablement Program Oversight (FEPO). The Process and Control Improvement Program was developed to address control issues identified by internal and external auditors. The Cost Allocation Review Committee was formed to perform quarterly reviews of service company cost allocations. Both are now part of the larger Financial Enablement Program Oversight (FEPO) initiative, which was created to provide centralized oversight to support U.S. Finance in achieving the objectives of

¹ The same is true of the actual-to-budget reporting performed by the U.S. operations.

² Functions were often performed by employees of multiple service and operating companies. The U.S. domestic operations also underwent frequent reorganizations after the KeySpan acquisition. As a result, the service company legal entity organization was never really set in any meaningful way.

numerous projects, including those involving cost allocations and service companies. The Cost Allocation Review Committee has not met since September 2010.

10. Historically, the National Grid utilities were not actively involved in the review or approval of service company invoices. Given this, as would be expected, the company could not identify any instances in which an operating utility had successfully challenged an inappropriate cost assignment by a service company.³ Presumably, the new regional model rolled out by the company in early 2011 will improve the control that the utilities have over payment of these services in the future.
11. Historically, legacy Grid has permitted the use of convenience payments while legacy KeySpan has not. Prospectively, convenience payments will not be allowed by any of the service companies except in the limited case of P-card transactions. The end result of this new policy is an improvement in both the consistency and the transparency of the settlement of most intercompany transactions between the service companies and New York utilities.
12. Recent and prospective changes are likely to have a significant impact on the administration of transactions between National Grid's service companies and operating utilities in the future. The migration of two accounting systems to a single system in late 2012 will eliminate the need for the "Bridge" and should improve transparency of the audit trail. The planned consolidation of cost allocation methodologies, processes, and the CAM should provide a consistent, integrated approach to service company cost allocations that is currently lacking. It remains to be seen whether the company's decision to adopt a regional model to ensure a better focus on the utilities will be effective, especially when priorities between utilities within the same jurisdiction diverge. Recent employee headcount reductions should benefit the utilities through lower service company labor charges, but the impact on overall cost levels will depend on the extent to which employees are replaced by third-party contractors.

Recommendations

To the extent that the company has previously committed to make changes concerning its handling of affiliate transactions, we will not repeat them unless we believe they warrant particular emphasis.

1. The costs paid by a service company for the benefit of one or more affiliates should be detailed on the service company's income statement. Currently, legacy Grid does not record any direct assignments of affiliate costs on its income statement and offsets costs that are allocated to multiple affiliates. The expenses in the latter case thus net to zero. The company has indicated that it intends to produce service company income statements in the future. However, these statements will only be useful if they are complete and provide adequate disclosure of all revenues and expenses as supported by the underlying accounting records.

³ This occurred despite the company's own internal review finding issues with 8 percent of labor charges and 2 percent of non-labor charges (Rebuttal Testimony of Andrew F. Sloey (Chief Financial Officer, US Financial Services) in Case 10-E-0050 before the New York Public Service Commission, Exhibit AFS-9R).

2. The assignment of service company costs to recipients under the new cost allocation system should be readily discernible at the transactional level. The ability to trace service company costs to their ultimate distributions and to trace allocated distributions to their ultimate source is equally important. National Grid had difficulty producing this type of information during the audit period primarily because of the mass allocation process employed by legacy KeySpan and the company's decision not to maintain certain historical data and relationships on both systems.
3. Service level agreements should be handled administratively in the same manner as contracts with third parties. Service level quantities, costs, and quality should be negotiated and agreed to beforehand by both the service provider and utility, and meaningful consequences for inadequate performance should be documented and enforced. The agreements recently submitted between business service functions and Niagara Mohawk do not provide adequate protection to Niagara Mohawk. Negotiated cost levels between parties should be used for corporate budget purposes. Controllable, inadequate performance should not be borne by the utilities. However, if the cause of inadequate performance is beyond the control of the service function, the parties should not be prohibited from reaching a formal, equitable disposition to the matter.
4. If not already done so, the company should consider making satisfactory service company performance an additional trigger for the release of incentive compensation to service company management. It is our understanding that under current conditions, global budget targets must be met in order for any incentive compensation to be paid to management. However, this also means that poor performance of a manager's own functional area would not necessarily prevent the earning of incentive compensation if other functional groups within the organization outperformed. Because of the captive nature of the service company customers who cannot "vote with their feet", consideration should be given to adding both quantity and quality measures to the triggering of service function management incentive compensation. As mentioned previously, negotiated cost levels between the parties should be used for corporate budget purposes. Performance metrics used in the service level agreements to measure quality should be consistent with the key performance indicators monitored by management.
5. Service level agreements should be implemented between all service company functions and all New York utilities. As a self-described tool to drive cost management and performance, the protection offered by service level agreements should be offered to all New York utilities, and not just to Niagara Mohawk. Recently, National Grid indicated that it would be evaluating whether or not to extend the service level agreement model to other New York operating utilities and jurisdictions.
6. Absent compelling evidence that the company's proposal to employ "deep dive analyses" adequately demonstrates that service company offerings are competitive with the market, the company should provide up-to-date benchmarking data to the operating companies for all significant service company functions. Obtaining data from independent sources will have the

added benefit of mitigating concerns that those representing the operating companies have a conflict of interest by being employed by the service company.

7. The company should include the following items in its new cost allocation manual (CAM):
 - A fully-referenced copy of the actual, underlying computations used in calculating system-generated allocation bases,⁴
 - The documentation and retention requirements associated with manual allocations made by employees independent of system-generated allocations, and
 - A detailed explanation of the service companies' return on equity and how it impacts service company customers.

National Grid's two current CAMs do not disclose the sources of the amounts used in the underlying allocation codes and billing pools. Whether related to this lack of documentation or not, we found at least one instance in which the same term was defined differently between the legacy KeySpan and legacy Grid service companies. Since the determination of allocation bases can have a significant impact on the assignment of costs between operating utilities, it is imperative that the derivation of these factors be transparent and justifiable. Source data should be dated and identified as actual or budgeted amounts.

Under the current systems, employees are permitted to make allocations to operating companies independent of the programmed allocation codes (legacy KeySpan) and billing pools (legacy Grid). At times, the support for such manual allocations was non-existent. Assuming these ad hoc allocations are allowed to continue in the future, it is important that they be properly documented and the documentation be retained for timely review.

As a component of the billings made by service companies to its customers, its return on equity should be disclosed and defined in the CAM.

8. National Grid should put mechanisms in place to identify organizational changes which may impact service company cost allocations on a prospective basis. The company is expending a great deal of resources to ensure that its cost allocation methodologies and processes are reasonable when it consolidates onto SAP later in 2012. All of this work will go to waste if subsequent changes to the organization go unnoticed and are not properly considered in future cost allocations. A Cost Allocation Review Committee met for a brief time in 2009 and 2010 and took organizational change into consideration when performing its work. However, this group subsequently disbanded and its responsibilities absorbed into the temporary FEPO program.
9. On at least an annual basis, Internal Audit should perform formal verification procedures on service company bills.⁵ Deficiencies identified during this testing should be corrected in a timely

⁴ If changes are made to the system-generated allocations during the year, an explanation for the change should be provided; the effective date of the change should be noted; and the "old" allocation should be retained for reference purposes.

manner and reported to the NYDPS. Historically, service company invoices have not been scrutinized by operating companies for accuracy. Prospectively, given the perception that Jurisdictional executive management, which will represent the utilities in these transactions, may have a conflict of interest because some are service company employees, the verification of service company invoices should be performed by a separate group within the company.

10. If not already in place, the company should consider making the satisfactory performance of each New York utility an additional trigger for the release of incentive compensation to New York jurisdictional management. Under the new regional model; the interests of Niagara Mohawk, KEDNY, and KEDLI are represented by common New York jurisdictional management. This raises the potential for a conflict of interest if the individual interests of one New York utility are different than that of its sister New York utilities. To mitigate this concern, New York jurisdictional management's incentive compensation should only be triggered if all New York utilities achieve targeted individual performance.

Overview⁶

During the period of our review,⁷ the domestic operations of National Grid operated on two different financial system platforms. The first of these systems, Oracle, is the system that KeySpan was using at the time it was acquired in 2007 by National Grid. Current National Grid subsidiaries that were originally owned by KeySpan continue to use the Oracle system. While there were approximately ten "legacy KeySpan" subsidiaries that were parties to service company transactions during our audit period, New York business was primarily concentrated in the following five companies:

- The Brooklyn Union Gas Company, dba as KeySpan Energy Delivery New York (aka KEDNY);
- KeySpan Gas East Corporation, dba as KeySpan Energy Delivery Long Island (aka KEDLI);
- National Grid Utility Services LLC, formerly KeySpan Utility Services LLC;
- National Grid Corporate Services LLC, formerly KeySpan Corporate Services LLC; and
- National Grid Engineering & Survey, Inc., formerly KeySpan Engineering & Survey, Inc.

⁵ The domestic Internal Audit Department reports to the head of the U.K. Internal Audit Department. The head of the U.K. Internal Audit Department reports to National Grid's Audit Committee of the Board of Directors for strategic direction, reinforcement and accountability and to executive management for general direction, support and administrative interface (per e-mail from Sharon Partridge, Vice President, Revenue Management and Controls, on July 31, 2012).

⁶ National Grid intends to replace its U.S. financial systems and to consolidate its accounting processes in the fourth quarter of 2012, meaning that many of our findings with respect to this subject matter will be obsolete shortly after our report is released. With that in mind, our review of National Grid's historical accounting systems and processes relies extensively on the groundwork established by consultants retained by the company in late 2010 / early 2011 (The Liberty Consulting Group), the accuracy of whose work product has not been disputed to date (see response to Discovery, OC-26).

⁷ Our review of National Grid's accounting systems and internal control focuses primarily on the time period from 2008 to 2011. This generally corresponds with the test periods for detailed transactional testing (which ranges from October 2008 to May 2010) but also includes recent changes that are expected to have a significant impact on future results.

The second system currently in use is the PeopleSoft system that domestic National Grid companies were using in 2007 when the acquisition of KeySpan was completed. Much like their “legacy KeySpan” counterparts, these subsidiaries continued to use their incumbent system after the acquisition. The two “legacy Grid” subsidiaries of more than ten that were most closely associated with New York operations were:

- Niagara Mohawk Power Corporation (Niagara Mohawk); and
- National Grid USA Service Company Inc. (NG USA Service Company)

KEDNY, KEDLI, and Niagara Mohawk are regulated utilities operating in the state of New York under the jurisdiction of the New York Public Service Commission, and in the case of Niagara Mohawk, also under the jurisdiction of the Federal Energy Regulatory Commission (FERC). National Grid Utility Services, National Grid Corporate Services, National Grid Engineering & Survey, and National Grid USA Service Company are centralized service companies subject to the jurisdiction of the FERC.

Although both Oracle and PeopleSoft are purportedly used by many companies,⁸ the fact that the domestic operations of National Grid have gone over four years without consolidating onto a common platform is rather unusual. In most corporate combinations, companies move quickly to merge systems to realize the synergies associated with having one system, such as employee headcount reductions in Accounting and Information Systems departments and elimination of redundant software support. While maintaining the status quo and continuing to operate two legacy systems may have been identified as the best option soon after the acquisition was finalized, the company recognized in late 2008 that its “. . . strategy create[d] risk, constraints and inefficiencies within the U.S. reporting (financial, management and regulatory) infrastructure,” and such constraints would prevent the U.S. from achieving a high performing financial reporting process.⁹

Faced with the task of producing consolidated financial statements and comprehensive budgets while managing the attendant increases in intercompany transactions resulting from the merger, the U.S. operations of National Grid developed an in-house “Bridge” between the Oracle and PeopleSoft systems in 2007. By the time the KeySpan acquisition closed in August 2007, the “Bridge” was operational. Since that time, this translation tool has been periodically enhanced and improved.¹⁰

In 2009, a decision was made to consolidate all of National Grid’s financial systems onto SAP, the same software used by the U.K. parent. The project to implement this decision is a massive undertaking and is commonly referred to as the U.S. Foundation Program. Currently, the “go-live” date for SAP in the U.S. is early October 2012, which represents a 10-month delay from the original deadline of December 1,

⁸ Interview with Brian Langh, Manager of Financial Systems and Data Management, on December 13, 2011.

⁹ Response to Discovery, Liberty-7 (National Grid Transformation: US Finance Systems Risk & Impact Analysis dated November 6, 2008, pp. 4 and 13).

¹⁰ Interview with Brian Langh, Manager of Financial Systems and Data Management, on December 13, 2011 and Liberty report dated March 21, 2011, p. 4.

2011.¹¹ We believe the conversion to a single financial system is very important as it establishes a foundation upon which a common approach to distributing costs among affiliates can be laid, an attribute which was lacking with the company's previous long-standing "temporary" solution.

Financial Systems' Evolution¹²

In December 2006, as part of the integration planning related to the acquisition of KeySpan by National Grid, initial plans were made to migrate KeySpan onto National Grid's PeopleSoft platform. However, internal concerns about the long-term viability of PeopleSoft software soon began to surface. (Oracle had recently acquired PeopleSoft and had sent mixed signals on the direction it planned to take on the newly acquired PeopleSoft applications.) The domestic gas businesses also expressed concerns about the loss of functionality they would experience with a migration to PeopleSoft. Presumably, as a result of these concerns, migration to the PeopleSoft system was postponed.

In early 2008, National Grid retained Accenture to perform a "fit-gap" analysis on SAP (the U.K. parent's financial system) to assess whether SAP could provide a global solution for the company's international business requirements. After concluding that SAP was a viable solution, the National Grid Group Executive approved the purchase of SAP's Enterprise Resource Planning/Enterprise Asset Management software and licenses in June 2008. However, because of the global financial crisis that occurred later that year, and the economic uncertainty that surrounded it, National Grid terminated its Global Transformation Project in December 2008. At approximately the same time, an internal risk assessment with external auditor input was conducted, and after reconsidering the consolidation of financial systems onto PeopleSoft, a recommendation was made instead to continue utilizing the "Bridge" for U.S. operations. Soon thereafter, a series of enhancements were made to the "Bridge" to address near-term challenges.

In 2009, after a number of IT application alternatives were developed by National Grid's Information Services group, and a summit was held to present such options to U.S. leadership, the National Grid Group Executive engaged Deloitte Consulting in July to develop a U.S. Systems Roadmap to achieve a fully integrated information services architecture that would deliver the capabilities required by the National Grid domestic operations. The National Grid Group Executive approved the roadmap in October 2009 and sanctioned the start-up and mobilization of the "US Back Office" Program to consolidate the Finance, Supply Chain, and Human Resources processes onto one platform. This later became known as the U.S. Foundation Program. Since SAP was the only identified integrated solution in the market, it was selected as the natural target platform for implementation.

Mobilization for the U.S. Foundation Program was approved in December 2009, and design commenced in February 2010. In early 2011, prior to sanctioning significant funding for the development and implementation phase of the program, National Grid engaged Cap Gemini to conduct an assessment of competitive alternatives to SAP and the benefit opportunities associated with the various alternatives.

¹¹ Interview with Brian Langh, Manager of Financial Systems and Data Management, on December 13, 2011. At the time of this interview, the company had set a deadline of July 1, 2012 which was subsequently delayed.

¹² Response to Discovery, OC-187.

The Cap Gemini report concluded that SAP was the best fit although other technologies could deliver many of the same business functions. SAP was cited for the maturity of its products (particularly for utilities), its simplified technology footprint, operational and process capabilities, and more comprehensive integration of necessary business processes.

Financial Systems and Accounting Structure

While Oracle and PeopleSoft are the primary accounting systems used by legacy KeySpan and legacy Grid, both systems interface with numerous feeder systems. Some of these systems are applications developed by Oracle and PeopleSoft; but others are unrelated, third-party systems.

The Oracle and PeopleSoft systems each have their own unique accounting structure. Commonly referred to as the “code block”, these key data fields are critical in organizing and classifying the information that is processed.

For Oracle, the code block consists of eight distinct “segments”. These are as follows:¹³

1. Receiver Company Code¹⁴ (RCO) – identifies which company’s set of books is recording the transaction,
2. Receiver Cost Center¹⁵ (RCC) – identifies the specific cost center being charged,
3. Activity – provides/describes details of the transaction; often a sub-set of “Project”,
4. Cost Type (CT) – identifies the lowest level of resource provided/expended in the transaction (e.g., straight-time labor management),
5. Account – generally coincides with the FERC chart of accounts,
6. Project – provides/describes a broad category of work; in practice, hierarchically superior to activities,
7. Provider Cost Center¹⁶ (PCC) – identifies the specific cost center providing the charge, and
8. Provider Company¹⁷ (PCO) – identifies the company providing the charge in the transaction.

These eight segments together are collectively referred to as the “flexfield”. However, it is only each unique combination of the following five segments:

Receiver Company Code + Receiver Cost Center + Activity + Account + Project

¹³ Response to Discovery, Liberty-106 (Financial Systems Overview dated March 11, 2008).

¹⁴ Also referred to as the Receiving Company Code.

¹⁵ Also referred to as the Receiving Cost Center.

¹⁶ Also referred to as the Providing Cost Center.

¹⁷ Also referred to as the Providing Company.

that determines the allocation code which is used to distribute costs to the various operating companies.

On the other hand, PeopleSoft employs the following code block:¹⁸

1. Business Unit – identifies a company with a balanced set of books,
2. Segment – identifies the management reporting view of the company (e.g., distribution, transmission, etc.),
3. Activity – defines the nature of the work performed,
4. Project – has an identifiable beginning and end, directed to attain a particular objective,
5. Work Order – identifies the most detailed level for capturing financial information related to projects or project-related charges (e.g., contractor invoices),
6. Expense Type – defines the resources used to perform the work,
7. Originating Department – identifies the organizational unit which performed or administered the work,
8. Charged Department – identifies the organizational unit for which the work is performed,
9. Billing Pool – captures costs to be allocated based on rules established in the financial system,
10. Account – captures transactions in financial terms; aligned with the U.K. chart of accounts,
11. Regulatory Account – captures transactions in financial terms; aligned with the FERC chart of accounts, and
12. Originating Business Unit – produces associated company bills and service company bills.

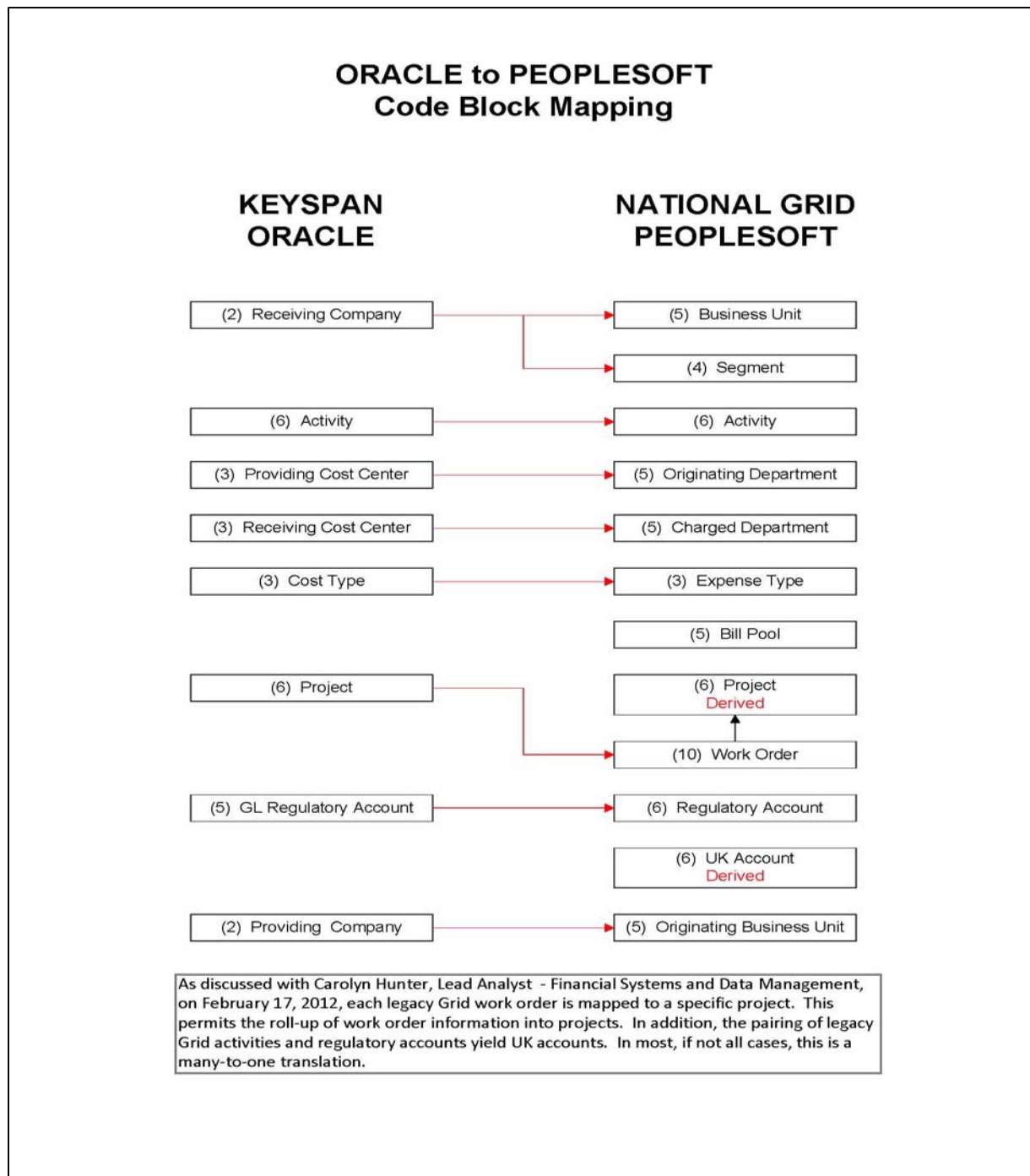
These twelve fields describe five aspects of each financial transaction – the financial management classification (Business Unit and Segment), the nature of the of the work performed (Activity, Project, and Work Order), the resources used to perform the work (Expense Type), identification of who performed the work on whose behalf (Originating Department, Charged Department, and Billing Pool), and the accounting classification (Account, Regulatory Account, and Originating Business Unit).

To understand the relationship of these data fields between the two systems, a mapping of the two systems' code blocks follows:¹⁹

¹⁸ Response to Discovery, Liberty-211 (Code Block Training).

¹⁹ Response to Discovery, OC-185.

Table 2-1 – Oracle to PeopleSoft Code Block Mapping



While both systems incorporate the FERC account in their code blocks, this field for both Oracle and PeopleSoft is ultimately a derivation based on other fields. In the case of legacy KeySpan, the (FERC) Account field is a function of Org Class and Activity.²⁰ Since Org Class represents a collection of similar

²⁰ Response to Discovery, Liberty-106 (Financial System Overview dated March 11, 2008).

Receiving Cost Centers, the legacy KeySpan FERC account is effectively the summarization of a unique set of Receiving Cost Centers and Activities.²¹ In the case of legacy Grid, the combination of Activity, Expense Type, and Work Order (for billable items) determines the Regulatory Account.²²

Generally speaking, the FERC or Regulatory Accounts used by the service companies are consistent with the chart of accounts as defined by the FERC. However, there are some notable exceptions with respect to the legacy KeySpan service companies. They are summarized in the following table:

²¹ E-mails from John O'Shaughnessy, Director – Service Company & Accounting Support, on February 17, 2012 and May 15, 2012. The use of Org Class is designed to create processing efficiencies in the Oracle Tables by reducing the number of potential look-ups when deriving the FERC Account.

²² E-mail dated February 16, 2012 from Colleen Dowling, Manager, Accounting Services.

Table 2-2 – Deviations from the FERC Chart of Accounts

Deviations from the FERC Chart of Accounts	
Account Used by National Grid	Description
110	Accumulated Provision for Depreciation of Gas Plant Held for Future Use – captures credit amounts for depreciation expense on property included in FERC Account 105 (Gas Plant Held for Future Use). (A)
147, 148, and 149	Intercompany Accounts Receivable – capture shorter term (147), medium to longer term (148), or tax-related (149) intercompany accounts receivable from affiliates.
247, 248, and 249	Intercompany Accounts Payable – capture shorter term (247), medium to longer term (248), or tax-related (249) intercompany accounts payable from affiliates.
486	Miscellaneous Revenue Adjustments – captures revenue adjustments pertaining to the deferral or amortization of previously deferred amounts recovered from customers including the Merchant Function Charge, Sharing of Off System Sales, Temperature Control and Interruptible Transportation Margins, Energy Efficiency, Research, Development and Deployment Millennium Fund, TC Penalty Billing deferral, Excess Earnings Sharing deferral, Capital Tracker deferral, Gas Safety Labor deferral, Low Income Subsidy deferral, and Revenue Decoupling per gas cost adjustment clause or rate agreement.
848	Maintenance of Vaporizing Equipment - captures the cost of labor, materials used, and expenses incurred in the maintenance of vaporizing equipment. (A)
895.1 and 895.2	Joint Expenses – captures amounts for the cost of operation and maintenance payable by the gas department to others for joint facilities used, occupied, or operated in connection with the distribution of gas (895.1) or in connection with the distribution of gas charged to others (895.2). (A)
939	Indirect Costs from Associated Companies – captures depreciation recovery, property tax recovery, and return on equity capital charges from the legacy KeySpan service companies.
940	Service Company Expenses / Operating Company Capital – captures costs incurred by the legacy KeySpan service companies that are billed out to the operating companies and recorded in FERC Account 107 (CWIP).
95000	Budget – Other Expenses – captures costs incurred by the legacy KeySpan service companies that have invalid accounting; a suspense account.
9500K	Environmental Expense - captures costs incurred by the legacy KeySpan service companies related to environmental remediation.
955	Other Deferred Expenses – captures various costs incurred by the legacy KeySpan service companies.
960	Fleet Expenses – captures costs incurred by the legacy KeySpan service companies related to vehicles.
961	Building Services Expenses – captures costs incurred by the legacy KeySpan service companies related to buildings.
962	Stores Expense – captures costs incurred by the legacy KeySpan service companies related to warehousing.
984	Service Company Expense to Clearing – captures costs on the legacy KeySpan service companies that are in turn charged to clearing accounts on the operating companies.
Source: Response to Discovery, OC-80.	
(A) According to the company, the account is consistent with the NYPSC Uniform System of Accounts.	

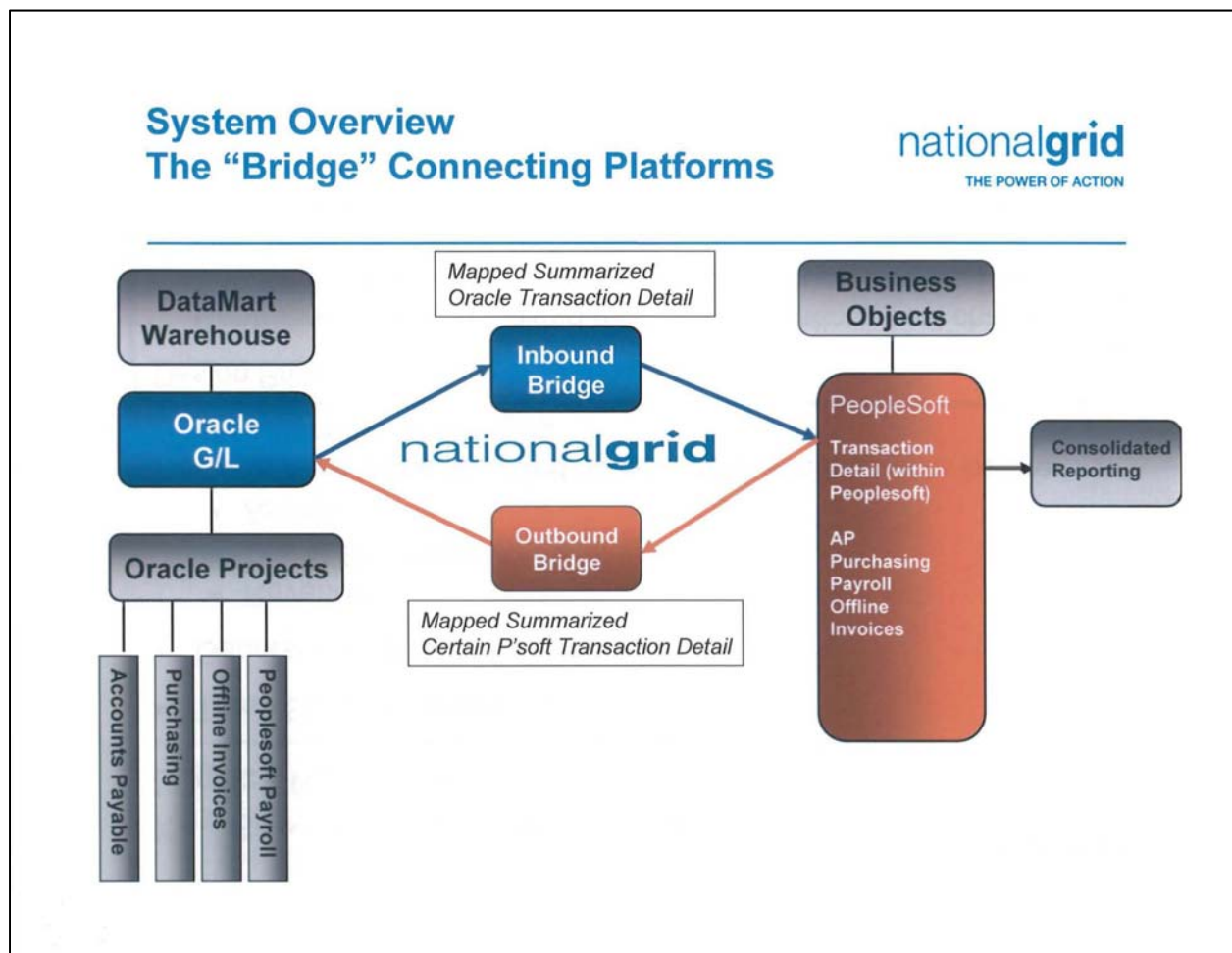
The “Bridge”

Because National Grid chose to operate two different systems, an internally-developed “Bridge” was designed to accomplish three primary objectives:²³

- Consolidation of U.S. financial results,
- Facilitation of cross-charging between companies on different systems, and
- Integration of budgeting between the U.S. entities.

Of the two systems, PeopleSoft was chosen to accumulate the consolidated results as depicted in the following diagram:²⁴

Table 2-3 – System Overview – The “Bridge” Connecting Platforms



²³ Interview with Brian Langh, Manager of Financial Systems and Data Management, on December 13, 2011.

²⁴ National Grid presentation materials provided in the kick-off meeting, March 28, 2011.

The following key system processing activities were adopted for the “Bridge”:²⁵

- A daily interface from Oracle to develop a current listing of active chart field values and their associated descriptions,
- A daily interface from Oracle of valid code block combinations to pre-validate new combinations,
- Mapping rules maintained via online PeopleSoft transaction screens,
- A mapping engine to create the new code block for the receiving platform,
- Error handling functionality for the file transfers and for generated code blocks,
- A business objects data warehouse to review all mappings and journals produced, and
- Use of ESP²⁶ as a scheduling processor to automate all of the file handling and execution.

According to company personnel, no transaction originating on the Oracle system can pass to the PeopleSoft system without going through the “Bridge”, and vice versa. Since code block translations from Oracle to PeopleSoft that are sent over the “Bridge” occur at a summarized level, there is said to be a “loss” of detail on the receiving company’s accounting records.²⁷ In a report sponsored by the company, its consultants refer to this phenomenon as a “many-to-one” translation. When data travels in the opposite direction (from PeopleSoft to Oracle), the translation occurs on a one-to-one basis using the most prevalent of many choices available on the Oracle system. However, the greater detail normally available on the Oracle side is not created when data is translated from PeopleSoft.²⁸ As a result, there generally is less transparency in transaction details when the “Bridge” is used when compared to transactions that occur entirely on one system.

Internal controls associated with the “Bridge” were the subject of an Internal Audit review. On August 29, 2008, Internal Audit released a report on Information Services (IS) controls over the “Bridge”. The adequacy of its infrastructure (e.g., security and performance) as well as access to data was tested. On a four-point scale of:

- Unsatisfactory,
- Improvement Needed,

²⁵ Response to Discovery, Liberty-6.

²⁶ Used to execute jobs in sequential order.

²⁷ Interview with Brian Lanh, Manager of Financial Systems and Data Management, on December 13, 2011 and Response to Discovery, Liberty-7 (US Finance Systems Risk & Impact Analysis: National Grid Transformation dated November 6, 2008, p. 9).

²⁸ Liberty report dated March 21, 2011, p. 4.

- Satisfactory, and
- Good.

Internal Audit opined that IS infrastructure controls associated with the “Bridge” overall were satisfactory while making seven recommendations for improvement, none of which were prioritized as being High Risk.²⁹ The seven recommendations were cleared by Internal Audit between September 2008 and May 2009.³⁰ No other internal audits have been conducted on the “Bridge” since the 2008 review.³¹ Given the risk-based focus that Internal Audit uses when planning its work,³² this extended period of time that has transpired since the last audit of the “Bridge” suggests that management believes that controls are functioning adequately and there is not a great deal of risk that unanticipated “problems” would go undetected and lead to material financial misstatements.

The internal controls over the “Bridge” were also subject to Sarbanes-Oxley testing during our audit period.³³ Companies required to comply with the Sarbanes-Oxley Act must assess the effectiveness of internal controls over financial reporting. In the case of National Grid, the assessment is made from the point of view of the consolidated U.K. parent. As a result, deficiencies in internal controls that would be considered material for any of the New York utilities or domestic service companies individually may not be considered important to the much larger consolidated entity’s operations. With that being said, there were no deficiencies, significant deficiencies, or material weaknesses in internal controls over affiliate transactions that were identified in the Sarbanes-Oxley compliance testing performed by the company in fiscal years 2009, 2010, or 2011.³⁴

Differences Between the Legacy KeySpan and Legacy Grid Financial Systems and Underlying Processes

The differences between legacy KeySpan and legacy Grid companies extend beyond just the systems used and the accounting code block fields employed. Other key differences include:

Maintenance of Comprehensive Stand-Alone Service Company Financials

The three legacy KeySpan service companies maintain stand-alone balance sheets and income statements. The legacy Grid service company, NG USA Service Company, does not. Instead, it maintains a balance sheet only.

There are several reasons for the lack of an NG USA Service Company income statement. First, some costs paid by the service company are not reflected on the income statement of the service company.

²⁹ Response to Discovery, Liberty-7 (Global ERP Bridge IS Controls Review).

³⁰ Response to Discovery, OC-179.

³¹ Interview with Brian Langh, Manager of Financial Systems and Data Management, on December 13, 2011.

³² Interview with Anne Marie Ward, Vice President of US Audit, and Sharon Partridge, Vice President of Revenue Management and Controls, on August 24, 2011.

³³ Interview with Brian Langh, Manager of Financial Systems and Data Management, on December 13, 2011.

³⁴ Response to Discovery, OC-53.

Costs incurred by NG USA Service Company that are directly assigned to an affiliate bypass service company income statement accounting and are recorded only on the affiliate's books.³⁵ Secondly, the expenses and reimbursements associated with costs incurred by NG USA Service Company that are allocated to multiple affiliates are netted against each other rather than recorded separately as service company expense and revenue.³⁶ As a result, the production of an income statement for this entity would be meaningless as it would be incomplete and lacking in transparency. This accounting by NG USA Service Company also renders the consolidating income statement of National Grid's domestic operations effectively useless for the purpose of comprehensively tracking affiliate transactions at a high level.

Maintaining a comprehensive, stand-alone service company income statement is useful in determining the completeness and reasonableness of the allocation process as well as the scope of the service company offerings. While the successful netting of allocated amounts on NG USA Service Company provides assurance that a full allocation of costs has occurred, the magnitude of such costs is not apparent to the readers of the company's financial statements.

It is our understanding that National Grid intends to maintain both a balance sheet and an income statement for service companies when the company consolidates its accounting systems onto SAP in late 2012.

Misalignment and Differences in the Accounting Code Block

Although the company has a high-level mapping of the two systems' accounting code blocks (as demonstrated on page 2-11), that does not necessarily mean that the information tracked by each company is identical or can be grouped in such a way to ensure equivalency. For instance, although legacy KeySpan's "cost type" and legacy Grid's "expense type" capture similar information, the company does not have a mapping of the fields between the two systems.³⁷ As previously noted, legacy KeySpan uses several accounts that are not prescribed by FERC while legacy Grid identified no deviations from the FERC chart of accounts.³⁸ The company's consultants raised concerns about the comparability of legacy KeySpan's "cost centers" and legacy Grid's "departments".³⁹ All of these subtle differences between the two companies' accounting code block raise questions about the ultimate meaningfulness of the rolled-up, summarized data.

The consolidation onto one system and to one set of cost allocation procedures (as described later in the chapter) should address most, if not all, of these issues.

³⁵ Liberty report dated March 21, 2011, p. 17. This applies both to service company payments made on behalf of one operating company and to service company functional organizations that focus solely on one operating company (e-mail from Colleen Dowling, Manager, Accounting Services, on May 4, 2012).

³⁶ Liberty report dated March 21, 2011, p. 4 and Liberty interview of Helen Turner and Joe Marrese on September 30, 2010.

³⁷ Liberty interviews of John O'Shaughnessy on November 15 and 18, 2010.

³⁸ Response to Discovery, OC-80.

³⁹ Liberty report dated March 21, 2011, p. 17.

Transparency of the Audit Trail

During our review, it became apparent that obtaining uniform, comprehensive historical information for all service companies was a challenge, if not sometimes nearly impossible. One reason for this can be attributed to the company's decision not to retain certain historical data electronically. Examples of this include, but are not limited to:⁴⁰

- Organizational hierarchy in the PeopleSoft system,
- Allocation code assignments and percentages on the Oracle system,
- Account derivations on the Oracle system, and
- Data translation logs for the Form 60 filing on the Grid system.

Another reason the audit trail was difficult to follow was the nature of the mass allocation process on the legacy KeySpan system. Rather than individually allocate each transaction on the service companies' books, all source transactions subject to the same mass allocation rule are grouped together for processing. The result is that each unique 8-field accounting code block in "post-allocated view" can originate from not just one source, but many, as long as they have the same 5-segment flexfield.⁴¹ Given this process and the incomplete historical data retained electronically, it soon becomes obvious that the company cannot traverse the mass allocation process through automated means. Instead, a time-consuming, manual, labor-intensive process must be employed whenever one wants to follow a cost from incurrence to beneficiary assignment and vice versa.

General Allocator

As with most utilities employing a service-company structure, a general allocator is used by all of the service companies when a cost cannot be directly assigned or allocated on the basis of cost causation. However, the underlying bases of this general allocator are different between the legacy KeySpan service companies and the legacy Grid service company. The legacy KeySpan service companies use an equally-weighted, three-factor formula based on:⁴²

- Revenues,⁴³
- Assets, and
- O&M Expenses (exclusive of the cost of gas and purchased power).⁴⁴

⁴⁰ Liberty report dated March 21, 2011, pp. 4 and 17 and various discussions with John O'Shaughnessy, Director – Service Company & Accounting Support.

⁴¹ The uncertainty surrounding the magnitude of source detail was a primary reason that Overland rejected using post-allocated databases for detailed transaction testing.

⁴² Response to Discovery, OC-7 and Liberty report dated March 21, 2011, p. 16.

⁴³ Includes the pass-through of natural gas costs and purchased power (e-mail from John O'Shaughnessy, Director – Service Company & Accounting Support, on June 20, 2012).

The legacy Grid service company uses a single factor, O&M expenses (exclusive of the cost of gas, wheeling, and purchased power), to allocate these same types of costs.⁴⁵

Size-based factors such as revenues, assets, and O&M expenses as well as others (e.g., headcount, labor costs, etc.) are widely used by utilities to allocate common costs. The results produced by these allocations are inherently arbitrary,⁴⁶ but this does not mean that the results are necessarily unreasonable. If the underlying basis of the allocation is not systematically biased, the resulting allocation can be reasonable. More concerning to us is the use of different allocation bases for similar costs. A more detailed review of the allocations used can be found in Chapter 6.

Employee Time Reporting

Legacy KeySpan service company management and clerical employees use default time reporting, meaning that the assignment of their time is pre-determined unless they report exceptions. On the other hand, legacy KeySpan bargaining unit employees report their time affirmatively by means of a work management system, noting how each hour of day was spent (aka “positive time reporting”). Likewise, all legacy Grid service company employees report their time affirmatively, but on a different system. However, the company’s consultants noted instances in which legacy Grid employees developed short-cuts that permitted the replication of past time submissions so that reporting would not be as burdensome. As an internal control over the reasonableness of time submitted, all legacy KeySpan and Grid service companies require that management approve employee time reported, regardless of the approach used.⁴⁷

Regardless of the steps taken to review time entry submissions after the fact, positive time reporting is preferable from a cost attribution perspective because it is most closely aligned with the direct assignment of costs. On a prospective basis, National Grid has decided to adopt positive time reporting when it converts to the new SAP system.⁴⁸

Other Differences Between the Legacy KeySpan and Legacy Grid Financial Systems and Underlying Processes

In a report released in early 2011, the company’s consultants concluded that “. . . differences between the two systems [were] significant and complicate[d] the management of and accounting for costs overall.”⁴⁹ These consultants prepared a summary of the differences they noted in financial systems and processes between legacy KeySpan and legacy Grid. We asked the company to supplement this

⁴⁴ E-mail from John O’Shaughnessy, Director – Service Company & Accounting Support, on June 20, 2012.

⁴⁵ It also should be noted that in our review of allocation factors, we observed that legacy KeySpan’s definition of O&M expense differed from that of legacy Grid’s.

⁴⁶ As “unattributable” allocation methodologies, they are not based on cost causation.

⁴⁷ Liberty interview of Dan DeMauro, Director of Financial Integration; Ron Fasoldt, Analysis – Payroll Department; Deborah Burgess, Analysis – Payroll Department; and Stephanie Tidd, Analysis – Payroll Department on October 21, 2010; response to Discovery, Liberty-65; and Liberty report dated March 21, 2011, p. 22.

⁴⁸ Response to Discovery, OC-184.

⁴⁹ Liberty report dated March 21, 2011, p. 24.

schedule with its intentions when consolidating onto SAP. Some of the more significant differences between the systems have been discussed in the previous section. The updated schedule follows:⁵⁰

⁵⁰ Response to Discovery, OC-184.

Table 2-4 – Key Legacy Financial System and Process Differences

Key Legacy Financial System and Process Differences

Feature	Legacy National Grid	Legacy KeySpan	Proposed Solution
Main Financial Systems	PeopleSoft	Oracle	SAP
Allocation Mechanism	Billing pool built into financial code block	Allocation code derived implicitly in Oracle using five variables ("segments") in the financial code block	Building a single set of allocation methods throughout the Company. By using SAP settlement rules on the WBS elements.
Direct Cost Assignment	A transaction can be directly assigned to multiple affiliates	A transaction can be directly assigned only to a single affiliate	A transaction can be directly assigned only to a single affiliate
General Allocator	Uses a single factor: O&M expenses	Uses three factors: revenues, assets, and O&M expenses	Multi factor allocator based on a modified KeySpan approach
Cost Designations	Approximately 30 "expense types"	More than 150 "cost types"	Both expense types and cost types are not applicable in SAP. These are replaced by additional General Ledger accounts
Company Designations	4-digit codes for "business units" and "segments"	2-character alphanumeric codes for affiliate companies	4 digit codes representing a legal entity
Functional Designations	Approximately 1,000 "departments"	Approximately 300 "cost centers"	Use cost centers in excess of 1,000
Service-company Accounting	No income statement, only a balance sheet	Both income statement and balance sheet	Both income statement and balance sheet
Treatment of Directly Assigned Service-Company Costs	Directly recorded on affiliate company ledgers	Maintained on service-company books and assigned to affiliates at month-end in Mass Allocation process	Directly recorded on affiliate company ledgers but first passing through the books of the service company
Affiliate Billing	No physical bills and limited detail; payments are made through direct remittances	Provides detailed bills to the affiliates; payments are made through money pools	Provides detailed bills to the affiliates; payments are made through money pools
Labor Burdens/Overheads	Centrally managed using clearing accounts (certain stores handling and fleet costs are treated similarly)	Separate coding specifically for each overhead/burden type and managed within each functional department	Separate coding specifically for each overhead/burden type and managed within each functional department
Facilities	Costs stay with the facilities department and are allocated using facilities billing pools	Facility costs get assigned to each cost center which then allocates the cost to the operating companies based on the work that cost center performs	Costs stay with the facilities department and are allocated using facilities billing pools
Capitalization Thresholds	\$2,500	\$500 for all except LIPA \$200 for LIPA	Not yet determined.
Convenience Payments	Allowed	Not allowed	Not allowed – (however we have one outstanding issue we are trying to resolve)
Special Capabilities	Affiliates can charge each other through the service company	Certain service-company originated costs flow through a clearing process that make them appear as if they were internally originated within an affiliate	Need clarification as to question being asked.
Invoice Retention	All scanned and retained in PeopleSoft	All scanned but retained within a system separate from Oracle	Invoices will be scanned into Open Text.
Time Entry Systems	Time Entry System (TES) STORMS for field force	SmartTime Maximo for field force	SAP CATS including field force
Time Reporting	Positive time reporting required for all employees	Exception based reporting for managers and clerical staff	Positive time reporting, with Exception reporting permitted for select departments
Expense Reporting Systems	PeopleSoft	EXP	SAP
Employee Expense Receipts	All scanned and retained in PeopleSoft	Not scanned, retained for 6 months by Treasury before archived	Employee Receipts will be scanned into the system by employees.

National Grid identified its future approach to allocation processes and methodologies with input from an advisor, PA Consulting. In providing these advisory services, PA Consulting took into consideration industry best practices.⁵¹ We generally accept this representation and will note when we believe a different practice is warranted.

In addition, the allocation processes and methodologies to be used prospectively by National Grid were influenced by the recommendations of Liberty Consulting Group who performed an independent review of the company's affiliate relationships and transactions in 2010 and 2011. Liberty Consulting Group made sixty separate recommendations in its March 21, 2011 report on these matters. The company proposed alternative implementation actions for three of the sixty items, which Liberty accepted. A listing of all recommendations is provided in Exhibit 2-1 with a notation for those that the parties agreed to modify. In addition, National Grid identified two items that it has chosen not to fully implement. These are also identified in the exhibit.

Management of Services by Operating Companies

Companies have several tools at their disposal to manage the services provided between affiliates. Our focus will be on some of the most prevalent – service level agreements, budget control, and cost allocation manuals. Complementing these tools are specific actions that can be taken by the operating companies or parent. One such action – the periodic verification of service company invoices – is discussed later in this chapter.

Service Level Agreements

Service level agreements formalize the terms and conditions that govern the transactions between suppliers and customers. Key features of service level agreements include:

- Identification of the services provided,
- Quantification of the services needed (in terms of cost and expected performance),
- Measurement of performance and productivity, and
- Consequences for inadequate performance.

However, in the case of National Grid, the company's decisions to maintain multiple service companies providing overlapping services and to allow service companies and operating companies to interchangeably pay for utility goods and services create some very real challenges in managing these agreements.

In 2009, a management consultant retained by the New York Public Service Commission recommended that the domestic National Grid operations develop formal service level agreements for its internally

⁵¹ Response to Discovery, OC-162 (National Grid: Cost Allocations – Proposed New Allocation Bases presentation dated December 15, 2011 and Consultant Services Agreement signed in June 2011).

shared services. The objective of this recommendation was for internal users “. . . to proactively determine and then control levels of service and costs . . .”⁵² Prior to that time, the use of service level agreements within the company had been both incomplete and inconsistent.⁵³ National Grid accepted the management consultant’s recommendation, but at the time their own consultants reviewed affiliate transactions a year or so later (2010 to early 2011), the new service level agreements had still not materialized. With nothing new to review, these consultants offered additional suggestions regarding the design of service level agreements that covered such topics as service definition, cost and pricing, planning and budgeting, choice, accountabilities, and performance standards and measures.⁵⁴

Shortly thereafter, the company briefed interested parties on its approach to future service level agreements. Conceding that there previously had been no formalized governance structure for managing these agreements, National Grid committed to making service level agreements one of its service and cost management tools. The company proposed a phased approach to the development of new service level agreements using the new regional model that focused on jurisdictions and regulated operating entities. The contents of these agreements were expected to include service descriptions, allocation methodologies, key performance indicators, and budgets. The roll-out of these agreements was scheduled to occur throughout 2011 and early 2012.⁵⁵ However, an April 2012 update from the company calls into question whether the program will be expanded to cover all utilities. According to the company, Niagara Mohawk’s service level agreements with National Grid’s business functions (which complied with the Niagara Mohawk management audit) have been completed and filed with the Staff, but “National Grid will evaluate whether to extend the SLA model to other New York operating utilities and jurisdictions [in October 2012, when SAP is scheduled to be implemented and the new CAM is introduced].”⁵⁶

To the extent that historical service level agreements were produced by the company for the time period of our transactional review, we uncovered no evidence that the allocation of service cost was a function of actual usage. In most, if not all cases, the cost was presented as a beneficiary’s portion of the budgeted functional total.⁵⁷ With proper control (as more fully explained in the following discussion of the recently developed service level agreements and as documented in the Budgeting section), we believe this latter approach can be a reasonable means of assigning costs to the operating utilities.

⁵² Comprehensive Management Audit [Report] of Niagara Mohawk Power Corporation D/B/A National Grid Electric Business dated December 4, 2009 prepared by Northstar Consulting Group, p. II-10. At the time of this management audit, the internal customers of shared services were effectively the lines of business rather than individual operating entities (e.g., Niagara Mohawk, KEDNY, KEDLI, etc.). With that being said, the prior management consultants did recognize the existence of high-level agreements between the service companies and utilities that were referred to as service contracts. However, they pointed out that these service contracts were not a substitute for service level agreements because the service company did not align with the shared services functions (Northstar Report, pp. IX-22 to IX-23).

⁵³ Liberty interview of Jeff Way, U.S. Foundation Program Controls and Role Team Lead, on November 18, 2010.

⁵⁴ Liberty report dated March 21, 2011, pp. ES-viii and p. 59.

⁵⁵ National Grid March 28, 2011 presentation package.

⁵⁶ Response to Discovery, OC-112 and OC-112A.

⁵⁷ Response to Discovery, Liberty-152.

We were provided sixteen separate service level agreements between Niagara Mohawk and business service functions such as Finance, Human Resources, and Procurement that had recently been executed by the company. All of these agreements followed the same template:⁵⁸

- Introduction and Objectives
- Services Provided
- Budgets and Allocation Methodology
- Key Performance Indicators
- Performance Reporting
- SLA Review
- Agreement
- Appendices

Despite having the stated purposes, among other things, of quantifying and measuring service level expectations and of outlining the methods to measure the quality of service provided, we found the service level agreements to be lacking in these areas.

Quantified costs of services to be provided were depicted as:

- guide[s] and budgeting tool[s] only,
- illustrative in the sense that they should be used as a yardstick for viewing actual spending, and
- only a sub-set of total costs that the service recipient could be billed.

In addition, although the utilization of key performance indicators was characterized as a tool to increase the visibility of performance and to manage the service provider's ability to meet its obligations to the service recipient, eleven of the sixteen business service functions had no key performance indicators. And of those that did, some were predominately financial in nature, which had a tendency to be duplicative of goals associated with achieving the budgeted costs to provide the service.

We recognize that the development of a formal structure to manage National Grid's service level agreements is a work in progress. We also understand that accurately quantifying an operating entity's portion of total costs when the company is undergoing radical organizational changes is difficult. However, in order for service level agreements to serve as an effective control over the affiliate relationship, they must include some quantifiable expectations of service quality and specific

⁵⁸ Response to Discovery , OC-164. These agreements were effective for the time period: August 1, 2011 to March 31, 2012.

ramifications if cost or quality of the service is not met. In effect, the services provided internally between affiliates should be treated as much as possible as those provided between third parties. For instance, if National Grid would not pay a third party for cost over-runs or would balk at paying for services that did not live up to pre-defined expectations, the same should be true of transactions that are pursuant to internal service level agreements.

This is even more important in a situation in which the service recipient has little or no ability to obtain services from alternative suppliers. Why is this so? There are several reasons. First, economies from procuring services on a large scale would be lost. Additional resources required at each company to make these independent decisions would be cost redundant and inefficient. A decision by one or more affiliates to procure services from an external source would have unintended negative consequences on other affiliates who are relying on the group to act as a cohesive whole. Finally, there is no guarantee that the company would have any success obtaining serious bids for services from third parties, many of whom would view the process as “rigged” for the incumbent internal service companies.

Given these obstacles, the most effective manner in which service company costs can be controlled by the service recipient is for them to actively participate in the front-end setting of service level quantities, costs, and quality. These matters should be formalized in the service level agreements, and consequences for not achieving these agreed-upon requirements should be documented and enforced. For example, Accounting Services could theoretically commit to accurately closing the books within a certain number of days after month-end, with accuracy being measured by the number and/or magnitude of out-of-period adjustments. If the month-end close is late or if the number or magnitude of out-of-period adjustments is exceeded, the business function providing the services should bear some consequences. That might take the form of a penalty, with the aggrieved party receiving a discount on its services (and the service company either retaining these costs or passing them on to the parent rather than funneling them to another operating company). Failure of the service company to perform to standard could also be used as a basis for determining the level of service company employee incentive compensation or for the ratings assigned on performance appraisals of service company employees. Similar consequences could be established for cost over-runs by the service company.⁵⁹ The important thing is that the operating utilities have meaningful input in setting these expectations before the service year begins, and the service company should be held accountable for its performance.

We note that none of the four service companies (one legacy Grid and three legacy KeySpan) generally have retained costs in the past.⁶⁰

⁵⁹ To the extent that the significant cost over-runs are the result of circumstances beyond the control of the service company, the incremental costs should be identified and approved by the service recipients prior to being billed. To facilitate this process, service company and service recipient representatives should meet collectively on a frequent basis.

⁶⁰ The one primary exception is that the legacy KeySpan service companies do not pass on income tax expenses to operating companies.

Budgeting

Documented service level expectations should be consistent with the financial budgets that are developed for the service company. Historically, budgeting at National Grid has been conducted as part of the worldwide consolidated group's five-year business planning process with the first year of the business plan serving as next year's budget. While company management stated in formal proceedings that the development of the budget was accomplished from a bottom-up perspective at the departmental or functional level,⁶¹ these more granular budgets were subject to overall financial target constraints set by the U.K. parent.⁶² National Grid did not maintain stand-alone service company budgets, although theoretically, they could be derived if the applicable functions were aggregated.⁶³

In creating budgets, cost center and departmental management did not employ zero-based budgeting. Working within the financial framework established during the business planning process, management was generally provided prior year actual and budgeted results as tools from which to build the upcoming years' budgets.⁶⁴ In our experience, this budgeting approach is typical of most utilities.

For functions typically housed within service companies (e.g., corporate functions and centralized cost groups), the budgets were the result of an iterative process involving not only management of the functional areas but also the lines of business that used these services.⁶⁵ However, because of the historical focus on lines of business, the needs of individual utilities were not a primary consideration in the process.⁶⁶ As company management testified in the 2010 Niagara Mohawk electric rate case, "[t]he process of developing, reviewing, and controlling budgets and actual expenses is closely tied to our Line of Business organizational structure . . ."⁶⁷

Budget control as implemented by National Grid occurred at two different levels – at the functional level and at the line of business. At the functional level, management was responsible for reviewing its planned activities and services provided, the aggregate costs to deliver such service, and the lines of businesses charged. Supplementing these responsibilities, management of the lines of business were

⁶¹ Rebuttal Testimony of Andrew F. Sloey (Chief Financial Officer, US Financial Services) in Case 10-E-0050 before the New York Public Service Commission, p. 13.

⁶² Interview of Brian McNeill, Former Director of Management Reporting and Planning, on March 26, 2012. Financial targets were determined through a collaborative interaction between the U.K. parent's Business Strategy organization and individual businesses.

⁶³ Response to Discovery, OC-39 and rebuttal testimony of Andrew Sloey (Chief Financial Officer, US Financial Services) in Case 10-E-0050 before the New York Public Service Commission, p. 12.

⁶⁴ Interview of Brian McNeill, Former Director of Management Reporting and Planning, on March 26, 2012.

⁶⁵ Interview with Brian McNeill, Director of Management Reporting and Planning; James Molloy (Director, Regulatory Accounting); and Dave Campbell (Vice President, Transmission Finance) on March 30, 2011.

⁶⁶ Beginning in 2011, National Grid adopted a jurisdictional approach to replace its line of business model. This new regional U.S. operating model will be divided among the following jurisdictions: New York, Massachusetts, Rhode Island / New Hampshire, LIPA, and FERC (obtained from the presentation material provided to Overland at the audit kick-off meeting on March 28, 2011).

⁶⁷ Rebuttal Testimony of Andrew F. Sloey (Chief Financial Officer, US Financial Services) in Case 10-E-0050 before the New York Public Service Commission, p. 12.

charged with reviewing and analyzing all costs incurred, whether internally or as directly assigned or allocated by shared service functions.⁶⁸

Management has an incentive to control costs at National Grid. Incentive compensation is based on both corporate financial and operational performance (e.g., safety, reliability, customer satisfaction, etc.) as well as individual employee performance. The weighting of each of these components is calibrated to salary level. More importantly, management explained that corporate performance against budget served as a trigger for the awarding of incentive compensation. Without the attainment of corporate budget objectives, no incentive compensation is paid. One important distinction to be drawn is that the financial performance against budget is measured on a consolidated, worldwide basis.⁶⁹ This means that exceptional performance against budget by departments and cost centers associated with service company offerings can be negated by poor performance elsewhere within the company, but the opposite is also true. It is not unusual for companies to design their incentive plans to be triggered by corporate-wide financial targets that are outside the control of any one person, department, or even subsidiary. However, for purposes of service company cost control, we believe it is important that service company performance play an integral part in determining the extent of incentive compensation paid to service company employees. In other words, there should be ramifications on service company employee incentive compensation for unsatisfactory service company performance even if worldwide earnings are above average.

Assessing the Reasonableness of Service Company Costs

While prior year billings could obviously serve as a barometer for the magnitude of service company costs proposed in subsequent years, an independent source of this information would be more credible. In fact the company's own consultant recommended that the company develop a formal program for addressing the competitiveness of internally provided services, including benchmarking and market testing. However, in one of the few recommendations rejected by the company, National Grid intends instead to develop a process in which a series of "deep dive analyses" in the costs of internally provided services will be undertaken. In considering the needs of the service recipients as well as the alternatives available to meet those needs, the goal of this process is to ensure that National Grid meets its business objectives as efficiently as possible.⁷⁰

Informal requests to obtain examples of this "deep dive analyses" yielded a short presentation on procuring services for the legal function. While this presentation made to the Commission Staff on January 13, 2012 quantified the savings achieved by employing this new procurement strategy at \$1.6 million, it is not possible to ascertain from the information provided whether the legal services procured

⁶⁸ Rebuttal Testimony of Andrew F. Sloey (Chief Financial Officer, US Financial Services) in Case 10-E-0050 before the New York Public Service Commission, pp. 15-16.

⁶⁹ Responses to Discovery, OC-40 and OC-41 and interview of Brian McNeill, Former Director of Management Reporting and Planning on March 26, 2012.

⁷⁰ Response to Discovery, OC-114.

are competitive with the market. Time constraints did not permit us to pursue this matter in further detail.⁷¹

Absent proof that this analysis is an adequate surrogate for benchmarking data, we would agree with the company's consultants that benchmarking information could be valuable in evaluating the competitiveness of internally provided services. While the company's own consultants were precluded from reviewing benchmarking data on the grounds that the information was confidential,⁷² we assume that the Commission Staff would not be denied access to this information on the same grounds if it chose to pursue this data.

Cost Allocation Manuals

While the service level agreements provide the parameters within which the services between provider and recipient are offered, the cost allocation manual (CAM) generally provides the "nuts and bolts" of how the transactions will be handled between affiliates. Typically, companies have one CAM, but because of the two distinct accounting systems used by National Grid domestic operations, it had two during the audit period we reviewed transactions in detail (October 2008 to May 2010) – one for the transactions associated with legacy KeySpan companies and one for those associated with legacy Grid companies.⁷³ No significant changes to either CAM were made during the years from 2008 to 2010.⁷⁴

When the company consolidates all of its accounting onto one system in the future, it is expected that this will result in one CAM with standard procedures for all service company offerings.⁷⁵ During the time of our review, although the two CAMs had similarities in content, they also had some noticeable differences. For instance, the legacy KeySpan CAM was silent on clearing accounts, whereas the legacy Grid CAM devoted a section to them. The legacy KeySpan CAM mentioned the service company return on equity in passing while the legacy Grid CAM discussed the mechanics of the process in some detail. On a prospective basis, we would recommend that the company err on the side of disclosing more rather than less as it has done in the legacy Grid CAM. Our review of a draft CAM dated December 2011 indicates the company is generally pursuing this approach on a prospective basis. For instance, although the document was incomplete, the draft CAM had a section set aside for Clearing Account Procedures.⁷⁶

In addition, both historical CAMs could have benefitted from the inclusion of additional details that were missing. While both disclosed the derivation of the underlying allocation codes (legacy KeySpan) and billing pools (legacy Grid), neither included a fully-referenced copy of the actual computations nor did they identify the specific source or dates of the underlying data. In our testing of allocation bases, we

⁷¹ Supplemental response to Discovery, OC-114 (provided on May 3, 2012).

⁷² Liberty report dated March 21, 2011, pp. 52-53.

⁷³ Response to Discovery, OC-20.

⁷⁴ Response to Discovery, OC-43.

⁷⁵ Response to Discovery, OC-162 (Draft National Grid USA CAM). A draft CAM dated December 2011 was provided to us with other documents that had been developed with PA Consulting's assistance. The contents of the CAM suggest that the four historical service companies will be collapsed into two – National Grid USA Service Company and National Grid USA Engineering Services Company. Presumably, the latter is being kept because of requirements associated with licensing.

⁷⁶ Response to Discovery, OC-162 (Draft National Grid USA CAM, p. 2).

found that legacy KeySpan and legacy Grid service companies have different definitions for O&M expense. Legacy KeySpan's use of default time reporting, a procedure that could have a profound impact on the way that costs were assigned if not closely monitored, was not mentioned once in the legacy KeySpan CAM; neither was the use of positive time reporting in the legacy Grid CAM. A discussion of the appropriate documentation required for any manual assignments or allocations of costs (those performed separately from the automated processes programmed in Oracle and PeopleSoft) was not prominently included in either CAM. In our transactional review, we noted several instances in which employees chose to assign costs among companies in a manner that was different from those programmed in the system.⁷⁷ The CAM should emphasize that when employees choose to use atypical cost drivers to allocate costs that the basis for that decision should be thoroughly documented and filed so that it is available in a timely manner for review.

In the December 2011 draft CAM, the company did dedicate a section on time reporting procedures and also provided some detail related to the calculation of allocation bases.⁷⁸ However, especially with respect to the latter, we would encourage a more robust disclosure of the sources of the underlying information and effective dates.

Other Affiliate Transaction Controls

In addition to the controls designed to be managed by the operating companies, National Grid has also adopted other measures to either control or improve the control of affiliate transactions. In the following section, we have listed some of these actions.

Process and Control Improvement Program

In October 2010, National Grid developed a Process and Control Improvement Program to address control issues identified by internal and external auditors. The program had six work streams, including one focused on service company reporting, controls, and compliance.

The company's consultants retained to evaluate affiliate transactions raised some concerns over the progress being made by this program. As a result, they recommended in March 2011 that the company evaluate the program to ensure that the highest-value work receive the most attention.⁷⁹

When asked for an update on the program three months later, the company responded that the completion of the tasks associated with the program had been reassigned, and a reevaluation was taking place to determine whether specific tasks were to be modified or completely abandoned.⁸⁰ We subsequently learned that these tasks had been subsumed within a new program entitled Finance

⁷⁷ Response to Discovery, OC-203. Other examples include the various methods used to assign insurance costs among the legacy KeySpan companies.

⁷⁸ Response to Discovery, OC-162 (Draft National Grid USA CAM, p. 35 and Appendix F).

⁷⁹ Liberty report dated March 21, 2011, pp. ES-iii, 8, and 9.

⁸⁰ Response to Discovery, OC-45.

Enablement Program Oversight (FEPO).⁸¹ FEPO is a centralized oversight program to support U.S. Finance in achieving the objectives of numerous projects and activities, including:⁸²

- Remediating Liberty and other internal and external audit findings
- Supporting the U.S. Foundation Program project
- Delivering quality data for rate cases
- Managing the resources across all project efforts

FEPO is comprised of six core projects. One of these is Cost Allocations / Service Companies, a project whose work will be discussed later in this chapter under “Consolidation of Cost Allocation Methodologies.”

The preliminary workplan for FEPO runs through the end of 2012 with comprehensive status tracking by the Audit Committee beginning in late 2011. The program has a formal governance structure headed by Alan Foster (Senior Vice President, U.S. Financial Services) as chair of its Steering Committee.⁸³ While many of the tasks assigned to this program were still a work in progress, it does appear they are now getting the proper visibility of management.

Cost Allocation Review Committee

Stemming from an ad hoc internal cost allocation review performed by the company in 2008-2009 with the assistance of PricewaterhouseCoopers, a Cost Allocation Review Committee was formed in mid-2009 to perform, among other things, quarterly reviews of service company cost allocations.⁸⁴ It was comprised of representatives from Lines of Business Decision Support, Corporate and Shared Services, Legal, and Regulatory & Pricing. Based on a review of committee minutes and agendas, this group devoted a portion of its first three meetings (which met a total of five times from July 2009 to September 2010) to two or three invited departmental representatives who rationalized their cost allocations in light of business plans, budgets, and the organization.⁸⁵ Departments were judgmentally selected with an eye towards achieving broad coverage while at the same time identifying areas that had undergone organizational change.⁸⁶

Beginning with the July 2010 committee meeting, focus turned instead towards internal transaction testing, and departmental overviews were tabled. The committee has not met since September 2010,

⁸¹ Interview with Christine Yordt, Former Director - U.S. Controls and Governance, and Jasmine Ahmed, Director – Controls Excellence, on September 8, 2011.

⁸² Response to Discovery, OC-108 (U.S. Finance: Finance Enablement Program Oversight presentation to the Audit Committee dated July 21, 2011, pp. 4-5).

⁸³ Response to Discovery, OC-108 (U.S. Finance: Finance Enablement Program Oversight presentation to the Audit Committee dated July 21, 2011, pp. 2,6, and 8)

⁸⁴ Response to Discovery, OC-11 (US Cost Allocation Integrity Steering Group Meeting presentation dated April 30, 2009, p. 12).

⁸⁵ Response to Discovery, Liberty-75 (RAV-114 in Case No 10-E-0050).

⁸⁶ E-mail from John O’Shaughnessy, Director – Service Company & Accounting Support, on May 1, 2012.

the timing of which coincided with the outset of a major corporate restructuring effort. According to the committee chairman, the Cost Allocation Review Committee has effectively been replaced by a Reorganization Tracking and Implementation workstream that is part of the much larger FEPO program.⁸⁷

While the company's independent consultants expressed concerns over this committee's effectiveness when it was in existence,⁸⁸ the committee did provide a mechanism for management to continuously monitor the reasonableness of service company cost allocations. Under FEPO, it is unclear whether there will come a point in time when this continuous monitoring ends.

Reporting

During the audit period, each functional grouping maintained its own separate monthly report. For the time period 2008 to 2010, the six primary organizations producing monthly financial reports most closely associated with typical service company functions were:⁸⁹

- Corporate Services (prior to November 2009, this group consisted of Shared Services and Business Services),
- Customer & Markets (in April 2010, this group reorganized and began issuing two separate reporting packs),
- Energy Portfolio Management,
- Information Services,
- Safety, Health, Environmental, and Security, and
- Regulation (until October 2008, this organization was part of Business Services).

The financial reports for these functions were typical, high-level summaries of actual operating performance compared to budgeted and forecasted amounts for both the month and fiscal year-to-date. Brief explanations for variances between the actual results and budgeted amounts were also generally provided.⁹⁰ However, there was no standard reporting package from function to function or, in some cases, from period to period.

⁸⁷ Response to Discovery, Liberty-75 (RAV-114 in Case No. 10-E-0050) and e-mail from John O'Shaughnessy, Director – Service Company & Accounting Support, on May 1, 2012.

⁸⁸ Liberty report dated March 21, 2001, p. 29.

⁸⁹ Response to Discovery, OC-3.

⁹⁰ Response to Discovery, OC-3. According to management, there was no formal, prescribed requirement for identifying the actual-to-budget variances to be explained (e.g., variance greater than \$XXX and a percentage change greater than XX%). Instead, the objective was to single out the variances that represented the key drivers for the period's performance (interview of Brian McNeill, Former Director of Management Reporting and Planning on March 26, 2012).

For regulatory reporting purposes, the four National Grid service companies individually produce a comprehensive filing with the FERC which includes comparative balance sheets and income statements (the FERC Form 60). For National Grid USA Service Company, the data presented in the FERC Form 60 is a product of a translation of general ledger data. Until 2010, the company did not maintain the historical data necessary data to reproduce these filed reports.⁹¹

As reported in the FERC Form 60 filings, each of the National Grid service companies realizes a return on its capital, although the underlying calculation of this return differs from entity to entity. National Grid USA Service Company calculates its return based on a target return of 10.5 percent on contributed equity of \$5,000,000. KeySpan Corporate Services computes its return on the prior month's total equity (including retained earnings) at the monthly pre-tax rate of the company's highest outstanding promissory note. The two remaining legacy KeySpan service companies use the money pool rate as a total return component. In addition, all three legacy KeySpan service companies retain capital-recovery associated income taxes.⁹²

From a utility perspective; KEDNY, KEDLI, and Niagara Mohawk file annual reports⁹³ with their regulators (the New York Public Service Commission and the FERC). These standardized filings included financial statement data as well as operational statistics. KEDNY, KEDLI, and the electric and gas segments of Niagara Mohawk also file periodic earnings reports and computations of rates of return on common equity pursuant to past orders and decisions of the New York Public Service Commission.⁹⁴

Intercompany Billing and Settlement⁹⁵

The legacy KeySpan service companies and legacy Grid service company bill and settle their intercompany accounts differently. The legacy KeySpan service companies issue physical invoices, summarizing details provided electronically to the operating companies they serve. Invoices are based on actual, recorded charges and issued approximately 3 weeks after month-end. Settlement of the invoice is made 30 days after issuance by means of the money pool.⁹⁶ As reported by the company's consultants, these invoices are not approved by the operating companies prior to payment.

The only legacy Grid service company, National Grid USA Service Company, does not issue physical monthly invoices. Instead, the PeopleSoft system compiles intercompany detail (which is made

⁹¹ Liberty report dated March 21, 2011, p. 4 and interview with Colleen Dowling (Manager, Accounting Services), John O'Shaughnessy (Director, Service Company & Accounting Support), and Dan Daly (Vice President, Accounting Operations) on March 29, 2011.

⁹² Liberty report dated March 21, 2011, pp. 18-19 and response to Discovery, Liberty-110.

⁹³ FERC Form No. 1 or derivatives thereof.

⁹⁴ Responses to Discovery, OC-9 and OC-10.

⁹⁵ Liberty report dated March 21, 2011, pp. 41-42.

⁹⁶ In practical terms, the service company and operating company record payments and receipts using a "cash" account on their respective accounting records. At month-end, the net cash balance is swept through the money pool, resulting in a \$0 cash balance on the service company and operating company and any resulting cash balance being recorded on legacy KeySpan Holding Company's books (e-mail from John O'Shaughnessy, Director – Service Company & Accounting Support, on March 21, 2012).

available electronically to operating company management) during the monthly close process.⁹⁷ This electronic “invoice” is based on actual charges incurred for the month just ended. Settlement of this invoice is a two-step process. Charges are initially estimated⁹⁸ and paid at the half-way mark of the month. Estimates are trued up to actual on the 15th of the following month in concert with the next month’s estimate.⁹⁹ Payments are made electronically between service company and operating company bank accounts.¹⁰⁰

According to the company, reviews of charges and challenges of costs were historically performed by operating line of business rather than by entity. As a result, the company was unable to identify successful challenges of costs at a New York utility level. The company stated that any anomalies in charges were corrected through journal entries. However, because these entries were not discretely identified, the company was unable to specify the ultimate disposition of any challenges.¹⁰¹

Related to the settlement of intercompany billings between service companies and New York utilities is the utilization of convenience payments. Mechanically, convenience payments are payments made by a service company on behalf of another company that are not reflected on the service company’s results of operations (income statement). As noted in Table 2-4 earlier in this chapter, legacy KeySpan service companies did not employ convenience payments during the audit period while the legacy Grid service company did. The historical accounting of the legacy Grid service company convenience payments was as follows:¹⁰²

On the legacy Grid service company books:

Dr. Interco. Receivable
Cr. Vendor A/P

Dr. Vendor A/P
Cr. Cash

Dr. Cash
Cr. Interco. Receivable

⁹⁷ However, service company personnel indicated that operating company review of the intercompany invoices does not occur on a regular basis given the historical focus on lines of business.

⁹⁸ Estimates are based on a 12-month average of net intercompany activity adjusted for known changes.

⁹⁹ Obtained from discussions with Colleen Dowling (Manager, Accounting Services) on March 21, 2012.

¹⁰⁰ Response to Discovery, Liberty-332.

¹⁰¹ Responses to Discovery, OC-50 and OC-51.

¹⁰² Per the response to Discovery, OC-270, the company will employ its money pool when settling its intercompany transactions, but to simplify the discussion above, we have characterized these entries as debiting and crediting “Cash”.

On the utility books:

Dr. Expense
 Cr. Interco. Payable

Dr. Interco. Payable
 Cr. Cash

Once the accounting systems for legacy KeySpan and legacy Grid are consolidated in late 2012, convenience payments will not be allowed except for P-card transactions. This is expected to dramatically decrease the amount of convenience payments reported by National Grid in the future, from approximately \$800 million to an estimated \$23 million.¹⁰³ Prospectively, the accounting for transactions that had formerly been treated as convenience payments will be as follows:

On the legacy Grid service company books (Different):

Dr. Expense
 Cr. Vendor A/P
Dr. Interco. Receivable
 Cr. ServCo. Revenue

Dr. Vendor A/P
 Cr. Cash

Dr. Cash
 Cr. Interco. Receivable

On the utility books (Same as above):

Dr. Expense
 Cr. Interco. Payable

Dr. Interco. Payable
 Cr. Cash

The expected change in the magnitude of National Grid convenience payments is primarily, if not completely, a function of a change in transactional accounting. It specifically is not the result of a reorganization of the company's procurement or payment functions. For instance, procurement responsibilities are not expected to be transferred from the service companies to the utilities on a prospective basis, and the Transaction Delivery Center will continue to process payments for all companies.¹⁰⁴

¹⁰³ E-mail from Sharon Partridge (Vice President, Revenue Management and Controls) dated July 31, 2012.

¹⁰⁴ E-mails from Sharon Partridge (Vice President, Revenue Management and Controls) dated July 31, 2012 and August 1, 2012 and response to Discovery, OC-270.

Anticipated Changes to Affiliate Transactions

National Grid has implemented or is expected to implement a number of changes that may have a profound effect on affiliate transactions on a prospective basis. Many of these changes have been mentioned previously, but we will briefly consolidate and discuss them in the following section.

Adoption of One Accounting System (the U.S. Foundation Program)

The decision by National Grid to consolidate all of its U.S. domestic operations onto one accounting system after nearly five years should improve transparency and free up resources that have been devoted to keeping two separate systems running for an extended period of time. As noted previously, the company has targeted October 2012 for conversion to SAP from Oracle and PeopleSoft. After the switch to one system, the company will be able to retire the “Bridge” and the data translation steps associated with it. The ability to review a transaction and trace how it was allocated between legacy KeySpan and legacy Grid companies should be enhanced by this system consolidation.

Consolidation of Cost Allocation Methodologies

National Grid retained PA Consulting to review and propose changes to its cost allocation methodologies based on industry best practices and the recommendations made by Liberty in its 2011 report. The first phase of the project included the development of a common general allocator to replace the two different ones employed by legacy KeySpan and legacy Grid.¹⁰⁵ This is particularly important because (according to PA Consulting) approximately half of all domestic National Grid service company costs were allocated using a general allocator in 2010. General allocators are typically used when costs cannot be directly attributed to a specific beneficiary or beneficiaries or allocated on the basis of cost causative relationships. PA Consulting recommended that National Grid adopt a general allocator that equally weights the following three factors:¹⁰⁶

- Gross margins,
- Net plant, and
- O&M expenses.

Reasons given for the choice of these three factors included:¹⁰⁷

- Gross margins – by using this rather than revenues, changes in commodity prices and the different degrees of unbundling of utility services between jurisdictions are levelized,

¹⁰⁵ Response to Discovery, OC-87.

¹⁰⁶ Response to Discovery, OC-162 (National Grid: Cost Allocations – General Allocator Recommendation presentation dated September 29, 2011 by PA Consulting Group, pp. 3 and 6). Marked as “Draft – Strictly Private and Confidential”.

¹⁰⁷ Response to Discovery, OC-162 (National Grid: Cost Allocations – General Allocator Recommendation presentation dated September 29, 2011, pp. 8 and 10). Marked as “Draft – Strictly Private and Confidential”.

- Net plant – a common component in the utility industry, especially when there are no significant non-regulated operations, and
- O&M expenses – this factor is preferable to employee or payroll-related factors because of National Grid’s use of contractors and outsourced vendors in its business model.¹⁰⁸

Because the use of any size-based general allocator yields inherently arbitrary results, the issue becomes whether the proposed general allocator will generate reasonable results. Since National Grid’s domestic operations consist primarily of regulated utilities that have similar financial attributes (capital intensive, regulated rates, etc.), we would expect that the proposed factors will yield reasonable allocations of costs if consistently applied.¹⁰⁹ We view the use of one general allocator as an improvement over the status quo in which the ultimate allocation of costs is dependent on the service company processing the transaction.

Phase 2 of the PA Consulting work consists of providing guidance, assistance, and direction on other cost allocation methodologies, processes, and systems in support of the new U.S. organizational structure. In doing this, PA Consulting will provide support for the development of a new CAM.¹¹⁰ In February 2012, PA Consulting made a presentation to the Staff which noted over twenty cost causative bases it proposed for National Grid’s future use. These factors and those associated with the general allocator will generally be based on the previous calendar year actual results.¹¹¹

While the decision to maintain two accounting systems prevented complete integration in the past, the consolidation to one set of cost allocation procedures is long overdue. Our suggestions for improvements to the CAM were noted in a previous section to this chapter.

Migration to a Regional Model

In part, in response to concerns raised by management consultants retained by the Commission and independent consultants hired by the company, National Grid’s domestic operations began shifting from a line of business focus to a jurisdictional approach in early 2011.¹¹² Previously, these lines of business spanned both domestic and international operations and consisted of such groups as Electricity Distribution & Generation, Transmission, and Gas Distribution. Going forward, the new regional model divides the domestic operations instead between the following jurisdictions – New York, Massachusetts, Rhode Island / New Hampshire, LIPA, and FERC. One of the stated objectives in making this change was to ensure better focus on local needs, including the improvement of responsiveness to local regulators, customers, and other stakeholders at the operating entity level.¹¹³

¹⁰⁸ PA suggests that only direct or cost causative allocations be used in deriving this factor so as to avoid a circular computation.

¹⁰⁹ However, if the mix of companies changed dramatically in the future, this may not continue to be the case.

¹¹⁰ Response to Discovery, OC-87.

¹¹¹ National Grid USA: Cost Allocations Review Project Report – Presentation to the NYPSC dated February 21, 2012 by PA Consulting Group.

¹¹² Response to Discovery, OC-228.

¹¹³ Response to Discovery, OC-228.

It remains to be seen whether the jurisdictional model will have a noticeable impact on the management of affiliate transactions. While there may be an improvement in alignment of legal entities with the new jurisdictional model, National Grid has stopped short of establishing independent executive management for each operating utility. Instead, in the case of New York, there is a Jurisdictional President who has joint responsibility for Niagara Mohawk, KENDY, and KEDLI. This organizational alignment works well when the individual interests of the subsidiary utilities are the same. However, in the event that they diverge, an executive tasked with overseeing multiple subsidiaries will tend to act in the best interest of the collective whole, which may or may not coincide with what is best for an individual utility. One way to encourage jurisdictional executive management to look out for each utility is to link incentive compensation to stretch goals associated with each individual utility. If the goals for any of the utilities are not met, incentive compensation is not triggered.

This takes on even more importance when the New York jurisdictional organization is comprised of employees who work for both the service companies and the utilities, and thus may have conflicting interests notwithstanding the multiple New York utilities they oversee.¹¹⁴ For example, Ken Daly (Jurisdictional President of New York) is a service company employee. While we would not expect that the name of the subsidiary which pays his base salary to have a significant impact on the way Mr. Daly manages his assigned jurisdiction, his designated goals for earning incentive compensation could. If these goals are tied to the performance of the service company by whom he is employed instead of the individual utilities for whom he has responsibility, the appearance of a conflict of interest would be realized. In effect, you would have an individual reviewing and approving vendor invoices whose personal interests are aligned with that very vendor.

As would be expected, in addition to the jurisdictional organization, many of the corporate and shared services are staffed largely by employees of the service companies. To a lesser degree, utility operational functions (i.e., construction) are also comprised of service company employees. Assigning utility responsibilities to service company employees introduces the possibility that a conflict of interest may result.

2011 Headcount Reduction

National Grid's domestic operations made significant staffing cuts in 2011, resulting in a decrease in employee levels from 17,429 in December 2010 to 15,970 in November 2011. Approximately half of this headcount reduction occurred in Shared Services, which was distributed among employees assigned to the legacy KeySpan and legacy Grid service companies as well as some that were assigned specifically to the underlying utilities.

To the extent the 17 percent cut in headcount in Shared Services impacts employees assigned to the service companies, we would expect decreases in the future allocations of labor-related costs to Niagara Mohawk, KEDNY, and KEDLI for those functions which they rely upon the service companies to perform.

¹¹⁴ Derived from the response to Discovery, OC-4 supplemental. The head of the New York jurisdiction, Ken Daly, is a service company employee.

The extent to which this will translate into an overall decrease in costs assigned to the New York utilities will depend on how many of these employees are replaced by third-party contractors.

Internal Control Shortcomings Identified During Transaction Testing

As discussed in more detail in Chapter 7, we identified instances in which the existing service companies did not use the correct FERC account, did not use a reasonable basis for assigning or allocating costs to the proper beneficiary(ies), or did not provide the necessary documentation to make such determinations. Following is a list of the internal control shortcomings that we believe contributed to these issues:

- Inadequate support for payments made to vendors,¹¹⁵
- Inadequate training associated with legacy Grid bill pools and derivation of FERC accounts,¹¹⁶
- Inadequate review of executive cost assignments,¹¹⁷
- Inadequate oversight of legacy Grid tables linking data fields input by users and associated FERC accounts,¹¹⁸
- Inadequate oversight of allocation factor computations,¹¹⁹
- Inadequate review of manual cost assignments,¹²⁰ and
- Inadequate support for manual cost assignments.¹²¹

We also noted numerous instances of payments that under strict application of accrual accounting had either not been properly accrued or properly treated as a prepayment.¹²² Given the company's informal

¹¹⁵ While not an exhaustive list, the company was unable to provide summarized billing statement information or the underlying property tax bills for any of the following transactions: LKS-MM-260 to LKS-MM-269. A review of the accounting policy documentation provided to us by the company indicates that it defines "source document" to include "vendor invoice[s] paid by the Service Company" (response to Discovery, OC-20: legacy Grid CAM, p. 4 of 28).

¹¹⁶ After the KeySpan merger, expense reimbursements for three different executives continued to be coded to a bill pool that was only associated with legacy Grid companies even though the executives in question had broader responsibilities (LNG-EE-020, LNG-EE-030, and LNG-EE-040). In response to questions concerning LNG-MM-113, the company indicated that individuals outside of Plant Accounting were not aware of the FERC accounts their accounting generated.

¹¹⁷ In addition to those listed in the previous footnote, we noted that expatriates' employee expenses were improperly assigned to regulated utilities (LKS-EE-001 and LKS-EE-008).

¹¹⁸ An incorrect FERC account derivation was identified in LNG-PR-073.

¹¹⁹ Significant changes to the composition of National Grid's domestic operations are supposed to result in recalculations of allocation factors. We observed instances during our transactional testing when this recalculation was not performed on a timely basis, including LKS-MM-001 and LKS-MM-050.

¹²⁰ The coding of manual allocations was incorrect and not identified in a timely manner (LNG-AP-162).

¹²¹ Examples include LKS-MM-050, LKS-MM-051, LKS-MM-064, and LKS-MM-080. In other instances, the company could not demonstrate how the provided support was developed or related to each other (LKS-PR-024, LKS-PR-045, and LKS-PR-078).

¹²² Examples include LKS-AP-003, LKS-AP-138, LKS-MM-008, and LKS-MM-016.

handling of these matters,¹²³ this was not completely unexpected. According to company management, National Grid is in the process of drafting a number of unified policies and procedures for U.S. domestic operations.¹²⁴ Presumably, these new policies and procedures would formalize the requirements associated with accruals and prepayments.

The internal control issues identified above did not necessarily occur at the same frequency. In some cases, the observed failure may have been an uncommon occurrence of an otherwise predominately effective control.

We anticipate that the company's soon-to-be-adopted system and policy changes will address several of these issues (e.g., inadequate training and oversight of FERC account derivations) and others will be mitigated by the recommendations we have proposed (e.g., inadequate support for manual cost assignments). If the company commits to an increased attention to detail, we believe that the other matters identified can be effectively remedied.

Other Matters

Staff Proposals in Case 10-E-0050

In Niagara Mohawk's 2010 electric rate case, the Staff made the following recommendations:¹²⁵

- The Commission should require each service company to submit a detailed operating budget for the upcoming year broken down by cost type as well as benefitting affiliate,
- The Commission should require each service company to submit on a timely basis monthly variance reports (actual vs. budget) with written explanations for variances exceeding 5 percent, and
- The Commission should require each line of business to submit detailed operating a detailed operating budget and variance reports in a similar format as those recommended for the service companies.

The company objected to these proposals for two reasons – first, it argued that the Staff had not made the proposal in a timely manner and second, it suggested that the departmental and line of business information already filed serves as an adequate surrogate for the proposed additions.

The Commission withheld a final verdict on the proposal subject to our review.¹²⁶

¹²³ Manual accruals have historically only been required when invoices in aggregate to one vendor exceed \$100,000 at calendar or fiscal year-end. Some departments adopted a lower threshold that was applied throughout the year. With respect to the recognition of prepayments, there was no formal policy, so decision-making defaulted to departments. In the case of Information Services, prepaid assets would be recorded when payments exceeded \$250,000 and provided a benefit of at least a year (e-mail from Colleen Dowling, Manager, Accounting Services, on May 8, 2012).

¹²⁴ E-mail from Colleen Dowling, Manager, Accounting Services, on May 8, 2012.

¹²⁵ Staff Initial Brief in Case 10-E-0050, pp. 190-191.

We agree in principle with the substance of the Staff's recommendations. Because a significant portion of the costs recorded by the New York utilities has historically been incurred by the service companies, the filing of a corporate-wide service company budget broken down by cost type, and also by benefitting entity coupled with monthly variance reports, would provide the Staff with useful tools in monitoring on-going performance. We also believe that focusing on the corporate-wide service company rather than departments encourages the company to draw more distinct lines around its corporate organization than has been the case in the past.¹²⁷ To that end, the company should also be encouraged to file a current organization chart for its service company at the time it submits its budget. This organization chart should be accompanied by a written explanation for any significant changes to the organization that are contemplated in the upcoming year's budget.

We understand that recently the company has begun to submit utility-specific monthly budget variance analyses to the Commission. We view this as a positive development given the company's increased emphasis on jurisdictions and decreased emphasis on lines of business. .

Expatriate Expenses

Following questions about the reimbursement of certain expenses to expatriates during the prior Niagara Mohawk Electric rate case, in August 2010 National Grid removed from cost of service approximately \$3.4 million in expatriate expenses charged to Niagara Mohawk Electric during the historic test year ended September 30 2009. National Grid subsequently identified and removed an additional \$1.6 million from test year cost of service, for a total of approximately \$5.0 million.¹²⁸

During the Niagara Mohawk historic test year ended September 30, 2009, National Grid USA hosted approximately 40 U.K. expatriates.¹²⁹ Since the test year, the number of expats has been reduced considerably. As of January 2012 there were 12 U.K. expatriates in the U.S. and just three U.S. expatriates in the U.K.¹³⁰ At the beginning of fiscal year 2012 (April 2011), National Grid implemented a new policy charging expatriates to company 01 (National Grid USA Parent).¹³¹ The policy intends for the parent company to bill National Grid USA Service Company, for allocation to affiliates, the lesser of 1) the actual salary and expenses (excluding normal business travel expenses) paid to each expatriate or 2) the sum of market-based payroll and benefits for an equivalent U.S.-based employee. National Grid had some problems implementing the accounting for this policy in fiscal 2012. For example, National Grid stated that the amounts to the New York utilities in 2011 were understated because they lacked appropriate loadings for benefits. National Grid stated that it corrected this in an entry in March 2012.

¹³²

¹²⁶ State of New Public Service Commission Order Establishing Rates for Electric Service for Niagara Mohawk (Case 10-E-0050), p. 11.

¹²⁷ According to Staff testimony in Case 10-E-0050, the service company also served as the starting point for Niagara Mohawk's rate year forecast (see the prepared testimony of the Staff Accounting Panel, p. 82).

¹²⁸ OC-58

¹²⁹ OC-58-5, Attachment A

¹³⁰ OC-167 Attachment A

¹³¹ OC-169-A & B

¹³² OC-169-C

In addition to these accounting changes, since the last rate case, National Grid performed an internal audit of expatriate expenses and transferred responsibility for expatriate expense reimbursement over to International Personnel Management, which evaluates the expenses for compliance with National Grid's reimbursement policy and reimburses expatriates based on that policy.

Internal Audit of Expatriate Expenses

National Grid's Corporate Audit department performed an audit of expatriate expenses in 2010. The final report was released in February, 2011.¹³³ The objective was to determine whether the expenses were compliant with company policy and individual expatriate contracts.¹³⁴ The scope included a review of expatriate expenses for US nationals in the UK and UK Nationals in the US for the three-year period subsequent to the merger (September, 2007 through September, 2010).¹³⁵ The audit did not include a review of expatriate expense accounting treatment.¹³⁶ Corporate Audit assigned a grade of "Improvement Needed" to its review of expatriate expenses. Specifically, the Audit Opinion states:

*We examined expatriate expenses over a three-year period and found that, although the majority are compliant with policy/guidance/contracts, there remain a substantial number of instances of non-compliance for a broad range of goods/services purchased by a high proportion of expatriates globally. We note that controls around the expatriate program have been strengthened in recent years by a range of measures including: revisions to policy, publication of guidance and the extension of outsourced administration services to provide global coverage. However, there remain a number of control weaknesses, notably, in respect of: exceptional costs approval, ongoing monitoring and identification of expatriate costs.*¹³⁷

An appendix to the audit report lists non-compliance "themes" in which various types of expatriate expenses either failed to comply with existing company policy or guidance, were not subject to proper approvals (for "exceptional" costs), or were not subject to proper monitoring.¹³⁸ Specifically, the audit report noted "there is no formal process for approving exceptional costs" and "there is no ongoing monitoring from HR on expatriate expense claims to ensure adherence to policy." The report also identified "a number of [employee expense] issues that potentially affect all employees rather than simply the expatriate population."¹³⁹ The internal audit produced six recommendations. National Grid indicated that all internal audit recommendations, except for the recommendation for Human Resources to conduct periodic audits, have been implemented. Below are the recommendations, along

¹³³ OC-141 Attachment, Review of Expatriate Expenses, National Grid Audit Report No. 1111, February 1, 2011

¹³⁴ Audit Report No. 1111, p.2

¹³⁵ The audit scope also included expatriates from certain other countries stationed in the UK and some UK nationals stationed in countries other than the US.

¹³⁶ Audit Report No. 1111, p. 2

¹³⁷ Audit Report No. 1111, p.3

¹³⁸ Audit Report No. 1111, Appendix B – Thematic Summary of Instances of Non-Compliance

¹³⁹ Audit Report No. 1111, Appendix C – Broader Business Issues. These findings relate to the "timeliness," "granularity" and adequacy of support for employee expense claims.

with National Grid's "Action Descriptions" and Internal Audit's "Close Out Comments," for the items in which each were available from the data response.¹⁴⁰ Note that at the time of our review (January 2012), close-out comments were available only for the first three action items.

1. Retain all expatriate contracts in a central location (with administrator IPM). Completed and closed.

Agreed Action: Global HR will ensure that IPM hold copies of all contacts relating to all employees currently on assignment.

Close-Out Comments: HR has provided IPM copies of contracts relating to all expat currently on assignment. This is evidenced by the correspondence between HR and IPM that indicated the remaining missing documents are all pertaining to employees who already completed their assignment (please see the 1st email attachment). We suggested HR to make further efforts to retrieve those documents, however this is not part of the agreed management action. Therefore we conclude that action taken has satisfied the agreed action.

2. Implement a procedure for approving expatriate costs. The procedure should include a clear definition of the parties involved in the approval process and require an audit trail for approvals related to exceptional costs.

Agreed Action: All expatriate expenses will be input to the PeopleSoft system in the US for UK to US assignees and the relevant manual form completed in the UK for US to UK assignees. Before submitting to the Host Country Manager for sign off, the completed documentation should be scanned to IPM (outsourced Expatriate Administrators), ccing the Global Expatriate Advisers and the Host Country Manager on the email. IPM will check all expenses claimed are legitimate expatriate expenses. If any claims are not legitimate expatriate expenses they will reject the claim with an explanation as to why the claim is incorrect and the Assignee would need to resubmit the claim to IPM for checking. Once the claim is checked and correct this will be returned to the assignee, Host Country Manager and the Global Expatriate Advisers for sign off. IPM confirmed they are able to take action on the expense claims on a same day basis. The Global Expatriate Advisers will Audit the expenses on a monthly basis to ensure process is being followed.

Close Out Comments: The new approval procedures have been rolled out in April 2011 for US and May 2011 for UK and Netherlands. Under the new procedures, all assignment related costs need to be submitted to IPM (a 3rd party vendor) for review before approved by the line managers. Evidence of IPM review was obtained and reviewed to ensure the new procedure is followed. The monthly audit process will be addressed in Action Item #4.

3. Provide further guidance to expatriates and their line managers concerning the expenses recoverable under company policy.

Agreed Action: Global HR has noted the five policy and guidance issues in Appendix B and will review the policy to further clarify the areas covered in this Appendix. We will also update the policy

¹⁴⁰ OC-168

and guidance documents with the dates and changes for the past two reviews. All future updates to the policy/guidance will be subject to full document control.

Close-out Comments: HR has reviewed the guidance document, particularly for the five cost items listed on Appendix B of the audit report, i.e. Business mileage for company leased vehicle, Home trip - Use personal entitlement for family members, Home trip - Travel destination, Ongoing parking costs at rental property and Vehicle insurance). HR generally feels that the existing guidance/policy are clear and adequate. This decision is also based on the fact that a new approval procedure was rolled out that requires all expat related expense claims be reviewed by IPM before approved by the line manager. The new procedure should decrease the risk of misinterpretation of policies by individual assignees. A summary of policy amendments that has been put together and attached to the policy to track changes to the policy going forward.

4. Assign Human Resources the task of monitoring compliance with policies, procedures and individual expatriate contracts, including an annual refresher training on policy and procedures to expatriates and their line managers, and a periodic audit of expatriate expenses to test compliance.

Agreed Action: Global HR will organize refresher meetings/teleconferences with the Host Country Managers and Assignees to ensure that guidelines are communicated in a consistent manner. This complements the existing process whereby we meet with managers/assignees prior to assignments commencing in order to ensure that they understand the costings/financial rewards. We are exploring new technologies that can be used with IPM to organize and assist with the review of all expatriate expenses prior to sign off by line management to ensure the expenses being claimed are within policy guidelines. We will take our proposal for an extension to the role IPM to the Global HR Leadership Team for approval. We will institute an audit process of expatriate expenses. The process will be formally documented with audit approach and HR and/or IPM roles and responsibilities clearly defined.

Closing Comments: Not provided.

5. Implement processes to ensure that expatriate expenses cannot be claimed in the expatriate's home country during assignment, are clearly identifiable and distinct from other costs, are visible to Human Resources across all systems and lines of business.

Agreed Action: HR, working with the Expense Review Committee in the US, will implement a process to segregate, and improve visibility of, expatriate costs. The new process, which will be communicated to expatriates and their line managers, will require the use of designated Project Numbers and Work Order Numbers for expatriate expenses. In Europe, HR will ensure that all expatriates, and their line managers, are made aware of the need to label expatriate expenses through the use of the designated codes to be implemented in SAP and Sage (NL). This work has been initiated. Enhanced governance will be put in place by Global HR to ensure the expenses are more visible where there is no HR presence in the Host country. As part of the going monitoring process to be implemented in Reference 4, adherence to accounting rules will also be monitored.

Closing Comments: Not Provided

6. Revise existing policy to limit the company's future exposure to the cost of maintaining a split payroll (part of payroll paid in the currency in which the expat is working, the other part paid in the currency of the country of citizenship).

Agreed Action: Global HR will amend policy such that in the future a split payroll will be offered only from the Home Country payroll. We have reviewed the claims of the expatriate concerned and have identified errors in how the claims were calculated. We have explained the matter to the expatriate and are satisfied that future claims will be accurate.

Expatriate Expense Reimbursement / International Personnel Management

Beginning February 1 2012 National Grid stated its intention to turn over expense reimbursement to an independent outside vendor, International Personnel Management (IPM).¹⁴¹ National Grid provided a policy called "Claiming Expenses Whilst On International Assignment to the US." The policy provides for IPM to "manage the claiming, payment and reporting of expatriation expenses for employees seconded to the US." The "Process" component of the policy provides:

- IPM will provide expense claims forms to assignees to make their claims manually on a monthly basis.
- Expatriates will continue to pay all living expenses themselves. Claims forms and receipts are to be submitted to IPM. After IPM reviews the claims for legitimacy, National Grid will sign off on the expenses and IPM will process them.

¹⁴¹ OC-170

No.	Recommendation	Reference	Alternative Implementation Actions	Rejected Recommendations
1	Converge onto a single system, as the only long-term method for solving a number of problems arising from the existence of dual systems.	II:R1		
2	Ensure that the service companies are built with a stand-alone general ledger and income statement.	II:R2		
3	Provide data in the new system in FERC account format, and allow for the production of the Form 60 with the ability to readily trace the amounts on the report to the originating data sources.	II:R3		
4	Pending any convergence onto a new system, derive regulatory reports from their source general ledgers.	II:R4		
5	Recast the Internal Audit organization to provide for a stand-alone U.S. focus, and consider a direct reporting relationship between the head of U.S. Internal Audit and the Board of Directors Audit Committee.	III R1		While the Company has considered Liberty's recommendation, Corporate Audit has determined that it will not be implementing such a reporting relationship. The process that Corporate Audit undertakes under National Grid's most recent corporate restructuring to determine which audits are performed fully considers US-specific risks and produces a proposed audit plan that will be approved annually by the Audit Committee which comprises experienced and well-qualified non-executive, directors. The Company believes that this process is sufficient to ensure an independent focus on US-specific risks.
6	Create a U.S. regulatory focused controls testing process within the SOX organization.	III R2		
7	Evaluate the P&CIP, in light of the multiple demands on time and resources, to ensure that the highest-value work gets sufficient priority.	III R3		
8	Agree upon and Build Single Allocation Method	IV R1		
9	Create a revised cost allocation approach that breaks the linkage between the allocation basis and benefiting companies.	IV R2	The SAP codeblock design has been reviewed in depth. The plan is to have strong governance around the order creation process, both in terms of restrictions regarding the setup and issuance of orders. Additionally, there will be input from both the business determining the requirements from a cost allocation perspective, and Finance in assigning the actual orders based upon that input. With the governance and "intelligence" considered at the time of order creation, this mitigates the need for drop-down menus, which would require significant customization to the SAP product.	
10	Maintain History of Org Unit-Fin Code Mappings	IV R3		
11	Integrate the transactions between the U.S. and U.K. more fully into the U.S. financial systems and processes.	IV:R4		
12	Eliminate financial system processes that obscure the origin of costs: • Either create a clear audit trail in the accounting codes for convenience payments so that they can be distinguished from service-company charges or remove consistently the capability to make them • Simplify the clearing processes to remove two-step clearing (as currently exists in Oracle) • Keep labor burdens with direct labor costs rather than treating them through a clearing process; this has the added	IV R5		
13	Maintain directly assigned costs on the service-company books.	IV R6		

Liberty Consulting Group Recommendations

Exhibit 2-1

No.	Recommendation	Reference	Alternative Implementation Actions	Rejected Recommendations
14	Train employees always to use direct assignment as the first preference over allocations for attributing costs to benefiting entities.	IV R7		
15	Create Documentation for Multiple Cost Assignments	IV R8		
16	Highlight in training materials and other employee communications the need to avoid using general allocation methods, and institute controls to minimize the use of general allocators.	IV R9		
17	Use consistent capital recovery mechanisms.	IV:R10		
18	Review the clearing account processes for both legacy KS and NG to determine the best practices from each company to implement a consistent clearing account process.	IV:R11		
19	Review both legacy NG and KS processes and procedures to calculate overhead rates and choose the best method and practice.	IV:R12		
20	Use a consistent basis or method to calculate and allocate building and other facility costs.	IV:R13		
21	Uniformly automate the invoice retention and retrieval process.	IV:R14		
22	Require consistent and complete documentation of the reasons for cost assignment and allocation choices.	IV:R15		
23	Require comprehensive, structured, regularly scheduled reviews and documentation of the status of and changes in billing pools and cost allocation factors.	IV:R16		
24	Establish rigorous cost allocation control structures and processes.	IV:R17		
25	Create Cost Allocations Manual	IV:R18		
26	Revise training to make it clear and comprehensive once new, simplified cost allocation mechanisms are in place.	IV:R19		
27	Require affirmative time reporting for all employees	IV:R20	USFP design will utilize a hybrid approach of both Exception and Positive Time Reporting. The approach has been developed in concert with the Regulatory and Legal team. ☐ Regulatory team will decide which employee groups will be permitted to use Exception Reporting ☐ Exception time employees will be required to positively affirm default labor charges on monthly basis ☐ USFP design requires approval of all employee time (Exception or Positive) ☐ Approval process provides visibility of employee labor distribution for associated hours and company charges for payroll charges ☐ Periodic notifications will be generated that approval is required, and “post-payroll” approvals will be flagged and escalated. Reports will be provided to VP level at regular intervals, including annual statistical reports for their organization	
28	Implement a single time entry system to be used by all employees for time reporting.	IV:R21		

No.	Recommendation	Reference	Alternative Implementation Actions	Rejected Recommendations
29	Institute controls to ensure that labor costs are properly allocated based on the operating entities that benefited from the employee's labor.	IV:R22		
30	Implement a single expense reporting system.	IV:R23		
31	Implement system checks that validate that the expense report accounting is consistent with the employee's time report accounting.	IV:R24	SAP functionality provides a cross-check from expense reporting to time reporting as follows: ☐ Time must be entered for a given day in order to enter expenses for that day ☐ System will check whether expense reporting matches where time was charged on day expense was incurred ☐ If not, a "soft" warning will come up notifying the employee of the "mismatch" ☐ Employee can change accounting or proceed ☐ Seeking clarification if "soft" warning will also be seen by approver during review ☐ Highlights criticality of user education/training to leverage value of warning ☐ All time charges and employee expenses must be reviewed and approved by supervisor ☐ Other Liberty recommendations call for ☐ Removal of default accounting for expense reports ☐ Rigorous review by managers of cost assignments in time sheets, expense reports, and invoices ☐ Other controls can include Internal Audit reviews, etc.	
32	Institute controls to ensure that employee expenses are properly allocated.	IV:R25		
33	Develop a consistent expense policy for all employees.	IV:R26		
34	Remove cost allocation accounting code defaults for expense reporting.	IV:R27		
35	Develop, document, and implement for each of the regulated entities a robust review process that includes regular account reconciliations and income statement fluctuation analyses.	V:R1		
36	Place under one organization responsibility for the entire analysis process related to the regulated utilities' financials, thereby creating end-to-end accountability to ensure completeness and accuracy of entity-level financials.	V:R2		
37	Develop formal controls for the review and submission of all regulatory reports, produced in the Accounting and Regulatory organizations.	V:R3		
38	Implement an improved approach to standardize the various approaches for producing state reports currently in use.	V:R4		
39	Design the new system to produce state reports on a FERC basis, with manual intervention limited as much as possible, in order to accommodate various state requirements.	V:R5		
40	Ensure that the infrastructure is in place and that transfer of knowledge from the outside expert takes place before returning the state-reporting process to company personnel (KPMG to National Grid).	V:R6		

No.	Recommendation	Reference	Alternative Implementation Actions	Rejected Recommendations
41	Work with the Tax Accounting Department to address the need for more timely entries of tax adjustments, in order to minimize topside adjustments.	V:R7		
42	Establish a standard process that includes regularly scheduled meetings and team-building between Accounting and Regulatory.	V:R8		
43	Implement reporting changes to focus the regulatory accounting organization on the primary purpose of assisting the accounting process	V:R9		
44	Change the service-company and intercompany invoices for all National Grid service companies to a "best practices" amalgam of the existing two invoice systems.	V R10		
45	Promptly establish for the operating companies consistent processes, procedures, and delegation of authority for the independent review and approval of all affiliated company bills by senior managers accountable to each of the new regional presidents.	V R11		
46	Strengthen processes, procedures, and culture to emphasize the importance of properly questioning and vetting charges for service-company and intercompany payment authorization with the protection of operating company interests as the top priority.	V R12		
47	Approach local leadership empowerment in a structured, robust manner, in order to implement the regional organization model effectively.	VI R1		
48	Encourage alternate approaches to the current practice of assigning multiple committees to "accountable" roles in dealing with important corporate issues.	VI R2		
49	Make the maintenance of healthy, credible relations with U.S. regulators of the highest strategic import, and develop supporting plans accordingly.	VI R3		
50	Implement short-term measures to upgrade the organization to meet the regulatory demands expected over the next 6-12 months.	VI R4		
51	In implementing the SLA process: (a) maintain an ultimate focus on "service cost management," and (b) develop a process that allows the state presidents to fulfill their obligations.	VI R5		
52	Develop a formal program for addressing the competitiveness of internally provided services, including benchmarking and market testing.	VI R6		National Grid has chosen not to develop a program for addressing the competitiveness of internally provided services through benchmarking. In lieu of developing such a program, National Grid intends to develop a process in which a series of "deep dive analyses" into the costs of internally provided services will be undertaken. These analyses will consider the needs of the business units that utilize internal services as well as the alternatives available to meet those needs. The goal of this process is to ensure that National Grid is meeting its objectives as efficiently as possible.
53	Incorporate the global recharging processes into a system-generated cost allocation process operating under with the same level of control as exists in the main service-company allocation process.	VII R1		
54	Prior to the 2011, fiscal year close, on March 31, 2011, review the current recharging processes to correct inconsistencies and logic errors.	VII R2		

Liberty Consulting Group Recommendations

Exhibit 2-1

No.	Recommendation	Reference	Alternative Implementation Actions	Rejected Recommendations
55	Immediately inventory accounting organization needs and seek additional staff through both permanent hires and temporary help to better handle transitional and long-term the escalating demands.	VIII:R1		
56	Examine where reassignments of key people to positions where they have the most expertise will address significant experience gaps.	VIII:R2		
57	Examine the audit response process and improve it to assure effective support for the NYPSC audit.	VIII:R3		
58	Assign clear, primary, responsibility for retaining expatriate program documentation.	IX R1		
59	Establish a more formal, comprehensive structure and supporting policy and procedures for the expatriate program.	IX R2		
60	Limit costs to be charged to the host utility and included in its cost of service for ratemaking purposes to no more than the market value of the position, adjusted for the particular skills and experience of those expatriates filling positions.	IX R3		

(Sources: Responses to Discovery, OC-27 OC-113, and OC-114)

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3. INCREASES IN SERVICE COMPANY CHARGES

Introduction

This chapter documents our analysis of increases in billings by National Grid's service companies to the New York utilities for the years 2005 through 2010. The primary objectives of this analysis included:

- Documenting the nature and types of service company charges to the New York utilities during the period 2005 through 2010 (the analysis period).
- Documenting the underlying reasons for increases in costs billed by each service company to each New York utility during the analysis period.

Analysis Scope

The analysis covers charges from National Grid USA Service Company (National Grid USA) to Niagara Mohawk during the period 2005 through 2010. It also covers charges from National Grid USA to the KeySpan utilities, and charges from the KeySpan service companies for the period October 2007 through 2010. The following table summarizes the costs and cost increases discussed in this chapter.

Table 3-1 – Summary of Billings from National Grid Service Companies to New York Utilities

Summary of Billings from National Grid Service Companies to New York Utilities							
Billed Entity / Billing Service Company	2005	2006	2007	2008	2009	2010	Total
To Niagara Mohawk:							
From National Grid USA Servco	272,366,222	333,812,555	390,770,962	460,330,932	539,505,048	588,945,734	2,585,731,453
From Legacy KeySpan Servcos	-	-	358,881	16,920,621	44,038,296	63,007,497	124,325,295
Subtotal Niagara Mohawk	272,366,222	333,812,555	391,129,843	477,251,553	583,543,344	651,953,231	2,710,056,748
To KEDLI and KEDNY:							
From National Grid USA Servco			32,284	8,132,254	28,528,788	40,758,153	77,451,479
From Legacy KeySpan Servcos	329,480,000	342,796,728	360,672,556	445,395,739	428,435,887	364,254,096	2,271,035,006
Subtotal KEDLI & KEDNY	329,480,000	342,796,728	360,704,840	453,527,993	456,964,675	405,012,249	2,348,486,485
Total Servco Billings	601,846,222	676,609,283	751,834,683	930,779,546	1,040,508,019	1,056,965,480	5,058,543,233
Source: NG USA General Ledger Data, OC-142							

National Grid USA accounted for over 95% of the service company billings to Niagara Mohawk during the analysis period. These charges increased at an annual rate of more than 16%, more than doubling between 2005 and 2010. Because they increased at a rate significantly higher than customer growth plus inflation, and because they accounted for most of the total increase in all service company billings in 2010 compared with 2005, much of the analysis in this chapter is focused on them. Adding in charges from the legacy KeySpan service companies after the 2007 merger, total charges to Niagara Mohawk from all National Grid service companies increased at an annual rate of approximately 19%.

Approximately 97% of the service company charges to KEDLI and KEDNY were billed from the legacy KeySpan service companies and primarily from KeySpan Corporate Services. These charges increased modestly until the merger, increased more substantially for two years following the merger, but then subsided in 2010. Billings to KEDLI and KEDNY from the legacy KeySpan service companies increased from \$329 million in 2005 to \$364 million in 2010, a 2% annual rate of increase. When post-merger charges from National Grid USA are included, service company billings to KEDLI and KEDNY increased at an annual rate of slightly more than 4% annually.

Summary of Findings

Overall

As shown in the table above, total billings from all National Grid service companies to the New York utilities (Niagara Mohawk, KEDLI and KEDNY) increased from \$601.8 million in 2005 to \$1.057 billion in 2010, an annual rate of increase of approximately 12%. Of the \$455 million increase in annual billings between 2005 and 2010, \$380 million (83%) is attributable to Niagara Mohawk and \$75 million (17%) is attributable to KEDLI and KEDNY combined. The primary causes of increase in billings to Niagara Mohawk include:

1. Higher levels of vendor costs charged to construction work in progress in the years 2008 through 2010 as a result of a larger capital improvement program budget and capital investment commitments made in conjunction with the National Grid – KeySpan merger. Many construction vendors were paid by National Grid USA on behalf of Niagara Mohawk and billed to Niagara Mohawk.
2. Increases in consulting and temporary staffing resources incurred in National Grid USA in the years 2008 through 2010 relating to merger integration efforts and projects to improve productivity, such as Electric Distribution Operations Transformation (EDOT), design of a global procurement organization and the U.S. Foundation Project to implement the SAP enterprise accounting platform.
3. Increases in vegetation management contractor services paid by National Grid USA on behalf of Niagara Mohawk.
4. Allocation of costs from the legacy KeySpan service companies, primarily KeySpan Corporate Services, following the 2007 KeySpan merger, as service company activities began to be integrated between the two sets of legacy companies.
5. Inconsistent accounting across the six-year analysis period for certain balance sheet charges, including medical claims payments and transportation clearing charges attributable to Niagara Mohawk. In short, accounting for these payments and clearings shifted from being recorded primarily from Niagara Mohawk entries, in some cases to parent company' entries and to National Grid USA journal entries. When payments attributable to Niagara Mohawk were paid

from and recorded on National Grid USA's books or the parent's books they were subsequently billed to Niagara Mohawk. It is important to note that when viewed from the perspective of amounts attributable to Niagara Mohawk (regardless of entity making and recording the payment), these charges did not increase significantly from year to year during the analysis period.

The primary contributor to the increase in billings from the KeySpan service companies to KEDLI and KEDNY in 2008 and 2009 compared with the period 2005 through 2007 were increases in the cost of environmental remediation for decommissioned manufactured gas sites in KEDLI and KEDNY service territories.

Service Company Charges from National Grid USA to Niagara Mohawk

National Grid USA was the charging entity for over 95% of the \$2.7 billion in service company billings to Niagara Mohawk during the analysis period. Except for \$863,962 in 2010, we successfully reconciled National Grid USA charges recorded on Niagara Mohawk's books with amounts billed by the service company. During the analysis period, these charges increased from approximately \$272 million in 2005 to approximately \$589 million in 2010, reflecting an annualized rate of increase of approximately 16.7%. Significant increases were as follows:

1. Charges to Regulated O&M - Approximately 54% of the billings from National Grid USA during the analysis period were charged to Niagara Mohawk's regulated O&M accounts. National Grid USA charges to O&M accounts increased from \$163 million to \$258 million, or approximately 10% annually, between 2005 and 2010.
 - a. Vendor Services and Products - O&M services and products provided by vendors were \$95.0 million higher in 2009 and \$54.5 million higher in 2010 compared with 2005. Vendor O&M *directly charged* to Niagara Mohawk include increased spending on vegetation management, increased collection activities, storm damage repairs (in 2009), spending on Commission-mandated stray voltage testing, outsourced print-to-mail and janitorial services previously performed by employees, increased use of temporary employees, and the transfer of responsibility for the management and payment of certain vendors from Niagara Mohawk to National Grid USA. Increases in vendor-provided services *allocated* to Niagara Mohawk include increased use of temporary labor, much of which appears to be associated with integration efforts following the KeySpan merger, consulting projects associated with pre-KeySpan merger analysis and post-merger integration and increased spending on consultants working on productivity enhancement projects.
 - b. Employee Benefits Expenses and Overheads - O&M employee benefits decreased from \$33.7 million in 2005 to \$28.8 million in 2010. O&M charges for health care, workers compensation, group life insurance and thrift plan charges decreased between 2005 and 2010. Pension expenses increased from \$5.8 million in 2005 to \$20.6 million in 2009 and \$11.7 million in 2010.

Reasons for the increase include accruals for voluntary early retirement offers and increased company contributions caused by the decline in equity prices resulting from the financial crisis in late 2008.

- c. Payroll – Charges to Niagara Mohawk’s regulated O&M accounts for National Grid USA payroll increased from \$48.0 million in 2005 to \$75.2 million in 2010. Regular payroll charged to O&M was relatively stable throughout the period, with the exception of a 17% increase from 2005 to 2006. Most of the increase in payroll occurred in 2009 and 2010 and was caused by an increase in and change in accounting for variable pay. Specifically, variable pay for Band B and C executives (Vice Presidents and Directors) was moved from below-the-line account 417-100 into the payroll burdening process, where it was distributed to all accounts containing payroll.
2. Below-the-Line Charges - Approximately 2% of the billings from National Grid USA during the analysis period were charged to Niagara Mohawk’s “below-the-line” income statement accounts. These increased from \$8.8 million in 2005 to \$14.6 million in 2010. Payroll taxes and “NGT share awards” explain most of the increase. Payroll taxes in account 408 increased from \$4.1 million in 2005 to \$9.0 million in 2010 due primarily to an increase in federal unemployment taxes in 2010. “NGT share awards” increased from \$880,000 in 2005 to \$3.2 million in 2010. These represent amounts awarded under stock incentive plans to Band A executives (Senior Vice President and above). According to National Grid, the increase from 2005 to 2010 was primarily due to the fact that no shares vested in the early years of the award, there was increased participation in the later years and grants were based on a higher percentage of pay in later years. National Grid also experienced difficulties in estimating the value of shares expected to vest for each year’s share award.
3. Charges to Capital Accounts - Approximately 23% of the billings from National Grid USA during the analysis period were charged to Niagara Mohawk’s capital accounts, primarily to Construction Work in Progress. National Grid USA charges to Niagara Mohawk capital accounts increased 560% during the analysis period, from \$31.6 million in 2005 to \$208.5 million in 2010. During the analysis period Niagara Mohawk made significant capital investments in conjunction with a Capital Investment Program that the company stated was discussed “every six months” with the NYDPS staff. National Grid also stated that it committed to investing approximately \$1.5 billion in Niagara Mohawk over five years as part of the KeySpan merger agreement.¹ Our review of vendor charges showed that much of the increase in billings by National Grid USA to Niagara Mohawk capital accounts between 2005 and 2010 was associated with the following programs:
 - a. Regional Delivery Project – In 2009 and 2010 Niagara Mohawk was charged \$14.4 million and \$56.7 million, respectively, by the Northeast Power Alliance, a vendor consortium that upgraded transmission lines in New York. There were no charges for this vendor group prior to 2009.

¹ OC-207

- b. Other Significant Construction Vendors – National Grid USA billed Niagara Mohawk significantly higher amounts in the latter half of the analysis period for engineering and construction services provided by several other vendors, including TRC Engineers, Pinto Construction, Northeast Construction, ABB Incorporated, Eaton Electric, Lewis Tree Service, Bemis, Clough-Harbour & Associates and Utility Construction Specialists. The projects associated with these vendors are discussed below in this chapter. Collectively, these nine vendors explain an increase of \$29.7 million in annual billings from National Grid USA, from \$2.1 million in 2005 to \$31.8 million in 2010.
 - c. Materials – Direct project purchases of materials and issuances from inventory charged by National Grid USA to Niagara Mohawk increased from \$15.1 million in 2005 to \$55.6 million in 2010 in conjunction with the CIP and the post-merger construction commitment.
4. Other Balance Sheet Charges - Approximately 21% of the billings from National Grid USA during the analysis period were charged to “other” (non-capital) accounts on Niagara Mohawk’s balance sheet. These consisted primarily of payments the service company made to employee benefits trustees and administrators for things such as Niagara Mohawk’s health care claims and thrift plan contributions withheld from employee payroll, as well as charges to Niagara Mohawk transportation and stores clearing. Service company billings for other balance sheet charges increased from \$69.4 million in 2005 to \$108.2 million in 2010. The largest increases were service company billings for health care (medical) claims payments and transportation clearing charges.
- a. Health Care (Medical) Claims – National Grid self-insures its medical coverage for employees. Administrators manage and pay the medical claims made by employee health care providers. National Grid reimburses the administrators for claims and pays them a fee to manage the process. When National Grid USA pays the administrator on behalf of Niagara Mohawk, it bills Niagara Mohawk. Service company medical claims billings to Niagara Mohawk increased from \$23.6 million in 2005 to \$44.2 million in 2010. We found that accounting for medical claims accruals was not handled consistently during the accounting period, with claims accounting and accruals shifting between Niagara Mohawk, National Grid USA Service Company and the National Grid USA parent entity. When all payment sources are viewed together, medical claims payments attributable to Niagara Mohawk increased from \$36.1 million in 2005 to \$44.6 million in 2010, an annual rate of increase of 4.5%.
 - b. Transportation Clearing – The transportation clearing process collects and distributes the costs of operating National Grid’s fleet of rolling stock. Service company billings for transportation clearings increased from \$3.1 million in 2005 to \$23.3 million in 2010, an increase of 660%. Like medical claims payments, accounting for transportation charges to clearings was not consistent during the analysis period. As discussed in more detail below, on a combined basis, Niagara Mohawk transportation clearing sourced from both National Grid USA and Niagara Mohawk did

not increase significantly during the analysis period. Charges were \$44.3 million in 2005 and \$44.9 million in 2010.

Service Company Charges from KeySpan Service Companies to KEDLI and KEDNY

On a combined basis, charges from the legacy KeySpan service companies to KEDLI and KEDNY increased from \$329.5 million in 2005 to \$364.3 million in 2010, a rate of increase of approximately 2% annually. Overall, costs billed by the legacy KeySpan service companies to KEDNY and KEDLI between 2005 and 2010 increased for several years before topping out and decreasing in 2009 and 2010. Income statement charges billed to KEDLI and KEDNY decreased from 2005 to 2010. This most likely reflects the impact of economies of scale on centralized service offerings brought about by the merger with National Grid. Environmental remediation explains much of the increase, and later decrease, in the annual amounts billed by the KeySpan service companies to KEDNY and KEDLI. As billings to KEDNY for environmental remediation peaked in 2008 and then slowly declined in the next two years, so did total costs billed by the service companies to the utility. The same goes for billings to KEDLI, except that environmental remediation costs peaked in 2009 instead of 2008.

Post-Merger Service Company Charges Between Legacy National Grid and Legacy KeySpan

Following the October 2007 merger with KeySpan, National Grid USA began charging the KeySpan utilities, including KEDLI and KEDNY, for services. At the same time, the legacy KeySpan service companies (KeySpan Corporate, Engineering and Utility Services) began charging services to the legacy Grid utilities, including Niagara Mohawk. Charges from National Grid USA to KEDNY and KEDLI increased from \$32,284 in 2007 to \$8.1 million in 2008 (the first full post-merger year) and to \$40.8 million in 2010, following two years of merger integration. Correspondingly, charges from the legacy KeySpan service companies to Niagara Mohawk increased from \$358,881 in 2007 to \$16.9 million in 2008 and to \$63.0 million in 2010.

Service Company Billings by National Grid USA to KEDLI and KEDNY - National Grid USA charged very little to KEDLI and KEDNY in merger year 2007. As merger integration began in 2008, National Grid USA began charging KEDLI and KEDNY relatively modest amounts, primarily for vendor O&M expenses. If the undefined “other” expense category is included and classified as primarily vendor-related, vendor charges to KEDLI and KEDNY increased from roughly \$5.3 million in 2008 to \$24.5 million in 2010. The only significant vendor payment *directly charged* during this time was \$2.3 million charged to KEDNY in 2009 and 2010 for meter recovery and payment collection services provided by P. Schneider and Associates. Significant vendor charges *allocated* to KEDLI and KEDNY by National Grid USA included services relating to establishment of a global procurement organization provided by Corven (2009 and 2010), the project design phase of the U.S. Foundation Program (SAP implementation) provided by Deloitte & Touche in 2010, and temporary service company staffing resources provided by Pro Unlimited primarily in 2009 and 2010. A variety of other consulting projects performed primarily in 2009 and 2010 explain much of the remaining increase between the 2007 merger year and 2010. As merger integration progressed, payroll charges from National Grid USA to KEDLI and KEDNY for payroll

increased from slightly less than \$2 million in 2008 to more than \$9 million in 2010. An allocation of payroll burdens made at the entity level approximately doubles these payroll charges.

Service Company Billings by the Legacy KeySpan Service Companies to Niagara Mohawk – Most service company charges to Niagara Mohawk from the legacy KeySpan service companies came from KeySpan Corporate Services. These charges consisted primarily of payroll and related burdens, which increased from \$505,567 in merger year 2007 to \$40.1 million in 2010, and contractor and consulting vendor payments, which increased from \$131,983 in 2007 to \$11.5 million in 2010. As shown and discussed in additional detail below, dozens of different service company cost centers billed payroll and related burdens to Niagara Mohawk and the charges increased year by year as merger integration progressed. KeySpan Corporate Services billings to Niagara Mohawk for vendor-provided services included the allocated costs of the financial audit, Sarbanes-Oxley testing, advertising and the cost of projects related to merger integration.

Service Company Charges to Niagara Mohawk

During the six-year analysis period National Grid service companies billed the following amounts to Niagara Mohawk Electric Distribution, Electric Transmission, and Gas:

Table 3-2– Charges from National Grid Service Companies to Niagara Mohawk

Charges from National Grid Service Companies to Niagara Mohawk							
Entity	2005	2006	2007	2008	2009	2010	Total
National Grid USA	272,366,222	333,812,555	390,770,962	460,330,932	539,505,048	588,945,734	2,585,731,453
Keyspan Corporate Services	-	-	358,881	16,607,716	43,187,740	62,001,292	122,155,629
Keyspan Utility Services	-	-	-	312,905	709,872	813,573	1,836,350
Keyspan Engineering Services	-	-	-	-	140,684	192,632	333,316
Total	272,366,222	333,812,555	391,129,843	477,251,553	583,543,344	651,953,231	2,710,056,748
Source: NG USA General Ledger Data, OC-142							

This represents all charges to Niagara Mohawk, including operations and maintenance expense, “below-the-line” expenses, construction work in progress and charges to “other” balance sheet accounts.²

National Grid USA Charges to Niagara Mohawk

Approximately \$2.6 billion, (95.4%) of the service company charges to Niagara Mohawk during the six-year analysis period were billed by National Grid USA. The remaining 4.6% was charged by the combined KeySpan service companies (KeySpan Corporate, Utility and Engineering Services).³ We focused most of our analysis on charges from National Grid USA. To determine that general ledger

² These amounts are close to, but do not exactly match, amounts reflected on the table summarizing National Grid Service company charges to the New York utilities on page 4 of the New York Department of Public Service Request for Proposals to perform this audit.

³ KeySpan Utility Services and KeySpan Engineering Services exist primarily to serve National Grid’s Long Island electric generation and distribution operations. Because of this, charges to Niagara Mohawk from these companies are relatively insignificant.

charges provided to us for National Grid USA were complete, we compared them with service company bills (which are a by-product of the accounting process and the amounts reflected above), and with amounts charged to Niagara Mohawk as shown on FERC Form 60.⁴ These comparisons are summarized below.

Table 3-3 – Comparison of National Grid USA Charges to Niagara Mohawk: General Ledger vs. FERC Form 60 and Service Co. Billings

Comparison of NG USA Charges to Niagara Mohawk: General Ledger vs. FERC Form 60 and Service Co. Billings						
FERC Form 60	2005	2006	2007	2008	2009	2010
Revenue From NIMO	167,311,781	141,877,497	163,503,652	175,653,715	257,809,493	252,947,115
Convenience Pmts NIMO	102,088,542	193,381,414	230,723,451	262,766,612	282,206,378	342,329,856
Form 60 Billing Total	269,400,323	335,258,911	394,227,103	438,420,327	540,015,871	595,276,971
Ledger Amounts	272,366,222	333,812,555	390,770,962	460,330,932	539,505,048	588,945,734
Ledger Variance Amount	2,965,899	(1,446,356)	(3,456,141)	21,910,605	(510,823)	(6,331,237)
Ledger Variance Percentage	1.10%	-0.43%	-0.88%	5.00%	-0.09%	-1.06%
Bills	2005	2006	2007	2008	2009	2010
Service Company Billing Totals	272,366,222	333,812,555	390,770,592	460,330,767	539,505,048	588,081,772
Ledger Amounts	272,366,222	333,812,555	390,770,962	460,330,932	539,505,048	588,945,734
Ledger Variance Amount	(0)	0	370	165	0	863,962
Ledger Variance Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.15%
Source: FERC Form 60 and General Ledger Data, Service Company Bills and OC-142						

Analysis of Amounts Billed By National Grid USA to Niagara Mohawk

Amounts billed by National Grid USA to affiliates include charges to capital and O&M expense, as well as to other balance sheet categories, such as liability accruals.

Table 3-4 – National Grid USA Billings to Niagara Mohawk by Regulated Account Category

National Grid USA Billings to Niagara Mohawk by Regulated Account Category						
Reg Acct Type	2005	2006	2007	2008	2009	2010
Regulated O&M Charges	162,538,989	192,708,260	229,480,143	255,504,904	306,215,399	257,668,122
Below the Line Exp. Charges	8,812,373	9,136,266	6,915,847	8,746,510	13,772,252	14,577,185
Capital Charges (CWIP & Plant)	31,637,609	42,679,677	71,502,768	109,573,929	121,681,211	208,512,524
Other Balance Sheet Charges	69,377,024	89,288,412	82,872,086	86,500,146	97,836,185	108,188,555
Revenue	227	(60)	118	5,443		(651)
Total	272,366,222	333,812,555	390,770,962	460,330,932	539,505,048	588,945,734
Source: OC-142						

Regulated O&M (54.3 percent of total billings)

Regulated O&M expense is the largest category of charges by National Grid USA to Niagara Mohawk. In addition to containing the largest percentage of billed costs, it is also the category with the most direct

⁴ The only significant difference between the amounts in the general ledger and the FERC Form 60 was the \$21.9 million difference for 2008. Per a footnote on page 106 of the 2008 Form 60, the convenience payments charged to National Grid USA in that year exclude \$23,955,622 in cash proceeds received by Service Company for split dollar life insurance policies owned and recorded by National Grid USA. The variance between ledger charges and Form 60 is \$-2,045,047 (-0.44%) after accounting for this item that is included

and significant impact on regulated utility cost of service and rates. 2009 billings by National Grid USA to Niagara Mohawk for regulated O&M charges were 88% percent higher than 2005 billings. 2010 billings declined by \$49 million from 2009. To review the reasons for the increase in service company O&M billings to Niagara Mohawk over the six-year period, it is useful to break the expenses down into expense types.

Table 3-5 – National Grid USA Billings to Niagara Mohawk – Regulated O&M

National Grid USA Billings to Niagara Mohawk - Regulated O&M						
Expense Type	2005	2006	2007	2008	2009	2010
Vendor Charges	51,611,135	75,112,121	110,917,212	113,000,477	146,595,890	106,117,084
Benefits Overheads	33,707,449	25,701,208	27,409,348	37,271,331	43,594,796	28,842,654
Materials	30,532,515	39,419,998	39,585,229	46,846,493	41,450,106	41,425,685
Payroll	48,035,067	54,027,952	54,762,574	58,847,083	72,567,042	75,248,920
Transportation	161,225	241,039	220,520	362,261	324,528	729,670
Other	(1,508,402)	(1,794,057)	(3,414,740)	(822,742)	1,683,038	5,304,109
Total	162,538,989	192,708,260	229,480,143	255,504,904	306,215,399	257,668,122
Source: OC-142						

O&M Vendor Charges

Vendor charges include allocated and directly charged contractor and consultant payments, employee expenses, computer hardware and software, leases and rentals of real estate and other assets, and “other” charges. Vendor charges account for more than half the total increase in O&M billed by the service company to Niagara Mohawk between 2005 and 2010. Vendor charges to Niagara Mohawk O&M are summarized by detailed expense type below.

Table 3-6 – National Grid USA Regulated O&M Vendor Charges Billed to Niagara Mohawk

National Grid USA Regulated O&M Vendor Charges Billed to Niagara Mohawk							
Reg Expense Type		2005	2006	2007	2008	2009	2010
100, 110	Contractors and Consultants	22,744,061	36,094,808	61,221,779	68,544,810	97,111,274	63,232,345
200	Employee Expenses	2,507,280	3,325,327	3,952,396	6,060,080	5,281,378	4,767,795
300	Computer Hardware	4,585,304	5,926,373	7,495,041	6,091,980	4,054,963	4,602,601
350	Computer Software	9,812,264	9,768,505	9,894,253	9,129,970	10,194,103	8,772,144
500	Leases - Non-Real Estate	6,717,646	12,902,969	12,954,004	13,062,448	10,925,065	7,348,822
505	Leases - Real Estate					3,186,237	3,776,063
400	Other	5,244,580	7,094,139	15,399,739	10,111,189	15,842,870	13,617,315
Total Regulated O&M Vendor Charges		51,611,135	75,112,121	110,917,212	113,000,477	146,595,890	106,117,084
Source: OC-142							

Contractors and consultants accounted for 58% of the regulated O&M vendor charges to Niagara Mohawk between 2005 and 2010. In addition, contractors and consultants charges explain 74% of the increase in the annual vendor charges to Niagara Mohawk. As such, we focused most of our analytical effort on this category.

Other observations include the following:

- Computer hardware and software charges account for 15% of the total vendor O&M charged to Niagara Mohawk during the analysis period. However, the amounts charged did not increase significantly during the period. Combined, hardware and software charges from service company vendors to Niagara Mohawk were \$14.4 million in 2005 and \$13.4 million in 2010.
- Lease costs account for 12% of the vendor O&M charged to Niagara Mohawk during the analysis period. Non-real estate leases included charges for machinery and equipment rentals, software and, until 2009, real estate rental for the Westborough building in Massachusetts. Beginning in 2009, real estate leases were designated with expense type 505 instead of 500.⁵ Viewed on a combined basis, lease expenses for expense types 500 and 505 were stable at approximately \$13 million from 2006 through 2009. However, lease expense doubled from 2005 to 2006. During 2005 and early 2006, several software projects, including the PeopleSoft general ledger, Field Force Automation (FFA) and the CSS/CIS project, went into service, were sold to Bankers Leasing and leased back by National Grid USA. This caused lease expenses allocated to Niagara Mohawk to increase in 2006 compared with 2005. By early 2010, the PeopleSoft general ledger was fully amortized, and lease payments for it ceased, causing total lease expense to decline by about \$2 million in 2010.⁶
- Service company employee expenses were approximately 65% higher in the three years 2008 through 2010 than in the years 2005 through 2007. However, as they accounted for only 4% of O&M vendor charges we determined audit effort would be better spent on other categories of cost.

Contractors and Consultants Charges – As noted above, contractors and consultants explain nearly three-fourths of the increase in National Grid USA's O&M vendor charges to Niagara Mohawk during the six-year analysis period. For analysis, we divided these contractor and consultant charges between directly charged and allocated categories, as summarized below.

Table 3-7 – National Grid USA Regulated Contractors and Consultants Charges to Niagara Mohawk O&M

National Grid USA Regulated Contractors and Consultants Charges to Niagara Mohawk O&M						
Category	2005	2006	2007	2008	2009	2010
Direct Charges	8,525,694	22,882,611	40,743,764	44,721,293	60,601,076	39,775,391
Allocated Charges	12,998,314	13,617,276	20,059,911	23,451,730	34,315,761	23,433,139
Other (1)	1,220,053	(405,079)	418,104	371,787	2,194,437	23,815
Total	22,744,061	36,094,808	61,221,779	68,544,810	97,111,274	63,232,345
Source: OC-144 - Contractors and consultants - reconciliation GL file to AP file.xls						
Note 1 - "Other" includes manual journal entries for transfers, adjustments and accruals.						

Directly Charged Contractors & Consultants Expense – Most directly charged contractor and consultant expenses are convenience payments. National Grid USA directly charged payments from approximately

⁵ Early in 2009, National Grid USA moved out of the Westborough building and into the Reservoir Woods building in Waltham, MA.

⁶ OC-231

2,300 different vendors to Niagara Mohawk over the six-year analysis period. We focused our analysis on 30 (1.3%) of these vendors that accounted for 70% of the payments. The table below summarizes these vendor payments.

Table 3-8 – National Grid USA Contractor and Consulting Vendor Payments Charged Directly to Niagara Mohawk O&M Accts

National Grid USA Vendor Payments Charged Directly to Niagara Mohawk O&M Accounts							
Vendor	Nature of Work	2005	2006	2007	2008	2009	2010
Lewis Tree Service	Vegetation management, transmission.	855,689	3,978,996	5,115,869	5,062,204	9,341,877	6,155,419
Nelson Tree Service	Vegetation management, dist. & trans.		2,487	1,242,784	1,959,722	60,690	185,559
Nationwide Credit	Collection calling, upstate NY.			333,315	2,054,178	7,506,710	6,544,904
Hawkeye Electric	Electric distribution, transmission & substation work.	274,753	-	851,992	551,429	1,485,741	-
Premier Utility Services LLC	Underground facilities locating services historically performed by NiMo employees.		1,440,718	1,368,814	267,590	520,700	198,585
KW Reese Inc.	Vegetation management, distribution.	192,438	1,227,720	2,711,447	3,771,397	2,218,755	220,176
ECSM Utility Contractors Inc.	Elevated & stray voltage testing in western NY, required by the PSC beginning in 2005.		1,368,623	2,019,254	2,933,316	2,965,375	2,861,180
Pro Unlimited	Payroll services for National Grid retirees & former employees.		13,013	712,881	607,531	1,846,201	1,371,155
Public Utilities Maintenance, Inc.	Inspect and repair steel transmission structure footings and paint transmission towers.	655,368	929,064	3,247,686	2,141,436	2,637,504	115,633
Janitronics Building Services	Janitorial services at 155 upstate NY facilities.		376,421	1,633,679	1,714,285	1,876,140	1,694,637
NCO Financial Systems Inc.	Collection calling, upstate NY.		2,064,109	2,259,207	1,201,054	43,010	
Power & Construction Group, Inc.	Inspect and repair steel transmission structure footings.			1,010,174	921,267	666,174	1,630,696
CC Power LLC	Buffalo storm restoration.			426,720		1,405,225	
Northeast Power Alliance LLC	Regional Delivery Program - transmission capital improvements.					1,615,360	4,694,852
Davey Resource Group	Elevated & stray voltage testing in western NY, required by the PSC beginning in 2005.	498,938	615,368	1,120,154	1,250,262	1,146,523	1,095,651
Henkels & McCoy	Storm repair					2,248,577	
Pitney Bowes	Print-to-mail customer billing for NY. Formerly done by Niagara Mohawk employees.	323,719	155,157	32,969	1,308,893	438,352	
Betlem Service	HVAC installation & repair services, snow plowing.		3,566	59,582	24,188	822,777	745,947
Osmoste Utilities Services Inc.	Distribution field inspection survey and GIS system updating. Emergency storm staffing in Buffalo and pole inspection & treatment.	350,551	506,554	1,183,218	499,835	395,372	432,772
Genesys Telecommunications	Interactive Voice Recognition system (for inbound customer calls).			2,593,309	638,483		
Quanta Technology LLC	Transmission system protection engineering analysis.		198,187	57,600	15,075	409,667	423,671
William J. Dyer & Sons Inc.	Asphalt paving restoration around Albany.	1,934	177,329	438,536	383,394	280,482	309,648
Midwest Electric Control	Storm restoration, 2008 storm.					1,022,252	
Midwest Powerline	Post-storm cleanup, 2008 storm.					2,267,633	
Waste Harmonics	Trash and wood pick-up & hauling, container rental.			174,396	280,654	320,133	240,495
Nesco Service Co.	Recruit & hire temporary call center employees for the new Syracuse call center during start up.				1,145,588	759,004	
Professionals, Inc.	"contingent workers"	13,252	761,322	201,523	262,908		
MJ Electric LLC	Storm restoration, 2008 storm.	97,152				828,404	
Northline Utilities LLC	Contingency T&D construction & storm restoration.			212,262	785,548	226,111	219,149
Hydaker Wheatlake Co.	Storm restoration, 2008 storm.					1,375,244	
Total 30 Vendors		3,263,793	13,818,634	29,007,373	29,780,237	46,729,993	29,140,130
Other Vendors (Approx. 2,280)		5,261,901	9,063,977	11,736,392	14,941,056	13,871,083	10,635,261
Total Directly Charged		8,525,694	22,882,611	40,743,764	44,721,293	60,601,076	39,775,391

Source: OC-144, OC-144 contractors and consultants working file_CD.xls, AP Direct to 36 w Questions sheet

We investigated the reasons for the increases (or decreases) in payments by the service company for each of the 30 vendors listed above by comparing payments charged to Niagara Mohawk during the second half of the analysis period (2008-2010) with payments charged during the first half of the period (2005-2007). National Grid USA directly charged Niagara Mohawk \$105.7 million for these vendors during 2008-2010, 129% more than the \$46.1 million charged during 2005-2007. Reasons for the

increases (and for a few vendors, decreases), as explained by National Grid and as analyzed by Overland, are summarized as follows:⁷

- Increased Vegetation Management Spending – National Grid dramatically increased vegetation management spending during the analysis period. Charges to Niagara Mohawk for Lewis Tree, Nelson Tree and KW Reese increased by \$13.6 million in the second half of the six-year analysis period compared with the first half. This explains approximately 23% of the increase in direct service company charges for the 30 contractors and consultants we reviewed in detail. In addition to the amounts charged by National Grid USA, Niagara Mohawk itself paid significant amounts to these same vegetation management vendors, and the payments by Niagara Mohawk also increased significantly during the six-year analysis period.⁸
- Increased Vendor-Performed Collection Activities – Collection services provided by outside vendors were significantly higher in 2008-2010 than during the 2005-2007. Charges to Niagara Mohawk for payments to Nationwide Credit and NCO Financial Services increased by \$12.7 million in the second half of the six-year analysis period compared with the first half. This explains approximately 21% of the increase in service company direct charges to Niagara Mohawk's O&M accounts for the 30 contractors and consultants we reviewed in detail.
- Storm Damage - Storm damage spending near the end of 2008 and early in 2009 explains \$7.95 million in additional service company payments for Niagara Mohawk to the 30 selected vendors during the second half of the six-year analysis period. The vendors whose payments were attributable to storm damage include Henkels & McCoy, Osmose, Midwest Electric, Midwest Powerline, MJ Electric, Northline Utilities and Hydaker Wheatlake. The storm payments explain approximately 13% of the overall increase in the 30 service company contractor and consultant payments charged to Niagara Mohawk's O&M accounts in the second half of the analysis period that we reviewed in detail.
- Transfer of Vendor Payment Responsibility to National Grid USA - Payment responsibility for certain vendors supplying Niagara Mohawk was transferred from Niagara Mohawk to National Grid USA.⁹ According to National Grid, this explains \$7.2 million in additional payments to Hawkeye Electric, Power & Construction Group, CC Power LLC, Betlem Service, Quanta Technology, William J. Dyer and Waste Harmonics in the second half of the six-year analysis period compared with the first half. This

⁷ OC-144, OC-144 contractors and consultants working file_CD.xls, "AP Direct to 36 w Questions" sheet

⁸ During the six-year period Niagara Mohawk paid the three vegetation management vendors in the service company analysis a total of more than \$94 million. This is significantly more than the \$44.3 million National Grid USA paid on Niagara Mohawk's behalf during the same period.

⁹ Payment responsibility refers to the company paying for the service. In general, as National Grid centralized procurement processes during the period between 2005 and 2010, National Grid USA increasingly paid vendors performing utility services from its own cash account, transferring payment responsibility from the utilities to the service company.

explains approximately 12% of the increase in the 30 contractors and consultants we reviewed in detail charged to Niagara Mohawk's O&M in 2008-2010 compared with 2005-2007.¹⁰

- PSC-Mandated Voltage Testing - A new stray voltage testing program required by the New York Department of Public Service caused an increase in service company payments to certain vendors on Niagara Mohawk's behalf. The vendors involved include ECSM Utility Contractors and Davey Resource Group. During the second half of the analysis period the service company charged Niagara Mohawk \$12.3 million for payments to these vendors, \$6.6 million more than the first half of the analysis period. This explains 11% of the increase in the 30 vendors we detail tested.
- Transmission Infrastructure Improvements – As discussed in the section on increased capital spending, the Regional Delivery Program (RDP), performed in 2009 and 2010, was a significant upgrade to Niagara Mohawk's transmission facilities. When we asked why spending associated with the RDP would be charged to O&M, National Grid indicated that O&M activities associated with RDP included "switching and tagging, transferring / displacing conductors, and replacing non-plant items."¹¹ Vendors included Northeast Power Alliance and Public Utilities Maintenance, Inc. This explains \$6.4 million (11%) of the increase in the 30 service company contractors and consultants charges to Niagara Mohawk's O&M accounts during the period 2008-2010 compared with 2005-2007 that we reviewed in detail.
- Outsourced Functions – National Grid stated that it outsourced print-to-mail customer billing and janitorial services that had been performed by Niagara Mohawk employees. The vendors to which the functions were outsourced were paid by National Grid USA. To some extent, it also appears that the increases in National Grid USA payments to these vendors also are explained by a transfer of some of the vendor payments from Niagara Mohawk to National Grid USA. Vendors included Janitronics, and Pitney Bowes. This explains \$4.5 million (8%) of the increase in the 30 contractors and consultants O&M charges from the service company in the second half of the analysis period that we reviewed in detail.
- Increased Use of Temporary Employees – During the six-year analysis period National Grid USA paid increasing amounts to companies supplying temporary (contingent) workers, primarily to Pro Unlimited and Professionals Inc. This explains \$2.4 million (4%) of the increase in service company charges to Niagara Mohawk O&M for the 30 contractors and consultants in 2008-2010 compared with 2005-2007 that we reviewed in detail.

¹⁰ Although Overland's analysis showed that National Grid's explanation was generally accurate and that payments did shift, for some of the vendors Niagara Mohawk and National Grid USA both made payments throughout the six-year analysis period.

¹¹ Email response, Colleen Dowling, March 8, 2012. Response is "per the RDV team." It should be noted that Niagara Mohawk O&M payments associated with the RDV, which explains about \$6.4 million of increased payments between the two three-year periods for the large vendors we reviewed, was much less significant than Niagara Mohawk capital spending on the RDV, which exceeded \$70 million.

- Unique Customer Service Project Spending – Other projects, described by National Grid as “one-off” projects, included the implementation of an interactive voice recognition unit (IVR) to provide automated response to customer calls and the recruitment and hiring of temporary customer service workers at the new Syracuse customer service facility. Spending on one of these projects occurred during the first half of the six-year period, and the second occurred during the second half of the period. Vendors included Genesys Telecommunications and Nesco Service Co. Because payments to each vendor were roughly equal, they do not explain any of the increase in service company payments.
- Decreased National Grid USA Payments – National Grid USA payments to one of the 30 vendors, Premier Utility Services, decreased between the first and second half of the six-year analysis period. This explains a \$1.8 million decrease (-3%) in total O&M payments to the 30 vendors in the second half of the analysis period that we reviewed in detail.

Allocated Contractors and Consultants Expense – National Grid USA allocated contractor and consultant expenses to Niagara Mohawk and other subsidiaries through various bill pools. Unlike much of the directly charged vendor expense discussed above, these allocations were not payments made on behalf of the utility; rather, they were charges incurred by the service company in its own cost centers. Most of the net increase in allocated contractor and consultant expenses can be explained by a small percentage of the total vendors working on a relatively small number of large projects. We selected and analyzed 21 out of more than 1,700 vendors that provided materials and services to National Grid USA. The selected vendors accounted for more than half of the overall contractor and consultant expenses allocated by National Grid USA, and most of the net increase in expenses allocated to Niagara Mohawk in the second half of the analysis period compared with the first. Below are the approximate amounts allocated to Niagara Mohawk for the 21 vendors for each of the years in the analysis period.¹²

¹² In order to reduce calculation complexity to a workable minimum, it was necessary to use bill pool allocation percentages representing the average percentages employed within each year.

Table 3-9 – National Grid USA – Contractor/Consultant O&M Allocated to Niagara Mohawk (Table 1 of 2)

National Grid USA - Contractor / Consultant O&M Allocated to Niagara Mohawk						
Vendor	2005	2006	2007	2008	2009	2010
Pro Unlimited		1,200	904,164	1,797,341	7,037,676	4,858,169
Accenture LLP	992,725	432,256	1,919,195	4,708,025	4,455,705	628,918
Corven Inc.	-	-	-	321,003	3,328,486	1,961,932
Deloitte & Touche	1,095	91,585	423,243	55,829	117,335	3,588,553
Oliver Wyman / Mercer Mgt.	85,558	2,200,194	1,379,756	-	13,412	1,409,619
Ernst & Young	2,773	-	113,565	9,834	938,925	490,576
Internal Revenue Service	207,154	436,782	471,006	827,428	895,453	543,897
Mercer HR Consulting	-	654,662	580,398	679,235	511,101	610,113
TransCanada Marketing	60,847	232,994	232,424	223,098	290,214	155,074
P. Schneider & Associates	-	-	-	-	439,271	775,390
Ajilon Consulting	442,898	484,795	524,397	530,569	32,631	-
WIPRO Ltd.	73,956	95,369	124,309	308,138	642,848	308,970
Robert Half Mgmt Resources	45,257	6,395	378,794	833,618	183,998	-
LBI US LLC	-	-	-	-	846,853	18,698
Nesco Service Company	-	-	-	93,662	392,122	50,764
Fact-Based Management	877,834	-	-	-	-	-
Vitec Solutions	-	-	21,245	65,714	74,310	89,999
Russell Reynolds Assoc.	-	51,899		76,824	298,410	123,788
Experian	-	-	-	-	13,802	471,280
EPRI	-	-	-	7,943	-	514,455
Sargent & Lundy	8,515	-	59,857	216,211	356,614	10,954
Subtotal 21 Vendors	2,798,612	4,688,131	7,132,353	10,754,472	20,869,166	16,611,149
Other Vendors (Apprx. 1,725)	10,199,702	8,929,145	12,927,558	12,697,258	13,446,595	6,821,990
Allocated Charges All Vendors	12,998,314	13,617,276	20,059,911	23,451,730	34,315,761	23,433,139
Source: OC-144, OC-144 contractors and consultants working file_CD.xls, AP to ServCo B4 Allo c Questns sheet.						

We analyzed the charges from these vendors to determine what they provided. Most of the charges reflect either contract labor or professional services performed for a subset of utilities or for National Grid US operations as a whole. The nature of the services and payments to these vendors is summarized below.

Table 3-10 – National Grid USA – Contractor/Consultant O&M Allocated to Niagara Mohawk (Table 2 of 2)

National Grid USA - Contractor / Consultant O&M Allocable to New York and Allocated to Niagara Mohawk							
Vendor	Nature of Work Performed	2005-2007		2008-2010		Increase '08-'10 vs. '05-'07	
		Allocable to NY	Alloc to NiMo	Allocable to NY	Alloc to NiMo	Allocable to New York	Alloc to NiMo
Pro Unlimited	Temporary (contingent employee) staffing	1,733,606	905,364	30,104,352	13,693,186	28,370,746	12,787,822
Accenture LLP	2008-2010 Electricity Distribution Operations Transformation (EDOT) 2005-2007 Includes work on implementation of the PeopleSoft enterprise accounting system.	6,496,989	3,344,176	22,128,609	9,792,648	15,631,620	6,448,472
Corven Inc.	Establish a Global Procurement function - merging the UK and the US function into one.	-	-	18,000,897	5,611,421	18,000,897	5,611,421
Deloitte & Touche	2010 Project Design Phase of the US Foundation Program.	989,635	515,923	11,997,225	3,761,717	11,007,591	3,245,794
Oliver Wyman / Mercer Mgt.	2006-2007 KeySpan merger integration 2010 Create Analytics Engine for Customer Financial Systems/Performance Reporting, Transaction Delivery Center Scorecard / KPI reporting	6,932,761	3,665,508	5,019,964	1,423,031	(1,912,797)	(2,242,477)
Ernst & Young	2008 -Keyspan Tax Basis project and FIN48 analysis. 2009 - EDOT and IS Integration, analyze outsourcing Property Services; 2010 - consulting for Transaction Delivery Center	227,836	116,338	7,898,551	1,439,335	7,670,715	1,322,997
Internal Revenue Service	Tax deposits for UK employees working in the US	2,122,132	1,114,942	4,688,402	2,266,778	2,566,270	1,151,836
Mercer HR Consulting	Health & Benefits outsourcing projects	2,164,014	1,235,060	4,034,968	1,800,449	1,870,954	565,389
TransCanada Marketing	Monthly purchase of energy for Westboro building - use transitioned to Waltham in 2010, building sold in 2011	1,799,330	526,265	2,354,878	668,386	555,548	142,121
P. Schneider	Recover meters & collect payments.	-	-	3,854,999	1,214,661	3,854,999	1,214,661
Ajilon Consulting	Temporary (contingent employee) staffing company - Niagara Mohawk IT Group	2,699,243	1,452,090	1,114,439	563,200	(1,584,804)	(888,890)
WIPRO Ltd.	Various IS contract/temporary workers to support various IS initiatives	550,589	293,634	2,573,454	1,259,956	2,022,865	966,322
Robert Half Mgmt Resources	Temporary (contingent employee) staffing company - Accounting & Finance function.	847,644	430,446	2,152,117	1,017,616	1,304,473	587,170
LBI US LLC	IS Consulting work for Global Website project for the Retail and Trade partner pillars.	-	-	1,639,950	865,551	1,639,950	865,551
Nesco Service Company	Recruit temporary call center employees during start up mode of new call center in Syracuse, NY	-	-	1,584,984	536,548	1,584,984	536,548
Fact-Based Management	Project management consulting for an operations performance improvement project	1,530,000	877,834	-	-	(1,530,000)	(877,834)
Vitec Solutions	Installation, Maintenance, Repair, including Specified Printer Services. OneNet project service in 2009	41,644	21,245	1,365,323	230,023	1,323,679	208,778
Russell Reynolds	Executive search for senior-level executives	126,434	51,899	1,230,207	499,022	1,103,773	447,123
Experian	CSS Post Conversion Data Hygiene and Sourcing - Assists CSRs in providing positive ID of customers and which also links and updates customer profile, account info.	-	-	1,350,228	485,082	1,350,228	485,082
EPRI	Research projects, purchase of various publications (Annual Research Portfolio, CF Appl. of Pulse Closing, etc), membership fee	-	-	1,272,062	522,398	1,272,062	522,398
Sargent & Lundy	Substation engineering services - develop Tran & Dist substations standards	131,939	68,372	1,090,102	583,779	958,163	515,407
Subtotal 21 Vendors		28,393,796	14,619,096	125,455,711	48,234,787	97,061,915	33,615,691
Other Vendors (Apprx. 1,725)		46,508,477	32,056,405	45,978,682	32,965,843	149,274,751	94,260,440
Allocated Charges All Vendors		74,902,273	46,675,501	171,434,393	81,200,630	246,336,666	127,876,131

Source: OC-144, OC-144 contractors and consultants working file_CD.xls, AP to ServCo B4 Alloc Questns sheet.

Following are the important observations resulting from this analysis:

- For the 1,700-plus vendors that we did not individually analyzed costs increased by 44% in the second half of the analysis period compared with the first; however, the net amount allocated to Niagara Mohawk for these vendors increased only slightly.

- Most of the increase in charges allocated to Niagara Mohawk is captured in the amounts paid to the 21 vendors we analyzed.
- Niagara Mohawk's overall percentage of allocated contractor and consultant expenses declined from 31.2% in the years 2005 through 2007 to 26.5% for the years 2008 through 2010. This is partly the result of the KeySpan companies becoming cost objectives for many National Grid USA contractor and consultant expenses following the merger; however, it is also the result of a tax and financial interpretation project costing nearly \$4 million, performed for the KeySpan subsidiaries in 2008, which was not allocated to Niagara Mohawk. Even though its allocated percentage declined, the total amount charged to Niagara Mohawk nearly doubled in the years 2008-2010 compared with 2005-2007 because allocable contractor and consultant costs more than doubled between these two periods.
- Much of the temporary (contract) labor and professional services expense charged to Niagara Mohawk after 2007, as well as an amount paid to Oliver Wyman / Mercer Management project prior to 2008, relate to the KeySpan merger. By this we mean the expenditures were made either to accomplish the merger itself, or to accomplish post-merger integration and consolidation efforts.

Significant Reasons for Increases in Allocated Charges – The following items explain the increases in contractor and consultant O&M expenses allocated by National Grid USA in the second half of the six-year review period for the 21 vendors we analyzed.

- Increased Use of Temporary Labor – For the 21 vendors we examined, Niagara Mohawk incurred more than five times as much allocated temporary labor expense in the second half of the six-year analysis period as it did the first half. Given that combined legacy Grid and legacy KeySpan employee levels did not begin to decline until 2010, the outsourcing of service company functions does not appear to explain this increase. Some of the increase is due to the consolidation of temporary labor in vendor Pro Unlimited that may have previously been dispersed among vendors that are not among the 21 we examined in detail. However, it appears much, if not most, of the increase is simply due to the service company's increased use of temporary labor. This appears to be primarily the result including the KeySpan merger and the internal integration and productivity enhancement projects it created.¹³ Among the 21 selected vendors, those supplying temporary labor include Pro Unlimited, Robert Half, Ajilon Consulting, Wipro Ltd. and Nesco Service Company.

¹³ In OC-237 we asked National Grid to explain why contract labor during the years 2008-2010 (\$56.4 million for the selected vendors) increased significantly compared with the three prior years (\$12.7 million for the selected vendors). In the response, National Grid stated "[t]he [amounts] are a subset of the total charges to temporary labor vendors . . . charged from the Legacy Grid subsidiaries . . . [and] do not include Service Company costs directly charged to Niagara Mohawk or any other affiliate." As we note in the direct charges discussion above, amounts directly charged for temporary labor also increased in 2008-2010 compared with 2005-2007; thus, the reference to directly charged temporary labor does not seem to answer the question. It does not appear that the increase in temporary labor allocated to Niagara Mohawk is explained by an offsetting decrease in temporary labor directly charged to Niagara Mohawk. Although National Grid did not directly answer the question, the data response provided a breakout of the components of the \$39 million increase in payments to Pro Unlimited. Most of it appears to be productivity enhancement and merger integration work; for example "\$11.3 million - various information

Table 3-11 – National Grid Allocated Vendor Charges – Increased Use of Temporary Labor

National Grid USA O&M Vendor Charges Increased Use of Temporary Labor			
	2005-2007	2008-2010	Increase
Bill Pools That Include NiMo	5,831,082	37,529,346	31,698,264
Amt. Allocated to NiMo	3,081,534	17,070,506	13,988,972
Pct Allocated to NiMo	52.8%	45.5%	

- Consultant Activities Related to the KeySpan Merger – Spending related directly or indirectly to KeySpan integration efforts included several consulting projects between 2006 and 2010. Among these were pre-merger work performed by Oliver Wyman /Mercer Management in 2006 and 2007, the U.S. Foundation project to replace the legacy PeopleSoft and Oracle accounting systems with a unified system using SAP (Deloitte and Touche, 2010), the Electric Distribution Operations Transformation project, which included the integration and consolidation of some of the legacy Grid electric and legacy KeySpan gas functions (Accenture, 2008-2010), and work performed by Ernst & Young related to the Electric Distribution Operations Transformation project, outsourcing of Property Services and the organization of a Transaction Delivery Center to integrate legacy KeySpan and legacy Grid transactional employee and accounting services (Ernst and Young, 2010).

Table 3-12 – National Grid Allocated Vendor Charges – KeySpan Pre-Merger Analysis, Post- Merger Integration

National Grid USA O&M Vendor Charges Allocable to New York Keyspan Pre-Merger Analysis, Post-Merger Integration			
	2005-2007	2008-2010	Increase
Bill Pools That Include NiMo	6,783,639	38,105,585	31,321,946
Amt. Allocated to NiMo	3,579,950	14,983,866	11,403,916
Pct Allocated to NiMo	52.8%	39.3%	

- Activities Related to Integration of US and UK Activities – At least two projects in the second half of the six-year period had the objective of integrating U.S. and U.K. operations. These included the Global Procurement project performed by Corven, which occurred primarily in 2009 and 2010, and an Information Technology “Global Website” project performed by LBI.

Table 3-13 – National Grid Allocated Vendor Charges – US/UK Integration

National Grid USA O&M Vendor Charges Allocable to New York US / UK Integration			
	2005-2007	2008-2010	Increase
Bill Pools That Include NiMo	-	19,640,847	19,640,847
Amt. Allocated to NiMo	-	6,476,972	6,476,972
Pct Allocated to NiMo	N/A	33.0%	

systems upgrades and consolidations projects” and “\$6.3 million – information services - temporary support staff to bridge transformational efforts and completion of systems consolidation,” “\$2.3 million in Financial Services – temporary staff to bridge transformational efforts” and “\$1.4 million in Procurement – to bridge transformational efforts.”

- Other Projects to Improve Productivity or Enhance Revenue – The vendors we analyzed performed a number of projects designed to enhance utility and service company productivity that do not appear to have been tied to the merger. Among the more significant projects in the 2005-2007 timeframe were the implementation of the PeopleSoft accounting system, assisted by Accenture and an “operations performance improvement project” performed by Fact-Based Management.^{14 15} Among the significant projects in the second half of the analysis period were the creation of an analytics engine for customer financial systems performance reporting (Mercer Management), creation of a Transaction Delivery Center scorecard and KPIs (Mercer Management), health insurance and employee benefits outsourcing (Mercer Human Resources Consulting), a “post-conversion data hygiene and sourcing” project to assist Customer Service Representatives with customer information (Experian), development of substation standards (Sargent and Lundy) and a project to recover meters and collect payments, presumably from disconnected customers (P. Schneider & Associates).

Table 3-14 – National Grid Allocated Vendor Charges – Other Productivity Enhancements

National Grid USA O&M Vendor Charges Allocable to New York Other Productivity Enhancements			
	2005-2007	2008-2010	Increase
Bill Pools That Include NiMo	11,461,698	15,350,261	3,888,562
Amt. Allocated to NiMo	6,126,923	5,507,002	(619,921)
Pct Allocated to NiMo	53.5%	35.9%	

- Miscellaneous – Other allocated contractor and consulting O&M (not meeting any the definitions above) include a Tax Basis and Financial Accounting Standards Interpretation project performed by Ernst & Young; tax deposits for U.K. employees working in the U.S. (Internal Revenue Service)¹⁶, payments to the Electric Power Research Institute, purchases of energy for the Westborough office building (TransCanada Marketing) and executive search services for senior executives (Russell Reynolds). The overall increase in this category in the second half of the analysis period was caused by the Ernst and Young tax project performed in 2008, increased tax deposits for U.K. employees in the U.S. in the 2008-2010 period, higher executive search expenses paid to Russell Reynolds in the 2008-2010 period, a “OneNet project” performed by Vitec Solutions in 2010 to standardize the computer desktop, and payments to the Electric Power Research Institute made primarily in 2010.

¹⁴ This may or may not have related to a potential KeySpan merger.

¹⁵ Deloitte & Touche performed work in 2005-2007 which National Grid described in comments to our draft report as including auditing of National Grid’s employee benefits program. Charges from Deloitte are classified here as productivity enhancement because their work in the 2008-2010 period was productivity-related; however, the relatively small amount of employee benefits auditing might be better classified as “miscellaneous.”

¹⁶ The Internal Revenue Service was captured in this category because it is consider a vendor even though it does not directly supply a service.

Table 3-15 – National Grid Allocated Vendor Charges - Miscellaneous

National Grid USA O&M Vendor Charges Allocable to New York Miscellaneous			
	2005-2007	2008-2010	Increase
Bill Pools That Include NiMo	4,317,376	14,829,672	10,512,296
Amt. Allocated to NiMo	1,830,689	4,196,441	2,365,752
Pct Allocated to NiMo	42.4%	28.3%	

O&M Benefits Overheads

This category of O&M consists almost entirely of charges to account 926 – Employee Pensions and Benefits. The table below shows the breakdown of benefits overheads by expense type:

Table 3-16 – Detail of National Grid Regulated O&M Benefits Billings to Niagara Mohawk

Detail of National Grid USA Regulated O&M Benefits Billings to Niagara Mohawk								
Exp. Type		Description	2005	2006	2007	2008	2009	2010
EXP_TYPE_ BENEFITS_ OH	B01	FAS 106	6,385,036	6,201,609	6,271,473	6,736,274	7,521,555	6,889,121
	B02	FAS 112	182,155	(379,199)	293,280	353,080	501,145	(245,715)
	B03	Health Care	9,128,754	4,849,204	4,873,992	5,090,312	5,466,273	5,601,831
	B04	Group Life Ins.	869,385	632,372	676,826	766,631	632,913	203,362
	B05	Other Benefits	412,168	414,105	686,785	281,930	325,740	(3,938,082)
	B06	Pension	5,798,345	5,082,572	5,787,619	15,307,451	20,628,587	11,735,385
	B07	Thrift Plan	9,079,266	8,773,464	8,617,654	8,498,549	8,464,884	8,410,854
	B08	Workers Comp	1,827,186	126,863	201,623	235,656	53,135	194,342
	B09	Payroll Taxes	25,152	218	97	1,447	562	(8,444)
Total			33,707,448	25,701,208	27,409,349	37,271,331	43,594,795	28,842,654
Source: OC-142 Analysis								

As the table indicates, benefits overheads charged by the service company were actually lower in 2010 than in 2005. However, in 2009 they were 29% higher than in 2005, due primarily to an increase in pension expense, offset by decreases in health care and workers comp expenses. National Grid provided the following explanations for the fluctuations:¹⁷

Pension Expense – The increase in pension expense post-merger (2007) is the result of accruals for merger-related voluntary early retirement offers (VEROs), and “to a lesser extent,” increases in 2008-2010 are due to the decline in equity prices coincident with the financial crisis that occurred in 2008.

Workers Comp – National Grid stated that amounts booked for workers compensation are based on accrual recommendations made by a third-party administrator and can vary based on anticipated claims. The company further stated that variations from year to year should not be viewed from a particular company perspective, but in total for all legacy Grid entities charging Niagara Mohawk, including Niagara Mohawk itself. Response to request OC-233 provides the following data to illustrate this.

¹⁷ OC-233

Table 3-17 – Workers Comp Expense Charged to Niagara Mohawk

Niagara Mohawk Workers Compensation by Source Company and Entry Type							
Business Unit	36						
Originating Bus. Unit	Entry Type	2005	2006	2007	2008	2009	2010
NIMO	AP	76,578	4,253		2,214		33,223
	MANUAL JE	5,136,818	6,150,920	3,687,626	(396,690)	2,073,682	428,993
	NIMO ALLOC	(938,995)	(2,457,488)	(1,497,413)	(1,006,159)	(1,230,625)	(801,024)
NIMO Total		4,274,401	3,697,685	2,190,214	(1,400,635)	843,057	(338,808)
OTHER	KSE ORACLE						145,461
	MANUAL JE	351	-	-	-	-	(3)
	OTHER ALLOC	2,388	33,893	9,398	48,577	1,374	1,060
OTHER Total		2,739	33,893	9,398	48,577	1,374	146,518
PARENT	MANUAL JE	1,102,800		(4,543)	4,046,592	2,706,667	2,782,948
	OTHER ALLOC			-	-	-	-
PARENT Total		1,102,800		(4,543)	4,046,592	2,706,667	2,782,948
SERV CO	AP	16,020	36,233	71,793	37,186	31,191	10,081
	MANUAL JE	1,648,671	3	(3)	(4)	3	(114)
	SERV CO ALLO	162,495	90,627	129,833	198,475	21,941	184,375
SERV CO Total		1,827,186	126,863	201,623	235,656	53,135	194,342
Total All Sources		7,207,126	3,858,441	2,396,692	2,930,190	3,604,234	2,785,000
TOTAL ACCRUALS		7,888,289	6,150,924	3,683,081	3,649,898	4,780,352	3,211,827
Source: OC-233							

As the data above illustrates, there was an overall decline in workers comp expense charged to Niagara Mohawk from \$7.9 million in 2005 to \$3.2 million in 2010. .

Health Care Expense - Health care expense charged to Niagara Mohawk by National Grid USA was stable between 2006 and 2010, with a significant drop between 2005 and 2006. It is important to note that health care payments attributable to Niagara Mohawk employees, like workers comp accruals, were made from multiple companies, including the parent company, National Grid USA Service Company and Niagara Mohawk itself. In addition, health care payments by National Grid USA Service Company also included payments associated with service company employees and utility employees. This makes it difficult to draw conclusions about the annual amounts of healthcare expense sourced from the service company alone. The table below summarizes healthcare expense attributed to Niagara Mohawk from all sources. It shows relatively stable amounts from year to year, with the exception of a significant decline in 2006 and a fairly significant increase in 2010. Overall, health care expense of \$35.2 million charged to O&M in 2010 was only about 16% higher than health care O&M expense of \$30.3 million in 2005, a compound annual rate of increase of slightly more than 3%.

Table 3-18 – Detail of Niagara Mohawk Healthcare O&M by Originating Business Unit and Journal Entry Type

Detail of Niagara Mohawk Healthcare O&M By Originating Business Unit and Journal Entry Type								
OBU	Journal Type	2005	2006	2007	2008	2009	2010	
36	Niagara Mohawk Accts Payable	101,321	90,119	89,283	92,521	78,459	75,883	
36	Niagara Mohawk KSE				1,016			
36	Niagara Mohawk Manual JE	30,402,810	34,218,341	41,111,299	16,150,823	41,785	123,704	
36	Niagara Mohawk Payroll	(7,202,362)	(7,574,849)	(8,615,851)	(8,728,006)	(8,548,205)	(8,768,357)	
36	Niagara Mohawk Allocations	(2,181,663)	(10,241,318)	(11,137,612)	(10,418,195)	(10,271,383)	(12,506,992)	
Niagara Mohawk Source Subtotal		21,120,106	16,492,293	21,447,119	(2,901,841)	(18,699,344)	(21,075,762)	
01	Parent Co. Manual JE		33,049	(1,851)	23,602,427	39,203,164	48,178,834	
Parent Company Source Subtotal		-	33,049	(1,851)	23,602,427	39,203,164	48,178,834	
99	Natl Grid USA Allocations	(1,738,202)	4,844,289	5,034,420	5,034,842	5,448,700	5,608,964	
99	Natl Grid USA Accts Payable		4,339	32,561	13,470	18,736	54,295	
99	Natl Grid USA Manual JE	10,866,956	576	(192,989)	41,999	(1,163)	(61,428)	
Natl Grid USA Source Subtotal		9,128,754	4,849,204	4,873,992	5,090,311	5,466,273	5,601,831	
	Other Op. Cos.	18,397	319,259	52,030	643,121	1,861,470	2,543,528	
Other Operating Company Subtotal		18,397	319,259	52,030	643,121	1,861,470	2,543,528	
Total		30,267,257	21,693,805	26,371,290	26,434,018	27,831,563	35,248,431	

Source: OC-142 Analysis

Other Benefit Expense Categories - Other significant categories of benefits overheads, including FAS 106 and Thrift Plan expenses, remained stable throughout the years 2005 through 2010.

O&M Payroll

Below is a breakdown of O&M payroll billed by National Grid USA to Niagara Mohawk during the analysis period.

Table 3-19 – Detail of National Grid Regulated O&M Payroll Billings to Niagara Mohawk

Detail of National Grid USA Regulated O&M Payroll Billings to Niagara Mohawk								
Exp. Type	Description	2005	2006	2007	2008	2009	2010	
EXP_TYPE_ PAYROLL	P10 Regular Pay Weekly	2,385,411	2,515,165	2,227,388	2,184,074	2,522,107	2,331,927	
	P15 Regular Pay Monthly	33,208,262	39,010,471	41,294,851	42,730,624	46,315,191	46,332,558	
	P20 Base OT Pay Weekly	76,517	389,370	131,429	95,522	64,222	71,795	
	P21 Weekly	40,060	231,061	68,552	48,813	34,241	38,436	
	P25 Base OT Pay Monthly	67,744	645,602	211,557	556,812	442,866	365,933	
	P26 Monthly	28,263	287,790	95,766	249,191	197,176	114,234	
	P30 Variable & Misc Pay	5,366,498	3,967,260	3,695,995	5,523,572	13,081,440	17,866,433	
	P50 Time Not Worked	6,862,313	6,981,232	7,037,036	7,458,475	9,909,800	8,127,604	
Total		48,035,067	54,027,952	54,762,574	58,847,083	72,567,042	75,248,920	

Source: OC-142 Analysis

Regular payroll was stable during the analysis period, with the exception of 17% increase in regular monthly pay in 2006 compared with 2005. Payroll increased by \$13.7 million in 2009 due to a 137% increase in variable (incentive pay). Variable pay increased by an additional 37% in 2010. The increase was due to a change in accounting for some variable pay from below-the-line account 417-100 to above-the-line accounts that contain payroll burdens. Account 417-100 and the variable pay it includes are described in the Below-the-Line Charges discussion.

Below-the-line Charges (2.4 percent of total billings)

Below-the-line charges are detailed by Niagara Mohawk account in the following table. The most significant costs recorded in this category include payroll taxes and “NGT Share Awards” (variable pay).

Table 3-20 – National Grid Billings to Niagara Mohawk – Charges to Below-the-Line Expense Accounts

National Grid USA Billings to Niagara Mohawk - Charges to Below-the-Line Expense Accounts							
Acct.	Account Description	2005	2006	2007	2008	2009	2010
4081XX	Tx Oth Inc Tx (FICA, FUTA, Misc)	4,119,925	4,019,877	4,621,700	5,352,722	4,944,157	8,953,488
409157	Fed Inc Tax-Curr-Util Oper Inc	(690,939)	(1,317,865)	(3,784,486)	(7,067,077)	3,065,789	(2,257,577)
410157	Def Inc Tax-Utility Oper Inc			268,471	5,662,821	(4,575,929)	3,642,415
417100	Exp from Nonutility Operations	2,669,221	2,503,738	2,617,853	1,834,893	3,675,700	180,117
417110	NGT Share Awards	880,000	2,600,000	1,762,500	3,056,500	5,342,000	3,225,000
426100	Donations	259,353	259,466	260,434	196,863	142,295	46,381
426200	Def Comp Inv-Life Ins	312,648		1,379,718	(1,488,261)	(31,463)	(456,793)
426400	Civic & Political Activity	630,326	572,794	565,976	526,936	711,784	842,294
431000	Other Interest Expense	169,298	204,930	1,528,340	449,230	277,026	216,251
431010	Oth Int Exp-Tax			(2,436,822)			
	Other Below-the-Line - Combined	462,541	293,327	132,161	221,883	220,893	185,610
Total Charges to Below-the-Line Accounts		8,812,373	9,136,267	6,915,846	8,746,510	13,772,252	14,577,186

OC-142 Analysis

Payroll Taxes (Account 408-1XX) – Payroll taxes are recorded in account 408.1 and consist almost entirely of the employer share of FICA (social security) tax and FUTA (federal unemployment) tax.¹⁸ Below-the-line payroll taxes increased substantially in 2010 due to a significant increase in FUTA. Many companies experienced significant increases in federal unemployment tax in 2010.

Expense from Non-Utility Operations (Account 417-100) – As shown below, expenses charged to account 417-100 between 2005 and 2010 consisted primarily of variable pay. This consisted of awards under the Incentive Compensation Plan (ICP), a cash bonus plan for executives in salary bands A through C (Senior Vice Presidents and above, down to Directors). In 2007 the ICP for Band A executives was replaced with the Annual Performance Plan (APP), described below. In 2010, ICP accruals for salary Bands B and C (Vice Presidents and Directors) executives were moved above-the-line and became part of the normal payroll burdening process.¹⁹

Table 3-21 – Below the Line Charges to Niagara Mohawk – Account 417-100 Non-Utility Operations Expense

Below the Line Charges to Niagara Mohawk - Account 417-100 Non-Utility Operations Expense							
Reg Account	Exp. Type & Description	2005	2006	2007	2008	2009	2010
417100	100 Consultants						25,786
Exp from	110 Contractors Services						153,188
Nonutility	A70 Sales Tax						1,143
Operations	P30 Variable & Misc Pay	2,669,221	2,503,738	2,617,853	1,834,893	3,675,700	
Total		2,669,221	2,503,738	2,617,853	1,834,893	3,675,700	180,117

Source: OC-142 Analysis

NGT Share Awards (Account 417-110) – This account includes expense associated with the Performance Share Plan (PSP) and the Annual Performance Plan (APP), both of which were incentive compensation plans for Band A executives (Senior Vice Presidents and above). The PSP is a stock performance plan under which shares vest after 3 years and transfer to executives in the 4th year if incentive terms are

¹⁸ Although below the O&M line on the income statement, other taxes are not “below-the-line” for ratemaking purposes.

¹⁹ OC-234

met. 2003 and 2004 grants did not vest and no shares were transferred. 2005 grants vested in 2008 and shares were transferred in 2009. Shares awarded for years after 2005 vested partially or fully. Although shares awarded under the PSP do not vest for three years, the value of shares expected to vest must be estimated and accrued in each year. The significant growth and the variability in the amounts associated with this program between 2005 and 2010 is due to difficulties National Grid experienced in estimating the amounts expected to vest for each year's award.²⁰ In 2007 the APP replaced the PSP and ICP for Band A executives. The APP is a combination of cash and stock awards. Both the cash and stock components of the APP are accrued in account 417-110

Civic and Political Activity (Account 426-400) – According to the FERC Chart of Accounts, amounts recorded in account 426.400 include “expenditures [incurred] for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation or ordinances.” Most of the service company expenses charged to Niagara Mohawk in this category consist of vendor charges categorized as “consulting” and “other.” National Grid indicated that only 26 employees, “primarily in the areas of Public Affairs, Government Relations, Federal Affairs and Legal Services,” charged this account during the six-year analysis period and that these are “areas that participate in lobbying activities.”²¹ National Grid also indicated that it has no formal policies governing when employees should charge Account 426-400.²²

Capital Charges (22.6 percent of total billings)

Capital charges by National Grid USA to Niagara Mohawk during the six-year analysis period are summarized in the following table. These consist primarily of billings for Construction Work in Progress incurred by the service company. About half of the capital charges are contracted construction services or materials supplied directly to projects by vendors. Materials from inventory, consulting capitalized to new information systems, computer hardware and software and employee payroll capitalized to construction make up most of the remaining charges. “Other” costs consist mainly of employee benefits overheads, equipment leasing charges and sales taxes. These are also charged primarily to account 107 – Construction Work in Progress.

²⁰ OC-234 and discussion with Colleen Dowling, March 20, 2012

²¹ OC-234

²² In responding to OC-234, National Grid stated that although there is no formal policy, “these expenses would be reviewed as part of the accounting department fluctuation analysis and also by the decision support analysts as part of their budget to actuals reviews so any large variance in . . . what was charged to NIMO would be investigated.”

Table 3-22 – National Grid USA Billings to Niagara Mohawk Capital Accounts

National Grid USA Billings to Niagara Mohawk Capital Accounts						
Charge Type	2005	2006	2007	2008	2009	2010
Vendor Charges - Contractor Services	7,746,689	13,972,190	21,982,637	30,804,605	44,347,642	102,781,998
Vendor Charges - IT Consulting and Computer Hardware & Software	1,916,602	3,586,311	3,422,981	4,821,144	7,058,383	11,655,795
Vendor Direct Materials Charges	6,226,966	10,638,299	18,924,792	42,057,901	25,403,540	31,820,523
Materials Charged from Inventory	8,832,670	13,710,887	20,050,677	21,315,709	24,868,197	23,788,913
Employee Payroll and Benefits	3,179,463	4,340,697	7,434,022	10,598,852	17,417,705	26,084,507
Other (Net)	3,735,219	(3,568,706)	(312,341)	(24,282)	2,585,743	12,380,787
Total	31,637,609	42,679,677	71,502,768	109,573,929	121,681,211	208,512,524

Source: OC-142 Analysis

Capital charges by National Grid USA increased substantially between 2005 and 2010. The primary reasons for this were 1) a substantial increase in electric transmission and distribution capital investment by National Grid related primarily to enhancing network reliability; and 2) the centralized management and payment of large vendors by National Grid USA. National Grid explained the increased spending as follows:²³

Prior to 2005 National Grid identified the need to make increasing capital investments in the Niagara Mohawk service territory. A Capital Investment Plan (CIP) and progress against it was routinely (every six months) discussed in meetings with DPS staff. At this time, the CIP showed modest growth in capital investment over the years ending 2007.

As part of the KeySpan merger agreement (Case 06-M-0878), in 2007, National Grid committed to investing \$1.47 billion in Niagara Mohawk over the subsequent five years. This level of investment was significantly higher than previously planned, and it is this additional investment that increased the capital accounts as identified by Overland Consulting.

The Company's actual capital expenditures in relation to the \$1.47 billion commitment were reported to DPS staff on a monthly basis. A complete breakdown of the programs and individual projects was provided. Reporting was split between categories of Transmission (100kV and above), Sub Transmission (less than 100kV but above 13kV) and Distribution (less than 13kV). These results were also discussed in CIP meetings.

The main areas of expenditure were Asset Condition (replacement of system assets based on their condition), Statutory/Regulatory (system infrastructure work required to meet statutory or regulatory standards, including new business and connections) and System Capacity and Performance (system infrastructure work required to maintain capacity and/or performance).

Vendor Charges to Capital - Our review of service company charges to capital accounts during the years 2005 through 2010 showed that National Grid USA paid more than 1,000 vendors for construction, project engineering, material supply and information technology on behalf of Niagara Mohawk.²⁴ These

²³ OC-207

²⁴ OC-144

charges were recorded to Niagara Mohawk's construction or retirement work in progress accounts. Payments for many vendors were charged to multiple projects, with some individual vendors working on hundreds of different projects.

A spreadsheet of service company vendor payments charged to Niagara Mohawk capital accounts shows that the number of vendors, number of projects and associated amounts (as shown above) increased year by year. With thousands of vendor-project combinations, it was not practical to review every capital charge. Fortunately, when labor and benefits costs are removed and considered separately, a significant amount of the increase in service company payments over the six years can be explained by looking at just a few vendors. These vendors and the associated payments charged to Niagara Mohawk are summarized in the table below:

Table 3-23 – National Grid Billings to Niagara Mohawk – Significant Vendor Charges to Capital

National Grid USA Billings to Niagara Mohawk - Significant Vendor Charges to Capital							
Vendor	Major Projects	2005	2006	2007	2008	2009	2010
Northeast Power Alliance	Regional Delivery Program					14,364,204	56,671,507
TRC Engineers, LLC, TRC Engineers Inc.	multiple electric upgrades	1,297,055	3,833,006	6,093,713	7,482,716	7,105,614	7,188,760
Pinto Construction Services	Installation of underground duct and cable	52,269	79,260	265,486	2,070,313	962,318	7,134,258
Northeast Construction Svcs	Refurbishment of the Syracuse office complex	683,006	-	-	5,842	2,466,940	7,797,725
ABB Inc.	Install VAR compensator equipment at a substation in Athens, NY	-	-	-	483,900	1,122,960	5,134,483
Eaton Electric	Refurbish Buffalo Indoor Substation					1,016,940	
Lewis Tree Service	Capitalized tree services - various transmission and distribution projects	2,614	30,510	746,447	535,164	629,683	1,506,568
Bemis LLC	Line construction services, various New York locations	-	-	635,879	3,281,922	597,333	414,171
Clough-Harbour & Assoc. LLP	Engineering & design services, various NY locations, 238 projects	15,746	6,693	119,546	248,814	467,366	1,227,084
Utility Construction Specialists	Engineering, design services, 34 projects	-	-	-	319,822	176,707	1,375,159
Total		2,050,690	3,949,469	7,861,071	14,428,493	28,910,065	88,449,715
OC-144, Legacy Grid OC-144 Contractors and Consultants Working File_CD.xls							

Northeast Power Alliance / Regional Delivery Project - Over one-fourth of the capital spending charged by National Grid USA to Niagara Mohawk in 2010 and approximately 12 percent in 2009 consisted of payments to the Northeast Power Alliance for the Regional Delivery Program (RDP). The Northeast Power Alliance (NEPA) and the New Energy Alliance (NEA) were consortiums of vendors that worked to upgrade transmission lines in New York and New England, respectively, in 2009 and 2010. Because the amounts associated with NEPA were so large, and because the RDP involved construction in several states and for different National Grid companies, we considered the procedures in place to ensure that

amounts attributable to New York and New England were directed to the proper National Grid affiliates.²⁵ We also reviewed specific components of the largest NEPA projects charged to Niagara Mohawk to determine whether these projects involved assets located in New York.

Table 3-24 – National Grid Billings to Niagara Mohawk – Analysis: Significant Regional Delivery Project Components

National Grid USA Billings to Niagara Mohawk - Analysis: Significant Regional Delivery Project Components				
Project Title in Peoplesoft	Detailed Project Description	Charged to NiMo		Disposition
		2009	2010	
Capture RDV Costs-TSA,CoreTeam	Capture RDV costs on an monthly basis to allocate across all projects. These costs include, Transition Services Agreements, Core Teams costs, and Owner Controlled Insurance Program.	6,635,802	5,454,174	Common costs spread across projects
Gard-HH 151-152 T1950-T1280 N	115 kV T1950 Gardenville-Homer Hill 151 and T1280 Gardenville-Homer Hill 152 line (northern end) Asset Condition (and reliability) refurbishment ACR in accordance with OHL Refurbishment Strategy SG080 and Steel Tower Strategy SG018. This work is necessary due to arm failures on tower #125 and #126 and deteriorated arms on remaining towers.	2,991,515	18,082,288	A Google search confirmed that the Gardenville-Homer Hill line is at least partially located in Erie County, NY and that this project was filed with the NYDPS.
Lockpt-Mort 113-114 T1540-T155	115 kV T1540-T1550 Lockport-Mortimer 113-114 transmission line Life Extension Refurbishment (LER) consistent with the OHL Refurbishment Strategy SG080 and Steel Tower Strategy SG018.	384,918	8,585,092	A Google search revealed an application for a certificate of environmental compatibility that showed this line is located Niagara, Orleans, and Monroe Counties, New York
Re-conductor Rotterdam 1&2 lin	Perform the engineering to re-conductor the Spier Falls-Rotterdam 1 and 2 lines between the Ballston Spa tap and the Brook Road tap.	1,907,898	2,864,945	A Google maps search revealed that Rotterdam is a town in New York and Spier Falls is a road in New York.
Shield Wire: LaFarge-Pleasant	Replacement of shield wire and deteriorated assets on the 115kV LaFarge Building materials - Pleasant Valley #8 line from the LaFarge building materials substation in Coeymans, NY to the Pleasant Valley substation in Pleasant Valley, NY	1,288,356	5,325,450	Pleasant Valley and Coeymans are located in New York
Ticonderoga 2-3 T5810-T5830 SX	Ticonderoga-Republic 2 and Ticonderoga-Whitehall 3 refurbishment of wood pole structures and at critical crossings and conductor clearance. This is a safety refurbishment at critical crossings and conductor clearance refurbishment (SXR) in accordance with OHL Strategy SG080 and Conductor Clearance Strategy SG029	53,665	7,435,405	A Google search revealed that the Whitehall-Ticonderoga is a Niagara Mohawk transmission line and that documents associated with it and the Ticonderoga-Republic lines were filed with the NYDPS.
Other RDP Projects (Not Examined)		1,102,051	8,924,154	
Total		14,364,204	56,671,507	
OC-144, Legacy Grid OC-144 Contractors and Consultants Working File_CD.xls				

²⁵ OC-207 provided information about the procedures that determined whether Niagara Mohawk and New England Power were correctly charged for work done in their respective territories. In response to questions posed in OC-207, National Grid indicated the following: 1) NEPA and NEA were separate vendor alliances. NEPA was formed to do the New York work and included AMEC plc, Michels Corp. & R.G. Vanderweil Engineers, while NEA was formed to do the New England work and included Balfour Beatty Infrastructure and MJ Electric; 2) NEPA and NEA were discrete legal entities, each submitted invoices separately to National Grid and the invoices were directed to specific New York or New England projects; 3) Since the NEPA and NEA invoices were issued by separate vendor alliances, National Grid did not perform audits of the invoices; however, the company stated that separate reviews to verify charges from each alliance were performed by National Grid staff; and, 4) Although the RDV Agreements were written to allow either vendor group to perform work for any National Grid affiliate, National Grid stated that “it was clearly understood by all parties that NEA would perform work in New England and NEPA would perform work in New York state.” We also note that a number of NEPA invoices were captured in our sampling process and reviewed as part of our invoice testing, as discussed elsewhere in this report.

TRC Engineers – TRC Engineers performed \$33 million in engineering work for Niagara Mohawk over the six years ending December, 2010. One third of this was during the years 2005 through 2007 and two thirds occurred during the years 2008 through 2010. A significant ramp-up occurred in 2007. During the six-year period TRC worked on nearly 600 electric upgrade projects. The largest six projects explain about \$7 million of the total spend. These include:²⁶

- **Clay Station** – This upgrade included 345Kv switch gear, associated relays and a new control house. The company’s description notes “bulk power system exposure and NPCC non-compliance,” which, presumably, were reasons for the upgrade. In 2005, Niagara Mohawk paid TRC \$509,000 directly. In 2006 through 2008, the service company paid approximately \$2.9 million on Niagara Mohawk’s behalf.
- **Digital Fault Recorder Program** – This added digital fault recorded to Bulk Power System stations as a program. National Grid USA paid TRC Engineers \$417,000. Most of this was paid in 2008 and 2009.
- **I&M – NE D-Line OH Work** – This is described as replacement of overhead equipment identified by annual inspections of overhead distribution facilities. National Grid USA paid TRC \$585,000 in 2010 for this work.²⁷
- **NY RTU Program DxT Subs** – This was a replacement of remote terminal units in Niagara Mohawk distribution substations across New York, related equipment and testing. National Grid USA paid TRC \$470,000 in 2008, 2009 and 2010 for this work.
- **Packard (Paradise) 115 KV Break** – This is described as a replacement of 12 115kV breakers at the Packard station to allow the 115kV bus tie breaker to operate normally when closed. National Grid USA paid TRC \$603,000 for this work in 2008 and 2009.
- **Program Remote Terminal Unit** – Described as a “replacement of New York transmission assets, related equipment and testing.” National Grid USA paid TRC \$2.2 million for this work between 2007 and 2010, with most of the payments in 2008 and 2009.

Pinto Construction Services – National Grid USA paid Pinto Construction Services \$10.5 million from 2005 to 2010 for installation of underground duct and cable and street repair. Although Pinto worked on more than 100 projects between 2007 and 2010, most of the payments relate to the following two projects:²⁸

²⁶ OC-144, Legacy Grid OC-144 contractors and consultants working file_CD final.xls

²⁷ Overland determined that “NE” stands for “Northeast,” not “New England.” Niagara Mohawk has similar “NC” and “NW” I&M blanket orders.

²⁸ OC-144, Legacy Grid OC-144 contractors and consultants working file_CD final.xls

- “West NY Dist New Bus Resid Bla” – Described as “Western New York, Dist (Distribution) – New Business Residential Blanket.” National Grid USA paid Pinto \$1.8 million for work under this blanket work order between 2007 and 2010. Most of the payments occurred in 2008.
- Buffalo Niagara Medical Campus – Described as “four new underground 23 kV lines from the Elm St. substation in Buffalo, N.Y. to Buffalo Niagara Medical Campus to supply a major new load addition. Expansion of facilities.” National Grid USA paid Pinto \$4.2 million in 2010 for this work.

Northeast Construction Services – National Grid USA paid Northeast Construction \$10.3 million in 2009 and 2010 for various projects. Much of this included refurbishment of the Syracuse office; specifically, repair of the façade on the Syracuse office complex and interior renovations.

Other Significant Vendors Charged to Niagara Mohawk Capital – As shown in the table above, National Grid USA paid several other vendors that performed significant amounts of work for Niagara Mohawk in the years 2008 through 2010:

- National Grid USA paid ABB Incorporated \$5 million in 2010 to install specialized manufactured static VAR compensator equipment at a Niagara Mohawk substation in Athens, New York. National Grid USA paid ABB for other work, but the projects were for smaller amounts.
- National Grid USA paid Eaton Electric \$2.7 million in 2009 to refurbish a Niagara Mohawk substation in Buffalo.
- National Grid USA paid Lewis Tree Service to perform tree work that was capitalized on more than 130 projects over the six-year analysis period. Payments to Lewis Tree began with one project in 2005. This increased to six projects in 2006, to 18 projects in 2008, and to 25 projects in 2010.
- Bemis, LLC was paid by National Grid USA for various line construction services that began in 2007.
- National Grid USA paid Clough-Harbour & Associates to perform engineering and design services on more than 200 Niagara Mohawk projects in various New York locations, including Batavia, Buffalo, Central and East New York. Most of the work was performed in 2009 and 2010.
- National Grid USA paid Utility Construction Specialists to perform engineering and design work on more than 30 Niagara Mohawk projects, including cable replacements, roof replacements and repairs to damaged facilities. Most of the work was performed in 2010.

Other Balance Sheet Charges (20.7 percent of total billings)

Most of the charges in this category were payments for Niagara Mohawk and National Grid USA employee benefits, including reimbursements to health and dental insurance administrators for paid claims and payments to the thrift (401K) plan trustee for contributions withheld from employee payroll.

Other Balance Sheet charges also include National Grid USA payments for Niagara Mohawk's stores material and transportation. These include payments to vendors for stores materials and for automotive leases, fuel, repair and other transportation costs.

It is important to note that, because they were charged to the balance sheet, these payments did not directly affect Niagara Mohawk's cost of service. The costs associated with the payments were charged directly to Niagara Mohawk's expense or capital accounts at the time the services were rendered or the materials were consumed by the utility and are not allocated by the service company. Nevertheless, we investigated larger accounts in this category to explain the costs and the accounting behind the payments and to determine the reasons for the volatility of amounts in certain larger accounts, such as health care and transportation. The table below summarizes Other Balance Sheet charges during the six years ending 2010.

Table 3-25 - National Grid Billings to Niagara Mohawk – "Other Balance Sheet" Category

National Grid USA Billings to Niagara Mohawk - "Other Balance Sheet" Category						
Account	2005	2006	2007	2008	2009	2010
232305 A/P-Empl Deduct-Thrift Plan	30,264,682	28,534,538	27,628,685	28,938,708	29,106,511	29,320,132
232309 A/P- Thrift Loan	2,711,672	3,526,312	5,318,379	5,442,800	5,317,230	5,084,785
242201 Curr&Accr Liab-Healthcare Accr	23,566,088	32,323,024	32,149,523	34,313,233	34,646,543	44,242,535
242212 Curr&Accr Liab-Health Dental	2,922,213	3,926,887	3,145,070	3,458,871	3,153,239	2,777,167
253106 FAS106 Recovery	1,156,257	2,134,947	(2,735,396)	488,277	(5,362,788)	7,044,965
184020 Transportation Clearing	3,066,406	2,807,145	5,691,400	6,036,891	23,939,140	23,323,263
163XXX Stores Clearing (net debits)	858,023	3,295,776	3,043,907	3,876,226	5,370,806	5,778,745
165001 Prepaid Insurance	7,587,426	5,662,805	1,086,449	-	-	-
Other (Net)	(2,755,743)	7,076,977	7,544,071	3,945,141	1,665,504	(9,383,037)
Total	69,377,024	89,288,412	82,872,086	86,500,146	97,836,185	108,188,555

Source: OC-142 Analysis

Thrift Plan Charges – Charges to Accounts 232.305 and 232.309 are employee payroll withholdings offset by payments to the 401K plan trustee for employee thrift plan (401K) savings contributions. When 401K withholdings for Niagara Mohawk employees are paid by National Grid USA to the trustee, the Niagara Mohawk liability account 232 is debited and cash is credited.²⁹ As shown above, because the company originating the payment – National Grid USA - was consistent throughout the period, charges to accounts 232.305 and 232.309 were stable throughout the six-year period (ranging from about \$33 million in 2005 to about \$34 million in 2010). The expense associated with these thrift plan payments was recorded directly on the books of Niagara Mohawk. It was not recorded as expense on National Grid USA's books and allocated to Niagara Mohawk.

Health Care Medical and Dental - Charges to accounts 242.201 and 242.212 reflect National Grid's payments to reimburse health care administration companies for employee health and dental insurance claims. The amounts reflected in the table above are those in which the *service company* made the payment on behalf of Niagara Mohawk. Service company health care payments make their way to Niagara Mohawk expense through a clearing process. Looking at only the health care medical payments

²⁹ This does not include the company match portion of 401K payments, which go directly to expense (account 926), prior to clearing.

made by the service company in account 242.201 leaves the incorrect impression that Niagara Mohawk's health care payments increased by 88 percent in six years, from \$23.6 million in 2005 to \$44.2 million in 2010.

Unlike the thrift plan, accounting for employee health care expense accruals and payments was not treated with any consistency during the six-year analysis period. Therefore, it is necessary to look not only at Niagara Mohawk health care payments originating from the service company, but also at payments recorded by the parent company and by Niagara Mohawk itself. As background, an understanding of the entries associated with health care payments made by the service company on behalf of Niagara Mohawk is helpful. Health care payments to the claims administrator are accrued on the books of National Grid's utilities as follows:

Co 36 926.000	Employee Pensions & Benefits Exp.	\$xxx,xxx	
	Co 36 242.201 Current & Accrued Liability Healthcare		\$xxx,xxx

Amounts charged to account 926 are distributed between capital and expense through a clearing process.³⁰ When payments to the health care administrator are made by the service company, the entries are as follows:

Co 36 242.201	Current & Accrued Liability Healthcare	\$xxx,xxx	
	Co 99 131.000 Cash		\$xxx,xxx
Co 99 146.036	Receivable from NIMO	\$xxx,xxx	
	Co 36 234.099 Payable to Serv Co		\$xxx,xxx

The health care amounts shown in the table above represent the net payments made on behalf of Niagara Mohawk by National Grid USA. Niagara Mohawk also accrued and paid some of its own health care expense, and National Grid's parent company also accrued a significant amount of health insurance liability on behalf for Niagara Mohawk, but made no health care payments.

The table below puts this into perspective.³¹ It shows Niagara Mohawk health care accruals and payments for each company that originated them.³² Note that only the amounts originated by the service company are included on service company bills. The table shows the following:

³⁰ Account 926 is credited and Account 186, Health Care Expense Clearing, is debited. Then, Account 926 and Account 107 (Construction Work in Progress) are debited and Health Care Expense Clearing is credited as labor burden rates are applied and expense is distributed between capital and expense based on time worked by employees.

³¹ In the table accruals, amounts on lines labeled "AP" and "AR" are payments and amounts on lines labeled "Manual JE" are payments.

³² The service company subtotal, which ties to service company bills, is the net of service company payments and accruals on behalf of Niagara Mohawk. Using 2005 as an example, the service company paid \$33.9 million in health care expense on behalf of Niagara Mohawk, all of which was billed. Of this, \$10.3 million reflects the replenishment of the health care reserve, in which the liability is accrued and account 926 is debited. This component was billed to Niagara Mohawk through O&M expense (account 926), discussed elsewhere, while the remainder, \$23.6 million, represents the amount billed

- Total health care expense accrued by and on behalf of Niagara Mohawk was roughly equal to total health care payments attributable to Niagara Mohawk each year and over six years.
- Although service company net health care expense accruals and payments on behalf of Niagara Mohawk increased by 88% between 2005 and 2010, *total* Niagara Mohawk health care payments from all sources increased by only 23.6%, a compound annual increase of approximately 4.4%.

Table 3-26 – National Grid Health Care Liability Accruals and Payments By and on Behalf of Niagara Mohawk

National Grid Health Care Liability Accruals and Payments By and on Behalf of Niagara Mohawk								
Charged Business Unit	00036							
Account	242201							
Originating Bus. Unit	JE Type	2005	2006	2007	2008	2009	2010	6 Year Total
Niagara Mohawk	AP	2,326,798	1,690,181	2,014,483	1,954,727	3,672,231	719,995	12,378,414
	AR	(132,982)	(178,687)	(420)	(162,142)			(474,231)
	Manual JE	(11,888,553)	(33,567,470)	(33,121,586)	(15,867,006)	(1,670,379)	(22,483)	(96,137,478)
Niagara Mohawk Subtotal		(9,694,737)	(32,055,975)	(31,107,523)	(14,074,421)	2,001,851	697,512	(84,233,294)
National Grid Parent	Manual JE	(15,300,777)	(33,049)		(20,394,811)	(36,075,395)	(44,737,834)	(116,541,866)
Parent Subtotal		(15,300,777)	(33,049)		(20,394,811)	(36,075,395)	(44,737,834)	(116,541,866)
National Grid USA (Service Company)	AP	33,863,117	32,631,345	32,320,361	34,254,095	34,018,037	43,842,561	210,929,517
	Manual JE	(10,297,030)	(308,320)	(170,838)	59,138	628,506	399,974	(9,688,571)
Service Company Subtotal		23,566,088	32,323,024	32,149,523	34,313,233	34,646,543	44,242,535	201,240,946
Other Total							(213)	213
Total Co 36 Health Exp. Accruals		(37,486,360)	(33,908,839)	(33,292,425)	(36,202,680)	(37,117,268)	(44,360,343)	(222,367,914)
Total Co 36 Health Exp. Payments		36,056,934	34,142,839	34,334,425	36,046,680	37,690,268	44,562,555	222,833,700

Source: OC-142 Data, "All Health Care Analysis.xls", general ledger query results provided by National Grid, February 7, 2011.

With the exception of a relatively small amount associated with the health care expenses of service company employees, the payment amounts embedded in the service company subtotal represent payments made by National Grid USA on behalf of Niagara Mohawk. All of the health care expenses associated with these payments were recorded on Niagara Mohawk's books as Niagara Mohawk expenses. The payments are not associated with allocations or direct assignments of expense by National Grid USA to Niagara Mohawk.

Transportation – Transportation clearing account 184.020 collects the operating expenses of National Grid's fleet of rolling stock and distributes the expense based on vehicle usage. Transportation expense includes the payroll of fleet employees (e.g. mechanics, supervisors and fleet managers), fuel cost, the cost of materials (e.g. automotive parts) purchased from vendors or taken from inventory, the cost of outside contractor repair services, and the cost of vehicle leases. Unlike health care expense, transportation payments are not charged against an accrual; instead they are charged directly to transportation clearing account 184.020. When the service company pays Niagara Mohawk's transportation costs, the entries are as follows:

Co 36 184.020 Transportation Clearing	\$xxx,xxx
Co 99 131.000 Cash	\$xxx,xxx

from the balance sheet (the difference between the amount the service company accrued and paid on Niagara Mohawk's behalf).

Co 99 146.036 Receivable from NIMO \$xxx,xxx
 Co 36 234.099 Payable to Serv Co \$xxx,xxx

Niagara Mohawk's transportation cost originating from (paid by) the service company increased from \$3.1 million in 2005 to \$23.3 million in 2010 (an increase of about \$20 million). Most of the increase occurred between 2008 and 2009. As with health care payments, the increase in service company payments does not reflect an increase in Niagara Mohawk's cost; rather, it reflects a shift in the payments from Niagara Mohawk to National Grid USA. In this case, the change is almost entirely associated with the cost of Niagara Mohawk's leased vehicles, which was paid by Niagara Mohawk prior to 2009, but by National Grid USA after 2008. Note that Niagara Mohawk's total transportation expense (i.e., transportation expense payments by the service company and Niagara Mohawk itself) remained stable at between \$43.8 million and \$46.5 million annually during the entire six-year period.

Table 3-27 – National Grid Transportation Clearing By and on Behalf of Niagara Mohawk

National Grid Transportation Clearing By and on Behalf of Niagara Mohawk								
Charged Bus. Unit	00036							
Account	184020							
Orig. Bus. Unit	Expense Type	2005	2006	2007	2008	2009	2010	6 Year Total
Niagara Mohawk	Vendor-500 (Lease-Non-Real Estate)	19,384,321	21,851,277	20,039,404	18,234,471	23,190	33,889	79,566,552
	Other Transp. Clearing	21,877,618	20,294,994	19,487,118	22,192,521	19,807,909	21,581,199	125,241,359
Niagara Mohawk Subtotal		41,261,938	42,146,271	39,526,522	40,426,992	19,831,099	21,615,088	204,807,911
National Grid USA	Vendor-500 (Lease-Non-Real Estate)	(921,956)	38,232	18,926	32,193	16,962,908	18,910,484	35,040,787
	Other Transp. Clearing	3,988,362	2,768,914	5,672,474	6,004,698	6,976,232	4,412,779	29,823,458
Service Company Subtotal		3,066,406	2,807,145	5,691,400	6,036,891	23,939,140	23,323,263	64,864,245
Total Co 36 Transportation Clearing		44,328,344	44,953,417	45,217,922	46,463,884	43,770,239	44,938,351	269,672,156
Source: OC-142 Analysis								

Virtually all of the expense in the table above in the category originating from National Grid USA represents convenience payments made by National Grid USA on behalf of Niagara Mohawk.³³ As shown in the example entries above, this expense was charged directly to the books of Niagara Mohawk. It was not recorded as expense on the service company books and allocated to Niagara Mohawk.

National Grid USA Charges to KEDLI and KEDNY

After the merger with KeySpan, as integration of functions within the service companies began, National Grid USA began to bill KEDLI and KEDNY. A majority of the costs billed between 2008 and 2010 were vendor charges, a significant portion of which related to enterprise-wide consulting projects managed and paid for by National Grid USA.

³³ It is possible that a small amount of expense originated in the service company and was recorded by the service company for vehicles used by service company employees.

The following table compares the amounts charged by National Grid USA reflected on the books with amounts reported to the FERC on Form 60.

Table 3-28 – Comparison of National Grid USA Charges to KEDLI & KEDNY – General Ledger vs. FERC Form 60 & Service Co. Billings

Comparison of NG USA Charges to KEDLI & KEDNY General Ledger vs. FERC Form 60 and Service Co. Billings				
FERC Form 60	2007	2008	2009	2010
Revenue From KEDLI & KEDNY	30,497	4,739,743	24,844,086	37,577,239
Convenience Pmts KEDLI & KEDNY	721	387,474	713,028	453,154
Form 60 Billing Total	31,218	5,127,217	25,557,114	38,030,393
Ledger Amounts	32,284	8,132,254	28,528,788	40,758,153
Ledger Variance Amount	(1,066)	(3,005,037)	(2,971,674)	(2,727,760)
Ledger Variance Percentage	-3.30%	-36.95%	-10.42%	-6.69%
NG USA Service Company Bills	2007	2008	2009	2010 (1)
Service Company Billing Totals	32,284	8,132,254	28,528,788	40,708,741
Ledger Amounts	32,284	8,132,254	28,528,788	40,758,153
Ledger Variance Amount	(0)	(0)	0	(49,412)
Ledger Variance Percentage	0.00%	0.00%	0.00%	-0.12%
Source: FERC Form 60 and General Ledger Data, Service Company Bills and OC-142				
Note 1: As stated by National Grid, the variance of \$49,411 in 2010 was caused by new activity KC1000 not being added to service company bills. National Grid stated that this was discovered and corrected during the Liberty audit.				

In response to our request for an explanation of these variances, National Grid stated that “amounts presented on the income statement of the National Grid Service Co. USA FERC Form 60 are generated from the U13-60 reporting database which contains summarized and reclassified account balances from which detailed transactional data is not readily identifiable. As a result, the general ledger amounts contain in the database cannot be tied directly to the Form 60.”³⁴

Analysis of Amounts Billed By National Grid USA to KEDLI & KEDNY

Amounts billed by National Grid USA to the New York KeySpan utilities are summarized by year and by regulated account category below.

³⁴ OC-235

Table 3-29 - National Grid USA Billings to KEDLI & KEDNY by Regulated Account Category

National Grid USA Billings to KEDLI & KEDNY by Regulated Account Category					
Entity	Reg Acct Type	2007	2008	2009	2010
KEDLI	Regulated O&M Charges	9,459	2,622,527	8,812,547	11,944,694
	Below the Line Charges	336	109,428	298,078	354,510
	Capital Charges (CWIP)			(1,025,274)	
	Other Balance Sheet Charges			851,796	625,986
	Subtotal KEDLI	9,795	2,731,954	8,937,147	12,925,190
KEDNY	Regulated O&M Charges	21,719	5,220,226	19,254,695	25,653,553
	Below the Line Charges	770	180,073	559,569	662,931
	Capital Charges (CWIP)			(1,902,360)	39,495
	Other Balance Sheet Charges			1,679,737	1,476,983
	Subtotal KEDNY	22,489	5,400,300	19,591,641	27,832,962
Combined New York Keyspan	Regulated O&M Charges	31,179	7,842,753	28,067,242	37,598,246
	Below the Line Charges	1,106	289,501	857,647	1,017,441
	Capital Charges (CWIP)	-	-	(2,927,634)	39,495
	Other Balance Sheet Charges	-	-	2,531,533	2,102,970
	Total KEDLI & KEDNY	32,284	8,132,254	28,528,788	40,758,153

Source: OC-142

We focused our analysis on charges to regulated O&M expense, which constituted 95% of the charges to KEDLI and KEDNY during the analysis period. Charges by National Grid USA to KEDNY's and KEDLI's below-the-line, capital and other balance sheet accounts were small and we did not attempt to analyze them. Below is a breakout of charges to regulated O&M.

Table 3-30 – National Grid USA Billings to KEDLI & KEDNY – Regulated O&M

National Grid USA Billings to KEDLI & KEDNY - Regulated O&M by Expense Type					
Entity	Expense Type	2007	2008	2009	2010
KEDLI	Vendor Charges	9,459	1,748,685	4,689,919	5,945,920
	Benefits Overheads		193,867	967,197	1,226,468
	Materials		38,620	209,307	104,528
	Payroll		643,045	2,907,259	3,189,647
	Transportation		1,189	5,223	1,039
	Other	-	(2,880)	33,642	1,477,092
	Subtotal KEDLI	9,459	2,622,527	8,812,547	11,944,694
KEDNY	Vendor Charges	21,719	3,571,517	11,387,567	15,844,158
	Benefits Overheads		366,285	1,826,529	2,267,974
	Materials		76,539	515,973	471,755
	Payroll		1,209,195	5,430,895	5,819,569
	Transportation		2,317	10,202	2,041
	Other	-	(5,626)	83,528	1,248,056
	Subtotal KEDNY	21,719	5,220,226	19,254,695	25,653,553
Combined New York Keyspan	Vendor Charges	31,179	5,320,202	16,077,486	21,790,078
	Benefits Overheads	-	560,152	2,793,726	3,494,442
	Materials	-	115,159	725,281	576,283
	Payroll	-	1,852,240	8,338,154	9,009,216
	Transportation	-	3,506	15,425	3,080
	Other	-	(8,506)	117,170	2,725,148
	Total KEDLI & KEDNY	31,179	7,842,753	28,067,242	37,598,246

Source: OC-142 Analysis

Vendor charges and payroll are discussed separately below. Benefits overheads consist primarily of pension, health care, employer portion of payroll taxes, 401K contributions and life insurance expenses.

These averaged between 30% and 39% of payroll during the years 2008-2010, somewhat below comparable rates for service company benefits attributable to Niagara Mohawk.

O&M Vendor Charges

Vendor charges include allocated and directly charged contractor and consultant payments, employee expenses, computer hardware and software, leases and rentals of real estate and other assets, and “other” charges.³⁵ Vendor charges account for 59% of the total O&M billed by National Grid USA to KEDLI and KEDNY from 2007 to 2010. Vendor charges to Niagara Mohawk O&M are summarized by detailed expense type below.

Table 3-31 – National Grid USA Billings to KEDLI & KEDNY – O&M Vendor Charges

National Grid USA Billings to KEDLI & KEDNY - O&M Vendor Charges						
Entity	Expense Type		2007	2008	2009	2010
KEDLI	100,110	Contractors & Consultants	-	1,337,495	2,830,460	2,414,822
	200	Employee Expenses	198	142,209	145,593	240,593
	300, 350	Computer Hardware & Software	-	5,219	197,410	356,286
	500, 505	Leases, Real Estate & Other	-	25,748	505,494	546,893
		Other	9,261	238,014	1,010,962	2,387,326
	Subtotal KEDLI		9,459	1,748,685	4,689,919	5,945,920
KEDNY	100,110	Contractors & Consultants	-	2,755,510	7,633,675	9,091,127
	200	Employee Expenses	444	281,972	286,835	445,657
	300, 350	Computer Hardware & Software	-	12,755	387,810	498,996
	500, 505	Leases, Real Estate & Other	-	59,025	988,128	1,090,783
		Other	21,275	462,254	2,091,120	4,717,594
	Subtotal KEDNY		21,719	3,571,517	11,387,567	15,844,158
Combined New York Keyspan	100,110	Contractors & Consultants	-	4,093,006	10,464,135	11,505,949
	200	Employee Expenses	643	424,181	432,428	686,251
	300, 350	Computer Hardware & Software	-	17,974	585,220	855,281
	500, 505	Leases, Real Estate & Other	-	84,772	1,493,622	1,637,677
		Other	30,536	700,268	3,102,082	7,104,920
	Total KEDLI & KEDNY		31,179	5,320,202	16,077,486	21,790,078
Source: OC-142 Analysis						

Contractors and Consultants Expense Charged to KEDLI and KEDNY – National Grid USA began charging contractor and consultant expenses to KEDLI and KEDNY shortly after the merger. Relatively small amounts directly charged to KEDLI and KEDNY were as follows.

³⁵ OC-236

Table 3-32 – National Grid USA – Contractor/Consultant O&M Directly Charged to KEDLI and KEDNY

National Grid USA - Contractor / Consultant O&M Directly Charged to KEDLI and KEDNY				
Utility Charged / Vendor	Nature of Work	2008	2009	2010
Directly Charged to KEDLI				
Duff & Phelps LLC	Evaluate procedures to determine whether / when Grid's facilities may qualify for a property tax credit. Focus on obsolescence.			162,633
17 Others		15,058	45,908	185,966
Total KEDLI		15,058	45,908	348,599
Directly Charged to KEDNY				
P. Schneider & Associates	Recover meters & collect payments.		1,600,000	540,356
CGI Technologies & Solutions Inc.	Design, develop, test and implement ability to create custom gas ESR's and applications and upload energy efficiency data into the InDemand system for (in downstate NY - the residential heating and water heating controls) DSM (demand side management) enhancements			300,069
Clerk of the Court	Invoices from King's County Clerk's Office related civil filings & indexing court papers with the Clerk of that Court. Fees and payments as set forth in the Rules of Court. Connected with with collection and meter recovery services in Brooklyn.			292,500
City of Brooklyn	Purchase of 5,000 Index Nos. for use by P. Schneider and Associates for meter recovery activities in NYC.			225,000
Duff & Phelps LLC	Evaluate procedures to determine whether / when Grid's facilities may qualify for a property tax credit. Focus on obsolescence.			162,633
41 Others		30,068	465,735	1,537,076
Total KEDNY		30,068	2,065,735	3,057,633
Total KEDLI & KEDNY		45,126	2,111,643	3,406,232
Source: OC-144, OC-144 contractors and consultants working file_CD.xls, AP transactions complete sheet				

Note that the work performed by Duff & Phelps was effectively allocated manually by directly charging equal amounts to KEDLI and KEDNY. For comparison, in terms of most measures of relative size, KEDNY was approximately twice the size of KEDLI. In terms of assets, KEDNY was approximately 20% larger than KEDLI.

In addition to the direct charges above, National Grid USA allocated certain vendor charges to KEDLI and KEDNY. Below is an approximation of the amounts allocated to KEDLI and KEDNY during the period 2008 through 2010 for the same 21 large contractors and consultants used in the analysis of vendor cost allocations to Niagara Mohawk.³⁶ For these 21 vendors, we estimate KEDLI and KEDNY combined were allocated about \$2.1 million (6.5% of the total amount allocable) in 2008; \$3.8 million (6.3% of the total amount allocable) in 2009 and \$5.6 million (9.1% of the total amount allocable) in 2010. There were no allocations to KEDLI or KEDNY for many of these vendors.

³⁶ In order to reduce calculation complexity to a workable minimum, it was necessary to use bill pool allocation percentages representing the average percentages employed within each year.

Table 3-33 – National Grid USA – Contractor/Consultant O&M and Clearings Allocated to KEDLI & KEDNY (Combined)

National Grid USA - Contractor / Consultant O&M and Clearings Allocated to KEDLI & KEDNY							
Vendor	Nature of Work Performed	2008		2009		2010	
		Total	Alloc to KEDLI-KEDNY	Total	Alloc to KEDLI-KEDNY	Total	Alloc to KEDLI-KEDNY
Pro Unlimited	Temporary (contingent employee) staffing	5,903,382	150,433	21,229,912	689,232	15,590,355	775,262
Accenture LLP	Electricity Dist. Operations Transformation	10,773,500	59,855	9,975,829		1,379,280	
Coven Inc.	Establish a Global Procurement function - merging the UK and the US function into one.	1,084,323	184,931	10,643,661	1,816,341	6,272,912	1,038,277
Deloitte & Touche	2010 Project Design Phase of the US Foundation Program.	187,130	32,171	337,081	49,438	11,473,014	1,905,787
Oliver Wyman / Mercer Mgt.	2008-2007 KeySpan merger integration 2010 Create Analytics Engine for Customer Financial Systems/Performance Reporting, Transaction Delivery Center Scorecard / KPI	-		38,806	7,291	4,981,158	540,228
Ernst & Young	2008 -Keyspan Tax Basis project and FIN48 analysis. 2009 - EDOT and IS Integration, analyze outsourcing Property Services; 2010 - consulting services for Transaction Delivery Center	3,941,762	1,502,202	2,418,153	206,943	6,321,823	259,738
Internal Revenue Service	Tax deposits for UK employees working in	1,984,191	51,309	2,140,477	48,211	1,347,867	58,220
Mercer HR Consulting	Health & Benefits outsourcing projects	1,242,579		1,199,499	144,644	1,592,890	283,009
TransCanada Marketing	Monthly purchase of energy for Westboro building - use transitioned to Waltham in 2010, building sold in 2011	786,026		1,022,491		546,361	
P. Schneider &	Recover meters & collect payments.	-		1,391,409	239,684	2,463,590	411,789
Ajilon Consulting	Temporary (contingent employee) staffing company - Niagara Mohawk IT Group	1,937,616	16,742	125,132		-	
WIPRO Ltd.	Various IS contract/temporary workers to support various IS initiatives	761,886		2,676,887	6,285	6,059,820	66,784
Robert Half Mgmt Resources	Temporary (contingent employee) staffing company - Accounting & Finance function.	2,087,676	60,571	455,560		-	
LBI US LLC	IS Consulting work for Global Website project for the Retail and Trade partner pillars.	-		1,603,820		850,162	
Nesco Service Company	Recruit temporary call center employees during start up mode of new call center in Syracuse, NY	208,055		1,210,451	175,719	167,186	26,264
Fact-Based Management	Project Management consulting services regarding operations performance	-		-		-	
Vitec Solutions	Installation, Maintenance, Repair and Related Services including Specified Printer Services. OneNet project service in 2009	160,297	13,833	1,015,076	343,893	264,337	26,265
Russell Reynolds Assoc.	Executive search for senior-level executives	148,616		712,579	67,012	369,012	45,378
Experian	CSS Post Conversion Data Hygien and Sourcing - Assists CSRs in providing positive ID of customers and which also	113,720		1,036,221	7,503	1,425,925	211,526
EPRI	Research projects and purchase of various publications (Annual Research Portfolio, CF Applications of Pulse Closing, etc), membership fee	15,000		-		1,257,062	
Sargent & Lundy	Substation engineering services - develop Tran & Dist substations standards	403,363		666,015		20,725	
Total 21 Vendors		31,739,122	2,072,047	59,899,058	3,802,196	62,383,479	5,648,527
Other Vendors (Apprx. 1,725)		56,886,879	1,975,832	57,263,323	4,550,296	38,297,235	2,451,190
Allocated Charges All Vendors		88,626,001	4,047,879	117,162,381	8,352,492	100,680,714	8,099,717

Source: OC-144, OC-144 contractors and consultants working file_CD.xls, Vendor Chgs Allo to KEDLI-KEDNY sheet. Totals include amounts allocated to all National Grid USA affiliates.

O&M Payroll

O&M payroll charges from National Grid USA to KEDLI and KEDNY are detailed below.

Table 3-34 – Detail of National Grid USA Regulated O&M Payroll Billings to KEDLI & KEDNY

Detail of National Grid USA Regulated O&M Payroll Billings to KEDLI and KEDNY					
Expense Type		Descriptions	2008	2009	2010
EXP_TYPE_ PAYROLL	P10	Regular Pay Weekly	21,628	217,478	661,734
	P15	Regular Pay Monthly	1,368,727	5,550,029	6,025,800
	P20	Base OT Pay Weekly	1,560	4,817	17,679
	P21	Incremental OT Pay Weekly	780	2,410	9,231
	P25	Base OT Pay Monthly	39	16	196
	P26	Incremental OT Pay Monthly	19	8	90
	P30	Variable & Misc Pay	220,943	1,545,805	1,225,593
	P50	Time Not Worked	238,544	1,017,592	1,068,894
Total KEDLI & KEDNY Combined			1,852,240	8,338,154	9,009,216
Source: OC-142 Analysis					

The following shows the primary cost centers that account for payroll charged by National Grid USA to KEDLI and KEDNY in 2009 and 2010.³⁷

Table 3-35 – National Grid USA Payroll Distributions to KEDLI & KEDNY – Largest Cost Centers

National Grid USA Payroll Distributions to KEDLI & KEDNY - Largest Cost Centers							
Orig Dept	Orig Dept Desc	2009 Cost Center Payroll	Charged to KEDLI-KEDNY 2009	2009 KEDLI-KEDNY Pct. Of	2010 Cost Center Payroll	Charged to KEDLI-KEDNY 2010	2010 KEDLI-KEDNY Pct. Of
10100	President & CEO	1,312,235	224,107	17.1%	1,258,909	209,408	16.6%
10250	Network Strategy-Gas Exec	376,695	128,834	34.2%	315,400	129,697	41.1%
11150	Payment Processing (CRIS)	203,145	70,759	34.8%	434,374	231,935	53.4%
11999	Acctg Services Corp Overheads	61,787,941	1,087,630	1.8%	52,824,779	1,226,660	2.3%
17995	CTA-IS Opex Exceptionals	1,901,782	327,167	17.2%	(1,302,161)	(382,048)	29.3%
18000	Legal Services	5,097,852	378,590	7.4%	4,990,412	524,108	10.5%
22070	CSat, QA, Training & Comm	988,419	244,547	24.7%	1,185,037	270,032	22.8%
25750	US Regulation & Pricing	1,526,581	217,864	14.3%	919,735	130,686	14.2%
38320	Site Investig & Remed Admin-NE	748,492	161,081	21.5%	793,802	162,618	20.5%
80000	VP Transaction Delivery Center	1,509,265	233,629	15.5%	223,938	38,958	17.4%
82120	System Support Services	1,366,610	123,592	9.0%	1,204,018	181,413	15.1%
82125	Bill Project Mgmt & Services	1,074,145	139,416	13.0%	1,206,313	157,696	13.1%
82250	Residential Collections-Mgmt	1,618,917	256,455	15.8%	1,082,218	172,337	15.9%
86880	Materials & Standards	231,962	113,153	48.8%	363,583	166,418	45.8%
	Other Cost Centers	231,072,810	4,727,529	2.0%	248,871,483	6,679,764	2.7%
Totals		310,816,851	8,434,351	2.7%	314,371,840	9,899,681	3.1%
Source: OC-1 Legacy Grid Allocation Database CY 2009.xls & Legacy Grid Allocation Database CY 2010.xls							

The tables above allow the following observations:

- Total payroll distributed to KEDLI and KEDNY (2.7% in 2009; 3.1% in 2010) were not a significant percentage of National Grid USA total payroll distributions and were roughly the same percentage of total payroll in 2009 and 2010.

³⁷ Total cost distributions to KEDLI and KEDNY are higher in Table 3-39 than Table 3-38 because they include payroll charged to both O&M and capital.

- Total National Grid USA O&M payroll distributed to KEDLI and KEDNY grew significantly in calendar year 2009 compared with 2008 as the KeySpan utilities were integrated into the cost objectives served by certain National Grid USA functions.
- Amounts charged to KEDLI and KEDNY by most of the National Grid USA cost centers shown in the table above were stable between 2009 and 2010 and the types of cost centers charging to the New York gas utilities appear reasonable.
- The number of “other” cost centers and the aggregate amount they charged to KEDLI and KEDNY from them grew between 2009 and 2010 as National Grid integrated more of its service company functions between the legacy Grid and legacy KeySpan utilities.

Legacy KeySpan Service Company Charges to KEDNY and KEDLI

As disclosed in filings with the FERC, the legacy KeySpan service companies’ billed the following amounts to KEDNY and KEDLI during the time period from 2005 to 2010:

Table 3-36 – Legacy KeySpan Service Company Billings to KEDNY and KEDLI

Legacy KeySpan Service Company Billings to KEDNY and KEDLI						
FERC Form 60	2005	2006	2007	2008	2009	2010
KEDNY:						
KeySpan Corporate Services	159,418,000	173,769,887	172,274,272	223,717,498	203,499,463	170,227,564
KeySpan Utility Services	39,642,000	34,276,309	31,193,724	26,315,989	22,706,325	22,934,346
KeySpan Engineering & Survey	504,000	762,990	863,111	925,106	752,825	920,624
Form 60 Billing Total	199,564,000	208,809,186	204,331,107	250,958,593	226,958,613	194,082,534
KEDLI:						
KeySpan Corporate Services	101,887,000	107,745,263	133,238,142	176,923,334	185,646,310	155,095,758
KeySpan Utility Services	25,727,000	23,383,708	20,553,060	15,011,140	12,785,227	12,899,388
KeySpan Engineering & Survey	2,302,000	2,858,571	2,550,247	2,502,672	3,045,737	2,176,416
Form 60 Billing Total	129,916,000	133,987,542	156,341,449	194,437,146	201,477,274	170,171,562
Combined Form 60 Billing Total	329,480,000	342,796,728	360,672,556	445,395,739	428,435,887	364,254,096
Source: FERC Form 60s.						

Based on queries run by company personnel, we isolated the primary types of costs billed by the KeySpan service companies to KEDNY and KEDLI. These are summarized in the following table:

Table 3-37 – Legacy KeySpan Service Company Billings to KEDNY and KEDLI by Account Classification

Legacy KeySpan Service Company Billings to KEDNY and KEDLI by Account Classification						
Reg Acct Type	2005	2006	2007	2008	2009	2010
KEDNY:						
Income Statement Charges	141,932,660	142,942,525	132,738,059	141,127,768	132,613,998	121,890,543
Capital Charges (CWIP)	22,100,455	19,170,214	17,759,075	26,264,841	22,708,568	14,078,432
Environmental Remediation Costs	10,852,383	17,171,478	24,312,152	51,067,075	36,281,057	19,161,884
Gas Clearing	8,954,697	10,880,078	11,194,353	15,685,639	16,155,116	15,808,737
Other	15,723,805	18,644,891	18,327,468	16,813,270	19,199,874	23,142,938
Total	199,564,000	208,809,186	204,331,107	250,958,593	226,958,613	194,082,534
KEDLI:						
Income Statement Charges	90,547,342	94,307,760	89,720,058	94,850,792	86,302,775	86,616,767
Capital Charges (CWIP)	10,815,100	9,007,671	23,910,913	10,668,262	9,481,891	6,992,161
Environmental Remediation Costs	9,042,924	9,900,732	24,903,819	66,842,689	76,951,225	44,637,036
Gas Clearing	5,787,937	6,687,941	7,314,488	11,907,731	11,299,186	13,629,620
Other	13,722,697	14,083,438	10,492,171	10,167,672	17,442,197	18,295,978
Total	129,916,000	133,987,542	156,341,449	194,437,146	201,477,274	170,171,562

Source: FERC Form 60s and responses to OC-142, OC-225, OC-226, and OC-227.

Following are several important takeaways from the data summarized in the preceding table:

- Total costs billed by the legacy KeySpan service companies to KEDNY and KEDLI between 2005 and 2010 had a general pattern of increasing for several years before topping out and decreasing,
- Costs immediately expensed on the operating companies' books (aka "income statement charges") make up the largest component of all costs billed by the legacy KeySpan service companies to KEDNY and KEDLI,
- However, income statement charges billed by legacy KeySpan service companies to KEDNY and KEDLI actually decreased from 2005 to 2010. This most likely reflects the impact of economies of scale on centralized service offerings.
- "Gas clearing" costs are expenses that are generally administrative in nature that are initially deferred on the balance sheet of the operating company and then relieved over time to expense. From an accounting standpoint, the identity of the entity that initially incurred the cost is not always evident on the Oracle system. In some cases, the entry to record expense on the operating company's books gives the impression that the cost originated internally rather than from a service company billing.³⁸
- The cost category which was most responsible for explaining the ebbs and flows of costs billed by the legacy KeySpan service companies to KEDNY and KEDLI from 2005 to 2010 was deferred environmental remediation costs. As they peaked in 2008 for KEDNY and then slowly declined in the next two years, so did total costs billed by the service companies to the utility. The same

³⁸ Response to Discovery, OC-227.

goes for billings to KEDLI except that environmental remediation costs topped out one year later in 2009.

The following tables provide a breakdown of the environmental remediation costs by operating company by site:

Table 3-38 – Significant Environmental Remediation Projects Billed to KEDNY by the Legacy KeySpan Service Companies

Significant Environmental Remediation Projects Billed to KEDNY by the Legacy KeySpan Service Companies							
Project	Project Description	2005	2006	2007	2008	2009	2010
AM0045	ENV - MGP SITE: GPT ENERGY CTR (A)	3,363,400	932,585	548,242	190,570	814,478	3,038,484
AM0014	ENV MGP SITE - CLIFTON	3,318,115	11,064,803	6,960,678	13,258,764	28,214,043	2,610,750
AM0013	ENV MGP SITE - CONEY IS	1,386,921	3,283,611	15,087,511	31,057,410	2,143,658	514,082
AM0028	MGP Site: Nassau	1,082,854	23,127	45,657	86,172	35,641	105,219
AM0015	ENV MGP SITE - CITIZENS	1,079,658	782,937	648,263	3,461,302	1,119,199	3,678,909
AM0029	GOWANUS CANAL PROJECT	69,748	876,024	325,964	4,470	973,587	3,237,279
AM0044	ENV - MGP SITE: FULTN MUNI WKS	2,480	-	8,695	946,873	517,841	769,337
AM0016	ENV SIR SITE - NEWTOWN (B)	22,744	16,076	167,619	933,193	556,033	41,847
AM0012	NEWTOWN CREEK - MGP	-	-	-	764,091	222,900	2,647,502
	Other	526,463	192,315	519,523	364,230	1,683,677	2,518,475
	Total Environmental Remediation Charges	10,852,383	17,171,478	24,312,152	51,067,075	36,281,057	19,161,884
Sources: Response to OC-226 and e-mail correspondence from John O'Shaughnessy dated April 9, 2012.							
(A) Greenpoint Energy Center							
(B) Newtown Holder site							

Table 3-39 – Significant Environmental Remediation Projects Billed to KEDLI by the Legacy KeySpan Service Companies

Significant Environmental Remediation Projects Billed to KEDLI by the Legacy KeySpan Service Companies							
Project	Project Description	2005	2006	2007	2008	2009	2010
AM0018	ENV MGP SITE - BAY SHORE	6,515,180	7,274,778	21,184,773	37,885,933	24,569,537	15,596,035
AM0940	ENV PATCHOGUE PSA SITE	726,449	204,703	34,380	257,577	95,854	255,467
AM0020	ENV MGP SITE - ROCKAWAY	519,916	1,230,566	881,598	3,434,141	27,555,344	21,766,584
AM0022	ENV MGP SITE - GLEN COVE	510,050	338,442	135,097	354,643	85,555	1,078,187
AM0021	ENV MGP SITE - SAG HARBOR	282,955	569,836	1,180,145	11,480,974	13,133,737	903,758
AM0019	ENV MGP SITE - HEMPSTEAD (A)	212,737	123,369	783,185	5,804,863	2,415,301	1,946,858
AM0972	BRENTWOOD - MGP	-	-	82,945	2,416,357	970,252	15,847
AM0023	ENV MGP SITE - HALE SITE	256,318	94,022	186,828	2,319,342	3,781,221	614,496
AM0076	ENV MGP BS 87COM RD PROP PURC	-	-	-	-	1,879,000	14,642
AM0080	ENV MGP BS 1591 U BLV PRP PUR	-	-	-	-	-	936,753
	Other	19,319	65,016	434,868	2,888,859	2,465,424	1,508,409
	Total Environmental Remediation Charges	9,042,924	9,900,732	24,903,819	66,842,689	76,951,225	44,637,036
Sources: Response to OC-226 and e-mail correspondence from John O'Shaughnessy dated April 9, 2012.							
(A) Hempstead - Intersection Street							

Project Nos. AM0076 and AM0080 from the preceding table involve property purchases in support of the Bay Shore MGP site remediation.³⁹

According to the company, KeySpan Corporate Services was the only legacy KeySpan service company which incurred environmental remediation costs for KEDNY or KEDLI during the time period from 2005 to 2010. All costs were directly charged to the respective operating company using an allocation code beginning with an "A".⁴⁰

Significant environmental remediation project costs were the subject of transactional review in Chapter 7.

³⁹ E-mail correspondence from John O'Shaughnessy dated April 9, 2012.

⁴⁰ Response to Discovery, OC-226.

Legacy KeySpan Service Companies' Charges to Niagara Mohawk

As noted in Table 3-1, the charges from the three legacy KeySpan service companies to Niagara Mohawk have increased post-acquisition from less than \$1 million in 2007 to over \$63 million in 2010.

98% of the billings from the KeySpan service companies to Niagara Mohawk came from KeySpan Corporate Services. The table below shows Niagara Mohawk billings from the three legacy KeySpan service companies as disclosed in their FERC Form 60 filings and a reconciliation of the totals with ledger amounts.⁴¹

Table 3-40 – Comparison of Legacy KeySpan Service Company Charges to Niagara Mohawk - GL Data vs. FERC Form 60

Comparison of Legacy KeySpan Service Company Charges to Niagara Mohawk: Niagara Mohawk General Ledger Data vs. FERC Form 60 Service Company Billings						
FERC Form 60	2005	2006	2007	2008	2009	2010
KeySpan Corporate Services	-	-	769,401	16,262,014	43,239,078	62,169,447
KeySpan Utility Services	-	-	-	312,905	709,872	813,573
KeySpan Engineering & Survey	-	-	-	-	140,684	193,530
Form 60 Billing Total	-	-	769,401	16,574,919	44,089,634	63,176,550
Ledger Amounts	-	-	358,881	16,920,621	44,038,296	63,007,497
Ledger Variance Amount	-	-	(410,520)	345,702	(51,338)	(169,053)
Ledger Variance Percentage	N.A.	N.A.	-53.36%	2.09%	-0.12%	-0.27%
Source: FERC Form 60 and Data Response LCG-300a, Supplemented and Updated						

Analysis of Amounts Billed by the Legacy KeySpan Service Companies to Niagara Mohawk

Costs charged by the KeySpan service companies to Niagara Mohawk during the analysis period consisted of income statement charges (e.g., O&M expenses), capitalized costs (e.g., construction work in progress), and various charges to deferrals and clearing accounts. The following table summarizes this activity for the time period from 2005 to 2010. Note that charges begin to show up in 2007, the year National Grid and KeySpan merged. Note also that nearly all of the amounts billed to Niagara Mohawk are income statement charges.

Table 3-41 – Legacy KeySpan Service Company Billings to Niagara Mohawk by Account Classification

Legacy KeySpan Service Company Billings to Niagara Mohawk by Account Classification						
Reg Acct Type	2005	2006	2007	2008	2009	2010
Income Statement Charges	-	-	735,154	16,302,487	43,254,452	57,838,015
Capital Charges (CWIP)	-	-	-	11,339	206,853	4,375,814
Other	-	-	34,247	261,093	628,329	962,721
Total	-	-	769,401	16,574,919	44,089,634	63,176,550
Source: FERC Form 60s and responses to OC-142 and OC-225.						

⁴¹ In response to request OC-217, National Grid explained that differences between the costs reported in FERC Form 60 and the ledger amounts recorded by Niagara Mohawk are primarily due to timing differences associated with the “bridge” interface between KeySpan’s Oracle system and Grid’s PeopleSoft system. Because the inbound bridge process is run at scheduled points in time during the monthly close process, amounts can be recorded on the Oracle system that have not yet passed over to the Grid system. Generally, large differences are investigated and resolved prior to closing, but immaterial differences can be carried over to the following month for disposition. As discussed in response to request OC-241, the differences between Form 60 and ledger amounts, as shown in the table, were deemed to be immaterial, .

Income Statement Charges (94.8 percent of total billings)

Costs assigned to Niagara Mohawk's income statement by cost type during the analysis period are as follows:⁴²

Table 3-42 – Significant Components of Legacy KeySpan Service Company Income Statement Charges to Niagara Mohawk

Significant Components of Legacy KeySpan Service Company Income Statement Charges to Niagara Mohawk						
O&M Cost Categories	2005	2006	2007	2008	2009	2010
Labor, Burdens, & Employee Payments	-	-	505,567	7,707,976	28,689,204	40,060,642
Contractors and Consultants	-	-	131,983	3,642,390	8,650,018	11,473,206
Advertising, Incentives, & Other Related Exps	-	-	7,164	2,254,684	2,243,874	500,566
Other	-	-	90,440	2,697,437	3,671,356	5,803,601
Total O&M Charges	-	-	735,154	16,302,487	43,254,452	57,838,015

Source: Response to OC-142.

Payroll and Payroll-Related Burdens – Payroll and related burdens accounted for almost two-thirds of total income statement charges from the KeySpan service companies to Niagara Mohawk during the analysis period. The table below details labor and labor-related charges for the most significant cost centers.

Table 3-43 – Labor, Burdens & Employee Payments by Provider Cost Center

Labor, Burdens, & Employee Payments by Provider Cost Center							
PCC No.	Cost Center Description	2005	2006	2007	2008	2009	2010
018	Accounting Services	-	-	10,951	664,011	1,353,367	1,938,604
252	Graduate Programs	-	-	-	-	316,257	1,497,209
139	Income Tax	-	-	-	-	950,331	1,366,984
997	Controller's Cost Center & Other	-	-	-	20,214	6,512	1,295,766
463	Gas Supply & Planning	-	-	-	98,344	735,702	1,241,891
246	Contracts	-	-	-	334,494	890,936	1,047,560
008	DGC Manager of Operations	-	-	527	90,267	1,851,631	1,047,319
362	Workforce Management	-	-	-	-	371,620	845,173
089	Ent Ops-Net C&P-KS	-	-	-	-	538,609	845,159
539	DGC Litigation & Business Conduct	-	-	-	-	-	776,775
087	Prod Mgmt-Desktop-KS	-	-	-	-	547,906	760,199
N13	NG-CTA-Shared Services	-	-	-	-	481,103	723,311
433	FBP-Operations	-	-	-	22,430	400,828	695,017
079	Internal Audit Department	-	-	-	-	502,018	684,416
050	Employee & Labor Relations	-	-	-	27,344	148,505	676,890
033	Capital Markets & Asst Treasurer	-	-	18,225	113,047	511,356	659,217
698	ESS Sales Operations Support	-	-	-	288,004	588,072	636,810
021	Finance Business Partners	-	-	-	-	511,926	634,519
548	Energy Risk Management	-	-	-	15,602	310,272	603,553
607	Gas Work Methods - KCC	-	-	-	-	322,633	525,923
040	Learning and Development	-	-	-	37,495	249,800	505,786
M73	CTA-IS OPEX Exceptionals	-	-	-	-	579,808	457,698
084	IS Cust-KS	-	-	-	4	501,335	79,370
001	Chairman	-	-	110,140	773,297	268,782	-
054	SVP Customer Energy Solutions	-	-	69,704	387,365	424,573	480,842
800	Ops Support Exec-KS	-	-	27,628	260,716	239,675	126,909
051	Data Mgmt & Competitive Intel	-	-	-	258,895	499,763	472,721
155	Federal Affairs	-	-	34,677	258,071	278,023	231,692
	Other	-	-	233,715	4,058,376	14,307,861	19,203,329
	Total	-	-	505,567	7,707,976	28,689,204	40,060,642

Source: Derived from response to OC-142.

⁴² The categories were created on an ad hoc basis by company personnel. A judgmental review of the roll-up of these categories indicated that the classifications were reasonable.

The acquisition of KeySpan by National Grid was not completed until the latter half of 2007. For this reason, Niagara Mohawk (as a legacy Grid operating company) did not begin to receive charges from the legacy KeySpan service companies until late 2007, including those associated with payroll and payroll-related burdens. Given the relative immateriality of these types of charges in 2007 and 2008, we focused on the reported increase between 2009 and 2010.

The company attributed much of the 2009-2010 increase in payroll and payroll-related burdens charged by the legacy KeySpan service companies to Niagara Mohawk to the post-merger consolidation of resources. Shifts in responsibility from functional areas originally serving only KeySpan subsidiaries to departments that had joint responsibility for both KeySpan and National Grid entities accounted for a significant portion of the labor-related cost increase charged by legacy KeySpan's service companies to Niagara Mohawk according to the company. Examples of some of the functional areas that underwent this change included Accounting Services, Income Tax, Gas Supply & Planning, and Employee & Labor Relations. These shifts in resources occurred despite the fact that the headcount in these legacy KeySpan service company cost centers generally did not increase substantially between the beginning of 2009 and the end of 2010. This suggests that the shift in resources occurred within individual job responsibilities of KeySpan employees that continued to maintain their original service company assignment rather than as a displacement of legacy Grid employees to legacy KeySpan.

Other reasons given for the year-over-year increase between 2009 and 2010 included the roll-out of a new college graduate training program in the latter half of 2009 and the granting of a merit increase to management in mid-2010. A summary of the most significant payroll and payroll-related burdens charged by the legacy KeySpan service companies to Niagara Mohawk by cost center in the years 2009 and 2010 can be found in Exhibit 3-1.

Contractors and Consultants - These expenses comprised over 20 percent of all income statement charges recorded by Niagara Mohawk that originated at the legacy KeySpan service companies for the time period from 2005 to 2010. We isolated the unique code blocks that accounted for a significant portion of the contractors and consultants costs assigned to Niagara Mohawk in 2009 and 2010 and asked for additional details. In response, the company provided a list of the significant vendors for the cost centers associated with the requested accounting code blocks.⁴³

As would be expected, many of the vendors identified by the company provided professionals services such as accounting, income tax, legal, advertising, and human resources services. While some of these costs were recurring in nature (e.g., the annual financial statement audit, Sarbanes-Oxley testing, and legal assistance), others were identified as one-time costs (e.g., costs to achieve, development of the business plan and budget, etc.). A summary of the information provided by the company can be found in Exhibit 3-2.

⁴³ Responses to Discovery, OC-213 and OC-214.

Advertising, Incentives, and Other Related Expenses - While perhaps not a significant component of the income statement charges recorded by Niagara Mohawk that originated at the legacy KeySpan service companies in 2010 or even 2009, these types of costs accounted for 14 percent of total costs in 2008. As noted in Table 3-42 above, Niagara Mohawk's share of these costs in dollar terms remained the same between 2008 and 2009. The company attributed a portion of the \$1.7 million decrease between 2009 and 2010 to an adjustment recorded in the first quarter of 2010 for services received from Gardner Nelson & Partners. Apparently, the original coding of the invoice for "The 3% Less" marketing campaign (an initiative to help customers reduce energy consumption 3% each year for 10 years) to FERC Account No. 913 (Advertising Expenses) and Project No. K02649 (Sales Advertising New York Upstate) was reclassified to FERC Account No. 930.1k (General Advertising Expenses) and Project No. K02622 (Institutional and Goodwill Advertising). According to the company, this reclassification resulted in \$750,000 of Gardner Nelson & Partner allocated costs being re-directed from Niagara Mohawk to other affiliates.⁴⁴

⁴⁴ Response to Discovery, OC-216 and e-mail clarification from John O'Shaughnessy, Director – Service Company & Accounting Support, dated April 4, 2012..

Payroll and Payroll-Related Burdens Charged by Legacy KeySpan Service Companies to Niagara Mohawk by Cost Center

PCC No.	Cost Center Description	2009	2010	Company Description of Cost Center and Explanation of Any Change in Amount Between 2009 and 2010 (A)	Overland Organizational Analysis (if applicable) (B)
018	Accounting Services	\$1,353,367	\$1,938,604	<i>Accounting Services (Provider Cost Center No. 018)</i> - Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this provider cost center was 20 percent in 2009 and 27 percent in 2010. This cost center was responsible for general accounting (journal entries, account reconciliations, variance, analysis, etc.), preparation of financial statements, and regulatory filing support. According to the company, in 2009, legacy Grid was still performing some transition work associated with the handover of Accounting Services functions from Waltham (a predominately a legacy Grid-staffed location) to New York (a predominately KeySpan-staffed location). The company said the shift in resources from legacy Grid to legacy KeySpan was the main driver for the change in amounts and concentration of charges to Niagara Mohawk in 2010.	According to our organizational analysis of Cost Center 92018 (equivalent to PCC 018), the number of employees assigned to this legacy KeySpan cost center was 50 in March 2009, 57 in December 2009, and 51 in December 2010. The transition work mentioned at left was performed by a cost center in legacy Grid with a headcount of 12 in March 2009, 3 in December 2009, and 2 in December 2010.
252	Graduate Programs	316,257	1,497,209	<i>Graduate Programs (252)</i> - Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this provider cost center was 32 percent in 2009 and 33 percent in 2010. This unique provider cost center captured costs associated with a corporate program to develop recent graduates hired by exposing them to different areas within the company over an 18-month period. The program began in September 2009, which would explain why the costs of the program increased dramatically from 2009 to 2010.	
139	Income Tax	950,331	1,366,984	<i>Income Tax (139)</i> - Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this provider cost center was 21 percent in 2009 and 30 percent in 2010. This cost center was responsible for strategy, planning, compliance, and reporting of U.S. income taxes. Just as with Accounting Services, work performed in Waltham by the legacy Grid service company's Income Tax group was transitioned to New York's legacy KeySpan cost center in 2009 and 2010. According to the company, this shift of resources was the primary driver for the increase in labor-related costs for this cost center between 2009 and 2010.	According to our organizational analysis of Cost Center 92139 (equivalent to PCC 139), the number of employees assigned to this legacy KeySpan cost center was 24 in March 2009, 23 in December 2009, and 21 in December 2010. A cost center in legacy Grid's service company with similar responsibilities (CC 11900) had a headcount of 5 in March 2009, 4 in December 2009, and 3 in December 2010.
997	Controller's Cost Center & Other	6,512	1,295,766	<i>Controller's Cost Center & Other (997)</i> - Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this cost center was 1 percent in 2009 and 14 percent in 2010. According to the company, this cost center was used to record two types of costs - those not related to day-to-day operations but rather corporate types of costs (e.g., Financial Enablement Program Oversight (FEPO) initiative, service quality penalties, etc.) and accruals (payroll, consulting fees, legal fees, etc.). Legacy Grid employed a similar department during the same time period (11999 and <blank>). The company attributed the increase in costs between 2009 and 2010 to differences in the bi-weekly payroll accrual between the two years.	
463	Gas Supply & Planning	735,702	1,241,891	<i>Gas Supply & Planning (463)</i> - Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this cost center was 14 percent in 2009 and 21 percent in 2010. This cost center was also referred to by the company as Customer Market Analytics and had the following responsibilities - research and inquiry support for the "competitive energy markets industry", regulatory support, management of gas pipeline release, oversight of gas nominations, supplier billing, and . The company asserted that neither the legacy Grid service company nor Niagara Mohawk performed similar services during 2009 and 2010. The company attributed the increase in costs charged to Niagara Mohawk in 2010 to a shifting of resources from National Grid USA Service Company to the legacy KeySpan service companies coupled with the addition of Customer Choice functions to the cost center.	According to our organizational analysis of Cost Center 92463 (equivalent to PCC 463), the number of employees assigned to this legacy KeySpan cost center was 35 in March 2009, 38 in December 2009, and 35 in December 2010.
246	Contracts	890,936	1,047,560	<i>Contracts (246)</i> - Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this cost center was 42 percent in 2009 and 39 percent in 2010. This cost center was responsible for the procurement of pipeline capacity and long-term gas supply; the management of gas supply, transportation, and storage contracts; compliance with FERC gas requirements; the monitoring and intervention in applicable FERC gas proceedings; corporate representation in wholesale market relations; oversight of the customer supply default service for the company's electric distribution utilities; management of distributed generation services; and power asset management for LIPA. According to the company, neither the legacy Grid service company nor Niagara Mohawk provided similar services in 2009 and 2010.	

PCC No.	Cost Center Description	2009	2010	Company Description of Cost Center and Explanation of Any Change in Amount Between 2009 and 2010 (A)	Overland Organizational Analysis (if applicable) (B)
008	DGC Manager of Operations	1,851,631	1,047,319	<i>DGC Manager of Operations (008)</i> – Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this cost center was 7 percent in 2009 and 9 percent in 2010. This cost center (Deputy General Counsel Manager of Operations) was historically the administrative hub for the entire legal department. Legacy Grid's service company had a similar department in 2009 and 2010 (18000). According to the company, the decrease in costs from 2009 to 2010 was driven by the creation and use of new cost centers in 2010 which were practice-area specific.	According to our organizational analysis of Cost Center 92008 (equivalent to PCC 008), the number of employees assigned to this legacy KeySpan cost center was 48 in March 2009, 50 in December 2009, and 17 in December 2010.
362	Workforce Management	371,620	845,173	<i>Workforce Management (362)</i> – Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this cost center was 14 percent in 2009 and 31 percent in 2010. In these two years, this cost center provided scheduling, training, employee development, financial analysis, and vendor relations for contact centers. Legacy Grid and Niagara Mohawk had their own departments that performed similar tasks (Work Units 22220 and 82450, respectively). This cost center tracked only legacy KeySpan employees and their costs. The company attributed the increase in costs charged to Niagara Mohawk to a migration of certain responsibilities to a centrally-managed Workforce Management group that was both expanding and hiring more experienced employees. According to the company, this resulted in a change halfway through 2009 of using an allocation code that attributed no charges to Niagara Mohawk to one that allocated 32 percent of all charges to Niagara Mohawk (N01 vs. N51) (response to Discovery, OC-244).	According to our organizational analysis of Cost Center 92362 (equivalent to PCC 362), the number of employees assigned to this legacy KeySpan cost center was 28 in March 2009, 15 in December 2009, and 20 in December 2010. Legacy Grid's work unit that performed similar work had 21 employees in March 2009, 2 employees in December 2009, and 2 employees in December 2010. The company indicated that Niagara Mohawk's Work Unit 82450 also performed similar work. We observed that this Niagara Mohawk work unit had 5 employees in March 2009 but no employees in either December 2009 or December 2010.
089	Ent Ops-Net C&P-KS	538,609	845,159	<i>Enterprise Operations – Network Communications & Planning – KS (089)</i> – Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this cost center was 16 percent in 2009 and 34 percent in 2010. This cost center was responsible for the establishment and maintenance of communications systems across National Grid. Legacy Grid also had departments that performed similar work to benefit Niagara Mohawk during these two years, and Niagara Mohawks had its own Protection Telecommunications Organization that provided wiring services, fiber link support, and WAN testing. The company attributed the increase in Niagara Mohawk's portion of these costs between 2009 and 2010 to a major restructuring of the Information Systems group. The allocation of labor and burdens shifted from using an allocation code that charged nothing to Niagara Mohawk in early 2009 to one that charged 32 percent to Niagara Mohawk midway through 2009 (N01 vs. N51). An increase in the number of management employees and a merit increase granted in July 2010 also contributed to the increase (response to Discovery, OC-244).	According to our organizational analysis of Cost Center 92089 (equivalent to PCC 089), the number of employees assigned to this legacy KeySpan cost center was 25 in March 2009, 21 in December 2009, and 14 in December 2010. Legacy Grid's service company departments that performed similar work had 29 employees in March 2009, 26 employees in December 2009, and 20 employees in December 2010. The company-identified departments housed within Niagara Mohawk had 72 employees in March 2009, 68 employees in December 2009, and 69 employees in December 2010.
539	DGC Litigation & Business Conduct	-	776,775	<i>DGC Litigation & Business Conduct (539)</i> – Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this costs center was 27 percent in 2010. The cost center did not exist prior to 2010. This cost center was responsible for handling all litigation related to employment, tort, compliance, environmental matters as well as other general matters for the entire National Grid organization. Legacy Grid had a similar department in both 2009 and 2010 (18000).	Presumably, this is one of the cost centers that was "spun off" of the all-encompassing DGC Manager of Operations cost center which was previously discussed. According to our organizational analysis of Cost Center 92539 (equivalent to PCC 539), the number of employees assigned to this legacy KeySpan cost center was 0 in both March 2009 and December 2009, and 12 in December 2010.
087	Prod Mgmt-Desktop-KS	547,906	760,199	<i>Prod Mgmt – Desktop – KS (087)</i> – Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this cost center was 14 percent in 2008 and 22 percent in 2010. This cost center was responsible for supporting the deployment and use of desktop and notebook hardware and software applications. Legacy Grid's service company had two departments that performed similar work (17760 and 17840) for Niagara Mohawk. As with Cost Center No. 089, the company attributed the increase in Niagara Mohawk's portion of these costs to the Information Systems group restructuring. During 2009, the allocation of these costs went from N01 (no costs allocated to Niagara Mohawk) to N51 (32 percent allocated to Niagara Mohawk). While this was partially offset by a reduction of four management employees, a 2.5 percent merit increase in management pay in 2010 also contributed to the overall increase between years (response to Discovery, OC-244).	According to our organizational analysis of Cost Center 92087 (equivalent to PCC 087), the number of employees assigned to this legacy KeySpan cost center was 37 in March 2009, 31 in December 2009, and 26 in December 2010. Legacy Grid's service company departments that performed similar work had 26 employees in March 2009, 25 employees in December 2009, and 21 employees in December 2010.

PCC No.	Cost Center Description	2009	2010	Company Description of Cost Center and Explanation of Any Change in Amount Between 2009 and 2010 (A)	Overland Organizational Analysis (if applicable) (B)
N13	NG-CTA-Shared Services	481,103	723,311	<i>NG-CTA-Shared Services (N13)</i> – Niagara Mohawk’s percentage of total labor-related KeySpan service company charges for this cost center was 19 percent in 2009 and 23 percent in 2010. This cost center was set up to account for costs to achieve (CTA) savings related to the KeySpan merger. It also absorbed non-CTA exceptional costs (e.g., process transformation initiatives). In 2010, these exceptional costs made up approximately half of the costs charged to Niagara Mohawk. A separate legacy Grid service company department captured similar costs incurred by National Grid employees and departments (Work Unit 80005).	
433	FBP-Operations	400,828	695,017	<i>FBP – Operations (433)</i> – Niagara Mohawk’s percentage of total labor-related KeySpan service company charges for this cost center was 26 percent in 2009 and 28 percent in 2010. In 2009 and 2010, this cost center was used for the Gas Distribution Finance Group. Subsequent to 2010, it began to be used for Decision Support for the Operations Function. As part of Decision Support, this works closely with US functions such as Human Resources, Legal, Information Services, etc. to monitor expenditures and provide financial information to decision makers. The legacy Grid service company had a similar department (14310).	
079	Internal Audit Department	502,018	684,416	<i>Internal Audit Department (079)</i> – Niagara Mohawk’s percentage of total labor-related KeySpan service company charges for this cost center was 24 percent in 2009 and 30 percent in 2010. According to the company, this cost center provided “. . . independent, objective, assurance for National Grid.” Legacy Grid’s service company had a department (13000) that performed similar work in 2009 and 2010. The company attributes the increase in Niagara Mohawk’s portion of these costs from 2009 to 2010 to a reorganization post-merger which led to a change in allocation methodology during 2009. A 2.5 percent merit increase in pay to management employees in July 2010 also contributed to the increase (response to Discovery, OC-244).	According to our organizational analysis of Cost Center 92079 (equivalent to PCC 079), the number of employees assigned to this legacy KeySpan cost center was 14 in March 2009, 14 in December 2009, and 13 in December 2010. Legacy Grid’s service company department that performed similar work had 11 employees in each of the following three months -- March 2009, December 2009, and December 2010.
050	Employee & Labor Relations	148,505	676,890	<i>Employee & Labor Relations (050)</i> – Niagara Mohawk’s percentage of total labor-related KeySpan service company charges for this cost center was 6 percent in 2009 and 23 percent in 2010. This cost center was responsible for labor negotiations with local unions across the service territory in the U.S. Employees at the legacy Grid service company (16110) and Niagara Mohawk (16310) also performed similar duties. As with other functional areas, the company attributed the increase in costs between 2009 and 2010 to a shift of resources from National Grid USA Service Company to the legacy KeySpan service companies.	According to our organizational analysis of Cost Center 92050 (equivalent to PCC 050), the number of employees assigned to this legacy KeySpan cost center was 13 in March 2009, 13 in December 2009, and 14 in December 2010. Legacy Grid’s service company department that performed similar work had 4 employees in March 2009, 3 employees in December 2009, and 6 employees in December 2010. Niagara Mohawk’s department had 5 employees in each of the following three months -- March 2009, December 2009, and December 2010.
033	Capital Markets & Asst Treasurer	511,356	659,217	<i>Capital Markets & Asst Treasurer (033)</i> – Niagara Mohawk’s percentage of total labor-related KeySpan service company charges for this cost center was 22 percent in 2009 and 30 percent in 2010. This cost center managed day-to-day cash of U.S. businesses, developed and executed finance plans for U.S. entities, managed U.S. pension/401(k) assets, and oversaw the risk management function. According to the company, while National Grid USA Service Company performed similar work (12100), costs it was incurring to transition work from Waltham to New York began to tail off as the legacy KeySpan service company cost center began assuming more of the workload during 2009-2010 timeframe.	According to our organizational analysis of Cost Center 92033 (equivalent to PCC 033), the number of employees assigned to this legacy KeySpan cost center was 15 in March 2009, 17 in December 2009, and 16 in December 2010. Legacy Grid’s service company department that performed similar work had 1 employee in March 2009, 1 employee in December 2009, and no employees in December 2010.
698	ESS Sales Operations Support	588,072	636,810	<i>ESS Sales Operations Support (698)</i> – Niagara Mohawk’s percentage of total labor-related KeySpan service company charges for this cost center was 31 percent in both 2009 and 2010. This cost center was responsible for providing business support to the Energy Solutions Delivery (ESD) group, especially those that were sales-related. This group also provided financial analysis, financial reporting, payment processing, and assistance with business-related training. Both the legacy Grid service company (25510) and Niagara Mohawk engaged in similar activities (80510).	

PCC No.	Cost Center Description	2009	2010	Company Description of Cost Center and Explanation of Any Change in Amount Between 2009 and 2010 (A)	Overland Organizational Analysis (if applicable) (B)
021	Finance Business Partners	511,926	634,519	<i>Finance Business Partners (021)</i> – Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this cost center was 27 percent in 2009 and 30 percent in 2010. This cost center in 2009 and 2010 was known as the Management Reporting & Planning group which owned and facilitated the planning, budgeting, and forecasting of U.S. businesses and provided Decision Support to the non-regulated businesses and Corporate Services groups. In 2011, following the restructuring, this cost center began capturing the costs for Decision Support for the Central Functions, Network Strategy, the Jurisdictions, Shared Services, and the Customer Function. According to the company, the legacy Grid service company was also performing similar work in 2009 and 2010 (14100 and 14400) along with the incurring costs associated with the transition of work from Waltham to New York. These latter costs decreased from 2009 to 2010.	
548	Energy Risk Management	310,272	603,553	<i>Energy Risk Management (548)</i> – Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this cost center was 12 percent in 2009 and 21 percent in 2010. Despite the name assigned to this cost center in the accounting system, the company referred to it as Customer Data & Systems / Generation / Energy Portfolio Management / Market Strategy and Analysis / Commercial Systems. The company said the cost center's responsibilities were associated with supporting the technology needs of the Energy Procurement Organization. Neither the legacy Grid service company nor Niagara Mohawk had a department that provided similar assistance. The company attributed the increase in Niagara Mohawk's portion of these costs between 2009 and 2010 to a reorganization that led to a change in allocation methodology during 2009. Initially using Allocation Code G24 which charged nothing to Niagara Mohawk, the company changed to Allocation Code G52 which allocated 16 percent of all costs to Niagara Mohawk. In addition, the company noted that there was a ramp up of energy efficiency work in 2010 related specifically to the Niagara Mohawk distribution segment (response to Discovery, OC-244).	According to our organizational analysis of Cost Center 92548 (equivalent to PCC 548), the number of employees assigned to this legacy KeySpan cost center was 13 in March 2009, 15 in December 2009, and 15 in December 2010.
607	Gas Work Methods - KCC	322,633	525,923	<i>Gas Work Methods – KCC (607)</i> – Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this cost center was 34 percent in 2009 and 38 percent in 2010. Among other things, this cost center was charged with the standardization and optimization of materials; evaluation, root-cause analysis and reporting of material failures, oversight of the operating standards concerning materials, and compliance with governmental regulations. Legacy Grid service company had a similar department (86880) that reported to the same organization, Network Strategy – Engineering Policy and Standards. Niagara Mohawk also had one employee that worked on similar matters.	
040	Learning and Development	249,800	505,786	<i>Learning and Development (040)</i> – Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this cost center was 5 percent in 2009 and 9 percent in 2010. This cost center was charged with the technical field training of employees as were two departments within the legacy Grid service company (38220 and 38250) and a small group within Niagara Mohawk (38230). The company attributed the increase in Niagara Mohawk's portion of costs in this cost center to a post-merger reorganization (response to Discovery, OC-244).	According to our organizational analysis of Cost Center 92040 (equivalent to PCC 040), the number of employees assigned to this legacy KeySpan cost center was 36 in March 2009, 34 in December 2009, and 36 in December 2010. Legacy Grid's service company departments that performed similar work had 13 employees in March 2009, 17 employees in December 2009, and 17 employees in December 2010. The Niagara Mohawk department performing similar work had 9 employees in March 2009, 9 employees in December 2009, and 8 employees in December 2010.
M73	CTA-IS OPEX Exceptionals	579,808	457,698	<i>CTA - IS OPEX Exceptionals (M73)</i> – Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this cost center was 27 percent in 2009 and 23 percent in 2010. When asked to provide a short description of the nature of the work performed by this cost center, the company responded "[t]he goal of the Transformation Program is to deliver business improvement and cost reduction through standardization, rationalization, innovation and leveraging market capability." Legacy Grid had a department capturing similar costs (17995).	

PCC No.	Cost Center Description	2009	2010	Company Description of Cost Center and Explanation of Any Change in Amount Between 2009 and 2010 (A)	Overland Organizational Analysis (if applicable) (B)
084	IS Cust-KS	501,335	79,370	<i>IS Cust – KS (084)</i> – Niagara Mohawk's percentage of total labor-related KeySpan service company charges for this cost center was 22 percent in 2009 and 6 percent in 2010. From the beginning of 2009 to April 2010, this cost center was used to capture Enterprise Technical Services costs. Examples of work performed by this cost center during this time included web server configuration and support, enterprise e-mail and messaging services, desktop productivity tool support, etc. In April 2010, this cost center became solely focused on project-related work associated with Customer applications. All Enterprise Technical Services work was transferred to Cost Center No. 560KCC. Legacy Grid had several departments that performed similar work. The company attributed the decrease in costs charged to Niagara Mohawk between 2009 and 2010 largely to the change in focus of the cost center in April 2010.	
001	Chairman	268,782	-	<i>Chairman (001)</i> – Until April 1, 2009, the activities of the Deputy Chairman were captured in this cost center. Since he was a legacy KeySpan employee, his costs were attributed to a legacy KeySpan service company cost center. Upon his retirement, his responsibilities were transferred to the Executive Director, Electric Distribution and President of National Grid US, a legacy Grid employee (response to Discovery, OC-212).	
	Other	15,749,895	20,515,493		
	Total	28,689,204	40,060,642		

Source: 2009 and 2010 amounts as well as percentage of charges allocated to Niagara Mohawk were derived from response to OC-142.

(A) Response to Discovery, OC-209 unless otherwise noted.

(B) Derived from the response to Discovery, OC-4 supplemental.

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Contractors and Consultants Costs Charged by Legacy KeySpan Service Companies to Niagara Mohawk by Cost Center

PCC No	Cost Center Description	2009	2010	Year	List of the Major Vendors (A)
N06	NG - CTA - Treasury and Tax	\$1,364,457	\$0	2009	2009 – Ernst & Young was the primary vendor of costs allocated to Niagara Mohawk in 2009. These costs were associated with the Income Tax Integration work for the Tax Basis Balance Sheet Project, resulting from the KeySpan acquisition. According to the company, a general allocation to all legacy Grid and Keyspan entities was used since all legal entities benefitted from the work. The costs associated with the Tax Basis Balance Sheet Project were non-recurring in nature.
139	Income Tax	953,834	855,840	2009 and 2010	2009 and 2010 – The company identified Ernst & Young and Deloitte as the primary vendors used by this service company cost center. Ernst & Young assisted with income tax calculations related to inventory and R&D expenditures while Deloitte aided the company during the transition period in closing the books and reconciling tax accounts. Since these activities benefitted all operating companies, a general allocator involving all legacy Grid and legacy KeySpan companies was used. The amounts paid to Ernst & Young and Deloitte were one-time in nature and were not in lieu of costs incurred internally.
269	Commun Cust & Brand Strat	1,107,851	426,065	2009 and 2010	2009 and 2010 – The company said that vendors such as Mullen Communications and Kelliher Samets Volk were engaged to create and implement ideas for advertising campaigns to encourage the utilization of natural gas and to work in collaboration with Customer Communications to promote safety and disseminate information on utility operations. According to the company, costs were allocated on the basis of customers targeted by each campaign. This allocation apparently was done prior to the recording of costs on the service company's general ledger as all of the costs assigned to the code block identified in our request were assigned to the Niagara Mohawk Gas segment in both 2009 and 2010. Although the costs incurred by this cost center are on-going in nature, the company has moved some work in-house that it previously farmed out to third parties (e.g., printing of bill inserts).
015	Financial Reporting Assistant Controller	539,465	530,018	2009 and 2010	2009 and 2010 – According to the company, it retained Ernst & Young to support the development of the Business Plan and Budget, with particular emphasis on developing income statement analysis and metrics. National Grid stated that “[t]hese costs were one off in 2010.” In addition, Niagara Mohawk was charged for its share of the annual audit and Sarbanes-Oxley testing by PricewaterhouseCoopers. The company indicated that these latter costs were charged to Cost Center No. 11200 prior to 2009.
N10	NG - CTA - Customer Markets	573,948	188,322	2009	2009 - The cost center was set up to capture costs to achieve related to the KeySpan acquisition. However, over time, other recurring types of costs may have been charged to this cost center. (B) The company attributed the majority of expenses for this cost center to Accenture for the Customer Experience Phase III project, especially the Call Handling Process Re-Engineering aspect of the project. According to the company, these costs were allocated across all gas and electric distribution companies as they all benefitted from the call centers. To the extent that costs are associated with the KeySpan acquisition, they are non-recurring according to the company.
008	DGC Manager of Operations	730,949	600,210	2009 and 2010	2009 and 2010 – The company stated that vendors in this cost center were retained by the company to provide legal service relating to environmental, litigation, and regulatory matters affecting Niagara Mohawk. They included: • Foley & Lardner LLP • Arnold & Porter LLP • Hammill O'Brien Croutier Dempsey & Pender PC • Corrigan Johnson and Tutor • Bond Schoeneck and King PLLC • Keegan Werlin & Pabian LLP These costs are of a recurring nature and in past years were provided by a mix of internal and external resources in the legacy Grid companies using Department 18000.
N13	NG - CTA - Shared Services	199,531	26,868	2009	2009 - Costs billed by Ernst & Young for consulting were responsible for a majority of the KeySpan acquisition costs to achieve captured in this cost center. However, over time, other recurring types of costs may have been charged to this cost center. (B) According to the company, the costs were allocated across all legacy KeySpan and legacy Grid companies. The company stated that the costs associated with the KeySpan acquisition were non-recurring in nature.
045	Benefits Design & Planning	300,905	421,058	2009 and 2010	2009 and 2010 - The primary vendors identified by the company for this cost center were Towers Watson Pennsylvania Inc. and Hewitt Associates LLC. Towers Watson Pennsylvania Inc. provided consulting services concerning medical and dental plans, union negotiations, disability programs, plan structure, and design strategy. Hewitt Associates LLC provided consulting services for medical benefits analysis. The company changed the allocation code for this cost center in September 2009 from N35 which allocates no costs to Niagara Mohawk to N51 which allocates to both Niagara Mohawk Gas and Transmission segments. This was done because a review of the work performed by the vendors suggested that all companies benefitted from the work after the Human Resources group reorganized in 2009. (C) Costs paid to Towers Watson Pennsylvania Inc. and Hewitt Associates LLC were incurred internally in past years.
539	DGC Litigation & Business Conduct	-	770,920	2010	2010 – The primary vendor identified by the company for this cost center was Cullen and Dykman. The company stated that Cullen and Dykman was used to handle tort and non-tort litigation matters directly affecting Niagara Mohawk as well as administration and general expenses. These costs are of a recurring nature and in past years were provided by a mix of internal and external resources in the legacy Grid companies using Department 18000.
M73	CTA - IS OPEX Exceptionals	-	2,409,697	2010	2010 – The company provided no information on these costs other than to state that to the extent costs were associated with the Transformation Program they were non-recurring and not in lieu of internal costs.
005	Legal - NY Regulatory	-	578,910	2010	2010 – The company identified the following vendors associated with these charges: • Attorney Registration • Cullen and Dykman • Morgan Lewis & Bockius LLP • Variant Partners • Young Samuel Chambers Ltd According to National Grid, these vendors (for the most part) provided legal counsel on matters related to the Niagara Mohawk rate case and other regulatory matters. These costs are of a recurring nature and in past years were provided by a mix of internal and external resources in the legacy Grid companies using Department 18000.
041	US LTC Management	173,035	508,373	2010	2010 – This is the Leadership, Talent and Change Management group. The company stated that these costs were for professional development expenses (e.g., training aids, seminars, supplies, and memberships) and included: • Centre for High Performance Development Ltd (leadership training seminars) • BTS USA Inc. (pilot programs) • Plateau Systems Ltd (implementation of learning management system) • Turning Technologies LLC (hand held devices used in training seminars) • Boston University (site of seminar) • Corporate Executive Board (membership for employee) • Capital Analytics Inc. (impact survey for leadership program) • Jack Nadel Inc. (leadership team training) • The Conference Board Inc. (corporate membership) • Pro Unlimited (temporary contractor) According to the company, these costs were allocated across all legacy Grid and legacy KeySpan service companies.
Other		2,706,043	4,156,925		
Total		8,650,018	11,473,206		

(A) Responses to Discovery, OC-213 and OC-214 unless otherwise noted.

(B) E-mail from John O'Shaughnessy, Director – Service Company & Accounting Support, dated April 4, 2012

(C) Response to Discovery, OC-245.

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4. NIAGARA MOHAWK COST OF SERVICE ISSUES

Introduction

This chapter covers the impact of service company cost allocations on Niagara Mohawk's Electric Distribution and Transmission cost of service for the test year ended September 30, 2009. The primary objective of the analysis was to evaluate the O&M expenses charged by National Grid's service companies to Niagara Mohawk's regulated cost of service in the historic test year in comparison with expense levels recorded in calendar years during the period 2007 through 2010.

This chapter focuses primarily on items affecting the normalized level of operations and maintenance (O&M) expense included in Niagara Mohawk's cost of service for the historic test year ended September 30, 2009. The chapter also covers the cost of service treatment for expatriate expenses incurred and charged to Niagara Mohawk Electric during the test year. Separately, in Chapter 7 – Transactions Testing, we identify and discuss errors in cost direction and above vs. below-the-line treatment that also affected Niagara Mohawk Electric's recorded cost of service for the historic test year.

Audit Scope

The scope of our review included a comparison of O&M expenses incurred by Niagara Mohawk Electric Distribution and Transmission during the historic test year ended September 30 2009 with O&M expenses incurred in calendar years 2007 through 2010 and an evaluation of costs incurred during the historic test year that were significantly higher than costs incurred during the surrounding calendar years; and in particular, calendar years 2008 and 2010.

Summary of Findings

1. O&M expenses charged by National Grid USA Service Company to Niagara Mohawk's Electric Distribution and Transmission segments during the historic test year ended September 30 2009 were \$36.4 million (16%) higher than average annual expenses charged during calendar years 2007 through 2010. Approximately \$6.5 million of this was attributable to higher payroll burdens and \$24 million was attributable to higher outside services expenses from consultants and contractors. In both cases, the higher expenses were incurred primarily in calendar year 2009. \$16.3 million in contractors and consultants expenses charged by National Grid USA to Niagara Mohawk Electric in the test year was major storm repair expense deferred for future recovery in accordance with approved regulatory treatment. Most of the remaining higher consultant and contractors expenses, associated primarily with productivity enhancement projects, were charged to test year O&M and considered to be normal, recurring expenses.
2. A higher level of payroll burdens charged by National Grid USA to Niagara Mohawk Electric during the test year was attributable to higher service company pension expenses and, to a lesser extent, higher service company post-retirement health care and other post-retirement benefits. National

Grid stated that the pension expense increase in the post-merger was primarily the result of accruals for merger-related voluntary early retirement offers (VEROs). A secondary cause of increase was the decline in equity prices coincident with the financial crisis that occurred in 2008. National Grid provided rate case schedules showing that test year pension and other post-retirement expenses had been adjusted downward by \$12.2 million to normalize them for VEROs and other non-recurring items.

3. Several large productivity enhancement projects were major contributors to higher service company charges to Niagara Mohawk Electric for outside services during the test year compared with calendar years 2008 and 2010. \$10.2 million in consultants and contractors charges and \$1.6 million in “Other” charges (also mainly outside services) were charged to Niagara Mohawk Electric O&M expense during the test year for three large non-recurring projects (Electric Distribution Operations Transformation, Transaction Delivery Center and Global Procurement). Of the total \$11.9 million, National Grid removed \$647,340 from Niagara Mohawk’s Electric cost of service that it deemed to be costs to achieve the KeySpan merger. The remainder, \$11.2 million, was considered to be recurring expense.¹ Because the expenses associated with these projects were significant and similar projects were not incurred in either 2008 or 2010, we believe the expenses were non-recurring and, notwithstanding other considerations, should be recognized as such for ratemaking purposes..²
4. Niagara Mohawk’s Electric Distribution vegetation management expenses (other than expenses deferred for storm damage repair) for the test year, \$33.9 million, exceeded annual average spending charged during the period 2007 through 2010, \$30.8 million, by \$3.1 million, or about 10%. Electric Distribution vegetation management was substantially higher in 2009 than 2008, and about 13% lower in 2010 than in 2009. . However, the overall level of spending on vegetation management during the test year (including both Electric Distribution and Transmission), \$41.4 million, was slightly *lower* than 2010 spending, \$42.4 million.

¹ Revenue Requirements Panel Exhibit RRP-2, which includes adjustments to normalize O&M expenses incurred during the test year, does not include an adjustment to normalize productivity enhancement projects.

² In its preliminary comments on our draft report, National Grid stated that Overland “ignores that its recommendation is directly contrary to Staff’s position as well as the Commission’s Order in Case 10-E-0050.” National Grid further stated that “if the savings expected from these initiatives were reflected in . . . rates, which they are, then the costs of achieving those savings should also be included.” Contrary to National Grid’s assertion, we do recognize that, based on the forecasted information available at the time of the rate case, the Staff and the Commission treated the expenses of these projects as recurring for ratemaking and that associated savings were also recognized. However, unique, expensive projects performed by an outside provider that will not recur and are not part of the normalized expense baseline are typically not treated as annually recurring for ratemaking. As we interpreted the Commission’s RFP, and as reflected in our work plan, this is precisely what the Staff intended for us to determine when it requested a normalization analysis of Niagara Mohawk’s test year. The fact that savings to be generated by a project may be annually recurring does not necessarily mean that the associated expenses will be annually recurring. Overland is not necessarily recommending National Grid not be allowed to recover the expenses for ratemaking; rather, we are recommending that, in determining what should be recovered and how it should be recovered, the expenses be treated as non-recurring, rather than annually recurring,

5. Niagara Mohawk used six project identifiers to track major storm repair expenses. To the extent charged to these six projects, storm repair expenses charged by the service company to Niagara Mohawk appear to have been properly deferred. .
6. Niagara Mohawk removed approximately \$5 million paid to or on behalf for expatriates, from Niagara Mohawk's Electric cost of service for the historic test year ended September 30, 2009. National Grid stated that \$3.378 million in expatriate salaries and expenses were removed from Niagara Mohawk's revenue requirement in a supplemental filing in the rate case made on August 30, 2010. Subsequently, additional expatriate costs, consisting of \$1.603 million that included tax payments made by National Grid in the U.K. on behalf of expatriates and ultimately charged to Niagara Mohawk Electric were also removed, for a total cost of service adjustment of \$4.981 million. Detail provided by National Grid supports the removal of between \$4.854 million and \$5.002 million.
7. Beginning in fiscal year 2012, National Grid began recording all expatriate salaries and expenses on the books of the parent company (National Grid USA Inc., or company 01), and billing National Grid USA Service Company for amounts equivalent to the market-comparable costs to employ an equivalent non-expatriate in the same position. In order to do this, National Grid's Human Resources organization must collect market-reference point salary information and use it to determine what National Grid would pay an equivalent U.S.-based employee. This becomes the basis for billing the service company, which then directly charges or allocates the billed amounts to affiliates as it would any other regulated expense.
8. Although National Grid decided to remove expatriate payroll and expenses from Niagara Mohawk Electric cost of service for the 2008-2009 historic test year, it is not the company's intention to exclude all expatriate expenses from future rate recovery. National Grid intends to compare the salary and benefits for an equivalent U.S. employee (basically, a market-based salary for the position, as determined by a compensation consulting firm, plus benefits) with the sum of the actual salary and expenses (other than business travel expenses) paid to the expatriate, and submit the lower of the two amounts for each expatriate for rate recovery. During the historic test year there were approximately 40 U.K. expatriates working in the U.S.³ At the end of 2011, there were approximately 12 U.K. expatriates in the U.S., so the amounts paid to expatriates recently are much lower than they were in 2009.⁴
9. Consistent with the total costs allocated to Niagara Mohawk's electric distribution and transmission segments by legacy KeySpan service companies during the historical test year ended September 30, 2009, storm-related costs and merger-related integration costs ("costs to achieve") allocated by the legacy KeySpan service companies to Niagara Mohawk electric operations were insignificant. In fact, no storm-related costs (other than \$19,000 associated with a storm-tracking IT system) and

³ OC-58 Attachment A

⁴ OC-167

only \$4,367,000 of merger costs-to-achieve were allocated to Niagara Mohawk electric operations during the historical test year. \$2,628,000 of these merger costs-to-achieve were specifically excluded by the company as “one time CTA costs related to the KeySpan integration” in its filing.

Niagara Mohawk Electric Test Year Normalization Analysis – Expenses Charged by National Grid USA Service Company

We compared O&M expense charged from National Grid USA to Niagara Mohawk’s Electric Distribution and Transmission segments for the years 2007 through 2010 with the historic test year ended September 30, 2009. The annual amounts shown in the table below are broken into monthly schedules in Exhibit 4-1.

Table 4-1 – Regulated O&M Expense Charged to Niagara Mohawk Electric Distribution & Transmission Segments

National Grid USA Service Company								
Regulated O&M Expense Charged to Niagara Mohawk Electric Distribution & Transmission Segments								
Calendar Years 2007-2010 and Historic Test Year Ended September 30, 2009								
Expense Type	CY 2007	CY 2008	CY 2009	CY 2010	Calendar Year Average	HTY	HTY vs. Avg.	
100 Consultants	10,307,676	12,359,320	14,794,871	11,756,695	12,304,640	14,800,969	120%	
110 Contractors Services	43,343,546	50,090,966	72,671,472	44,791,046	52,724,257	74,279,044	141%	
200 Employee Expenses	3,498,098	5,336,498	4,700,012	4,076,348	4,402,739	5,468,952	124%	
300 Hardware	6,326,037	5,252,544	3,441,580	3,742,131	4,690,573	3,808,401	81%	
350 Software	8,387,934	7,800,209	8,687,796	7,418,750	8,073,672	8,602,835	107%	
400 Other (Undefined)	13,494,953	8,875,666	13,547,251	11,518,606	11,859,119	13,880,982	117%	
4XX Advertising, Printing, Training, Dues, Donations, "Govt. Payments" & Misc.	-	350	495,069	318,248	203,417	46,528	23%	
5XX Fleet, Real Estate Rental	10,971,521	11,139,015	12,169,505	9,683,881	10,990,981	11,763,478	107%	
AXX Servco Equity, Servco Operating Costs, Supervision & Admin, Sales Tax	(3,553,742)	(896,992)	1,259,487	4,823,503	408,064	344,337	84%	
BXX Payroll Burdens	24,663,266	32,467,969	37,770,274	25,858,291	30,189,950	36,717,054	122%	
MXX Materials & Supplies	34,186,728	40,658,539	35,148,356	35,760,394	36,438,504	36,782,075	101%	
PXX Payroll	47,555,566	51,520,320	63,699,719	66,883,992	57,414,899	59,633,777	104%	
T10 Transportation	196,546	350,058	314,068	635,094	373,941	348,638	93%	
Total	199,378,128	224,954,462	268,699,461	227,266,979	230,074,758	266,477,070	116%	
Sources: OC-1, Liberty Grid Allocation Databases, 2009, 2010 & HTY								
Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012								

O&M charges by National Grid USA were \$36.4 million higher in the historic test year than average annual expenses during the years 2007 through 2010.⁵ Of this, approximately \$6.5 million was attributable to payroll burdens and \$24 million to higher outside services expenses from consultants and contractors.

Payroll Burdens

The table below summarizes the components of Niagara Mohawk Electric Distribution and Transmission segment payroll burdens that were higher in the historic year compared with the calendar years 2007-

⁵ We used an average of 2007, 2008 and 2010 for comparison because the historic test year fell primarily within calendar year 2009.

2010. Higher payroll burdens in 2009 were primarily attributable to pensions, post-retirement health care and other post-retirement benefits.

Table 4-2 – Payroll Burdens Charged by NG to Niagara Mohawk Electric Distribution & Transmission O&M Expense Accounts

Payroll Burdens Charged by National Grid USA to Niagara Mohawk Electric Distribution and Transmission O&M Expense Accounts, Calendar Years 2007-2010 and Historic Test Year Ended Sept. 30, 2009								
Expense Type	CY 2007	CY 2008	CY 2009	CY 2010	Calendar Year Average	HTY	HTY vs. Avg.	
B01 FAS 106	5,430,245	5,864,644	6,549,064	6,091,364	5,983,829	6,728,780	112%	
B02 FAS 112	256,127	308,065	437,107	(218,964)	195,584	321,007	164%	
B03 Health Care	4,241,595	4,452,615	4,790,598	4,979,772	4,616,145	4,406,396	95%	
B04 Group Life Insurance	587,906	670,765	545,309	211,828	503,952	483,867	96%	
B05 Other Benefits	583,373	239,535	273,304	(3,584,333)	(622,030)	237,889	-38%	
B06 Pension	5,017,334	12,484,977	16,974,369	10,094,720	11,142,850	16,446,478	148%	
B07 Thrift Plan	8,374,750	8,240,206	8,154,891	8,111,823	8,220,417	8,094,132	98%	
B08 Workers Comp	171,840	205,743	45,068	172,316	148,742	(1,928)	-1%	
B09 Payroll Taxes	97	1,417	562	(235)	460	432	94%	
Total Payroll Burdens	24,663,266	32,467,969	37,770,274	25,858,291	30,189,950	36,717,054	122%	
Sources: OC-1, Liberty Grid Allocation Databases, 2009, 2010 & HTY								
Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012								

National Grid stated that the pension expense increase in the post-merger (post-2007) period was the result of accruals for merger-related voluntary early retirement offers (VEROs), and “to a lesser extent,” the decline in equity prices coincident with the financial crisis that occurred in 2008.⁶ In response to data request OC-66 National Grid also stated:

Pension and OPEB costs incurred under Voluntary Early Retirement Offers (VEROs) granted in conjunction with the New England Gas and KeySpan mergers were normalized out of the Historic Test Year (HTY) as costs to achieve merger synergy savings. The remaining HTY Pension and OPEB costs were normalized down to the level of Pension and OPEB rate allowances under the Merger Joint Proposal (MJP) at Case 01-M-0075, Attachment 16 Schedule 1. Please refer to a complete list of Company HTY normalization adjustments to Pension & OPEB expense at Attachment #1.

The normalization adjustments related to pension and OPEB expense charged by National Grid USA are summarized below. \$12.3 million in rate case adjustments to Niagara Mohawk Electric Distribution and Transmission segment pension and OPEB costs appear to correspond with historic test year service company charges to the Electric Distribution and Transmission segments summarized in the table above; however, it would take an extended analysis of relevant rate case documents to confirm this.

⁶ OC-233

Table 4-3 – Adjustments to Normalize Service Co. HTY Charges to Niagara Mohawk for Pensions & Other Post-Employment Benefits

Adjustments to Normalize Service Company Historical Test Year Charges to Niagara Mohawk for Pensions and Other Post-Employment Benefits.			
Adjustment	Electric	Gas	Total
To Adjust for KeySpan-Related VEROs - Pensions	(12,021,500)	(3,097,500)	(15,119,000)
To Adjust for KeySpan-Related VEROs - FAS 106	(270,500)	(69,700)	(340,200)
Total	(12,292,000)	(3,167,200)	(15,459,200)
Source: OC-66, Attachment 1 (Rate Case Exhibit RRP-2CU, Schs. 19 & 24)			

Contractors and Consultants

O&M expense charges from National Grid USA to Niagara Mohawk for contractors and consultants averaged \$65.0 million per year in calendar years 2007-2010. In the historic test year, which encompassed most of 2009, they were \$89.1 million before and \$72.8 million after removing deferred major storm repair expenses. The following table summarizes historic test year before and after removing expenses recorded under storm repair projects. Storm repair expenses are discussed separately below.

Table 4-4 - Contractor & Consultant O&M Charges to Niagara Mohawk Electric Distribution & Transmission

National Grid USA Contractor and Consultant O&M Charges to Niagara Mohawk Electric Distribution & Transmission Calculation of Amounts Net of Charges to Major Storm Repair Projects		
Expense Type		HTY
Total ServCo Contractors & Consultants, O&M		
100	Consultants	14,800,969
110	Contractors Services	74,279,044
Total Contractors and Consultants O&M from Servco		89,080,014
Major Storm Repair Amounts Directly Charged to NiMo		
100	Consultants	19,883
110	Contractors Services	16,304,817
Total Major Storm Repair Charges from Servco		16,324,700
Contractors and Consultants O&M Charges Net of Storm Repair		
100	Consultants	14,781,086
110	Contractors Services	57,974,227
Total Contractors / Consultants Excluding Storm Repair		72,755,314
Sources: OC-1, Liberty Grid Allocation Database for the Historic TY Ended Sept. 30 2009 & Details by Vendor with HTY.xls (supplement to OC-144)		

With deferred storm repair removed, contractors and consultants O&M charges to Niagara Mohawk Electric during the historic test year were about \$15.3 million (26%) higher than the average annual amounts incurred in 2007, 2008 and 2010 *with storm repair included*, which averaged \$57.5 million.⁷ Most of the higher consultants and contractors charges are explained by three large productivity enhancement projects that were performed in 2009. An additional, smaller amount is associated with

⁷ We did not have the data needed to identify and exclude storm repair in calendar years 2007 through 2010. However, leaving these costs in the comparison years makes the comparison to historic test year a conservative one.

vegetation management expenses that were higher in 2009 than in the years that bracketed 2009 even after expenses charged to storm repair were removed.

Major Productivity Enhancement Projects – We identified three significant projects contributing to abnormally high contractors and consultants charges during the historic test year. These include:⁸

Electric Distributions Operations Transformation (EDOT) – In its rate case testimony, National Grid described EDOT as “[t]ransforming . . . electric operations to improve the level of service to customers, while promoting safety, network reliability and performance, and efficiency [and] addressing. . . work management, design, construction, asset management, network operation and customer management. . .” Following are the EDOT O&M costs recorded by National Grid USA and charged to Niagara Mohawk’s Electric Distribution and Transmission segments in the test year:

Table 4-5 – Electric Distribution Transformation O&M Expenses

National Grid USA Service Company			
Electric Distribution Transformation O&M Expenses, TYE Sept 30 2009			
Expense Type		NG USA Before Allocation	Niagara Mohawk Electric
100	Consultants	12,772,018	5,606,827
110	Contractors Services	1,226,174	690,481
1XX	Contractors & Consultants	13,998,192	6,297,308
	Other	760,450	485,004
BXX	Payroll Burdens	1,544,378	812,961
M10	Materials Outside Vendor	107,322	60,734
PXX	Payroll	5,314,619	3,288,873
T10	Transportation	34,248	26,997
Total		21,759,209	10,971,876
OC-59			

Transaction Delivery Center (TDC) – TDC was a consolidation of transactional functions into the Syracuse operating center to centralize and streamline transactional activities such as routine employee services, routine procurement and credit and collections. Following are O&M costs incurred in the TDC project by National Grid USA and charged to Niagara Mohawk electric segments during the test year. As shown, most of the costs were removed from test year cost of service as merger-related.

⁸ OC-59, Attachment 1

Table 4-6 – Transaction Delivery Center O&M Expenses

National Grid USA Service Company					
Transaction Delivery Center O&M Expenses, TYE Sept 30 2009					
Expense Type		NG USA Before Allocation	Niagara Mohawk Electric Total	Merger Costs-to-Achieve Removed from Test Yr COS	Niag. Mohawk Electric Adjusted
100	Consultants	1,834,342	633,403	(633,403)	-
	Other	60,329	42,007	(13,937)	28,070
BXX	Payroll Burdens	240,202	53,655	-	53,656
PXX	Payroll	686,719	180,786	-	180,786
	Supervision & Admin	-	(623)	-	(623)
Total		2,821,593	909,229	(647,340)	261,889
Source: OC-59					

Global Procurement – National Grid described this as a procurement transformation program aimed at leveraging the organization's large scale to improve materials sourcing and supplier relationship management. Following are O&M costs incurred in the Global Procurement project by National Grid USA and charged to Niagara Mohawk electric segments during the test year.

Table 4-7 – Global Procurement O&M Expenses

National Grid USA Service Company			
Global Procurement O&M Expenses, TYE Sept 30 2009			
Expense Type		NG USA Before Allocation	Niagara Mohawk Electric
100	Consultants	-	54,843
110	Contractors Services	12,184,655	3,249,766
A70	Sales Tax	177	48
B08	Workers Comp	(338)	(140)
BXX	Payroll Burdens	126,454	53,178
P50	Time Not Worked	54,062	22,719
PXX	Payroll	428,159	179,853
(blank)	(blank)	746,631	192,661
Total		17,515,313	4,842,216
OC-59			

The following table summarizes the O&M expenses incurred by the service company and charged to Niagara Mohawk for all three productivity enhancement projects for the test year ended September 30, 2009:

Table 4-8 – Productivity Enhancement Project O&M Expenses

National Grid USA Service Company					
Productivity Enhancement Project O&M Expenses, TYE Sept 30 2009					
Expense Type		NG USA Before Allocation	Niagara Mohawk Electric Total	Merger Costs-to- Achieve Removed from COS	Niagara Mohawk Electric Adjusted
100	Consultants	14,606,360	6,295,073	(633,403)	5,661,671
110	Contractors Services	13,410,829	3,940,247		3,940,247
1XX	Contractors & Consultants	28,017,189	10,235,321	(633,403)	9,601,918
	Other	4,849,492	1,638,045	(13,937)	1,624,108
BXX	Payroll Burdens	1,911,035	919,794	-	919,794
M10	Materials Outside Vendor	108,023	60,992		60,992
PXX	Payroll	6,429,497	3,649,512	-	3,649,512
	Transportation	34,248	26,997		26,997
(blank)	(blank)	746,631	192,661		192,661
Total		42,096,115	16,723,321	(647,340)	16,075,981

Source: OC-59

The contractors and consultants costs, along with “other” costs which are also primarily outside services, appear to be non-recurring costs associated with the projects. The incremental amounts total \$32,866,681 for National Grid USA (before allocation) and \$11,873,366 for Niagara Mohawk Electric. Of this amount, National Grid removed only \$647,340 that it classified as costs to achieve the merger from the TDC project costs included in test year cost of service. National Grid explained this as follows:⁹

- All “non-VERO / severance-related [EDOT and Global Procurement] project costs are [deemed to be] ongoing business expense, as the Company should continue to seek more opportunities through the rate years to run its business more efficiently, in order to realize cost efficiencies and productivity savings.”
- For EDOT, National Grid stated that New York Department of Public Service Staff “did not dispute the recurrence of EDOT costs, but Staff did dispute the rate year forecast.” National Grid further stated that “the Commission approved a Staff-proposed adjustment of \$3.127 million to reduce the Company’s rate year forecast of EDO Transformation costs from \$13,257 million to \$10.130 million.” National Grid further stated that “in addition, the Commission approved an additional decrease to the cost of service of \$2.127 million to reflect incremental rate year efficiency savings associated with the EDOT Program.”
- For TDC, National Grid stated that the \$233,162 that was not removed was “comprised of labor and related overhead expense, which the Company would consider recurring expense.”
- For Global Procurement, National Grid stated that although Global Procurement costs were treated as recurring expense and included in the test year, “the Commission approved an offsetting

⁹ Attachment to email from Colleen Dowling to Robert Welchlin, Response Follow-up to OC-59 ML, June 28, 2012

decrease to the Company's rate year cost of service, as proposed by Staff, of \$4.268 million to reflect incremental efficiency savings associated with the GPT program."

Vegetation Management (Non-Storm) - As discussed in Chapter 3, increases in payments by National Grid USA to the largest vegetation management vendors explain a significant amount of increased vendor charges from the service company to Niagara Mohawk's O&M accounts over the six years ending December 31, 2010. The table below summarizes all *non-storm-related* vegetation management vendor expenses recorded in Niagara Mohawk's electric O&M expense accounts for all significant vendors serving Niagara Mohawk in the years 2005 through 2010 and for the historic test year ended September 30 2009.¹⁰ The table includes amounts vendor O&M charges paid by the service company, as well as expenses paid by Niagara Mohawk directly to the vendors.¹¹ All of Niagara Mohawk's vegetation management O&M expense originated either with Niagara Mohawk itself or with National Grid USA.

Table 4-9 – Non-Storm Vegetation Mgmt Vendor Charges to Niagara Mohawk Elec. O&M Accounts 560-598

Non-Storm Vegetation Management Vendor Charges to Niagara Mohawk Electric O&M Accounts 560-598								
2005 through 2010 and Niagara Mohawk 2008-2009 Test Year								
OBU	Vendor	2005	2006	2007	2008	2009	2010	HTY
00036	ASPLUNDH TREE EXPERT CO	2,849,955	8,230,153	12,017,199	10,800,826	11,502,564	14,619,479	10,525,614
	K W REESE INC	1,070,102	959,574			1,500,307	2,145,451	638,119
	LEWIS TREE SERVICE	1,518,917						
	LEWIS TREE SERVICE INC	2,473,398	4,495,018	5,375,169	8,091,120	5,206,585	6,257,042	5,782,409
	NELSON TREE SERVICE INC	2,351,419	2,035,980	3,585,876	5,053,459	12,145,189	10,200,236	10,109,117
	TAMARACK FORESTRY SERVICE INC	2,998,140	2,856,334	7,041,254	1,317,438	1,886,481	2,861,466	974,968
	THE DAVEY TREE EXPERT COMPANY				2,150	2,104,798		2,106,948
	THE TREE DOCTOR INC	271	583	4,479	1,980	34,850	67,429	35,133
Niagara Mohawk Source Subtotal		13,262,202	18,577,644	28,023,976	25,266,973	34,380,773	36,151,102	30,172,306
00099	ASPLUNDH TREE EXPERT CO		286,281	119,136	239,692	152,363	4,578	152,363
	K W REESE INC	125,733	693,341	2,181,971	2,770,609	1,561,190	34,326	2,346,980
	LEWIS TREE SERVICE	403,394		86,089	75,169			
	LEWIS TREE SERVICE INC	728,558	3,464,457	3,968,891	4,982,968	8,675,572	6,094,321	8,666,136
	NELSON TREE SERVICE INC		2,487	1,201,121	1,858,610	60,690	185,559	82,145
	TAMARACK FORESTRY SERVICE INC	590	47,908		5,806			
	THE DAVEY TREE EXPERT COMPANY					2,920		2,920
National Grid USA Source Subtotal		1,258,275	4,494,473	7,557,209	9,932,855	10,452,736	6,318,784	11,250,546
NiMo Electric O&M Expense Total		14,520,477	23,072,117	35,581,185	35,199,828	44,833,509	42,469,887	41,422,852

Source: Details by Vendor with historic test year.xls (supplement to OC-144)

Niagara Mohawk recorded a significant increase in annual O&M charges from vegetation management contractors between 2005 and 2007. The increased level of spending was sustained in the years after 2007. Total vegetation management spending increased again significantly in 2009, which includes nine months of the historic test year. Test year spending, \$41.4 million, exceeded average annual spending in 2008 and 2010, \$38.8 million, by \$2.6 million (6.7%).

¹⁰ Includes amounts charged to electric distribution and transmission only (accounts 560-598). Excludes amounts charged to construction work in progress (account 107), gas distribution O&M (accounts 860-893) and A&G expense (accounts 901-935). Excludes amounts charged to six "major storm" projects. Based on our analysis we believe the included vendors comprise over 95 percent of vegetation management vendor spending charged to O&M during the six-year analysis period.

¹¹ As the table shows, Niagara Mohawk had significant vegetation management payments to vendors even in 2005; however, it was not until 2006 that National Grid USA began to make significant payments to these vendors on Niagara Mohawk's behalf.

Breaking this down into segments shows that the additional spending during the historic test year can be attributed to the Electric Distribution segment.

Table 4-10 – Non-Storm Vegetation Mgmt Vendor Charges to Niagara Mohawk Electric O&M Accounts 560-598, Charged by Regulatory Account

Non-Storm Vegetation Management Vendor Charges to Niagara Mohawk Electric O&M Accounts 560-598								
Amounts Charged by Regulatory Account - Niagara Mohawk and Service Company Sources Combined								
Regulatory Acct	Regulatory Acct Descr	2005	2006	2007	2008	2009	2010	HTY
562000	Trans Oper-Substations	7,551	25,649	42,789	62,875	80,182	120,145	95,665
563000	Trans Oper-Overhead Lines						14,576	
566000	Trans Oper-Misc Expenses	5,388	18,582	1,689	5,939	3,349		2,032
568000	Trans Maint-Supervision & Eng	1,239						
570000	Trans Maint-Substations		1,981	750	9,538		9,574	1,332
570010	Trans Maint-Substation-Trouble					2,574	446	
571000	Trans Maint-Overhead Lines	24,460	108,508	78,462	116,960	131,569	161,793	123,938
571010	Trans Maint-Switch-Unplanned		20,109	8,123	3,919	12,380	16,602	12,380
571020	Trans Maint-Right of Way	3,624,247	6,473,304	7,412,167	9,354,962	7,249,039	9,729,043	7,261,663
Electric Transmission O&M Expense Sub-total		3,662,885	6,648,133	7,543,980	9,554,193	7,479,092	10,052,178	7,497,010
582000	Dist Oper-Substations	3,304	34,054	14,880		41,691	30,614	7,140
588000	Dist Oper-Misc Expenses			46,607	66,409	62,860	46,792	68,245
590000	Dist Maint-Supervision & Eng					6,848		6,848
592000	Dist Maint-Substations	9,265				1,005		1,005
592010	Dist Maint-Substations-Trouble	1,204				7,010		
593000	Dist Maint-Overhead Lines	55,905	61,271	233,463	629,883	790,235	677,894	574,052
593010	Dist Maint-OH Lines-Trouble	361,931	774,542	1,584,064	897,216	1,060,486	1,234,880	1,037,031
593020	Dist Maint-OH Lines-Veg Mgmt	10,425,983	15,554,116	26,158,192	24,052,128	35,384,283	30,427,528	32,231,521
Electric Distribution O&M Expense Subtotal		10,857,591	16,423,984	28,037,205	25,645,636	37,354,417	32,417,708	33,925,842
NiMo Electric O&M Expense Total		14,520,477	23,072,117	35,581,185	35,199,828	44,833,509	42,469,887	41,422,852

Source: Details by Vendor with historic test year.xls (supplement to OC-144)

Test year Electric Distribution spending, \$33,925,842, exceeded annual average spending charged during the period 2007 through 2010, \$30,863,742, by \$3,062,101, or 9.9%. Electric Distribution vegetation management was substantially higher in 2009 than 2008, and about 13% lower in 2010 than in 2009. One possible reason that 2009 was bracketed by two years of lower spending is the failure to correctly classify all amounts associated with storm repair spending in projects set up to capture this spending.¹² However, the overall level of spending on vegetation management during the test year was slightly exceeded by spending in 2010.

Storm Repair Vendor Services

Contractors and consultants (vendor services) make up the bulk of storm repair spending and represent the most significant category of storm spending that needs to be normalized, either through the deferral process or by removal from cost of service. Niagara Mohawk has six project identifiers (one Electric Distribution and one Transmission for each of three regions) to isolate major storm expenses. The table below summarizes storm repair expenses for expense types 100 and 110 (consultants and contractors)

¹² Niagara Mohawk incurred significant storm repair expenses in 2009 from a storm that occurred in December 2008. Vegetation management expenses in these tables exclude expenses charged to projects set up to capture major storm repair for deferred cost of service recovery.

captured by storm project identifiers and recorded in Niagara Mohawk's electric O&M accounts. These expenses *do not* include non-storm related vegetation management expenses discussed above.

Table 4-11 – Storm Damage Vendor Charges to Niagara Mohawk Electric O&M Accounts 560-598

Storm Damage Vendor Charges to Niagara Mohawk Electric O&M Accounts 560-598									
2005 through 2010 and Niagara Mohawk 2008-2009 Test Year									
OBU	Project ID	Project Description	2005	2006	2007	2008	2009	2010	HTY
00036	ENC011	Cent NY - Dist - Major Storms	763,728	2,800,472	1,537,395	12,188,503	1,977,392	1,006,459	5,893,943
	ENC091	Cent NY - Trans - Major Storms	24,975	61,823		422,802	26,634	28,017	135,612
	ENE011	East NY - Dist - Major Storms	414,094	5,031,189	12,703,833	7,064,526	20,526,721	2,695,609	19,465,769
	ENE091	East NY - Trans - Major Storms		54,976	704,298	128,731	1,280,431	132,017	1,320,348
	ENW011	West NY - Dist - Major Storms	813,237	29,292,543	30,246,614	5,332,527	4,049,914	1,960,422	3,146,657
	ENW091	West NY - Trans - Major Storms	14,951	975,070	257,107	263,565	28,046	205	30,099
Niagara Mohawk Source Subtotal			2,030,985	38,216,072	45,449,247	25,400,654	27,889,137	5,822,729	29,992,428
00099	ENC011	Cent NY - Dist - Major Storms	17,411	119,413	92,531	2,677,769	184,380	9,373	768,702
	ENC091	Cent NY - Trans - Major Storms	10,551	33,667	3,601	62,041	6,570	91,060	45,442
	ENE011	East NY - Dist - Major Storms	15,657	137,593	1,721,599	1,121,371	13,933,469	15,248	14,137,413
	ENE091	East NY - Trans - Major Storms	2,750	21,037	315,723		447,527	16,218	444,139
	ENW011	West NY - Dist - Major Storms	123,067	1,273,764	2,467,287	495,492	483,003	204,452	813,659
	ENW091	West NY - Trans - Major Storms	20,372	442,747	419,983	33,645	108,555	189,747	115,345
National Grid USA Source Subtotal			189,808	2,028,220	5,020,724	4,390,318	15,163,504	526,098	16,324,699
NiMo Electric O&M Expense Total			2,220,793	40,244,293	50,469,971	29,790,972	43,052,641	6,348,827	46,317,128

Source: Details by Vendor with historic test year.xls (supplement to OC-144)

The following table breaks major storm O&M expense into Electric Distribution and Electric Transmission segments.

Table 4-12 – Storm Damage Vendor Charges to Niagara Mohawk Electric O&M Accounts 560-598, Charged by Regulatory Accounts

Storm Damage Vendor Charges to Niagara Mohawk Electric O&M Accounts 560-598 (1)								
Amounts Charged by Regulatory Account - Niagara Mohawk and Service Company Sources Combined								
Regulatory Acct	Regulatory Acct Descr	2005	2006	2007	2008	2009	2010	HTY
563000	Trans Oper-Overhead Lines			12,519	13,636	31,714		45,350
566000	Trans Oper-Misc Expenses		1,208		13,380	86,626		100,006
571000	Trans Maint-Overhead Lines	95,593	1,633,543	1,681,319	873,988	1,794,901	457,339	1,969,398
571010	Trans Maint-Switch-Unplanned		1,242		14,063			47
571020	Trans Maint-Right of Way			5,229		3,001		3,001
Electric Transmission O&M Expense Sub-total		95,593	1,635,993	1,699,067	915,068	1,916,241	457,339	2,117,803
583000	Dist Oper-Overhead Lines			20,000		168		168
588000	Dist Oper-Misc Expenses		625	9,001		1,215		1,215
593000	Dist Maint-Overhead Lines	2,035,864	38,478,431	48,712,864	28,867,080	41,135,017	5,891,488	44,195,484
593010	Dist Maint-OH Lines-Trouble		596					
593020	Dist Maint-OH Lines-Veg Mgmt	89,335	128,647	29,039	8,649			2,458
595000	Dist Maint-Line Transformers				175			
Electric Distribution O&M Expense Sub-total		2,125,200	38,608,299	48,770,904	28,875,904	41,136,400	5,891,488	44,199,325
NiMo Electric O&M Expense Total		2,220,793	40,244,293	50,469,971	29,790,972	43,052,641	6,348,827	46,317,128

(1) Storm projects ENC011, ENC091, ENE011, ENE091, ENW011, ENW091

Source: Details by Vendor with historic test year.xls (supplement to OC-144)

Following are storm repair charges to O&M expense by vendor for the test year.

Table 4-13 – Storm Damage Vendor Charges to Niagara Mohawk O&M Accts 560-598, TY Amounts Charged by Vendor

Storm Damage Vendor Charges to Niagara Mohawk O&M Accounts 560-598		
Test Year Amounts Charged by Vendor		
OBU	Vendor	HTY Amount
00036	ASPLUNDH CONSTRUCTION CORPORATION	2,066,201
	ASPLUNDH TREE EXPERT CO	5,894,531
	FIRST ENERGY	2,176,264
	HARLAN ELECTRIC COMPANY	1,848,211
	HAWKEYE ELECTRIC LLC	2,254,623
	LEWIS TREE SERVICE INC	4,474,139
	N G GILBERT CORPORATION	863,497
	NELSON TREE SERVICE INC	2,443,371
	THE DAVEY TREE EXPERT COMPANY	650,522
	THIRO USA INC	5,041,234
	45 Other Vendors	2,279,835
Niagara Mohawk Source Subtotal		29,992,428
00099	@@MIDWEST ELECTRIC CONTROL SPECIALISTS I	1,022,252
	C C POWER LLC	1,405,225
	HAWKEYE ELECTRIC LLC	1,477,952
	HENKELS & MCCOY INC	2,248,577
	K W REESE INC	855,508
	LEWIS TREE SERVICE INC	646,556
	M J ELECTRIC LLC	828,404
	MIDWEST POWERLINE INC	2,267,633
	NORTHLINE UTILITIES LLC	387,372
	THE HYDAKER WHEATLAKE COMPANY	1,375,244
	46 Other Vendors	3,809,976
National Grid USA Source Subtotal		16,324,699
NiMo Electric O&M Expense Total		46,317,128
Source: Details by vendor with historic test year.xls (supplement to OC-144)		

To ensure that National Grid had incorporated the vendor spending associated with the six major storm projects in its storm cost deferral accounting process, we traced test year storm repair consultants and contractors payments identified with the six storm repair projects to storm accounting deferral summary. Exhibit 4-2 is a spreadsheet provided by National Grid summarizing storm repair accounting associated with the historic test year. We found the amounts originating on National Grid USA's general ledger, \$16,324,699, tie to test year storm repair vendor payments. Charges originating from Niagara Mohawk do not tie; however, we determined that the difference, approximately \$2.4 million, is a difference of timing between net accruals and vendor payments within the 12 month test year.

Table 4-14 – Comparison of Storm Repair GL Vendor Charges w/ Storm Repair Deferral Acct Summary, HTY

Comparison of Storm Repair General Ledger Vendor Charges With Storm Repair Deferral Accounting Summary, Historic Test Year	
Item	Test Year Amount
Originating Company: National Grid USA Service Company	
Niagara Mohawk Major Contractor and Consulting (Vendor) Storm Costs, Source Company 99 (National Grid USA), per storm accounting summary (OC-64)	16,324,700
General Ledger Contractor and Consulting charges to Storm Repair project codes, Source Company 99 (National Grid USA)	16,324,699
Difference	1
Originating Company: Niagara Mohawk	
Niagara Mohawk Major Contractor and Consulting (Vendor) Storm Costs, Source Company 36 (NiMo), per storm accounting summary (OC-64)	27,593,902
General Ledger Contractor and Consulting charges to Storm Repair project codes, Source Company 36 (NiMo)	29,992,428
Difference	(2,398,526)
Source: OC-64, Attachment 1 and Details by Vendor with HTY.xls (supplement to OC-144)	

Niagara Mohawk Electric Test Year Normalization Analysis – Expenses Charged by the KeySpan Service Companies

As demonstrated in Chapter 3 (“Increases in Service Company Charges”), the costs billed by the legacy KeySpan service companies to the legacy Grid subsidiary Niagara Mohawk increased dramatically from 2007 to 2010 as KeySpan and National Grid began the gradual process of merging their operations. Consequently, a comparison of test year Niagara Mohawk’s O&M costs originating at the legacy KeySpan service companies to other time periods for the purpose of identifying abnormal test year cost levels would not be particularly useful as other factors (e.g., shifts in resources, organizational restructuring, etc.) would obscure the underlying causes of changes in costs.

Instead, we focused on isolating the costs associated with significant events or projects that were most likely to require normalization adjustment. Given the relatively small amounts of costs billed by the legacy KeySpan service companies to Niagara Mohawk between 2007 and 2010 (less than 5 percent of the total service company costs), we believe this approach provides a reasonable basis for identifying the abnormal costs that most likely would have a material impact on Niagara Mohawk’s test year cost of service originating at the legacy KeySpan service companies.

Two of the more significant event-driven costs incurred by all service companies during the Niagara Mohawk electric rate case test year that came to our attention were storm-related repair costs and merger-related integration costs (also frequently referenced as “costs to achieve”).

According to the company, most (if not all) New York storm-related repair costs incurred or paid by the legacy KeySpan service companies are associated with the electric system owned by LIPA, presumably because that property is more susceptible to wind and lightning damage than the predominately underground gas property owned by KEDNY and KEDLI. As a result, Niagara Mohawk is not a primary cost objective of this type of cost. To test this assertion, we queried the service company general ledger data for projects, activities, and cost centers that were identified as being “storm” related. Our queries of project descriptions uncovered only \$19,081 of such costs charged to the Niagara Mohawk electric distribution and transmission segments for the time period October 2008 to September 2009. All of these costs were captured in a project that was designed to accumulate costs incurred to maintain IT systems used for storm tracking by all electric utilities, including Niagara Mohawk. We noted no costs attributed to Niagara Mohawk’s electric distribution or transmission segments for activities or provider cost centers classified as “storm” related. This occurred despite the Keyspan service companies incurring over \$2 million in storm-related costs.

Merger costs-to-achieve are tracked in legacy KeySpan using project codes.¹³ We were provided a list of 58 different project numbers that were used to segregate costs to achieve from other costs. For the time period from October 2008 to September 2009, Niagara Mohawk’s electric distribution and transmission segments were allocated \$4,366,797 of these costs. A list of these costs by project is provided in Exhibit 4-3. \$2,628,378 of these merger costs-to-achieve were specifically excluded by the company as “one time CTA costs related to the KeySpan integration” in its base rate case filing. According to the company, an additional \$743,408 of labor, labor burdens, and sales and use taxes were subject to the company’s standard normalization procedures. According to the company, the remaining costs to achieve (approximately \$1 million) were not removed from the company’s request because they were not considered to be explicitly related to the KeySpan integration.¹⁴

Expatriate Expenses

Although not directly connected with normalized expense levels, the expenses of National Grid’s expatriate program became an issue in Niagara Mohawk’s rate case when it was discovered that certain questionable employee expenses paid to expatriates from the U.K. had made it into Niagara Mohawk’s Electric cost of service for the historic test year. Subsequent to this discovery, National Grid removed all identified expatriate expenses, including payroll, employee expenses and tax benefits, from Niagara Mohawk’s test year cost of service.

Expatriate Costs Removed from Niagara Mohawk’s Test Year 2009 Cost of Service

National Grid stated that it removed \$3.38 million in expatriate expenses from Niagara Mohawk’s electric revenue requirement in a supplemental filing in the rate case made on August 30, 2010.

¹³ Based on the descriptions assigned to them, there are also provider cost centers (PCCs) that were created to capture costs to achieve. However, company management indicated that these PCCs were not as reliable as the identified projects for isolating the costs to achieve. We reviewed both, noting some minor differences between the two. However, for purposes of quantifying the costs to achieve, we used the projects specified by the company.

¹⁴ E-mail from John O’Shaughnessy, Director – Service Company & Accounting Support, on July 30, 2012.

Subsequently, additional costs, consisting of \$1.60 million in tax payments made by National Grid in the U.K. on behalf of expatriates and ultimately charged to Niagara Mohawk Electric, were also identified and removed.

According to National Grid, total expatriate expenses, including payroll and expatriate expenses (including tax benefits)¹⁵ were removed from Niagara Mohawk Electric's cost of service and totaled \$4.98 million.¹⁶ This is consistent with the amount determined by Liberty Consulting in its report dated March 21, 2011.¹⁷ However, the detailed support for the amounts removed, provided by National Grid in a spreadsheet in data response OC-58 Attachment B, does not tie to the \$4.98 million amount discussed in the data response narrative or in the Liberty report. Depending on whether actual expatriate salaries or the market reference salaries for equivalent U.S. employees are used, the detail in OC-58 Attachment B supports the following adjustment amounts:¹⁸ While both amounts are close, neither matches the amount \$4.98 million removed as stated in the Liberty report. Given the available information, it appears that National Grid removed an amount between \$4.85 million and \$5.00 million from Niagara Mohawk Electric's test year cost of service.

Table 4-15 – Expatriate Costs Removed from Niagara Mohawk's Historic Test Year

National Grid		
Expatriate Costs Removed from Niagara Mohawk's Historic Test Year Ending September 2009 Cost of Service		
Item	Total	NiMo Electric
Using Actual Payroll		
Actual Expatriate Payroll	7,886,996	2,581,936
"Other" Charges (Expenses)	7,068,035	2,272,375
Total	14,955,031	4,854,311
Using Market-Reference Salaries for U.S. Based Employees		
Actual Expatriate Payroll	8,512,130	2,730,475
"Other" Charges (Expenses)	7,068,035	2,272,375
Total	15,580,165	5,002,850
Source: OC-58 Attachment B		

Current Policy for Rate Recovery of Expatriate Expenses

Although National Grid removed all expatriate salaries and expenses from Niagara Mohawk Electric's cost of service for the test year ended September 30, 2009, it is not the company's intention to exclude all expatriate costs from rate recovery in future rate proceedings. Below is the policy National Grid

¹⁵ "Expatriate expenses"

¹⁶ OC-58-5

¹⁷ Liberty Consulting Group, *Independent Review and Evaluation of the Affiliate Relationships and Transactions Affecting National Grid U.S.*, Final Report, March 21, 2011, p.69

¹⁸ If National Grid intended to remove expatriate payroll from the test year, it is unclear why they would use the market reference salaries for equivalent U.S. employees as a basis for removal, instead of the actual salaries paid to expatriates.

provided to describe expatriate costs for which National Grid intends to continue to seek rate recovery:¹⁹

Total costs of the international expatriate assignment program is limited to the lesser of the fully loaded US market reference costs for the particular expatriate position, or the actual salary and benefits, including living and other allowances pursuant to the international expatriate assignment program, incurred for the particular expatriate.

As we understand it, this means that National Grid intends to compare the market-equivalent salary for a U.S. employee, as determined by a compensation consulting firm, with the sum of the actual salary and expenses (other than business travel expenses) paid to each expatriate, and recover the lower of the two amounts. However, when we discussed this with National Grid, the company stated that living and other expenses do not enter into the market reference comparison. National Grid stated that the actual practice is as follows:²⁰

Expenses paid by IPM are not used as part of the calculation. All costs associated with the international assignments are initially charged to the US Holding Company and then subsequently only the lower of actual labor costs plus qualifying welfare benefits and variable pay or the fully loaded market reference price (MRP) for the position is allocated from the holding company to NG USA Service Company where it is allocated to businesses according to bill pools.

With respect to the written policy quoted above, National Grid stated it would update the policy to reflect what is actually being done.²¹

Attached to the written policy discussed above is a “Technical Accounting File Note” dated October 1, 2011, which states the following:

Item 1 – Expatriate Salary Expense:

National Grid maintains an international expatriate assignment program in which employees of the company’s UK based businesses are assigned to work in the US and vice versa. There are various expenses which are incurred and reimbursed by the company to these employees. The executive review team determined that expatriate salary and benefit cost that will be included in rate filings will be salaries and benefits costs at no more than the fully loaded market reference points as provided by Human Resources.

¹⁹ Costs Considered For Exclusion From Rate Filings Policy, Approved By Regulation & Pricing and General Accounting (Undated). The policy was provided in conjunction with a follow-up discussion with Sharon Partridge and Colleen Dowling on the subject of expatriates, July 19, 2012.

²⁰ Email from Sharon Partridge to Robert Welchlin, “Follow-up issues from our phone call,” July 26, 2012

²¹ Email from Sharon Partridge to Robert Welchlin, “Follow-up issues from our phone call – Additional Reply, July 30, 2012

Monthly, a list of the salaries and expenses of the expatriates are provided to Accounting Services by Liz Brown, General Accounting Team- Shared Services UK Finance (In her absence, Chris Hopley), and will be charged in their entirety to NGUSA Holding Co (Company 00001). Salaries and Benefits at the market reference point will be transferred from NGUSA Holding Co (Company 00001) to NGUSA Service Co (Company 00099) from where they will be allocated to the operating areas based on the Bill Pool that was assigned to the individual.

To control the expatriate costs passed through to the regulated utilities, since the beginning of fiscal year 2012 National Grid has initially charged all expatriate costs, including salaries and expenses, to company 01 (the parent), and billed the equivalent of a market-based salary and benefits for a non-expatriate in the same position to National Grid USA Service Company. The cost billed to National Grid USA is then directly charged or allocated by the service company as any other regulated expense.²²

Although the “Technical Accounting Note” is dated October 2011, the new accounting policy concerning expatriates was implemented in April 2011.^{23 24} In addition, following an internal audit of expatriate expenses performed in 2011, National Grid assigned payment authority for expatriate expenses (other than normal employee travel expenses) to a third-party service provider, International Personnel Management (IPM). IPM audits all expatriate claims for living and similar expenses for compliance with National Grid’s expatriate expense reimbursement policy and reimburses expatriates for compliant expenses. National Grid then reimburses IPM for the expenses, and pays IPM a fee for the service they provide.²⁵

²² To respond to a Staff request concerning controls governing the treatment of costs for U.S. expats working in the U.K., we asked the company to describe controls in place to ensure that U.S. expats working in the U.K. cannot be billed back to U.S. operations while they are working in the U.K. In an email response from Sharon Partridge to Robert Welchlin dated July 31, 2012, National Grid stated as follows: “Service Company compares the names of those charged to the U.S. each month to his [sic] list of valid U.K. expats working in the US. The list of valid expats was agreed upon when we changed policy last year. If someone new comes along Servco verifies with HR that a change has occurred and a new name is added to the list. In doing so, U.S. expats working in the U.K. would be flagged as inappropriate and their charges would not come across. So far, our records show that no US expats working in the UK have ever been charged back to the U.S. in this manner.” To put the risk associated with this into perspective, it should be noted that as of July 2012 there are three U.S. employees on assignment in the U.K.

²³ OC-169

²⁴ Prior to April 2011 (the beginning of fiscal year 2012), expatriate costs for employees working for National Grid USA were recorded directly on National Grid USA’s books

²⁵ OC-170

National Grid USA Service Company Regulated O&M Expense Charged to Niagara Mohawk Electric Distribution & Transmission Segments Calendar Years 2007-2010 and Historic Test Year Ended September 30, 2009								
Expense Type		07	CY 2007	CY 2008	CY 2009	CY 2010	Calendar Year Average	HTY vs. Avg.
100	Consultants	100	10,307,676	12,359,320	14,794,871	11,756,695	12,304,640	14,800,969 120%
110	Contractors Services	110	43,343,546	50,090,966	72,671,472	44,791,046	52,724,257	74,279,044 141%
200	Employee Expenses	200	3,498,098	5,336,498	4,700,012	4,076,348	4,402,739	5,468,952 124%
300	Hardware	300	6,326,037	5,252,544	3,441,580	3,742,131	4,690,573	3,808,401 81%
350	Software	350	8,387,934	7,800,209	8,687,796	7,418,750	8,073,672	8,602,835 107%
400	Other (Undefined)	400	13,494,953	8,875,666	13,547,251	11,518,606	11,859,119	13,880,982 117%
4XX	Advertising, Printing, Training, Dues, Donations, "Govt. Payments" & Misc.		-	350	495,069	318,248	203,417	46,528 23%
5XX	Fleet, Real Estate Rental		10,971,521	11,139,015	12,169,505	9,683,881	10,990,981	11,763,478 107%
AXX	Servco Equity, Servco Operating Costs, Supervision & Admin, Sales Tax		(3,553,742)	(896,992)	1,259,487	4,823,503	408,064	344,337 84%
B01	FAS 106	B01	5,430,245	5,864,644	6,549,064	6,091,364	5,983,829	6,728,780 112%
B02	FAS 112	B02	256,127	308,065	437,107	(218,964)	195,584	321,007 164%
B03	Health Care	B03	4,241,595	4,452,615	4,790,598	4,979,772	4,616,145	4,406,396 95%
B04	Group Life Insurance	B04	587,906	670,765	545,309	211,828	503,952	483,867 96%
B05	Other Benefits	B05	583,373	239,535	273,304	(3,584,333)	(622,030)	237,889 -38%
B06	Pension	B06	5,017,334	12,484,977	16,974,369	10,094,720	11,142,850	16,446,478 148%
B07	Thrift Plan	B07	8,374,750	8,240,206	8,154,891	8,111,823	8,220,417	8,094,132 98%
B08	Workers Comp	B08	171,840	205,743	45,068	172,316	148,742	(1,928) -1%
B09	Payroll Taxes	B09	97	1,417	562	(235)	460	432 94%
BXX	Payroll Burdens		24,663,266	32,467,969	37,770,274	25,858,291	30,189,950	36,717,054 122%
MXX	Materials & Supplies		34,186,728	40,658,539	35,148,356	35,760,394	36,438,504	36,782,075 101%
PXX	Payroll		47,555,566	51,520,320	63,699,719	66,883,992	57,414,899	59,633,777 104%
T10	Transportation	T10	196,546	350,058	314,068	635,094	373,941	348,638 93%
Total			199,378,128	224,954,462	268,699,461	227,266,979	230,074,758	266,477,070 116%
Sources: OC-1, Liberty Grid Allocation Databases, 2009, 2010 & HTY								
Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012								

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric All Segments Combined Calendar Year 2007 by Month														
Expense Type		JAN-07	FEB-07	MAR-07	APR-07	MAY-07	JUN-07	JUL-07	AUG-07	SEP-07	OCT-07	NOV-07	DEC-07	Total
100	Consultants	763,791	1,277,901	2,995,161	361,863	624,073	681,899	513,136	1,669,088	487,640	1,339,803	810,222	605,296	12,129,872
110	Contractors Services	5,636,301	3,585,025	5,284,279	1,329,303	3,892,859	1,850,465	4,550,801	4,710,362	4,179,089	4,433,661	3,965,548	5,674,215	49,091,907
200	Employee Expenses	271,774	337,737	436,030	257,427	297,036	314,462	348,485	392,467	282,546	366,376	327,621	320,434	3,952,396
300	Hardware	689,648	311,471	1,149,886	408,807	469,489	813,635	1,058,137	592,085	632,231	688,409	370,767	310,476	7,495,041
350	Software	445,412	886,567	1,692,476	638,307	727,167	747,819	804,972	874,036	1,125,278	756,058	645,314	550,847	9,894,253
400	Other	(151,731)	1,692,902	(458,836)	723,942	1,118,759	993,462	1,066,098	1,513,955	2,471,388	1,558,160	1,245,589	3,697,716	15,471,406
500	Rental/Lease Non-Real Estate	995,125	956,610	1,070,753	392,779	1,549,768	959,899	1,881,746	1,024,999	1,109,994	1,041,161	997,477	973,692	12,954,004
A20	Service Co. Equity	564,795	(897,413)	(450,564)	(60,892)	(63,492)	(59,657)	(50,907)	(63,290)	(1,140,155)	(63,718)	(61,419)	(1,448,654)	(3,795,365)
A42	Bill Interface Expense Type					-								-
A60	Supervision & Admin	31,904	38,445	38,247		31,671	31,824	24,112	30,293	37,815	32,466	33,653	25,512	355,944
A65	Service Co Operating Costs	114,423	221,576	158,958	39,085	51,391	(17,487)	(34,507)	(151,670)	(105,303)	(117,291)	(74,461)	(33,394)	51,319
A70	Sales Tax	(28,787)	(9,907)	(13,899)	1,364	(4,441)	(7,092)	(2,145)	(11,336)	(15,783)	(3,419)	(207)	(2,651)	(98,304)
B01	FAS 106	509,811	528,789	506,269	521,121	534,068	527,278	497,686	555,107	519,301	570,475	532,452	469,113	6,271,473
B02	FAS 112	(11,371)	(9,124)	(11,810)	(14,591)	(18,881)	40,183	38,547	42,949	39,936	44,392	81,025	72,023	293,280
B03	Health Care	335,868	258,046	511,924	443,435	461,256	420,745	417,817	454,119	424,360	283,684	451,677	411,060	4,873,992
B04	Group Life Insurance	51,305	60,179	53,776	53,621	59,184	55,359	54,199	59,818	55,863	61,840	58,969	52,714	676,826
B05	Other Benefits	139,858	58,599	82,587	34,826	50,713	37,208	24,380	32,210	46,062	49,681	87,624	43,036	686,785
B06	Pension	449,790	463,466	385,577	458,551	473,720	464,038	449,911	498,784	723,755	513,805	479,874	426,348	5,787,619
B07	Thrift Plan	762,911	665,398	697,533	774,936	685,863	674,792	776,016	689,498	676,663	786,473	678,647	748,924	8,617,654
B08	Workers Comp	16,308	3,187	16,765	26,454	8,648	11,099	41,314	11,521	11,153	26,088	15,290	13,794	201,623
B09	Payroll Taxes	193		(12)	-	(24)	-	(61)			-			97
M10	Materials Outside Vendor	1,195,687	1,474,048	1,922,330	650,856	896,786	1,090,972	978,374	944,319	1,025,331	1,063,872	970,956	1,186,968	13,400,500
M20	Materials From Inventory	2,694,390	1,609,858	1,787,844	2,132,980	2,111,742	2,264,999	1,804,867	2,603,000	2,216,041	2,512,190	2,582,102	1,852,065	26,172,077
M50	Materials Stores Handling	48		11		1,011	361	20	43	2		9,608	1,549	12,653
P10	Regular Pay Weekly	147,396	180,589	207,909	168,035	178,204	220,893	166,887	228,337	192,691	181,979	189,184	165,283	2,227,388
P15	Regular Pay Monthly	2,776,533	3,691,289	3,345,059	3,484,031	3,575,517	3,373,101	3,295,767	3,647,436	3,416,756	3,824,048	3,626,420	3,238,894	41,294,851
P20	Base OT Pay Weekly	23,332	6,461	6,025	5,654	4,041	6,321	40,097	11,184	9,440	3,844	5,985	9,047	131,429
P21	Incremental OT Pay Weekly	11,916	3,292	3,166	3,566	2,112	3,170	20,153	6,254	4,996	1,965	3,249	4,712	68,552
P25	Base OT Pay Monthly	6,648	54,558	6,607	5,340	24,112	8,888	32,187	11,952	18,073	11,581	17,743	13,868	211,557
P26	Incremental OT Pay Monthly	3,172	23,246	2,855	2,515	11,119	4,342	14,186	5,751	8,635	5,639	8,178	6,129	95,766
P30	Variable & Misc Pay	262,549	235,606	194,068	278,745	286,555	347,869	384,916	375,636	292,141	469,142	292,528	276,241	3,695,995
P50	Time Not Worked	490,900	652,651	341,079	608,196	633,992	599,407	586,176	646,898	604,196	667,400	637,584	568,557	7,037,036
T10	Transportation	19,046	19,275	16,902	16,026	15,198	19,237	23,298	16,356	19,974	20,982	12,913	21,313	220,520
Total		19,218,946	18,380,328	21,978,954	13,746,287	18,689,214	16,479,492	19,806,665	21,422,162	19,370,108	21,130,748	19,002,112	20,255,124	229,480,143
Source: Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012														

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric Electric Distribution Calendar Year 2007 by Month														
Expense Type		JAN-07	FEB-07	MAR-07	APR-07	MAY-07	JUN-07	JUL-07	AUG-07	SEP-07	OCT-07	NOV-07	DEC-07	Total
100	Consultants	477,765	877,728	1,714,902	239,405	358,436	485,251	311,991	1,174,424	377,300	1,087,298	642,054	357,462	8,104,015
110	Contractors Services	4,143,238	2,574,764	3,044,778	1,043,515	3,029,846	994,717	2,716,540	2,640,829	2,813,329	2,779,480	1,998,957	2,125,517	29,905,510
200	Employee Expenses	184,117	240,649	292,234	173,268	198,605	206,682	240,083	264,681	188,552	245,091	216,033	227,335	2,677,330
300	Hardware	502,235	224,159	810,218	291,638	349,968	588,348	771,238	423,984	451,132	484,606	273,569	205,809	5,376,905
350	Software	326,033	648,594	1,163,862	440,125	564,853	533,295	598,533	706,971	802,108	594,911	487,345	402,308	7,268,937
400	Other	(182,883)	1,428,698	(420,132)	524,871	829,685	723,251	809,041	1,134,324	2,038,015	1,129,620	913,006	2,946,640	11,874,135
500	Rental/Lease Non-Real Estate	757,439	728,048	812,264	308,219	1,172,644	733,662	1,491,699	785,637	839,085	786,124	761,006	745,351	9,921,178
A20	Service Co. Equity	564,795	(897,413)	(450,564)	(60,892)	(63,492)	(59,657)	(50,907)	(63,290)	(1,140,155)	(63,718)	(61,419)	(1,448,654)	(3,795,365)
A42	Bill Interface Expense Type					-								-
A60	Supervision & Admin	23,290	27,594	27,860		23,128	23,211	17,633	22,212	28,388	24,805	25,467	19,308	262,898
A65	Service Co Operating Costs	77,802	150,073	110,409	26,373	34,722	(11,699)	(22,750)	(101,689)	(70,537)	(78,168)	(51,253)	(22,118)	41,167
A70	Sales Tax	(28,348)	(9,848)	(14,851)	1,364	(4,469)	(7,135)	(2,146)	(11,295)	(15,896)	(3,152)	(1,168)	(3,178)	(100,123)
B01	FAS 106	351,130	362,377	345,883	355,968	365,450	358,658	333,522	377,853	354,302	387,504	371,709	316,262	4,280,618
B02	FAS 112	(7,649)	(6,122)	(7,908)	(9,911)	(12,843)	27,314	25,811	29,213	27,191	30,112	56,289	48,264	199,761
B03	Health Care	232,212	176,430	348,660	302,645	316,440	284,347	278,728	307,239	287,371	181,370	314,673	278,511	3,308,625
B04	Group Life Insurance	35,174	41,070	36,574	36,540	40,386	37,386	36,077	40,445	37,796	41,630	40,904	35,258	459,241
B05	Other Benefits	102,728	42,778	72,169	26,433	39,186	28,026	18,218	23,724	33,625	38,067	64,387	33,199	522,540
B06	Pension	309,034	317,054	272,075	312,264	323,080	314,328	300,269	338,155	504,310	346,825	333,426	285,769	3,956,588
B07	Thrift Plan	714,691	616,837	645,782	725,677	635,171	626,681	727,557	637,665	628,361	732,826	630,736	702,578	8,024,562
B08	Workers Comp	11,501	2,284	11,518	18,937	5,937	7,696	29,694	7,991	7,815	18,628	10,642	9,263	141,908
B09	Payroll Taxes	193									-			193
M10	Materials Outside Vendor	841,486	925,325	1,297,668	461,176	684,516	784,580	691,185	664,732	692,725	733,858	635,827	667,010	9,080,088
M20	Materials From Inventory	2,408,292	1,446,414	1,616,997	1,789,091	1,729,264	1,839,724	1,505,018	2,206,945	1,818,976	1,938,022	2,174,402	1,624,727	22,097,869
M50	Materials Stores Handling	35		8		732	263	14	32	1		7,009	1,117	9,211
P10	Regular Pay Weekly	107,097	125,188	149,671	120,443	128,880	155,325	117,226	164,861	139,744	132,193	138,508	120,617	1,599,754
P15	Regular Pay Monthly	1,894,900	2,496,751	2,257,616	2,350,012	2,414,123	2,257,991	2,196,812	2,444,291	2,288,475	2,550,363	2,501,012	2,144,872	27,797,219
P20	Base OT Pay Weekly	8,477	2,702	4,221	4,454	2,134	3,257	3,249	8,545	7,332	2,895	4,310	7,716	59,292
P21	Incremental OT Pay Weekly	4,427	1,396	2,223	2,879	1,122	1,637	1,693	4,761	3,871	1,480	2,342	3,997	31,829
P25	Base OT Pay Monthly	3,748	43,686	3,557	2,402	15,639	4,821	19,478	3,200	10,597	5,246	6,334	4,477	123,185
P26	Incremental OT Pay Monthly	1,736	18,374	1,740	1,163	6,932	2,373	8,889	1,483	4,961	2,485	2,941	1,961	55,039
P30	Variable & Misc Pay	182,834	176,231	136,794	195,108	196,277	254,943	257,036	260,756	201,695	329,896	202,009	186,057	2,579,636
P50	Time Not Worked	334,902	442,945	230,210	411,506	429,816	402,366	387,693	435,052	406,687	446,898	440,413	378,151	4,746,639
T10	Transportation	9,570	10,690	8,852	7,786	6,947	8,060	9,071	7,294	10,639	11,442	10,682	8,454	109,486
Total		14,391,998	13,235,458	14,525,289	10,102,459	13,823,115	11,609,702	13,828,198	14,941,025	13,777,796	14,918,638	13,152,151	12,414,040	160,719,869
Source: Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012														

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric Electric Transmission Calendar Year 2007 by Month														
Expense Type		JAN-07	FEB-07	MAR-07	APR-07	MAY-07	JUN-07	JUL-07	AUG-07	SEP-07	OCT-07	NOV-07	DEC-07	Total
100	Consultants	165,550	181,897	845,777	72,454	147,769	90,431	83,010	205,972	28,361	124,194	87,645	170,598	2,203,661
110	Contractors Services	952,102	546,360	1,703,444	46,885	266,723	594,757	1,297,269	1,452,226	861,038	1,022,080	1,633,171	3,061,980	13,438,036
200	Employee Expenses	56,202	64,076	94,923	53,493	62,572	68,382	68,949	80,668	59,333	78,554	81,142	52,474	820,768
300	Hardware	74,385	39,364	160,888	53,650	48,268	99,797	115,815	74,715	79,646	100,904	34,761	66,939	949,132
350	Software	50,940	89,500	261,522	97,832	57,891	89,602	69,999	60,210	147,068	58,439	80,977	55,018	1,118,996
400	Other	40,341	146,685	(16,234)	96,561	129,141	120,858	122,094	151,354	142,060	155,366	146,570	386,022	1,620,818
500	Rental/Lease Non-Real Estate	85,829	85,415	98,009	21,984	146,647	82,131	98,831	78,976	98,882	90,696	82,640	80,304	1,050,344
A20	Service Co. Equity	-	-	-	-	-	-	-	-	-	-	-	-	-
A42	Bill Interface Expense Type	-	-	-	-	-	-	-	-	-	-	-	-	-
A60	Supervision & Admin	3,190	4,464	3,934		3,187	3,238	2,441	2,965	3,438	2,752	2,974	2,426	35,009
A65	Service Co Operating Costs	20,878	41,656	24,658	7,443	9,691	(3,385)	(7,120)	(29,981)	(20,897)	(23,886)	(15,532)	(7,021)	(3,495)
A70	Sales Tax	58		357		673	51	0	1,319	365	1,790	935	621	6,168
B01	FAS 106	87,590	94,013	87,709	94,041	95,282	94,858	96,280	102,321	95,248	107,728	102,449	92,109	1,149,627
B02	FAS 112	(2,296)	(1,870)	(2,336)	(2,731)	(3,498)	7,258	7,488	7,953	7,388	8,411	16,092	14,506	56,366
B03	Health Care	58,216	46,659	91,815	80,471	82,174	78,627	82,786	86,809	80,940	73,265	89,917	81,292	932,971
B04	Group Life Insurance	9,095	11,025	9,728	9,829	10,748	10,387	10,862	11,478	10,702	12,183	11,892	10,736	128,665
B05	Other Benefits	13,752	5,860	3,859	3,109	4,269	3,401	2,282	3,143	4,606	4,302	8,607	3,643	60,832
B06	Pension	78,565	83,460	65,134	84,430	86,333	85,569	88,926	94,183	113,593	99,690	95,127	85,737	1,060,746
B07	Thrift Plan	27,221	27,993	29,238	28,260	28,873	27,768	29,017	30,670	28,582	32,398	31,618	28,551	350,188
B08	Workers Comp	2,331	375	2,846	3,287	1,510	1,763	4,862	1,878	1,765	3,391	3,110	2,814	29,932
B09	Payroll Taxes			(12)	-	(24)	-	(61)			-			(96)
M10	Materials Outside Vendor	195,040	379,697	298,899	92,096	102,071	158,023	162,671	142,063	152,465	170,864	138,649	172,786	2,165,322
M20	Materials From Inventory	75,864	34,743	24,364	59,388	77,666	46,226	46,654	78,278	68,038	193,913	76,675	51,129	832,939
M50	Materials Stores Handling	5		1		109	36	2	4	0		968	173	1,297
P10	Regular Pay Weekly	18,401	29,599	27,490	23,043	23,539	34,402	26,841	33,013	24,314	23,142	26,652	22,246	312,682
P15	Regular Pay Monthly	495,886	687,794	617,826	661,977	673,383	649,326	645,547	717,759	677,176	776,712	750,113	678,782	8,032,282
P20	Base OT Pay Weekly	14,005	3,133	839	750	1,410	2,367	36,138	1,971	781	352	728	513	62,986
P21	Incremental OT Pay Weekly	7,025	1,573	435	415	729	1,183	18,088	1,061	416	180	390	276	31,772
P25	Base OT Pay Monthly	2,599	10,714	2,751	2,577	5,701	2,202	11,670	7,291	5,927	5,640	9,550	9,027	75,649
P26	Incremental OT Pay Monthly	1,294	4,802	973	1,180	2,810	1,046	4,777	3,565	2,908	2,815	4,313	3,986	34,469
P30	Variable & Misc Pay	43,055	32,487	30,114	48,474	53,767	53,801	85,040	63,564	52,156	75,582	61,148	53,279	652,466
P50	Time Not Worked	87,949	121,089	63,343	113,982	117,166	113,965	119,128	125,753	117,226	133,299	130,231	117,538	1,360,669
T10	Transportation	8,164	7,229	6,694	6,208	6,330	8,595	11,612	7,190	7,061	7,338	(76)	10,713	87,059
Total		2,673,234	2,779,790	4,538,985	1,761,090	2,242,912	2,526,664	3,341,899	3,598,372	2,850,587	3,342,093	3,693,434	5,309,200	38,658,259

Source: Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric Electric Distribution and Transmission Combined Calendar Year 2007 by Month														
Expense Type		JAN-07	FEB-07	MAR-07	APR-07	MAY-07	JUN-07	JUL-07	AUG-07	SEP-07	OCT-07	NOV-07	DEC-07	Total
100	Consultants	643,315	1,059,625	2,560,679	311,859	506,205	575,683	395,001	1,380,396	405,661	1,211,493	729,699	528,060	10,307,676
110	Contractors Services	5,095,340	3,121,124	4,748,223	1,090,400	3,296,569	1,589,474	4,013,809	4,093,055	3,674,367	3,801,559	3,632,129	5,187,498	43,343,546
200	Employee Expenses	240,318	304,725	387,157	226,761	261,177	275,063	309,032	345,350	247,885	323,646	297,175	279,810	3,498,098
300	Hardware	576,620	263,523	971,106	345,288	398,236	688,144	887,053	498,699	530,778	585,510	308,330	272,748	6,326,037
350	Software	376,972	738,094	1,425,384	537,957	622,744	622,896	668,531	767,181	949,176	653,350	568,322	457,326	8,387,934
400	Other	(142,542)	1,575,383	(436,367)	621,432	958,826	844,109	931,135	1,285,679	2,180,075	1,284,986	1,059,576	3,332,662	13,494,953
500	Rental/Lease Non-Real Estate	843,269	813,463	910,274	330,203	1,319,291	815,793	1,590,530	864,614	937,967	876,820	843,645	825,654	10,971,521
A20	Service Co. Equity	564,795	(897,413)	(450,564)	(60,892)	(63,492)	(59,657)	(50,907)	(63,290)	(1,140,155)	(63,718)	(61,419)	(1,448,654)	(3,795,365)
A42	Bill Interface Expense Type	-	-	-	-	-	-	-	-	-	-	-	-	-
A60	Supervision & Admin	26,480	32,058	31,794	-	26,315	26,449	20,074	25,177	31,826	27,557	28,441	21,734	297,907
A65	Service Co Operating Costs	98,680	191,729	135,067	33,816	44,413	(15,084)	(29,869)	(131,670)	(91,434)	(102,054)	(66,785)	(29,138)	37,671
A70	Sales Tax	(28,290)	(9,848)	(14,495)	1,364	(3,796)	(7,084)	(2,145)	(9,977)	(15,530)	(1,363)	(234)	(2,557)	(93,955)
B01	FAS 106	438,719	456,390	433,591	450,010	460,732	453,516	429,803	480,174	449,550	495,232	474,158	408,371	5,430,245
B02	FAS 112	(9,945)	(7,992)	(10,244)	(12,641)	(16,341)	34,573	33,299	37,166	34,579	38,523	72,381	62,770	256,127
B03	Health Care	290,427	223,089	440,475	383,116	398,615	362,974	361,513	394,048	368,311	254,635	404,590	359,803	4,241,595
B04	Group Life Insurance	44,269	52,095	46,302	46,369	51,135	47,773	46,939	51,923	48,498	53,813	52,796	45,994	587,906
B05	Other Benefits	116,480	48,637	76,028	29,542	43,455	31,427	20,501	26,867	38,231	42,368	72,993	36,843	583,373
B06	Pension	387,598	400,513	337,208	396,693	409,413	399,897	389,195	432,338	617,903	446,515	428,553	371,506	5,017,334
B07	Thrift Plan	741,912	644,830	675,020	753,937	664,044	654,449	756,573	668,335	656,943	765,224	662,354	731,129	8,374,750
B08	Workers Comp	13,832	2,660	14,364	22,224	7,447	9,459	34,556	9,869	9,580	22,019	13,752	12,077	171,840
B09	Payroll Taxes	193	-	(12)	-	(24)	-	(61)	-	-	-	-	-	97
M10	Materials Outside Vendor	1,036,525	1,305,022	1,596,567	553,272	786,587	942,603	853,856	806,794	845,190	904,722	774,476	839,796	11,245,411
M20	Materials From Inventory	2,484,156	1,481,157	1,641,361	1,848,479	1,806,930	1,885,950	1,551,672	2,285,222	1,887,014	2,131,935	2,251,077	1,675,856	22,930,809
M50	Materials Stores Handling	39	-	9	-	841	299	16	36	2	-	7,976	1,289	10,508
P10	Regular Pay Weekly	125,498	154,788	177,161	143,486	152,419	189,726	144,067	197,875	164,058	155,334	165,160	142,862	1,912,436
P15	Regular Pay Monthly	2,390,786	3,184,545	2,875,442	3,011,989	3,087,507	2,907,317	2,842,360	3,162,050	2,965,650	3,327,075	3,251,125	2,823,654	35,829,500
P20	Base OT Pay Weekly	22,482	5,835	5,059	5,204	3,544	5,624	39,387	10,517	8,113	3,246	5,038	8,229	122,278
P21	Incremental OT Pay Weekly	11,452	2,969	2,657	3,294	1,851	2,820	19,782	5,822	4,288	1,660	2,732	4,273	63,601
P25	Base OT Pay Monthly	6,347	54,400	6,307	4,979	21,340	7,023	31,149	10,491	16,524	10,886	15,884	13,504	198,833
P26	Incremental OT Pay Monthly	3,030	23,176	2,713	2,343	9,742	3,419	13,667	5,048	7,869	5,300	7,254	5,947	89,508
P30	Variable & Misc Pay	225,889	208,718	166,908	243,582	250,043	308,744	342,076	324,321	253,851	405,478	263,157	239,336	3,232,103
P50	Time Not Worked	422,850	564,034	293,553	525,488	546,983	516,331	506,821	560,805	523,912	580,197	570,644	495,690	6,107,308
T10	Transportation	17,734	17,920	15,546	13,994	13,277	16,654	20,684	14,484	17,700	18,781	10,607	19,167	196,546
Total		17,065,232	16,015,247	19,064,274	11,863,549	16,066,027	14,136,365	17,170,098	18,539,397	16,628,383	18,260,731	16,845,585	17,723,240	199,378,128
Source: Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012														

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Gas Gas Distribution Calendar Year 2007 by Month														
Expense Type		JAN-07	FEB-07	MAR-07	APR-07	MAY-07	JUN-07	JUL-07	AUG-07	SEP-07	OCT-07	NOV-07	DEC-07	Total
100	Consultants	120,475	218,277	434,482	50,004	117,867	106,216	118,135	288,692	81,979	128,310	80,523	77,236	1,822,196
110	Contractors Services	540,961	463,902	536,056	238,903	596,290	260,991	536,992	617,306	504,722	632,101	333,419	486,717	5,748,361
200	Employee Expenses	31,456	33,012	48,873	30,666	35,859	39,398	39,453	47,118	34,661	42,730	30,446	40,624	454,298
300	Hardware	113,029	47,947	178,780	63,519	71,253	125,491	171,084	93,386	101,453	102,899	62,436	37,728	1,169,004
350	Software	68,439	148,473	267,092	100,350	104,423	124,923	136,441	106,855	176,103	102,708	76,992	93,520	1,506,319
400	Other	(9,189)	117,520	(22,469)	102,510	159,933	149,354	134,963	228,276	291,313	273,175	186,014	365,054	1,976,453
500	Rental/Lease Non-Real Estate	151,857	143,148	160,479	62,577	230,477	144,107	291,216	160,385	172,027	164,341	153,832	148,037	1,982,483
A60	Supervision & Admin	5,424	6,387	6,453		5,355	5,375	4,038	5,116	5,989	4,909	5,212	3,778	58,037
A65	Service Co Operating Costs	15,738	29,835	23,887	5,267	6,975	(2,402)	(4,637)	(19,996)	(13,859)	(15,233)	(7,672)	(4,252)	13,651
A70	Sales Tax	(497)	(59)	596		(646)	(8)	1	(1,359)	(253)	(2,056)	27	(95)	(4,349)
B01	FAS 106	71,072	72,373	72,661	71,090	73,316	73,733	67,866	74,918	69,709	75,227	58,270	60,699	840,933
B02	FAS 112	(1,425)	(1,132)	(1,565)	(1,949)	(2,539)	5,608	5,246	5,782	5,354	5,868	8,640	9,247	37,136
B03	Health Care	45,427	34,943	71,431	60,301	62,624	57,745	56,289	60,058	56,012	29,034	47,065	51,218	632,146
B04	Group Life Insurance	7,034	8,081	7,472	7,250	8,047	7,582	7,258	7,894	7,361	8,025	6,170	6,714	88,886
B05	Other Benefits	23,378	9,962	6,560	5,285	7,258	5,781	3,880	5,343	7,830	7,313	14,631	6,194	103,412
B06	Pension	62,173	62,928	48,356	61,838	64,288	64,113	60,699	66,432	105,812	67,274	51,298	54,801	770,011
B07	Thrift Plan	20,992	20,560	22,507	20,993	21,813	20,334	19,438	21,158	19,707	21,243	16,286	17,781	242,811
B08	Workers Comp	2,475	528	2,401	4,230	1,201	1,639	6,758	1,652	1,573	4,069	1,537	1,716	29,777
M10	Materials Outside Vendor	159,162	169,026	325,763	97,585	110,199	148,369	124,518	137,525	180,141	159,151	196,480	347,171	2,155,089
M20	Materials From Inventory	210,234	128,701	146,483	284,501	304,812	379,049	253,195	317,777	329,026	380,255	331,025	176,209	3,241,268
M50	Materials Stores Handling	8		2		170	61	3	7	0		1,632	260	2,145
P10	Regular Pay Weekly	21,898	25,801	30,748	24,549	25,785	31,167	22,820	30,462	28,633	26,645	24,024	22,420	314,952
P15	Regular Pay Monthly	385,617	506,528	469,486	471,876	487,852	465,557	453,270	485,266	450,774	496,842	375,096	414,893	5,463,059
P20	Base OT Pay Weekly	850	626	966	449	497	697	710	667	1,327	598	947	817	9,151
P21	Incremental OT Pay Weekly	464	324	509	272	261	350	371	432	708	305	517	438	4,952
P25	Base OT Pay Monthly	301	158	300	362	2,772	1,865	1,039	1,461	1,548	695	1,860	364	12,724
P26	Incremental OT Pay Monthly	142	70	141	172	1,377	924	519	703	765	339	924	182	6,258
P30	Variable & Misc Pay	36,650	26,879	27,155	35,152	36,501	39,109	42,830	51,307	38,267	63,655	29,357	36,880	463,741
P50	Time Not Worked	68,028	88,582	47,513	82,680	86,983	83,039	79,333	86,073	80,229	87,182	66,907	72,810	929,359
T10	Transportation	1,313	1,355	1,356	2,032	1,921	2,583	2,614	1,873	2,274	2,202	2,306	2,147	23,974
Total		2,153,485	2,364,732	2,914,472	1,882,463	2,622,925	2,342,750	2,636,341	2,882,572	2,741,184	2,869,804	2,156,200	2,531,308	30,098,237

Source: Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk "Other" Segment Calendar Year 2007 by Month													
Expense Type	JAN-08	FEB-08	MAR-08	APR-08	MAY-08	JUN-08	JUL-08	AUG-08	SEP-08	OCT-08	NOV-08	DEC-08	Total
200 Employee Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
A65 Service Co Operating Costs	5	13	4	2	2	(1)	(1)	(5)	(10)	(4)	(4)	(3)	(3)
B01 FAS 106	20	26	16	22	21	29	18	15	42	17	25	43	294
B02 FAS 112	(1)	(1)	(1)	(1)	(1)	2	1	1	3	1	4	7	17
B03 Health Care	14	13	18	19	18	26	15	13	37	15	22	39	251
B04 Group Life Insurance	2	3	2	2	2	3	2	2	5	2	3	5	34
B06 Pension	19	24	13	20	19	27	17	14	40	16	23	41	274
B07 Thrift Plan	7	8	6	7	6	9	5	5	13	5	8	14	93
B08 Workers Comp	0		1	0	0	0	0	0	1	0	1	1	6
P15 Regular Pay Monthly	130	217	130	165	158	227	137	119	332	130	198	347	2,291
P30 Variable & Misc Pay	10	9	5	12	11	16	10	8	23	9	14	24	151
P50 Time Not Worked	21	36	13	27	26	37	23	20	55	22	33	57	370
Grand Total	228	349	208	275	263	376	226	193	542	213	327	576	3,778
Check Totals													
ED	14,391,998	13,235,458	14,525,289	10,102,459	13,823,115	11,609,702	13,828,198	14,941,025	13,777,796	14,918,638	13,152,151	12,414,040	160,719,869
ET	2,673,234	2,779,790	4,538,985	1,761,090	2,242,912	2,526,664	3,341,899	3,598,372	2,850,587	3,342,093	3,693,434	5,309,200	38,658,259
GD	2,153,485	2,364,732	2,914,472	1,882,463	2,622,925	2,342,750	2,636,341	2,882,572	2,741,184	2,869,804	2,156,200	2,531,308	30,098,237
Other	228	349	208	275	263	376	226	193	542	213	327	576	3,778
All Sum	19,218,946	18,380,328	21,978,954	13,746,287	18,689,214	16,479,492	19,806,665	21,422,162	19,370,108	21,130,748	19,002,112	20,255,124	229,480,143
All Sheet	19,218,946	18,380,328	21,978,954	13,746,287	18,689,214	16,479,492	19,806,665	21,422,162	19,370,108	21,130,748	19,002,112	20,255,124	229,480,143

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk All Segments Combined Calendar Year 2008 by Month														
Expense Type		JAN-08	FEB-08	MAR-08	APR-08	MAY-08	JUN-08	JUL-08	AUG-08	SEP-08	OCT-08	NOV-08	DEC-08	Total
100	Consultants	1,317,376	1,134,205	822,186	1,431,304	1,414,078	945,782	498,171	1,155,817	1,899,961	1,485,591	536,276	709,711	13,350,459
110	Contractors Services	3,001,051	5,426,672	6,761,435	1,883,424	2,606,038	3,862,026	4,691,430	5,518,640	5,388,069	4,797,589	6,715,475	4,542,502	55,194,351
150	Donations									700				700
200	Employee Expenses	345,888	403,400	553,167	550,372	297,942	452,323	473,915	365,303	573,935	603,251	576,421	864,165	6,060,080
300	Hardware	385,771	353,772	1,485,695	271,689	475,708	381,188	724,698	375,133	326,451	704,735	289,414	317,726	6,091,980
350	Software	844,218	613,399	1,203,567	508,213	688,931	535,267	1,108,807	797,806	773,919	942,226	1,045,956	67,661	9,129,970
400	Other	532,225	(162,524)	104,190	849,200	1,127,710	2,482,568	311,718	345,346	1,608,073	1,309,997	740,942	861,044	10,110,488
500	Rental/Lease Non-Real Estate	1,409,738	1,008,560	1,149,701	1,005,297	991,729	1,002,395	1,237,575	1,186,685	1,059,227	1,012,587	1,400,338	598,615	13,062,448
A20	Service Co. Equity	1,356,481	(55,816)	(1,896,508)	(81,407)	(80,888)	(84,331)	(80,492)	(79,725)	(178,535)	(95,506)	(84,864)	(84,445)	(1,446,034)
A50	Capital Overheads					2,444								2,444
A60	Supervision & Admin	26,420	36,919	41,569	51,802	62,867	45,508	45,522	44,519	41,749	58,385	50,243	51,059	556,561
A65	Service Co Operating Costs	30,143	38,771	61,624	(29,628)	(29,917)	(29,970)	(28,632)	(29,050)	(30,857)	39,865	75,321	106,572	174,241
A70	Sales Tax	(7,077)	(2,648)	(2,772)	(3,756)	(8,080)	(6,892)	(3,748)	(3,339)	(16,062)	(15,206)	(16,056)	(24,319)	(109,954)
B01	FAS 106	407,057	508,813	500,056	552,090	578,354	643,110	530,396	533,148	681,547	607,327	585,728	608,648	6,736,274
B02	FAS 112	34,605	42,844	(23,285)	33,147	33,387	33,723	32,264	32,710	32,975	37,828	33,304	29,578	353,080
B03	Health Care	361,722	454,129	332,468	438,384	448,058	442,882	426,400	431,066	456,750	466,344	434,422	397,688	5,090,312
B04	Group Life Insurance	45,109	57,287	94,146	62,812	64,175	67,220	64,498	65,457	65,323	66,018	60,282	54,303	766,631
B05	Other Benefits	9,482	60,479	26,492	43,160	23,381	(40,727)	13,112	36,616	90,835	21,061	23,950	(25,909)	281,930
B06	Pension	382,622	482,952	480,700	471,309	483,515	3,735,207	257,246	259,609	5,020,843	216,077	250,327	3,267,045	15,307,451
B07	Thrift Plan	653,559	693,971	760,973	679,682	782,140	680,760	677,735	775,578	688,094	689,376	675,951	740,730	8,498,549
B08	Workers Comp	35,350	54,846	6,922	56,203	53,017	9,880	20,280	9,947	(1,889)	(3,011)	(1,175)	(4,715)	235,656
B09	Payroll Taxes	961	59	-	12	505	17		-	(106)	-		-	1,447
M10	Materials Outside Vendor	1,336,650	1,325,539	2,687,207	707,149	1,617,481	1,036,594	1,347,099	1,095,877	1,136,277	972,821	938,408	1,111,587	15,312,689
M20	Materials From Inventory	2,437,667	2,302,597	2,403,599	2,591,383	2,565,795	2,676,739	2,836,035	2,934,374	2,654,494	2,723,541	2,041,229	3,362,108	31,529,561
M50	Materials Stores Handling	473	298	149	161	371	862	357	532	(169)	988	184	37	4,243
P10	Regular Pay Weekly	171,191	154,368	157,970	157,975	218,347	184,386	230,457	177,886	170,585	229,902	174,721	156,284	2,184,074
P15	Regular Pay Monthly	2,935,755	3,778,971	3,531,707	3,684,974	3,710,182	3,630,894	3,470,140	3,221,363	3,788,066	3,854,618	3,698,472	3,425,483	42,730,624
P20	Base OT Pay Weekly	6,642	4,905	12,275	10,052	9,886	10,018	10,132	8,218	9,968	(390)	5,417	8,400	95,522
P21	Incremental OT Pay Weekly	3,529	2,482	7,467	5,078	5,122	5,171	5,236	4,549	5,037	(2,336)	2,780	4,698	48,813
P25	Base OT Pay Monthly	44,475	61,584	63,183	15,015	15,603	65,631	13,166	26,062	18,968	60,037	47,538	125,550	556,812
P26	Incremental OT Pay Monthly	18,928	26,680	27,358	6,415	7,425	28,953	6,084	12,014	8,960	26,751	21,456	58,166	249,191
P30	Variable & Misc Pay	397,852	309,971	481,619	326,172	352,031	307,668	544,866	531,841	616,591	657,630	485,832	511,500	5,523,572
P50	Time Not Worked	539,207	683,435	564,152	643,726	657,939	646,815	619,269	627,229	651,577	662,296	545,261	617,569	7,458,475
T10	Transportation	25,772	15,584	45,404	32,853	10,431	19,371	32,334	37,531	36,889	37,042	35,141	33,909	362,261
Total		19,090,843	19,816,504	22,444,420	16,954,262	19,185,703	23,771,039	20,116,069	20,498,741	27,578,248	22,167,431	21,388,695	22,492,949	255,504,904
Source: Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012														

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric Electric Distribution Calendar Year 2008 by Month														
Expense Type		JAN-08	FEB-08	MAR-08	APR-08	MAY-08	JUN-08	JUL-08	AUG-08	SEP-08	OCT-08	NOV-08	DEC-08	Total
100	Consultants	397,472	769,597	265,976	1,335,656	1,181,100	658,887	328,371	867,299	1,724,429	1,208,403	267,873	508,459	9,513,522
110	Contractors Services	2,038,399	4,325,439	3,862,930	1,269,364	1,558,494	2,718,048	2,558,170	4,068,322	3,237,410	2,860,643	3,376,641	2,936,228	34,810,088
150	Donations									350				350
200	Employee Expenses	225,494	301,934	394,672	390,758	206,631	312,515	316,262	255,139	408,573	411,264	397,257	601,813	4,222,311
300	Hardware	279,149	253,308	1,003,593	202,496	293,397	298,653	508,583	277,796	231,843	555,074	217,896	201,691	4,323,480
350	Software	622,166	417,622	897,095	397,955	536,655	418,047	788,561	617,327	535,743	735,207	782,919	69,354	6,818,652
400	Other	84,478	(106,417)	315,517	554,279	794,596	2,245,862	(57,639)	268,703	1,163,164	971,352	535,728	636,171	7,405,793
500	Rental/Lease Non-Real Estate	1,018,363	765,067	865,871	770,609	753,540	764,090	938,860	902,685	815,001	772,011	1,071,470	469,288	9,906,855
A20	Service Co. Equity	1,356,481	(55,816)	(1,896,508)	(81,407)	(80,888)	(84,331)	(80,492)	(79,725)	(178,535)	(95,506)	(84,864)	(84,445)	(1,446,034)
A50	Capital Overheads					73								73
A60	Supervision & Admin	19,820	30,077	36,030	43,332	51,663	38,022	38,019	37,958	35,208	48,437	41,961	42,452	462,978
A65	Service Co Operating Costs	20,540	26,029	41,332	(19,680)	(19,940)	(20,001)	(18,741)	(19,104)	(20,538)	26,435	49,951	69,869	116,153
A70	Sales Tax	(6,249)	(1,415)	(2,245)	(2,846)	(7,184)	(6,214)	(3,736)	(3,355)	(14,945)	(12,478)	(15,225)	(22,323)	(98,216)
B01	FAS 106	276,995	348,268	343,480	378,697	397,559	442,545	358,784	362,138	467,677	413,858	397,929	410,817	4,598,746
B02	FAS 112	23,722	29,011	(15,742)	21,992	22,139	22,497	21,121	21,488	21,980	25,873	22,753	20,080	236,913
B03	Health Care	244,704	308,571	230,220	296,802	303,409	300,154	284,637	288,857	309,329	315,335	292,620	264,896	3,439,533
B04	Group Life Insurance	30,426	38,906	63,819	42,311	43,203	45,409	42,836	43,696	44,069	44,437	40,552	36,113	515,776
B05	Other Benefits	7,644	44,977	20,072	32,030	17,724	(29,212)	9,571	27,748	68,469	16,400	17,708	(18,406)	214,727
B06	Pension	258,731	328,755	328,414	316,751	324,992	2,606,421	171,377	173,720	3,507,587	146,000	168,364	2,277,346	10,608,458
B07	Thrift Plan	606,842	635,232	713,109	627,069	728,384	628,036	598,978	723,000	632,906	632,405	622,804	693,769	7,842,533
B08	Workers Comp	24,098	38,270	5,698	38,404	36,053	7,140	14,667	7,236	(744)	(1,357)	39	(2,446)	167,058
B09	Payroll Taxes								-					-
M10	Materials Outside Vendor	895,987	891,748	1,472,025	439,605	1,155,203	700,811	802,110	710,005	704,633	592,213	660,703	771,462	9,796,504
M20	Materials From Inventory	2,140,906	1,992,793	2,031,216	2,216,458	2,164,526	2,316,735	2,458,050	2,487,191	2,087,295	2,172,103	1,620,423	2,957,583	26,645,279
M50	Materials Stores Handling	338	217	103	118	269	789	259	388	(67)	719	134	27	3,294
P10	Regular Pay Weekly	122,444	110,049	112,549	113,742	157,738	128,920	158,799	123,423	124,582	167,073	125,607	112,907	1,557,834
P15	Regular Pay Monthly	1,960,255	2,540,141	2,377,021	2,469,686	2,486,841	2,432,528	2,292,610	2,101,350	2,537,158	2,563,256	2,466,471	2,254,113	28,481,429
P20	Base OT Pay Weekly	4,739	3,246	10,782	7,350	7,059	6,959	7,635	5,799	8,201	(815)	4,345	6,164	71,465
P21	Incremental OT Pay Weekly	2,534	1,636	6,720	3,713	3,658	3,603	3,966	3,270	4,142	(2,607)	2,228	3,448	36,312
P25	Base OT Pay Monthly	34,614	48,900	50,318	5,561	2,767	51,610	3,741	12,288	7,802	44,954	33,834	90,587	386,977
P26	Incremental OT Pay Monthly	14,809	21,050	21,386	2,431	1,384	22,658	1,670	5,894	3,746	19,404	14,604	42,043	171,080
P30	Variable & Misc Pay	277,587	207,979	327,623	220,931	241,174	208,115	346,051	372,045	450,836	433,459	339,565	367,860	3,793,223
P50	Time Not Worked	362,586	462,234	382,206	432,966	443,433	436,311	410,364	417,786	437,701	444,229	365,488	409,745	5,005,050
T10	Transportation	11,045	6,184	25,069	12,364	1,936	12,443	11,985	12,648	11,728	14,988	17,237	13,879	151,506
Total		13,357,118	14,783,592	14,290,351	12,539,496	13,807,590	17,688,050	13,315,428	15,093,016	19,366,734	15,522,769	13,855,015	16,140,542	179,759,701
Source: Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012														

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric Electric Transmission Calendar Year 2008 by Month														
Expense Type		JAN-08	FEB-08	MAR-08	APR-08	MAY-08	JUN-08	JUL-08	AUG-08	SEP-08	OCT-08	NOV-08	DEC-08	Total
100	Consultants	820,043	248,703	537,396	45,725	93,530	159,502	107,352	204,666	131,885	179,385	210,064	107,548	2,845,798
110	Contractors Services	546,590	832,306	2,305,389	423,250	830,696	808,287	1,724,685	904,994	1,744,254	1,494,472	2,785,089	880,867	15,280,878
150	Donations	-	-	-	-	-	-	-	-	-	-	-	-	-
200	Employee Expenses	83,127	67,783	96,728	89,882	65,318	92,869	102,516	65,802	89,692	120,704	101,667	138,100	1,114,187
300	Hardware	46,535	43,991	281,583	27,528	124,817	31,421	78,377	46,203	55,422	77,556	29,006	86,627	929,064
350	Software	87,331	118,938	171,755	17,185	57,278	29,358	163,090	73,845	129,986	48,100	92,328	(7,634)	981,557
400	Other	216,120	47,494	104,411	171,282	124,123	137,856	168,049	19,116	165,272	110,335	98,882	106,935	1,469,873
500	Rental/Lease Non-Real Estate	214,325	88,565	108,467	83,118	91,269	90,226	110,092	110,309	83,963	93,286	115,855	42,685	1,232,160
A20	Service Co. Equity	-	-	-	-	-	-	-	-	-	-	-	-	-
A50	Capital Overheads	-	-	-	-	-	-	-	-	-	-	-	-	-
A60	Supervision & Admin	2,660	2,530	2,071	3,244	4,094	2,693	2,744	2,388	2,325	3,553	3,073	3,107	34,480
A65	Service Co Operating Costs	5,609	7,822	12,404	(6,234)	(6,284)	(6,338)	(6,168)	(6,122)	(6,325)	8,683	16,151	23,440	36,637
A70	Sales Tax	(63)	6	(6)	(532)	(545)	(671)	7	11	(478)	(744)	(53)	4	(3,063)
B01	FAS 106	76,040	95,113	92,826	104,340	108,857	114,031	102,655	101,371	117,283	119,694	115,185	118,503	1,265,898
B02	FAS 112	6,259	8,223	(4,804)	6,990	7,137	7,138	6,948	6,902	6,724	7,383	6,443	5,809	71,152
B03	Health Care	69,536	88,017	58,874	87,294	89,965	89,227	86,953	86,193	88,937	95,773	88,681	83,631	1,013,083
B04	Group Life Insurance	8,798	11,148	18,423	12,707	13,138	13,701	13,348	13,242	12,869	13,741	12,377	11,496	154,989
B05	Other Benefits	681	5,679	2,378	4,122	2,095	(4,265)	1,311	3,284	8,271	1,720	2,312	(2,779)	24,808
B06	Pension	73,551	92,760	91,506	95,300	98,540	386,988	52,149	51,608	500,436	43,515	50,636	339,531	1,876,519
B07	Thrift Plan	28,003	35,705	28,083	32,589	33,619	33,087	42,012	31,971	33,400	36,305	33,200	29,701	397,673
B08	Workers Comp	6,480	9,242	741	10,743	10,599	1,672	2,705	1,613	(742)	(1,369)	(1,294)	(1,703)	38,685
B09	Payroll Taxes	961	59	-	12	505	(13)			(106)	-		-	1,417
M10	Materials Outside Vendor	254,752	180,367	863,440	131,429	239,370	116,967	219,297	193,874	257,273	225,950	185,988	220,380	3,089,087
M20	Materials From Inventory	87,390	64,684	99,790	92,614	88,338	65,417	88,674	75,488	104,691	116,718	62,102	178,156	1,124,062
M50	Materials Stores Handling	57	30	22	16	37	27	36	53	(85)	98	18	4	313
P10	Regular Pay Weekly	25,240	22,519	23,576	22,254	30,441	31,407	42,021	32,533	22,366	32,214	25,570	22,970	333,113
P15	Regular Pay Monthly	587,061	755,541	702,939	760,240	774,403	757,521	729,800	717,994	765,297	832,792	780,789	733,497	8,897,873
P20	Base OT Pay Weekly	1,060	1,098	898	1,013	1,298	1,656	1,012	1,147	697	1,076	427	1,261	12,643
P21	Incremental OT Pay Weekly	553	564	448	512	675	841	521	626	353	584	220	691	6,590
P25	Base OT Pay Monthly	9,470	11,408	9,982	7,022	9,574	10,530	7,204	10,408	8,379	12,147	10,952	33,890	140,968
P26	Incremental OT Pay Monthly	3,951	4,991	4,559	2,768	4,411	4,549	3,304	4,437	3,820	5,880	5,476	15,586	63,732
P30	Variable & Misc Pay	61,298	61,974	90,894	62,593	67,108	61,234	128,270	98,436	94,156	139,181	86,057	87,590	1,038,791
P50	Time Not Worked	106,027	134,628	111,968	130,795	135,019	132,478	129,007	127,826	130,795	139,756	113,534	131,408	1,523,241
T10	Transportation	13,476	8,566	18,751	19,060	5,633	7,593	19,283	23,885	24,135	21,715	17,159	19,298	198,552
Total		3,442,919	3,050,451	5,835,492	2,438,862	3,105,058	3,176,988	4,127,251	3,004,105	4,574,948	3,980,198	5,047,893	3,410,596	45,194,761
Source: Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012														

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric Electric Distribution and Transmission Combined Calendar Year 2008 by Month														
Expense Type		JAN-08	FEB-08	MAR-08	APR-08	MAY-08	JUN-08	JUL-08	AUG-08	SEP-08	OCT-08	NOV-08	DEC-08	Total
100	Consultants	1,217,515	1,018,300	803,372	1,381,380	1,274,630	818,388	435,724	1,071,965	1,856,315	1,387,787	477,937	616,007	12,359,320
110	Contractors Services	2,584,989	5,157,745	6,168,318	1,692,614	2,389,190	3,526,335	4,282,855	4,973,316	4,981,665	4,355,114	6,161,730	3,817,095	50,090,966
150	Donations	-	-	-	-	-	-	-	-	350	-	-	-	350
200	Employee Expenses	308,621	369,717	491,400	480,640	271,949	405,384	418,778	320,940	498,265	531,968	498,924	739,913	5,336,498
300	Hardware	325,684	297,299	1,285,177	230,024	418,214	330,074	586,960	323,999	287,265	632,629	246,901	288,318	5,252,544
350	Software	709,497	536,560	1,068,850	415,140	593,933	447,405	951,651	691,172	665,729	783,307	875,247	61,719	7,800,209
400	Other	300,597	(58,924)	419,928	725,561	918,719	2,383,718	110,409	287,819	1,328,436	1,081,687	634,610	743,105	8,875,666
500	Rental/Lease Non-Real Estate	1,232,688	853,631	974,338	853,727	844,809	854,316	1,048,952	1,012,994	898,965	865,297	1,187,326	511,973	11,139,015
A20	Service Co. Equity	1,356,481	(55,816)	(1,896,508)	(81,407)	(80,888)	(84,331)	(80,492)	(79,725)	(178,535)	(95,506)	(84,864)	(84,445)	(1,446,034)
A50	Capital Overheads	-	-	-	-	73	-	-	-	-	-	-	-	73
A60	Supervision & Admin	22,480	32,607	38,101	46,576	55,757	40,715	40,762	40,346	37,533	51,990	45,033	45,558	497,458
A65	Service Co Operating Costs	26,149	33,851	53,736	(25,914)	(26,224)	(26,339)	(24,909)	(25,225)	(26,863)	35,118	66,103	93,309	152,790
A70	Sales Tax	(6,312)	(1,409)	(2,251)	(3,378)	(7,729)	(6,885)	(3,729)	(3,345)	(15,423)	(13,221)	(15,278)	(22,319)	(101,279)
B01	FAS 106	353,035	443,381	436,305	483,038	506,416	556,576	461,439	463,509	584,959	533,552	513,115	529,319	5,864,644
B02	FAS 112	29,981	37,233	(20,547)	28,982	29,276	29,635	28,069	28,390	28,705	33,256	29,196	25,888	308,065
B03	Health Care	314,240	396,589	289,094	384,096	393,374	389,381	371,590	375,050	398,266	411,108	381,301	348,527	4,452,615
B04	Group Life Insurance	39,225	50,054	82,242	55,018	56,341	59,110	56,184	56,938	56,939	58,178	52,929	47,608	670,765
B05	Other Benefits	8,324	50,657	22,450	36,152	19,819	(33,476)	10,883	31,032	76,740	18,120	20,020	(21,185)	239,535
B06	Pension	332,282	421,515	419,921	412,051	423,532	2,993,409	223,526	225,328	4,008,022	189,515	219,000	2,616,877	12,484,977
B07	Thrift Plan	634,845	670,937	741,192	659,658	762,003	661,122	640,989	754,971	666,306	668,710	656,004	723,470	8,240,206
B08	Workers Comp	30,578	47,512	6,439	49,146	46,652	8,812	17,372	8,849	(1,486)	(2,726)	(1,255)	(4,149)	205,743
B09	Payroll Taxes	961	59	-	12	505	(13)	-	-	(106)	-	-	-	1,417
M10	Materials Outside Vendor	1,150,739	1,072,115	2,335,465	571,033	1,394,573	817,778	1,021,406	903,879	961,906	818,164	846,691	991,841	12,885,591
M20	Materials From Inventory	2,228,296	2,057,476	2,131,007	2,309,072	2,252,864	2,382,152	2,546,724	2,562,680	2,191,986	2,288,821	1,682,526	3,135,739	27,769,341
M50	Materials Stores Handling	395	247	125	134	305	816	295	441	(152)	817	153	31	3,607
P10	Regular Pay Weekly	147,684	132,568	136,125	135,996	188,179	160,327	200,820	155,956	146,948	199,288	151,177	135,878	1,890,947
P15	Regular Pay Monthly	2,547,315	3,295,682	3,079,960	3,229,926	3,261,244	3,190,048	3,022,410	2,819,344	3,302,455	3,396,047	3,247,259	2,987,610	37,379,302
P20	Base OT Pay Weekly	5,799	4,344	11,680	8,363	8,358	8,615	8,647	6,946	8,898	261	4,772	7,424	84,108
P21	Incremental OT Pay Weekly	3,087	2,200	7,168	4,225	4,334	4,444	4,487	3,897	4,495	(2,023)	2,449	4,139	42,901
P25	Base OT Pay Monthly	44,084	60,309	60,300	12,584	12,341	62,140	10,945	22,697	16,181	57,101	44,786	124,477	527,946
P26	Incremental OT Pay Monthly	18,760	26,042	25,945	5,199	5,794	27,207	4,974	10,332	7,566	25,284	20,080	57,630	234,812
P30	Variable & Misc Pay	338,885	269,953	418,516	283,524	308,283	269,348	474,321	470,480	544,992	572,640	425,621	455,449	4,832,014
P50	Time Not Worked	468,613	596,863	494,174	563,761	578,453	568,789	539,371	545,612	568,496	583,985	479,021	541,153	6,528,291
T10	Transportation	24,521	14,750	43,820	31,424	7,569	20,036	31,268	36,533	35,863	36,703	34,396	33,177	350,058
Total		16,800,037	17,834,043	20,125,843	14,978,359	16,912,648	20,865,038	17,442,679	18,097,121	23,941,681	19,502,968	18,902,908	19,551,138	224,954,462
Source: Monthly NG USA Charges to NiMo. 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012														

Source: Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Gas Gas Distribution Calendar Year 2008 by Month														
Expense Type		JAN-08	FEB-08	MAR-08	APR-08	MAY-08	JUN-08	JUL-08	AUG-08	SEP-08	OCT-08	NOV-08	DEC-08	Total
100	Consultants	99,861	115,906	18,813	49,924	139,448	127,394	62,447	83,852	43,647	97,804	58,340	93,704	991,140
110	Contractors Services	416,061	268,927	593,117	190,810	216,849	335,692	408,575	543,915	406,405	442,474	553,744	725,408	5,101,976
150	Donations									350				350
200	Employee Expenses	37,267	33,683	61,768	69,732	25,992	46,939	55,136	44,362	75,670	71,283	77,497	124,253	723,583
300	Hardware	60,086	56,472	200,519	41,665	57,494	51,115	137,738	51,135	39,186	72,106	42,513	29,408	839,436
350	Software	134,721	76,840	134,717	93,073	94,998	87,862	157,156	106,634	108,190	158,919	170,710	5,942	1,329,761
400	Other	231,627	(103,601)	(315,738)	123,638	208,991	98,851	201,309	57,526	279,637	228,310	106,332	117,938	1,234,822
500	Rental/Lease Non-Real Estate	177,050	154,929	175,363	151,570	146,921	148,079	188,623	173,691	160,262	147,290	213,012	86,642	1,923,432
A50	Capital Overheads					2,370								2,370
A60	Supervision & Admin	3,941	4,312	3,469	5,226	7,110	4,793	4,760	4,173	4,216	6,395	5,210	5,500	59,104
A65	Service Co Operating Costs	3,993	4,919	7,887	(3,712)	(3,692)	(3,631)	(3,723)	(3,825)	(3,994)	4,747	9,218	13,263	21,449
A70	Sales Tax	(765)	(1,238)	(521)	(378)	(351)	(8)	(18)	6	(640)	(1,985)	(777)	(2,000)	(8,675)
B01	FAS 106	54,008	65,418	63,740	69,036	71,916	86,534	68,958	69,640	96,588	73,775	72,614	79,328	871,553
B02	FAS 112	4,623	5,609	(2,738)	4,163	4,109	4,087	4,195	4,321	4,270	4,571	4,108	3,690	45,010
B03	Health Care	47,468	57,527	43,368	54,274	54,664	53,501	54,810	56,015	58,484	55,237	53,121	49,160	637,630
B04	Group Life Insurance	5,883	7,232	11,902	7,792	7,830	8,111	8,314	8,519	8,385	7,841	7,353	6,694	95,856
B05	Other Benefits	1,157	9,823	4,042	7,008	3,562	(7,250)	2,229	5,583	14,095	2,941	3,930	(4,724)	42,395
B06	Pension	50,326	61,424	60,768	59,242	59,962	741,798	33,720	34,281	1,012,821	26,562	31,327	650,168	2,822,399
B07	Thrift Plan	18,709	23,028	19,778	20,019	20,130	19,637	36,746	20,607	21,788	20,666	19,947	17,260	258,316
B08	Workers Comp	4,771	7,333	484	7,055	6,363	1,067	2,908	1,098	(403)	(285)	80	(566)	29,907
B09	Payroll Taxes						30							30
M10	Materials Outside Vendor	185,911	253,425	351,741	136,116	222,908	218,817	325,692	191,998	174,371	154,658	91,717	119,745	2,427,098
M20	Materials From Inventory	209,371	245,120	272,592	282,312	312,930	294,588	289,311	371,694	462,508	434,720	358,703	226,368	3,760,220
M50	Materials Stores Handling	79	51	24	27	65	46	62	90	(17)	170	31	6	636
P10	Regular Pay Weekly	23,507	21,800	21,845	21,979	30,169	24,060	29,637	21,930	23,637	30,614	23,544	20,406	293,127
P15	Regular Pay Monthly	388,315	483,170	451,656	454,917	448,763	440,846	447,729	402,019	485,611	458,570	451,213	437,873	5,350,684
P20	Base OT Pay Weekly	842	561	595	1,688	1,528	1,403	1,485	1,271	1,070	(651)	646	975	11,414
P21	Incremental OT Pay Weekly	442	282	299	853	789	727	749	652	542	(313)	332	559	5,912
P25	Base OT Pay Monthly	390	1,276	2,883	2,432	3,262	3,491	2,220	3,365	2,787	2,936	2,752	1,073	28,867
P26	Incremental OT Pay Monthly	169	638	1,413	1,216	1,631	1,746	1,110	1,683	1,394	1,468	1,376	537	14,379
P30	Variable & Misc Pay	58,958	40,010	63,092	42,639	43,735	38,319	70,545	61,361	71,599	84,989	60,210	56,051	691,508
P50	Time Not Worked	70,573	86,553	69,964	79,943	79,457	78,025	79,898	81,617	83,082	78,311	66,240	76,415	930,078
T10	Transportation	1,251	834	1,584	1,429	2,862	(665)	1,066	998	1,026	339	745	733	12,204
Total		2,290,598	1,982,262	2,318,426	1,975,686	2,272,766	2,906,001	2,673,390	2,400,212	3,636,567	2,664,463	2,485,787	2,941,811	30,547,968
Source: Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012														

Source: Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk "Other" Segment Calendar Year 2008 by Month														
Expense Type		JAN-08	FEB-08	MAR-08	APR-08	MAY-08	JUN-08	JUL-08	AUG-08	SEP-08	OCT-08	NOV-08	DEC-08	Total
110	Contractors Services								1,409					1,409
200	Employee Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
A65	Service Co Operating Costs	1	1	2	(1)	(1)								2
B01	FAS 106	14	14	11	16	22								77
B02	FAS 112	1	1	(1)	1	2								5
B03	Health Care	14	13	7	14	19								67
B04	Group Life Insurance	2	2	2	2	3								11
B06	Pension	14	14	11	16	21								75
B07	Thrift Plan	6	5	3	5	7								27
B08	Workers Comp	1	1	0	2	2								6
P15	Regular Pay Monthly	124	119	91	131	174								639
P30	Variable & Misc Pay	9	8	11	10	13								51
P50	Time Not Worked	21	20	14	22	29								106
Total		208	199	151	217	290	-	-	1,409	-	-	-	-	2,473
Source: Monthly NG USA Charges to NiMo, 2007 & 2008, email attachment from Colleen Dowling, June 25, 2012														
Check Totals														
ED		13,357,118	14,783,592	14,290,351	12,539,496	13,807,590	17,688,050	13,315,428	15,093,016	19,366,734	15,522,769	13,855,015	16,140,542	179,759,701
ET		3,442,919	3,050,451	5,835,492	2,438,862	3,105,058	3,176,988	4,127,251	3,004,105	4,574,948	3,980,198	5,047,893	3,410,596	45,194,761
GD		2,290,598	1,982,262	2,318,426	1,975,686	2,272,766	2,906,001	2,673,390	2,400,212	3,636,567	2,664,463	2,485,787	2,941,811	30,547,968
Other		208	199	151	217	290	-	-	1,409	-	-	-	-	2,473
All Sum		19,090,843	19,816,504	22,444,420	16,954,262	19,185,703	23,771,039	20,116,069	20,498,741	27,578,248	22,167,431	21,388,695	22,492,949	255,504,904
All Sheet		19,090,843	19,816,504	22,444,420	16,954,262	19,185,703	23,771,039	20,116,069	20,498,741	27,578,248	22,167,431	21,388,695	22,492,949	255,504,904

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk All Segments Combined Calendar Year 2009 by Month													
Expense Type	JAN-09	FEB-09	MAR-09	APR-09	MAY-09	JUN-09	JUL-09	AUG-09	SEP-09	OCT-09	NOV-09	DEC-09	Total
100 Consultants	650,663	3,792,263	1,559,453	1,732,984	1,105,588	3,092,043	690,772	225,929	1,022,272	692,554	2,484,878	(424,032)	16,625,367
105 Legal Settlements	-	-	-	-	-	-	-	-	-	119	-	-	119
110 Contractors Services	5,318,678	14,414,453	13,728,126	3,750,441	3,712,996	5,557,259	5,262,195	4,194,257	9,907,605	4,449,825	4,822,369	5,367,700	80,485,906
111 Paving - Hot Patch	-	-	-	-	-	-	-	-	-	-	10	-	10
150 Donations	1,657	-	-	-	2,701	-	-	3,000	-	227	-	20,794	28,379
200 Employee Expenses	336,575	1,098,470	468,299	(164,337)	463,256	423,536	328,634	612,568	581,575	474,297	240,348	418,159	5,281,378
300 Hardware	336,706	384,578	379,890	372,367	574,202	276,120	105,121	196,871	480,590	377,123	413,657	157,740	4,054,963
350 Software	1,060,132	728,878	2,274,827	873,655	449,726	797,157	754,753	712,907	397,643	1,076,047	544,906	523,473	10,194,103
400 Other	1,489,153	4,805,685	(3,470,010)	2,067,631	1,016,007	1,146,616	1,203,318	3,127,712	1,389,979	297,743	1,557,738	629,931	15,261,502
401 Advertising	-	-	-	-	-	-	-	-	-	-	49,330	-	49,330
402 Payments to Governments	-	-	-	-	-	-	-	-	-	-	-	359,447	359,447
403 Claims	-	-	-	-	-	-	928	-	4,638	16,303	4,893	8,625	35,386
404 Reimbursements	-	-	-	-	-	-	-	427	-	975	-	-	1,402
406 Printing-Mailing-Non Promo	-	-	-	-	-	-	-	212	-	12	26	-	250
408 Dues-Permits-Subscriptions	-	-	-	-	-	-	-	166	4,754	1,641	-	12,086	18,647
409 Training	-	-	-	-	-	-	3,410	7,667	22,697	31,780	12,597	880	79,031
500 Rental/Lease Non-Real Estate	991,106	946,704	1,410,691	981,968	1,021,353	1,313,945	636,556	782,199	831,516	863,270	445,248	700,508	10,925,065
505 Rental-Lease Real Estate	-	-	-	-	-	-	79,466	132,969	1,582,027	1,230,945	(227,562)	388,391	3,186,237
510 Fleet Leasing	-	-	-	-	-	-	-	3,170	-	6,157	-	-	9,327
A20 Service Co. Equity	(72,983)	(92,268)	(522,684)	(90,011)	(90,242)	(90,622)	(91,270)	(94,774)	(92,463)	(87,869)	(101,532)	(99,287)	(1,526,004)
A40 Construction Reimbursement	-	-	-	(300)	-	-	-	-	-	-	-	-	(300)
A60 Supervision & Admin	44,921	53,166	89,473	66,963	58,725	56,541	63,436	71,239	56,382	68,141	58,844	55,137	742,968
A65 Service Co Operating Costs	131,720	299,455	381,230	76,949	(118,423)	(97,423)	(94,363)	(19,081)	36,368	63,380	50,414	21,941	732,168
A70 Sales Tax	(34,491)	(9,096)	(9,523)	(1,632)	(1,757)	(8,105)	146,454	269,644	262,041	382,549	164,954	572,990	1,734,027
B01 FAS 106	549,633	724,858	789,654	669,843	618,016	727,443	616,811	646,919	581,553	532,729	557,924	508,188	7,523,572
B02 FAS 112	24,279	25,139	(3,623)	30,298	33,030	33,218	36,328	41,251	46,511	172,795	29,536	32,655	501,416
B03 Health Care	356,767	390,470	3,799,048	(3,459,838)	484,145	3,931,721	596,680	(2,905,061)	537,446	519,029	511,206	707,630	5,469,244
B04 Group Life Insurance	50,728	59,519	(4,760)	59,633	58,043	55,172	47,748	40,599	4,799	156,463	26,433	78,675	633,051
B05 Other Benefits	63,371	38,570	29,268	17,994	3,117	12,055	35,908	32,155	30,207	19,816	72,307	(29,028)	325,740
B06 Pension	237,577	348,386	6,804,899	361,755	468,079	4,657,086	590,554	682,729	2,293,215	927,115	913,324	2,348,134	20,632,850
B07 Thrift Plan	698,827	607,402	759,033	669,991	771,123	665,040	659,484	762,397	652,547	775,015	672,348	772,466	8,465,674
B08 Workers Comp	(4,640)	(2,163)	(19,058)	5,181	5,041	4,783	4,749	8,988	4,446	7,994	26,173	11,664	53,158
B09 Payroll Taxes	(35)	-	355	-	-	47	33	-	32	-	-	130	562
M10 Materials Outside Vendor	1,701,272	1,042,819	1,648,148	801,706	617,634	1,384,259	887,317	2,124,058	(40,096)	944,493	700,569	1,927,009	13,739,188
M12 Freight	-	-	-	-	-	-	-	-	-	-	1,260	2,380	3,640
M13 Postage	-	-	-	-	-	-	2,696	-	2,509	341	-	-	5,547
M14 Clothing and Shoes	-	-	-	-	-	-	-	-	861	-	399	7,997	9,257
M20 Materials From Inventory	1,890,160	1,986,668	2,765,612	2,263,944	2,508,687	2,403,381	2,316,952	2,320,373	2,837,580	2,622,960	2,061,284	1,720,137	27,697,740
M50 Materials Stores Handling	677	(6,697)	180	3	32	171	134	71	24	137	4	-	(5,266)
P10 Regular Pay Weekly	178,014	164,241	188,918	236,241	191,876	211,492	273,476	221,035	199,019	255,860	198,988	202,944	2,522,107
P15 Regular Pay Monthly	3,105,598	3,954,368	3,873,104	3,999,008	3,916,422	3,839,759	3,676,803	3,778,575	3,596,728	4,152,123	4,142,362	4,293,357	46,328,206
P20 Base OT Pay Weekly	4,480	6,536	5,870	9,356	3,725	5,675	4,800	2,561	3,419	7,535	6,604	3,660	64,222
P21 Incremental OT Pay Weekly	2,349	3,384	3,364	4,979	1,977	2,948	2,548	1,317	1,726	4,112	3,476	2,061	34,241
P25 Base OT Pay Monthly	150,565	38,840	28,580	13,194	17,022	15,012	13,182	36,541	14,409	22,446	36,627	66,012	452,430
P26 Incremental OT Pay Monthly	65,593	19,231	13,745	6,021	8,068	7,324	5,742	15,692	6,400	10,611	13,430	25,318	197,176
P30 Bonus & Misc Pay	3,446,049	1,313,689	1,298,737	1,105,871	705,692	(1,275,702)	536,862	1,048,954	836,766	890,077	1,097,531	2,083,383	13,087,909
P50 Time Not Worked	591,348	775,633	1,880,813	733,000	692,190	683,118	711,402	727,353	691,312	800,382	748,193	879,160	9,913,905
T10 Transportation	29,396	39,537	25,818	28,863	27,343	25,429	29,703	30,492	15,854	21,432	25,900	24,761	324,528
Total	23,395,846	37,952,716	40,177,479	17,223,720	19,325,394	29,856,503	20,139,321	19,844,079	28,804,889	22,788,684	22,366,997	24,383,178	306,258,806

Source: OC-1 Liberty Grid Allocation Database CY 2009

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric Electric Distribution Calendar Year 2009 by Month													
Expense Type	JAN-09	FEB-09	MAR-09	APR-09	MAY-09	JUN-09	JUL-09	AUG-09	SEP-09	OCT-09	NOV-09	DEC-09	Total
100 Consultants	399,256	3,014,591	908,642	785,089	896,621	2,375,664	445,041	109,643	749,697	481,304	2,195,573	(654,565)	11,706,557
105 Legal Settlements										119			119
110 Contractors Services	3,614,401	12,969,218	11,107,482	2,866,528	2,860,941	3,660,717	2,987,589	2,798,544	6,187,420	1,990,937	2,710,375	2,415,601	56,169,754
111 Paving - Hot Patch											10	-	10
150 Donations	1,238	-	-		-			3,000		227		15,700	20,165
200 Employee Expenses	231,904	809,651	342,837	(120,250)	307,331	302,440	231,373	498,014	431,369	256,910	82,017	295,454	3,669,050
300 Hardware	263,683	284,922	270,761	279,581	406,692	190,529	78,882	149,763	346,306	284,428	298,926	123,666	2,978,140
350 Software	926,956	588,662	1,703,273	700,325	275,835	604,019	576,178	515,838	308,398	794,644	410,164	374,243	7,778,534
400 Other	1,177,823	3,593,837	(2,270,965)	1,491,237	738,389	844,726	894,164	2,356,912	1,061,659	328,685	1,161,746	428,670	11,806,884
401 Advertising											40,655		40,655
402 Payments to Governments												262,397	262,397
403 Claims							677		4,065	15,221	4,110	7,897	31,970
404 Reimbursements								312		975			1,287
406 Printing-Mailing-Non Promo							-	176		12	26		214
408 Dues-Permits-Subscriptions								121	3,590	1,200		9,124	14,035
409 Training							2,725	5,222	19,468	26,858	5,792	880	60,945
500 Rental/Lease Non-Real Estate	760,632	725,828	1,018,000	741,273	797,946	979,350	494,303	588,234	650,012	655,033	338,792	544,986	8,294,388
505 Rental-Lease Real Estate							59,965	99,022	1,111,112	863,268	(159,595)	272,785	2,246,556
510 Fleet Leasing										-	-	-	-
A20 Service Co. Equity	(72,983)	(92,268)	(522,684)	(90,009)	(90,242)	(90,622)	(91,270)	(94,774)	(92,463)	(87,869)	(101,344)	(99,073)	(1,525,600)
A40 Construction Reimbursement				(300)									(300)
A60 Supervision & Admin	37,208	44,551	72,074	53,743	47,155	44,038	49,407	55,538	43,783	53,129	45,689	42,838	589,155
A65 Service Co Operating Costs	87,702	201,814	254,341	52,469	(80,057)	(65,618)	(63,513)	(12,856)	24,059	42,011	33,117	14,582	488,050
A70 Sales Tax	(30,106)	(8,512)	(6,570)	(1,343)	(1,126)	(3,855)	60,439	181,036	120,789	173,949	70,395	235,463	790,559
B01 FAS 106	375,086	499,083	545,140	470,780	430,018	503,975	427,466	450,376	398,275	354,633	382,532	353,180	5,190,544
B02 FAS 112	16,780	17,640	(1,434)	20,686	22,267	22,453	24,568	28,055	31,046	128,730	16,918	19,415	347,126
B03 Health Care	241,230	267,446	2,782,396	(2,542,637)	331,820	2,843,521	404,591	(2,144,683)	358,641	350,343	341,934	476,123	3,710,724
B04 Group Life Insurance	34,200	40,634	(2,902)	40,984	39,543	37,414	32,379	27,596	3,302	114,220	17,994	55,670	441,034
B05 Other Benefits	48,291	28,156	21,366	14,358	2,433	8,800	26,914	23,473	22,610	14,466	52,784	(21,190)	242,460
B06 Pension	160,777	237,798	4,750,660	252,850	322,094	3,249,593	403,390	467,146	1,583,343	623,291	608,145	1,620,072	14,279,159
B07 Thrift Plan	664,574	573,532	693,608	617,741	721,291	558,120	613,118	716,743	607,637	695,936	619,940	661,538	7,743,777
B08 Workers Comp	(2,565)	(642)	(12,045)	3,701	3,579	3,327	3,313	6,409	3,032	5,736	18,951	8,370	41,167
B09 Payroll Taxes	(35)	-	-	-	-	-	33	-	-	-	-	130	128
M10 Materials Outside Vendor	1,242,931	767,479	936,501	538,321	242,327	938,032	317,452	1,497,600	(216,234)	566,268	357,951	1,054,522	8,243,150
M12 Freight											1,260	2,380	3,640
M13 Postage							1,968		1,942	279	-		4,190
M14 Clothing and Shoes											399	7,110	7,509
M20 Materials From Inventory	1,581,250	1,655,748	2,263,655	1,877,554	2,024,734	2,003,398	1,836,207	1,899,480	2,266,497	1,932,008	1,685,805	1,321,578	22,347,913
M50 Materials Stores Handling	507	(6,705)	152	3	-	-	131	65	23	100	3	-	(5,721)
P10 Regular Pay Weekly	133,109	123,218	142,899	176,840	143,964	151,423	191,339	155,111	149,337	190,160	146,185	146,004	1,849,588
P15 Regular Pay Monthly	2,056,842	2,679,312	2,591,898	2,736,815	2,660,947	2,602,451	2,496,752	2,572,573	2,387,832	2,762,838	2,740,876	2,875,858	31,164,995
P20 Base OT Pay Weekly	3,503	4,777	4,768	7,238	3,011	4,098	3,098	2,016	2,479	6,354	5,660	3,009	50,012
P21 Incremental OT Pay Weekly	1,832	2,489	2,775	3,882	1,593	2,134	1,598	1,040	1,253	3,481	2,964	1,723	26,763
P25 Base OT Pay Monthly	119,184	26,247	17,124	7,172	6,132	3,002	2,653	15,077	3,178	7,149	9,440	30,965	247,322
P26 Incremental OT Pay Monthly	52,383	13,135	8,171	3,298	2,699	1,451	1,202	6,206	1,172	3,476	4,448	13,669	111,307
P30 Bonus & Misc Pay	2,431,687	896,102	875,359	803,873	476,310	(951,765)	424,607	743,050	542,813	646,025	734,718	1,509,200	9,131,981
P50 Time Not Worked	397,654	527,355	1,337,300	504,202	472,114	463,503	482,577	494,345	461,068	535,178	495,785	589,143	6,760,225
T10 Transportation	13,839	20,576	12,143	11,048	7,239	6,888	7,853	7,700	5,155	6,607	8,104	7,175	114,327
Total	16,970,773	30,505,676	29,846,724	12,307,053	14,073,600	21,293,207	13,429,169	14,223,122	19,583,666	14,828,322	15,389,243	15,026,292	217,476,846

Source: OC-1 Liberty Grid Allocation Database CY 2009

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric Electric Transmission Calendar Year 2009 by Month														
Expense Type	JAN-09	FEB-09	MAR-09	APR-09	MAY-09	JUN-09	JUL-09	AUG-09	SEP-09	OCT-09	NOV-09	DEC-09	Total	
100 Consultants	153,715	345,138	584,923	862,692	104,530	278,845	123,953	56,583	124,614	144,156	177,821	131,344	3,088,314	
105 Legal Settlements										-			-	
110 Contractors Services	1,212,716	754,799	2,183,288	442,462	398,682	1,068,285	1,579,596	758,018	2,494,418	1,749,108	1,571,265	2,289,081	16,501,718	
111 Paving - Hot Patch											-	-	-	
150 Donations	167	-	-		2,701			-		-		2,099	4,967	
200 Employee Expenses	55,770	118,627	78,317	(7,089)	118,047	71,113	67,470	57,567	103,657	173,647	112,163	81,674	1,030,962	
300 Hardware	29,275	40,352	59,352	31,544	70,130	46,938	10,203	14,889	66,749	32,746	53,996	7,265	463,440	
350 Software	44,054	42,310	224,914	81,207	58,396	61,689	67,304	76,844	26,359	109,666	44,463	72,054	909,262	
400 Other	162,206	518,777	(356,847)	244,910	137,117	138,115	144,878	333,834	210,807	(79,509)	197,424	88,656	1,740,368	
401 Advertising											8,675		8,675	
402 Payments to Governments												35,945	35,945	
403 Claims							93	-	-	-	-	(8)	85	
404 Reimbursements								43		-	-		43	
406 Printing-Mailing-Non Promo							-	-	-	-	-		-	
408 Dues-Permits-Subscriptions								17	480	164		1,220	1,881	
409 Training							-	1,215	1,219	4,139	5,104	-	11,677	
500 Rental/Lease Non-Real Estate	82,205	80,475	218,545	90,066	67,872	140,725	48,170	76,648	52,849	84,057	48,336	57,995	1,047,942	
505 Rental-Lease Real Estate							8,020	13,371	294,262	230,961	(42,733)	72,293	576,174	
510 Fleet Leasing								-		4,445			4,445	
A20 Service Co. Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	
A40 Construction Reimbursement				-									-	
A60 Supervision & Admin	2,900	3,532	7,205	4,825	4,044	4,720	5,216	6,405	4,109	4,769	4,196	3,920	55,841	
A65 Service Co Operating Costs	25,710	60,755	80,942	15,197	(23,597)	(19,760)	(19,082)	(3,903)	7,851	13,919	11,372	4,650	154,052	
A70 Sales Tax	(1,875)	(103)	(402)	(290)	(24)	(1,197)	68,253	59,445	113,009	153,376	69,279	248,259	707,730	
B01 FAS 106	98,830	136,637	136,510	116,523	109,317	122,013	109,985	116,062	106,717	114,755	104,860	86,311	1,358,520	
B02 FAS 112	4,193	4,452	(1,773)	5,817	6,491	6,544	7,113	8,102	9,666	19,750	9,874	9,754	89,981	
B03 Health Care	66,336	75,216	368,145	(309,046)	91,726	444,545	117,095	(243,121)	112,241	106,037	107,717	142,982	1,079,874	
B04 Group Life Insurance	9,535	11,599	(939)	11,424	11,228	10,889	9,368	8,023	875	15,981	5,136	11,156	104,275	
B05 Other Benefits	5,585	3,857	2,927	1,347	253	1,206	3,331	3,215	2,814	1,982	7,231	(2,903)	30,844	
B06 Pension	43,759	67,376	695,646	64,486	86,771	494,714	112,220	131,441	297,023	191,908	195,073	314,794	2,695,210	
B07 Thrift Plan	19,748	20,773	41,065	31,934	30,174	51,422	28,201	28,139	28,130	43,237	33,813	54,478	411,114	
B08 Workers Comp	(1,375)	(1,412)	(4,666)	870	849	859	838	1,282	847	1,192	3,047	1,570	3,902	
B09 Payroll Taxes	-	-	355	-	-	47	-	-	32	-	-	-	435	
M10 Materials Outside Vendor	300,856	118,242	321,184	133,971	136,218	284,909	501,576	245,198	232,690	228,180	227,218	285,351	3,015,594	
M12 Freight									-	-	-	-	-	
M13 Postage							270		210	23	-	-	503	
M14 Clothing and Shoes									-	-	-	887	887	
M20 Materials From Inventory	79,969	99,197	211,792	117,361	106,907	91,996	120,653	77,046	165,951	184,386	85,767	189,576	1,530,601	
M50 Materials Stores Handling	63	3	10	-	-	-	1	-	1	14	0	-	91	
P10 Regular Pay Weekly	21,561	19,789	22,014	27,285	21,620	29,384	37,512	30,720	24,022	33,287	26,426	28,606	322,225	
P15 Regular Pay Monthly	599,829	788,439	819,583	781,635	770,035	765,112	729,139	750,930	763,626	894,938	915,301	884,263	9,462,831	
P20 Base OT Pay Weekly	348	1,061	534	938	308	828	1,271	258	525	277	165	182	6,695	
P21 Incremental OT Pay Weekly	187	542	287	483	162	421	724	134	264	174	97	96	3,570	
P25 Base OT Pay Monthly	30,616	12,474	10,657	5,083	7,241	9,504	8,253	18,693	10,217	14,334	18,894	29,059	175,023	
P26 Incremental OT Pay Monthly	12,827	5,865	5,174	2,253	3,546	4,620	3,402	8,101	4,721	6,653	8,250	11,607	77,020	
P30 Bonus & Misc Pay	480,920	255,367	266,910	165,327	143,030	(70,070)	54,940	196,415	206,808	154,431	235,433	346,617	2,436,127	
P50 Time Not Worked	112,207	153,460	257,469	140,201	133,633	134,699	139,579	144,149	144,586	169,817	163,787	180,446	1,874,033	
T10 Transportation	14,919	17,893	13,027	16,687	19,120	17,728	20,792	21,788	9,967	13,945	16,805	17,070	199,741	
Total	3,667,757	3,755,491	6,246,146	3,080,102	2,616,528	4,190,843	4,110,337	2,997,549	5,622,313	4,820,943	4,426,253	5,688,353	51,222,615	

Source: OC-1 Liberty Grid Allocation Database CY 2009

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric Electric Distribution and Transmission Combined Calendar Year 2009 by Month													
Expense Type	JAN-09	FEB-09	MAR-09	APR-09	MAY-09	JUN-09	JUL-09	AUG-09	SEP-09	OCT-09	NOV-09	DEC-09	Total
100 Consultants	552,971	3,359,729	1,493,565	1,647,782	1,001,151	2,654,509	568,994	166,226	874,311	625,460	2,373,394	(523,221)	14,794,871
105 Legal Settlements	-	-	-	-	-	-	-	-	-	119	-	-	119
110 Contractors Services	4,827,118	13,724,017	13,290,770	3,308,990	3,259,622	4,729,003	4,567,186	3,556,562	8,681,837	3,740,045	4,281,640	4,704,682	72,671,472
111 Paving - Hot Patch	-	-	-	-	-	-	-	-	-	-	10	-	10
150 Donations	1,405	-	-	-	2,701	-	-	3,000	-	227	-	17,799	25,132
200 Employee Expenses	287,674	928,278	421,154	(127,339)	425,379	373,553	298,843	555,581	535,026	430,557	194,180	377,128	4,700,012
300 Hardware	292,958	325,274	330,113	311,125	476,822	237,467	89,086	164,652	413,055	317,174	352,922	130,931	3,441,580
350 Software	971,011	630,972	1,928,186	781,532	334,231	665,708	643,482	592,683	334,757	904,310	454,627	446,297	8,687,796
400 Other	1,340,030	4,112,614	(2,627,813)	1,736,147	875,506	982,841	1,039,043	2,690,745	1,272,466	249,175	1,359,170	517,326	13,547,251
401 Advertising	-	-	-	-	-	-	-	-	-	-	49,330	-	49,330
402 Payments to Governments	-	-	-	-	-	-	-	-	-	-	-	298,341	298,341
403 Claims	-	-	-	-	-	-	770	-	4,065	15,221	4,110	7,889	32,055
404 Reimbursements	-	-	-	-	-	-	-	354	-	975	-	-	1,330
406 Printing-Mailing-Non Promo	-	-	-	-	-	-	-	176	-	12	26	-	214
408 Dues-Permits-Subscriptions	-	-	-	-	-	-	-	138	4,069	1,364	-	10,344	15,916
409 Training	-	-	-	-	-	-	2,725	6,437	20,687	30,997	10,895	880	72,622
500 Rental/Lease Non-Real Estate	842,837	806,303	1,236,545	831,339	865,818	1,120,074	542,473	664,882	702,861	739,089	387,128	602,982	9,342,330
505 Rental-Lease Real Estate	-	-	-	-	-	-	67,985	112,392	1,405,373	1,094,228	(202,328)	345,078	2,822,730
510 Fleet Leasing	-	-	-	-	-	-	-	-	-	4,445	-	-	4,445
A20 Service Co. Equity	(72,983)	(92,268)	(522,684)	(90,009)	(90,242)	(90,622)	(91,270)	(94,774)	(92,463)	(87,869)	(101,344)	(99,073)	(1,525,600)
A40 Construction Reimbursement	-	-	-	(300)	-	-	-	-	-	-	-	-	(300)
A60 Supervision & Admin	40,108	48,084	79,279	58,568	51,199	48,759	54,623	61,943	47,892	57,899	49,885	46,758	644,996
A65 Service Co Operating Costs	113,412	262,568	335,282	67,666	(103,654)	(85,378)	(82,595)	(16,759)	31,910	55,930	44,489	19,232	642,103
A70 Sales Tax	(31,981)	(8,615)	(6,972)	(1,632)	(1,150)	(5,052)	128,692	240,480	233,798	327,324	139,674	483,721	1,498,288
B01 FAS 106	473,916	635,720	681,650	587,303	539,335	625,988	537,451	566,438	504,992	469,388	487,391	439,491	6,549,064
B02 FAS 112	20,973	22,092	(3,207)	26,504	28,758	28,998	31,681	36,157	40,712	148,480	26,791	29,170	437,107
B03 Health Care	307,566	342,662	3,150,541	(2,851,683)	423,546	3,288,066	521,686	(2,387,804)	470,881	456,380	449,651	619,106	4,790,598
B04 Group Life Insurance	43,735	52,233	(3,841)	52,408	50,771	48,302	41,747	35,619	4,178	130,200	23,130	66,826	545,309
B05 Other Benefits	53,876	32,013	24,292	15,705	2,686	10,006	30,245	26,688	25,424	16,447	60,015	(24,093)	273,304
B06 Pension	204,537	305,174	5,446,305	317,336	408,865	3,744,307	515,609	598,588	1,880,366	815,199	803,218	1,934,866	16,974,369
B07 Thrift Plan	684,322	594,305	734,673	649,675	751,465	609,542	641,319	744,881	635,766	739,173	653,753	716,016	8,154,891
B08 Workers Comp	(3,941)	(2,054)	(16,711)	4,571	4,429	4,186	4,152	7,691	3,878	6,928	21,999	9,940	45,068
B09 Payroll Taxes	(35)	-	355	-	-	47	33	-	32	-	-	130	562
M10 Materials Outside Vendor	1,543,787	885,721	1,257,685	672,292	378,545	1,222,941	819,029	1,742,798	16,456	794,448	585,169	1,339,873	11,258,744
M12 Freight	-	-	-	-	-	-	-	-	-	-	1,260	2,380	3,640
M13 Postage	-	-	-	-	-	-	2,238	-	2,152	302	-	-	4,692
M14 Clothing and Shoes	-	-	-	-	-	-	-	-	-	-	399	7,997	8,396
M20 Materials From Inventory	1,661,218	1,754,945	2,475,447	1,994,915	2,131,641	2,095,394	1,956,860	1,976,526	2,432,448	2,116,393	1,771,571	1,511,154	23,878,513
M50 Materials Stores Handling	570	(6,702)	163	3	-	-	132	65	23	114	3	-	(5,630)
P10 Regular Pay Weekly	154,669	143,007	164,913	204,124	165,584	180,807	228,851	185,832	173,358	223,447	172,611	174,610	2,171,813
P15 Regular Pay Monthly	2,656,672	3,467,751	3,411,481	3,518,450	3,430,982	3,367,563	3,225,891	3,323,503	3,151,459	3,657,776	3,656,177	3,760,121	40,627,826
P20 Base OT Pay Weekly	3,850	5,839	5,302	8,176	3,319	4,926	4,369	2,275	3,004	6,632	5,825	3,191	56,707
P21 Incremental OT Pay Weekly	2,019	3,031	3,062	4,365	1,755	2,555	2,322	1,174	1,518	3,654	3,061	1,819	30,333
P25 Base OT Pay Monthly	149,800	38,721	27,780	12,255	13,373	12,505	10,906	33,770	13,394	21,483	28,334	60,024	422,346
P26 Incremental OT Pay Monthly	65,210	19,000	13,345	5,552	6,244	6,071	4,603	14,306	5,893	10,130	12,697	25,276	188,327
P30 Bonus & Misc Pay	2,912,607	1,151,469	1,142,269	969,199	619,340	(1,021,835)	479,547	939,464	749,621	800,457	970,152	1,855,818	11,568,108
P50 Time Not Worked	509,861	680,815	1,594,769	644,403	605,746	598,202	622,156	638,494	605,654	704,996	659,572	769,590	8,634,259
T10 Transportation	28,758	38,469	25,170	27,735	26,359	24,616	28,646	29,487	15,123	20,552	24,909	24,245	314,068
Total	20,638,529	34,261,167	36,092,870	15,387,155	16,690,128	25,484,050	17,539,506	17,220,671	25,205,979	19,649,265	19,815,495	20,714,644	268,699,461

Source: OC-1 Legacy Grid Allocation Database CY 2009

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Gas Gas Distribution Calendar Year 2009 by Month													
Expense Type	JAN-09	FEB-09	MAR-09	APR-09	MAY-09	JUN-09	JUL-09	AUG-09	SEP-09	OCT-09	NOV-09	DEC-09	Total
100 Consultants	97,692	432,535	65,888	85,203	104,436	437,534	121,778	59,702	147,960	67,094	111,484	99,189	1,830,496
105 Legal Settlements										-			-
110 Contractors Services	491,561	690,436	437,356	441,451	453,374	828,257	695,009	637,696	1,225,768	709,780	540,730	663,019	7,814,435
111 Paving - Hot Patch											-		-
150 Donations	252	-	-		-			-		-		2,995	3,247
200 Employee Expenses	48,901	170,191	47,145	(36,998)	37,877	49,983	29,791	56,988	46,549	43,740	46,168	41,030	581,366
300 Hardware	43,748	59,304	49,777	61,242	97,380	38,653	16,035	32,219	67,534	59,949	60,734	26,809	613,383
350 Software	89,121	97,905	346,641	92,123	115,495	131,449	111,271	120,224	62,885	171,737	90,279	77,176	1,506,307
400 Other	149,124	693,071	(842,197)	331,483	140,500	163,775	164,275	436,967	117,513	48,568	198,568	112,605	1,714,251
401 Advertising											-		-
402 Payments to Governments												61,106	61,106
403 Claims							158	-	573	1,081	783	737	3,331
404 Reimbursements								73		-			73
406 Printing-Mailing-Non Promo							-	36		-	-		36
408 Dues-Permits-Subscriptions								28	685	277		1,742	2,731
409 Training							685	1,230	2,010	783	1,702	-	6,410
500 Rental/Lease Non-Real Estate	148,269	140,402	174,147	150,629	155,536	193,871	94,083	117,317	128,655	124,181	58,120	97,526	1,582,735
505 Rental-Lease Real Estate							11,481	20,576	176,654	136,717	(25,234)	43,313	363,507
510 Fleet Leasing								3,170		1,712			4,882
A20 Service Co. Equity	-	-	-	-	-	-	-	-	-	-	-	-	-
A40 Construction Reimbursement													-
A60 Supervision & Admin	4,813	5,083	10,194	8,395	7,526	7,782	8,813	9,297	8,490	10,242	8,959	8,379	97,972
A65 Service Co Operating Costs	18,309	36,887	45,948	9,281	(14,768)	(12,045)	(11,768)	(2,321)	4,458	7,450	5,801	2,648	89,879
A70 Sales Tax	(2,510)	(481)	(2,552)	-	(608)	(3,053)	17,762	29,163	28,243	55,224	25,280	89,269	235,738
B01 FAS 106	75,717	89,137	108,004	82,531	78,681	101,454	79,361	80,480	76,561	63,341	69,501	67,722	972,491
B02 FAS 112	3,306	3,047	(416)	3,794	4,273	4,221	4,647	5,094	5,799	24,315	2,621	3,339	64,038
B03 Health Care	49,201	47,808	648,507	(608,162)	60,599	643,655	74,994	(517,257)	66,565	62,648	60,420	86,696	675,676
B04 Group Life Insurance	6,993	7,286	(919)	7,224	7,272	6,869	6,000	4,980	621	26,262	3,251	11,764	87,604
B05 Other Benefits	9,495	6,557	4,976	2,289	431	2,049	5,662	5,466	4,783	3,369	12,292	(4,935)	52,436
B06 Pension	33,040	43,212	1,358,594	44,414	59,215	912,776	74,947	84,141	412,848	111,916	108,043	411,073	3,654,218
B07 Thrift Plan	14,505	13,098	24,360	20,313	19,658	55,498	18,165	17,515	16,781	35,842	18,234	56,024	309,993
B08 Workers Comp	(699)	(109)	(2,347)	610	612	597	597	1,297	568	1,065	4,164	1,712	8,067
B09 Payroll Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
M10 Materials Outside Vendor	157,485	157,098	390,464	129,413	239,089	161,319	68,288	381,260	(56,552)	150,045	115,401	587,136	2,480,444
M12 Freight									-	-	-	-	-
M13 Postage							458		357	39	-		854
M14 Clothing and Shoes									861		-	-	861
M20 Materials From Inventory	228,942	231,723	290,165	269,029	377,046	307,987	360,092	343,848	405,133	506,567	289,713	208,983	3,819,227
M50 Materials Stores Handling	107	5	17	-	32	171	2	6	1	23	1	-	363
P10 Regular Pay Weekly	23,345	21,234	24,005	32,117	26,292	30,686	44,625	35,204	25,661	32,413	26,378	28,334	350,293
P15 Regular Pay Monthly	448,926	486,617	461,622	480,486	485,440	472,196	450,913	455,072	445,270	494,347	482,698	523,779	5,687,365
P20 Base OT Pay Weekly	630	697	568	1,181	406	749	431	286	414	904	779	469	7,515
P21 Incremental OT Pay Weekly	330	353	302	614	222	393	227	144	208	457	415	242	3,908
P25 Base OT Pay Monthly	765	119	800	938	3,649	2,506	2,277	2,771	1,015	963	1,465	3,252	20,521
P26 Incremental OT Pay Monthly	383	232	400	469	1,824	1,253	1,138	1,386	507	482	733	42	8,848
P30 Bonus & Misc Pay	533,442	162,220	156,468	136,661	86,351	(253,866)	57,316	109,490	87,145	89,620	125,142	223,345	1,513,332
P50 Time Not Worked	81,487	94,817	286,043	88,585	86,444	84,916	89,246	88,859	85,657	95,387	86,857	107,242	1,275,541
T10 Transportation	638	1,068	648	1,128	984	813	1,058	1,004	732	880	991	516	10,460
Total	2,757,316	3,691,550	4,084,608	1,836,444	2,635,266	4,372,448	2,599,819	2,623,407	3,598,911	3,139,419	2,532,473	3,644,276	37,515,938

Source: OC-1 Liberty Grid Allocation Database CY 2009

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk "Other" Segment Calendar Year 2009 by Month														
Expense Type		JAN-09	FEB-09	MAR-09	APR-09	MAY-09	JUN-09	JUL-09	AUG-09	SEP-09	OCT-09	NOV-09	DEC-09	Grand Total
A20	Service Co. Equity	-	-	-	(1)	-	-	-	-	-	-	(188)	(215)	(404)
A65	Service Co Operating Costs	-	-	-	1	-	-	-	-	-	-	124	61	186
B01	FAS 106	-	-	-	10	-	2	(2)	-	-	-	1,032	975	2,016
B02	FAS 112	-	-	-	1	-	-	-	-	-	-	124	146	271
B03	Health Care	-	-	-	7	-	-	-	-	-	-	1,135	1,829	2,970
B04	Group Life Insurance	-	-	-	1	-	-	-	-	-	-	52	85	138
B06	Pension	-	-	-	5	-	2	(2)	-	-	-	2,063	2,195	4,263
B07	Thrift Plan	-	-	-	3	-	-	-	-	-	-	361	427	791
B08	Workers Comp	-	-	-	0	-	-	-	-	-	-	10	12	23
P15	Regular Pay Monthly	-	-	-	71	-	-	-	-	-	-	3,488	9,456	13,015
P25	Base OT Pay Monthly	-	-	-	-	-	-	-	-	-	-	6,828	2,736	9,564
P30	Bonus & Misc Pay	-	-	-	10	-	-	-	-	-	-	2,237	4,221	6,469
P50	Time Not Worked	-	-	-	12	-	-	-	-	-	-	1,764	2,329	4,105
Grand Total		-	-	-	120	-	4	(4)	-	-	-	19,029	24,258	43,407
Source: OC-1 Liberty Grid Allocation Database CY 2009														
Check Totals														
ED		16,970,773	30,505,676	29,846,724	12,307,053	14,073,600	21,293,207	13,429,169	14,223,122	19,583,666	14,828,322	15,389,243	15,026,292	217,476,846
ET		3,667,757	3,755,491	6,246,146	3,080,102	2,616,528	4,190,843	4,110,337	2,997,549	5,622,313	4,820,943	4,426,253	5,688,353	51,222,615
GD		2,757,316	3,691,550	4,084,608	1,836,444	2,635,266	4,372,448	2,599,819	2,623,407	3,598,911	3,139,419	2,532,473	3,644,276	37,515,938
Other		-	-	-	120	-	4	(4)	-	-	-	19,029	24,258	43,407
All Sum		23,395,846	37,952,716	40,177,479	17,223,720	19,325,394	29,856,503	20,139,321	19,844,079	28,804,889	22,788,684	22,366,997	24,383,178	306,258,806
All Sheet		23,395,846	37,952,716	40,177,479	17,223,720	19,325,394	29,856,503	20,139,321	19,844,079	28,804,889	22,788,684	22,366,997	24,383,178	306,258,806

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk All Segments Combined Calendar Year 2010 by Month													
Expense Type	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	Total
100 Consultants	805,611	1,792,862	3,006,799	582,159	2,665,471	(1,723,896)	1,430,977	(93,982)	454,627	618,244	5,836,398	(2,294,308)	13,080,962
105 Legal Settlements	-	-	-	-	-	-	-	-	-	86	-	-	86
110 Contractors Services	2,843,908	4,064,304	5,789,952	3,630,626	3,788,662	2,244,281	4,598,284	4,025,754	5,173,647	4,513,105	5,703,250	3,775,609	50,151,383
111 Paving - Hot Patch	-	-	-	-	-	-	13	94	-	-	-	-	108
150 Donations	-	-	-	5,715	-	-	-	-	655	-	-	-	6,370
200 Employee Expenses	545,709	379,454	41,421	457,561	401,291	539,461	330,602	453,070	400,868	423,799	495,842	298,717	4,767,795
300 Hardware	640,508	112,762	755,752	230,455	368,308	575,424	311,544	324,840	539,280	229,171	315,759	198,799	4,602,601
350 Software	700,343	731,518	1,347,534	853,080	661,063	1,250,975	350,010	408,247	809,457	358,664	874,550	426,702	8,772,144
400 Other	1,174,557	1,485,562	(2,025,786)	1,197,627	(677,193)	3,103,954	1,726,261	888,461	976,859	(84,123)	2,125,274	3,144,510	13,035,961
401 Advertising	-	-	-	-	935	-	-	468	101	-	2,116	-	3,620
403 Claims	10,942	4,965	(55,431)	188	7,244	11,092	19,672	18,511	11,009	10,543	8,320	26,028	73,083
404 Reimbursements	-	-	10,444	-	-	-	-	-	-	-	-	-	10,444
405 Printing-Mailing-Promotional	1,086	517	-	-	1,074	-	-	144	-	-	-	-	2,821
406 Printing-Mailing-Non Promo	927	216	-	-	313	2,024	-	-	-	-	-	2,111	5,592
407 Research & Development	-	-	-	-	-	2,570	-	-	-	-	-	-	2,570
408 Dues-Permits-Subscriptions	2,861	34	3,311	29,140	8,720	85,170	4,851	(7,662)	30,088	3,671	35,995	2,159	198,338
409 Training	25,586	1,630	65,117	6,506	32,343	25,340	26,667	(17,205)	28,289	11,130	15,012	23,201	243,617
410 Messenger-Courier-Limo Svcs	-	-	-	-	43	-	-	-	-	-	-	-	43
500 Rental/Lease Non-Real Estate	827,933	930,529	902,463	673,881	1,971,539	(621,512)	579,124	712,817	300,056	193,088	261,180	617,724	7,348,822
505 Rental-Lease Real Estate	378,957	398,778	4,584	610,779	24,571	541,355	(56,432)	785,408	268,150	290,725	164,505	364,684	3,776,063
510 Fleet Leasing	13,665	953	4,040	2,595	155	-	1,350	1,125	3,656	1,302	1,100	1,565	31,506
A20 Service Co. Equity	(188,220)	(96,869)	1,575,245	46,884	79,812	47,544	43,670	45,503	37,923	51,262	44,912	56,761	1,744,426
A30 Conservation Load Management	-	-	-	19,300	-	-	-	-	-	-	-	-	19,300
A42 Bill Interface Expense Type	-	-	110	-	-	-	-	-	-	-	-	-	110
A60 Supervision & Admin	47,243	56,022	57,129	64,899	55,507	51,874	60,335	51,208	61,371	60,140	59,746	59,193	684,668
A65 Service Co Operating Costs	3,081	(8,083)	(301,419)	(20,943)	(33,317)	(35,737)	(31,110)	(17,552)	(3,542)	(6,231)	(8,400)	(18,158)	(481,411)
A70 Sales Tax	282,081	330,611	461,816	205,151	192,442	291,442	339,013	302,610	161,388	260,794	263,802	248,405	3,339,554
B01 FAS 106	324,056	532,947	502,387	594,427	606,065	675,391	619,405	572,814	620,832	965,628	326,385	549,828	6,890,164
B02 FAS 112	848	(17,224)	(587,524)	(21,240)	4,617	23,109	36,169	43,471	47,568	118,334	34,186	72,243	(245,443)
B03 Health Care	567,662	761,351	1,991,331	(1,126,742)	511,258	520,399	471,255	426,979	367,249	664,535	161,194	288,025	5,604,497
B04 Group Life Insurance	35,448	58,014	437,394	170,182	52,008	(1,101,651)	235,528	311,934	(100,612)	63,274	18,935	23,011	203,465
B05 Other Benefits	132,781	243,123	(1,641,145)	32,141	(2,950,639)	119,403	34,669	43,843	35,989	22,329	27,160	(37,736)	(3,938,082)
B06 Pension	514,542	542,398	1,357,128	683,622	691,123	1,292,226	767,023	763,498	2,922,327	1,248,520	337,093	618,214	11,737,713
B07 Thrift Plan	527,062	764,584	762,439	683,937	687,331	801,389	676,158	765,019	662,437	752,727	691,370	636,916	8,411,367
B08 Workers Comp	5,655	9,128	54,529	53,203	13,122	5,619	4,440	3,953	4,910	19,538	6,981	13,266	194,345
B09 Payroll Taxes	34	620	28	322	50	-	-	-	-	50	7,212	(16,761)	(8,444)
M10 Materials Outside Vendor	1,142,819	763,814	2,081,401	900,903	845,944	1,622,041	843,215	918,000	551,862	441,369	1,061,491	1,195,023	12,367,883
M11 Natural Gas & Odorant	-	-	-	-	6,735	-	-	-	-	-	-	-	6,735
M12 Freight	8,714	980	1,120	700	840	-	220	2,240	-	-	-	-	14,814
M13 Postage	711	6	-	75	-	-	-	-	-	-	2,728	-	3,520
M14 Clothing and Shoes	106	-	5,816	1,877	340	852	82,527	7,040	-	-	314	772	99,643
M15 Medical Supplies	-	-	-	-	-	-	-	-	-	-	68	-	68
M17 Gasoline - Fuel	-	69	128	-	-	-	-	-	-	-	-	-	196
M20 Materials From Inventory	2,921,378	2,486,607	2,633,280	2,731,728	2,409,824	2,567,335	2,039,628	2,343,378	2,838,816	2,201,641	2,073,166	1,690,442	28,937,223
M50 Materials Stores Handling	-	-	(4,588)	66	1	20	-	58	0	25	20	-	(4,397)
P10 Regular Pay Weekly	170,725	188,714	192,206	218,744	173,782	187,271	285,750	144,645	214,772	185,121	188,953	181,245	2,331,927
P15 Regular Pay Monthly	3,007,742	3,956,728	4,519,077	4,159,900	4,103,154	4,421,746	3,761,011	3,490,558	3,433,756	6,198,924	1,684,728	3,599,490	46,336,813
P20 Base OT Pay Weekly	4,420	3,429	29,899	7,993	5,241	2,839	2,025	(816)	2,437	3,245	8,389	2,691	71,795
P21 Incremental OT Pay Weekly	2,267	1,924	15,581	4,105	2,557	1,721	1,056	(321)	1,310	1,737	5,027	1,472	38,436
P25 Base OT Pay Monthly	31,037	32,945	88,796	32,014	46,633	12,595	18,500	27,627	21,842	17,822	23,559	23,440	376,809
P26 Incremental OT Pay Monthly	7,795	13,690	39,103	14,833	22,368	6,449	5,812	217	734	-	2,968	265	114,234
P30 Variable & Misc Pay	1,217,200	1,620,991	6,422,253	657,808	761,149	869,826	1,188,552	871,631	1,098,479	1,713,110	521,925	929,018	17,871,942
P50 Time Not Worked	593,135	798,798	297,738	771,263	755,184	805,645	706,618	639,642	650,524	1,116,624	330,856	664,484	8,130,511
T10 Transportation	22,777	21,538	468,062	32,594	29,269	27,825	35,076	22,049	17,020	29,399	10,581	13,480	729,670
Total	19,355,692	22,970,935	31,309,518	19,200,059	18,326,940	19,253,412	21,549,466	19,279,318	22,646,133	22,699,323	23,724,652	17,382,527	257,697,978

Source: OC-1 Liberty Grid Allocation Database CY 2010

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric Electric Distribution Calendar Year 2010 by Month													
Expense Type	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	Total
100 Consultants	421,502	1,374,506	2,160,115	423,632	1,992,049	(1,280,521)	1,107,533	(24,249)	13,292	328,395	3,597,944	(1,795,073)	8,319,124
105 Legal Settlements										65			65
110 Contractors Services	1,639,426	1,675,309	2,810,132	1,938,038	2,141,400	490,828	2,514,409	2,420,462	2,381,191	2,257,825	3,210,190	2,108,409	25,587,619
111 Paving - Hot Patch							13	94			-		108
150 Donations	-			4,765					-				4,765
200 Employee Expenses	372,432	273,062	(82,951)	324,548	264,281	336,222	235,914	321,132	275,165	283,219	344,954	152,288	3,100,266
300 Hardware	576,823	(226,875)	522,401	137,845	266,085	410,891	234,190	216,044	417,489	175,778	224,876	152,430	3,107,977
350 Software	502,713	550,818	954,258	632,941	499,014	919,197	288,567	288,434	593,644	252,258	625,047	252,100	6,358,992
400 Other	1,307,267	727,226	(1,736,914)	891,936	(525,963)	2,365,557	1,340,748	652,797	517,529	12,405	1,536,074	2,968,930	10,057,592
401 Advertising					682			352	-		1,545		2,579
403 Claims	9,217	4,169	(39,611)	188	6,972	10,892	16,991	16,891	11,009	10,543	7,492	20,994	75,747
404 Reimbursements			-	-					-				-
405 Printing-Mailing-Promotional	1,086	517			784			108					2,495
406 Printing-Mailing-Non Promo	677	216			313	1,680	-	-				1,562	4,449
407 Research & Development						2,570							2,570
408 Dues-Permits-Subscriptions	2,195	25	2,500	-	-	3,774	3,633	(5,769)	45	(24)	35,296	1,374	43,049
409 Training	18,689	1,491	14,452	413	31,680	23,506	22,120	(12,920)	21,601	-	12,503	10,953	144,487
410 Messenger-Courier-Limo Svcs					32								32
500 Rental/Lease Non-Real Estate	653,502	677,098	687,669	521,068	1,497,292	(517,989)	531,648	548,803	218,830	137,120	179,135	484,627	5,618,803
505 Rental-Lease Real Estate	266,054	280,379	3,106	429,269	17,506	379,563	(39,304)	551,099	188,345	177,335	(10,660)	256,144	2,498,838
510 Fleet Leasing	585	953	2,490	2,595	155	-	1,350	1,125	3,656	1,302	1,100	1,565	16,876
A20 Service Co. Equity	(190,327)	(96,869)	1,575,166	46,884	79,812	47,544	43,670	45,503	37,921	51,262	44,912	56,761	1,742,238
A30 Conservation Load Management	-			-	-		-	-	-	-	-	-	-
A42 Bill Interface Expense Type			110										110
A60 Supervision & Admin	36,530	43,517	44,210	50,159	42,945	40,207	45,844	39,052	46,506	46,109	46,334	46,284	527,697
A65 Service Co Operating Costs	2,014	(5,343)	(211,637)	(13,051)	(22,053)	(24,175)	(20,780)	(11,628)	(2,382)	(4,344)	(4,996)	(12,385)	(330,761)
A70 Sales Tax	105,705	214,881	193,195	93,778	132,594	147,872	189,178	150,516	85,813	103,066	128,182	135,177	1,679,956
B01 FAS 106	224,549	369,705	348,705	390,746	413,125	466,887	424,347	389,512	428,104	680,470	209,739	388,252	4,734,142
B02 FAS 112	(1,576)	(13,835)	(394,286)	(13,305)	3,106	15,753	24,278	28,939	32,145	82,917	22,932	49,729	(163,203)
B03 Health Care	376,853	510,190	1,440,278	(876,189)	343,191	355,763	318,913	287,339	250,920	467,313	100,352	204,970	3,779,893
B04 Group Life Insurance	23,693	39,318	307,268	118,617	34,661	(807,100)	169,129	225,418	(75,416)	44,176	10,823	15,551	106,137
B05 Other Benefits	96,930	202,049	(1,243,666)	23,460	(2,634,400)	87,175	25,311	32,009	26,275	16,302	19,829	(27,551)	(3,376,277)
B06 Pension	342,147	368,475	940,073	438,561	464,566	891,919	518,721	512,238	2,029,622	874,805	209,060	431,597	8,021,784
B07 Thrift Plan	488,219	714,734	700,462	623,624	633,525	718,633	629,233	694,257	620,099	657,499	663,744	513,682	7,657,711
B08 Workers Comp	4,001	6,426	37,168	33,679	11,430	3,907	3,088	2,735	3,420	13,678	4,221	9,186	132,940
B09 Payroll Taxes	-	-	-	322	23	-	-	-	-	50	-	(8,679)	(8,283)
M10 Materials Outside Vendor	554,296	504,769	991,986	606,994	609,644	1,176,593	661,989	529,440	398,112	255,388	660,819	744,181	7,694,210
M11 Natural Gas & Odorant					4,917								4,917
M12 Freight	8,714	980	1,120	700	840		220	2,240	-	-	-	-	14,814
M13 Postage	576	6		75							1,992		2,649
M14 Clothing and Shoes	106	-	5,368	1,530	607	622	82,342	7,040			314	240	98,168
M15 Medical Supplies											68		68
M17 Gasoline - Fuel	-		93	-	-						-		93
M20 Materials From Inventory	2,524,896	2,122,040	2,200,276	2,259,872	1,935,315	2,049,397	1,686,605	1,937,377	2,415,820	1,749,584	1,773,620	1,443,934	24,098,736
M50 Materials Stores Handling	-	-	(4,657)	64	0	-	-	57	-	25	17	-	(4,493)
P10 Regular Pay Weekly	125,648	139,950	138,782	155,278	123,093	129,029	196,842	87,601	154,197	136,877	142,007	136,028	1,665,332
P15 Regular Pay Monthly	1,979,377	2,653,508	3,115,694	2,624,801	2,735,211	3,015,644	2,532,903	2,343,854	2,357,522	4,330,709	987,915	2,460,599	31,137,736
P20 Base OT Pay Weekly	3,346	2,770	5,963	5,955	4,236	1,885	1,368	(522)	1,969	2,717	4,733	2,184	36,603
P21 Incremental OT Pay Weekly	1,716	1,544	3,425	3,068	2,036	1,202	716	(198)	1,058	1,449	2,638	1,193	19,848
P25 Base OT Pay Monthly	7,197	11,354	55,284	8,258	21,227	(1,922)	2,076	10,398	6,260	6,143	4,001	14,968	145,244
P26 Incremental OT Pay Monthly	3,102	4,412	23,761	3,310	9,914	(809)	587	150	734	-	22	265	45,449
P30 Variable & Misc Pay	838,081	1,074,145	5,087,368	504,170	560,505	474,881	788,458	582,405	729,314	1,191,554	328,331	659,073	12,818,285
P50 Time Not Worked	390,630	536,465	201,795	488,071	503,302	547,742	474,769	426,655	440,467	780,536	198,669	456,443	5,445,543
T10 Transportation	5,361	6,491	320,153	9,902	8,689	9,494	8,412	8,350	5,924	7,817	4,387	8,698	403,678
Total	13,723,949	14,750,577	21,181,102	12,896,571	12,214,343	12,494,311	15,066,032	13,305,140	14,636,198	15,132,326	15,330,161	12,346,683	173,077,394

Source: OC-1 Liberty Grid Allocation Database CY 2010

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric Electric Transmission Calendar Year 2010 by Month													
Expense Type	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	Total
100 Consultants	354,680	311,569	438,918	89,279	280,028	(157,824)	153,265	(40,096)	430,815	218,982	1,469,621	(111,665)	3,437,571
105 Legal Settlements										8			8
110 Contractors Services	828,353	2,114,926	2,070,934	1,329,938	1,320,502	1,702,125	1,609,398	1,177,011	2,355,929	1,730,004	1,849,238	1,115,069	19,203,427
111 Paving - Hot Patch							-	-			-		-
150 Donations	-			-					-				-
200 Employee Expenses	123,505	62,724	90,681	80,107	80,858	87,049	59,541	74,291	70,706	81,445	97,696	67,480	976,082
300 Hardware	21,334	108,055	139,734	15,578	63,038	77,864	25,973	68,484	31,901	16,702	49,645	15,845	634,153
350 Software	96,825	77,019	183,610	102,248	43,259	130,342	(4,898)	59,420	82,397	76,332	121,946	91,259	1,059,758
400 Other	(7,175)	303,318	(91,883)	166,832	(50,304)	288,728	173,210	116,933	152,254	61,508	263,413	84,181	1,461,014
401 Advertising					93			46	-		212		351
403 Claims	-	-	(5,860)	-	-	200	-	200	-	-	-	801	(4,658)
404 Reimbursements			-	-					-				-
405 Printing-Mailing-Promotional	-	-			107			14					122
406 Printing-Mailing-Non Promo	93	-			-	-	-	-				210	303
407 Research & Development													-
408 Dues-Permits-Subscriptions	274	3	334	-	-	517	481	(758)	6	(3)	259	554	1,668
409 Training	5,795	57	780	6,093	281	-	1,818	(1,779)	6,450	8,250	111	12,248	40,104
410 Messenger-Courier-Limo Svcs					4								4
500 Rental/Lease Non-Real Estate	55,320	148,180	81,052	71,018	185,978	3,504	(47,862)	73,967	44,344	34,961	46,863	39,391	736,716
505 Rental-Lease Real Estate	70,706	73,142	1,036	113,120	4,142	101,835	(11,068)	147,018	49,865	70,981	109,416	67,824	798,018
510 Fleet Leasing	13,080	-	1,550	-	-	-	-	-	-	-	-	-	14,630
A20 Service Co. Equity	1,800	-	-	-	-	-	-	-	-	-	-	-	1,800
A30 Conservation Load Management	-			-			-	-	-	-	-	-	-
A42 Bill Interface Expense Type			-										-
A60 Supervision & Admin	3,344	3,829	4,047	4,937	4,062	3,880	5,668	4,443	5,563	5,196	4,907	4,229	54,105
A65 Service Co Operating Costs	701	(1,859)	(47,505)	(5,079)	(7,716)	(7,584)	(6,880)	(4,066)	(780)	(1,096)	(3,378)	(4,013)	(89,254)
A70 Sales Tax	99,566	94,554	217,046	82,774	29,896	109,850	110,596	120,640	60,720	127,989	111,280	72,701	1,237,613
B01 FAS 106	56,969	98,769	95,171	122,188	123,580	129,054	122,337	118,261	119,458	160,280	100,912	110,243	1,357,222
B02 FAS 112	2,979	(531)	(132,214)	(5,116)	1,000	4,755	7,839	9,868	10,256	20,248	10,256	14,898	(55,762)
B03 Health Care	122,431	164,229	230,970	(37,822)	112,980	106,220	99,610	93,948	76,302	112,659	55,697	62,656	1,199,879
B04 Group Life Insurance	7,371	12,061	69,102	24,692	11,729	(104,225)	29,186	35,781	(5,836)	11,035	7,907	6,888	105,692
B05 Other Benefits	13,278	15,213	(147,215)	3,215	(117,122)	11,945	3,468	4,386	3,600	2,234	2,717	(3,775)	(208,056)
B06 Pension	109,288	111,575	183,174	152,704	150,231	205,664	160,874	167,782	366,878	213,679	118,158	132,929	2,072,936
B07 Thrift Plan	25,075	32,800	42,683	38,239	36,265	45,884	30,751	39,289	27,916	49,135	26,263	59,813	454,112
B08 Workers Comp	886	1,559	11,139	12,389	1,057	1,039	812	749	902	3,359	2,610	2,875	39,376
B09 Payroll Taxes	34	620	28	-	27	-	-	-	-	-	7,212	126	8,048
M10 Materials Outside Vendor	471,862	168,925	396,841	153,529	126,596	142,029	87,920	264,757	99,019	87,785	232,128	333,119	2,564,510
M11 Natural Gas & Odorant					673								673
M12 Freight	-	-	-	-	-		-	-	-	-	-	-	-
M13 Postage	50	-		-							273		323
M14 Clothing and Shoes	0	-	448	130	(99)	85	185	-			-	532	1,281
M15 Medical Supplies											-	-	-
M17 Gasoline - Fuel	-	69	13	-	-						-	-	81
M20 Materials From Inventory	125,089	92,039	140,487	104,824	147,450	145,460	109,234	101,754	106,732	99,098	50,391	61,715	1,284,274
M50 Materials Stores Handling	-	-	69	1	0	20	-	0	0	-	-	-	90
P10 Regular Pay Weekly	21,730	23,654	28,040	32,841	26,583	30,411	40,688	24,236	26,273	22,899	23,736	21,661	322,754
P15 Regular Pay Monthly	677,551	861,806	879,413	975,303	925,910	915,421	819,493	786,322	704,212	1,077,019	690,804	785,300	10,098,554
P20 Base OT Pay Weekly	324	153	22,872	871	218	499	409	(149)	101	65	2,903	132	28,400
P21 Incremental OT Pay Weekly	166	93	11,522	444	116	265	209	(66)	60	45	1,960	75	14,890
P25 Base OT Pay Monthly	12,509	20,927	32,379	22,139	23,782	13,315	16,211	15,813	14,557	10,897	19,173	8,173	209,874
P26 Incremental OT Pay Monthly	4,471	9,003	14,802	10,714	11,641	6,658	5,162	66	-	-	2,945	-	65,462
P30 Variable & Misc Pay	244,583	359,854	629,600	95,940	109,564	232,273	283,877	197,345	221,582	313,935	173,750	185,696	3,047,998
P50 Time Not Worked	131,166	172,948	63,698	179,606	170,052	167,117	152,445	143,983	138,717	193,478	126,819	141,991	1,782,021
T10 Transportation	17,082	14,542	60,545	22,231	20,176	17,845	26,154	13,207	10,144	20,422	5,246	3,821	231,416
Total	3,713,095	5,455,825	5,718,042	3,965,907	3,836,637	4,412,220	4,066,108	3,813,104	5,211,043	4,829,531	5,783,089	3,384,984	54,189,585

Source: OC-1 Liberty Grid Allocation Database CY 2010

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric Electric Distribution and Transmission Combined Calendar Year 2010 by Month													
Expense Type	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	Total
100 Consultants	776,181	1,686,075	2,599,033	512,911	2,272,076	(1,438,346)	1,260,798	(64,345)	444,106	547,377	5,067,566	(1,906,738)	11,756,695
105 Legal Settlements	-	-	-	-	-	-	-	-	-	73	-	-	73
110 Contractors Services	2,467,779	3,790,235	4,881,066	3,267,976	3,461,902	2,192,953	4,123,807	3,597,473	4,737,120	3,987,829	5,059,428	3,223,478	44,791,046
111 Paving - Hot Patch	-	-	-	-	-	-	13	94	-	-	-	-	108
150 Donations	-	-	-	4,765	-	-	-	-	-	-	-	-	4,765
200 Employee Expenses	495,937	335,786	7,731	404,655	345,139	423,271	295,455	395,423	345,871	364,664	442,649	219,768	4,076,348
300 Hardware	598,157	(118,820)	662,135	153,423	329,123	488,755	260,163	284,528	449,390	192,480	274,521	168,275	3,742,131
350 Software	599,537	627,837	1,137,868	735,189	542,273	1,049,538	283,669	347,855	676,041	328,590	746,993	343,359	7,418,750
400 Other	1,300,092	1,030,544	(1,828,797)	1,058,768	(576,267)	2,654,285	1,513,958	769,730	669,783	73,913	1,799,488	3,053,111	11,518,606
401 Advertising	-	-	-	-	776	-	-	398	-	-	1,757	-	2,931
403 Claims	9,217	4,169	(45,470)	188	6,972	11,092	16,991	17,091	11,009	10,543	7,492	21,795	71,089
404 Reimbursements	-	-	-	-	-	-	-	-	-	-	-	-	-
405 Printing-Mailing-Promotional	1,086	517	-	-	891	-	-	122	-	-	-	-	2,617
406 Printing-Mailing-Non Promo	770	216	-	-	313	1,680	-	-	-	-	-	1,772	4,752
407 Research & Development	-	-	-	-	-	2,570	-	-	-	-	-	-	2,570
408 Dues-Permits-Subscriptions	2,470	28	2,834	-	-	4,291	4,114	(6,527)	51	(27)	35,555	1,928	44,717
409 Training	24,484	1,548	15,232	6,506	31,960	23,506	23,938	(14,699)	28,051	8,250	12,614	23,201	184,592
410 Messenger-Courier-Limo Svcs	-	-	-	-	36	-	-	-	-	-	-	-	36
500 Rental/Lease Non-Real Estate	708,822	825,278	768,721	592,086	1,683,270	(514,485)	483,787	622,770	263,174	172,081	225,997	524,019	6,355,519
505 Rental-Lease Real Estate	336,761	353,521	4,142	542,389	21,648	481,398	(50,372)	698,117	238,210	248,315	98,756	323,969	3,296,855
510 Fleet Leasing	13,665	953	4,040	2,595	155	-	1,350	1,125	3,656	1,302	1,100	1,565	31,506
A20 Service Co. Equity	(188,528)	(96,869)	1,575,166	46,884	79,812	47,544	43,670	45,503	37,921	51,262	44,912	56,761	1,744,037
A30 Conservation Load Management	-	-	-	-	-	-	-	-	-	-	-	-	-
A42 Bill Interface Expense Type	-	-	110	-	-	-	-	-	-	-	-	-	110
A60 Supervision & Admin	39,874	47,346	48,257	55,096	47,007	44,087	51,512	43,494	52,069	51,306	51,242	50,512	581,802
A65 Service Co Operating Costs	2,716	(7,202)	(259,143)	(18,130)	(29,769)	(31,760)	(27,660)	(15,694)	(3,162)	(5,439)	(8,374)	(16,398)	(420,015)
A70 Sales Tax	205,270	309,436	410,241	176,552	162,490	257,722	299,774	271,156	146,533	231,055	239,462	207,878	2,917,568
B01 FAS 102	281,518	468,474	443,877	512,934	536,705	595,941	546,684	507,773	547,562	840,751	310,651	498,495	6,091,364
B02 FAS 112	1,403	(14,366)	(526,499)	(18,421)	4,106	20,508	32,117	38,807	42,400	103,165	33,187	64,628	(218,964)
B03 Health Care	499,284	674,419	1,671,248	(914,011)	456,170	461,983	418,523	381,288	327,221	579,972	156,049	267,626	4,979,772
B04 Group Life Insurance	31,063	51,380	376,370	143,309	46,390	(911,325)	198,316	261,199	(81,252)	55,211	18,730	22,439	211,828
B05 Other Benefits	110,208	217,263	(1,390,881)	26,675	(2,751,522)	99,119	28,779	36,395	29,876	18,536	22,545	(31,326)	(3,584,333)
B06 Pension	451,435	480,050	1,123,247	591,265	614,797	1,097,583	679,595	680,020	2,396,500	1,088,484	327,218	564,526	10,094,720
B07 Thrift Plan	513,294	747,534	743,145	661,864	669,789	764,517	659,984	733,546	648,015	706,634	690,006	573,495	8,111,823
B08 Workers Comp	4,887	7,985	48,307	46,069	12,487	4,946	3,900	3,484	4,322	17,037	6,831	12,061	172,316
B09 Payroll Taxes	34	620	28	322	50	-	-	-	-	50	7,212	(8,552)	(235)
M10 Materials Outside Vendor	1,026,158	673,694	1,388,827	760,523	736,240	1,318,622	749,909	794,196	497,131	343,173	892,947	1,077,301	10,258,720
M11 Natural Gas & Odorant	-	-	-	-	5,590	-	-	-	-	-	-	-	5,590
M12 Freight	8,714	980	1,120	700	840	-	220	2,240	-	-	-	-	14,814
M13 Postage	626	6	-	75	-	-	-	-	-	-	2,264	-	2,972
M14 Clothing and Shoes	106	-	5,816	1,660	508	707	82,527	7,040	-	-	314	772	99,449
M15 Medical Supplies	-	-	-	-	-	-	-	-	-	-	68	-	68
M17 Gasoline - Fuel	-	69	106	-	-	-	-	-	-	-	-	-	175
M20 Materials From Inventory	2,649,985	2,214,079	2,340,762	2,364,696	2,082,765	2,194,857	1,795,839	2,039,132	2,522,552	1,848,682	1,824,011	1,505,650	25,383,010
M50 Materials Stores Handling	-	-	(4,588)	65	0	20	-	58	0	25	17	-	(4,403)
P10 Regular Pay Weekly	147,378	163,605	166,823	188,119	149,676	159,440	237,530	111,837	180,470	159,777	165,743	157,689	1,988,086
P15 Regular Pay Monthly	2,656,928	3,515,314	3,995,107	3,600,104	3,661,121	3,931,065	3,352,396	3,130,176	3,061,734	5,407,728	1,678,719	3,245,899	41,236,289
P20 Base OT Pay Weekly	3,670	2,923	28,835	6,827	4,454	2,384	1,777	(671)	2,070	2,782	7,636	2,316	65,003
P21 Incremental OT Pay Weekly	1,882	1,637	14,948	3,512	2,152	1,467	925	(264)	1,118	1,494	4,598	1,268	34,737
P25 Base OT Pay Monthly	19,706	32,281	87,663	30,397	45,010	11,393	18,287	26,211	20,817	17,040	23,174	23,141	355,118
P26 Incremental OT Pay Monthly	7,573	13,415	38,563	14,024	21,556	5,848	5,749	217	734	-	2,968	265	110,911
P30 Variable & Misc Pay	1,082,663	1,433,999	5,716,968	600,110	670,069	707,154	1,072,335	779,750	950,896	1,505,489	502,081	844,769	15,866,283
P50 Time Not Worked	521,796	709,413	265,492	667,677	673,354	714,859	627,214	570,638	579,184	974,015	325,488	598,434	7,227,565
T10 Transportation	22,443	21,032	380,699	32,133	28,866	27,339	34,566	21,557	16,068	28,239	9,633	12,519	635,094
Total	17,437,044	20,206,402	26,899,145	16,862,478	16,050,981	16,906,531	19,132,140	17,118,244	19,847,240	19,961,857	21,113,250	15,731,667	227,266,979

Source: OC-1 Liberty Grid Allocation Database CY 2010

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Gas Gas Distribution Calendar Year 2010 by Month													
Expense Type	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	Total
100 Consultants	29,430	106,786	407,766	69,248	393,395	(285,551)	170,179	(29,637)	10,521	70,867	768,832	(387,570)	1,324,267
105 Legal Settlements										13			13
110 Contractors Services	376,129	274,069	908,887	362,650	326,761	51,328	474,476	428,281	436,527	525,276	643,822	552,131	5,360,337
111 Paving - Hot Patch							-	-			-		-
150 Donations	-			950					655				1,604
200 Employee Expenses	49,772	43,668	33,690	52,906	56,153	116,190	35,147	57,647	54,997	59,136	53,193	78,949	691,447
300 Hardware	42,350	231,581	93,616	77,032	39,186	86,669	51,380	40,312	89,890	36,691	41,238	30,525	860,470
350 Software	100,805	103,681	209,666	117,891	118,789	201,437	66,341	60,392	133,416	30,074	127,557	83,343	1,353,394
400 Other	(125,535)	455,018	(196,989)	138,859	(100,926)	449,669	212,303	118,730	307,076	(158,036)	325,786	91,399	1,517,355
401 Advertising					159			69	101		360		689
403 Claims	1,725	795	(9,961)	-	272	-	2,681	1,420	-	-	828	4,233	1,994
404 Reimbursements			10,444	-					-				10,444
405 Printing-Mailing-Promotional	-	-			183			21					204
406 Printing-Mailing-Non Promo	158	-			-	344	-	-				338	840
407 Research & Development						-							-
408 Dues-Permits-Subscriptions	392	6	477	29,140	8,720	80,879	737	(1,135)	30,037	3,698	440	231	153,621
409 Training	1,102	83	49,885	-	383	1,833	2,729	(2,506)	238	2,880	2,398	-	59,025
410 Messenger-Courier-Limo Svcs					7								7
500 Rental/Lease Non-Real Estate	119,111	105,251	133,742	81,795	288,269	(107,027)	95,337	90,047	36,882	21,007	35,182	93,705	993,302
505 Rental-Lease Real Estate	42,196	45,258	442	68,389	2,923	59,957	(6,060)	87,290	29,940	42,410	65,749	40,715	479,208
510 Fleet Leasing	-	-	-	-	-	-	-	-	-	-	-	-	-
A20 Service Co. Equity	1,063	-	-	-	-	-	-	-	-	-	-	-	1,063
A30 Conservation Load Management	-			19,300			-	-	-	-	-	-	19,300
A42 Bill Interface Expense Type			-										-
A60 Supervision & Admin	7,369	8,676	8,872	9,803	8,500	7,787	8,823	7,713	9,303	8,834	8,504	8,681	102,866
A65 Service Co Operating Costs	349	(881)	(42,267)	(2,813)	(3,547)	(3,977)	(3,450)	(1,858)	(380)	(792)	(26)	(1,761)	(61,402)
A70 Sales Tax	76,811	21,175	51,575	28,599	29,952	33,720	39,239	31,454	14,856	29,738	24,341	40,528	421,986
B01 FAS 106	41,419	64,473	58,482	81,493	69,361	79,450	72,721	65,041	73,232	124,877	15,733	51,333	797,615
B02 FAS 112	(651)	(2,858)	(60,982)	(2,819)	511	2,602	4,052	4,664	5,164	15,169	999	7,615	(26,535)
B03 Health Care	65,661	86,933	320,064	(212,731)	55,088	58,417	52,731	45,691	40,002	84,563	5,145	20,399	621,963
B04 Group Life Insurance	4,225	6,635	61,009	26,873	5,619	(190,326)	37,212	50,735	(19,363)	8,064	204	572	(8,541)
B05 Other Benefits	22,573	25,860	(250,265)	5,466	(199,117)	20,284	5,890	7,448	6,114	3,794	4,615	(6,411)	(353,750)
B06 Pension	60,710	62,348	233,851	92,357	76,325	194,643	87,428	83,478	525,773	160,036	9,875	53,688	1,640,511
B07 Thrift Plan	13,209	17,050	19,280	22,073	17,541	36,871	16,174	31,472	14,412	46,094	1,364	63,421	298,962
B08 Workers Comp	752	1,143	6,219	7,135	635	673	540	469	587	2,501	150	1,205	22,009
B09 Payroll Taxes	-	-	-	-	-	-	-	-	-	-	-	(8,209)	(8,209)
M10 Materials Outside Vendor	116,661	90,121	692,574	140,380	109,704	303,419	93,306	123,804	54,730	98,197	168,544	117,723	2,109,163
M11 Natural Gas & Odorant					1,145								1,145
M12 Freight	-	-	-	-	-		-	-	-	-	-	-	-
M13 Postage	85	-									463		548
M14 Clothing and Shoes	-	-	-	217	(168)	145	-	-			-	-	193
M15 Medical Supplies											-		-
M17 Gasoline - Fuel	-	-	22	-	-					-	-	-	22
M20 Materials From Inventory	271,393	272,528	292,517	367,032	327,059	372,479	243,789	304,246	316,264	352,959	249,155	184,793	3,554,213
M50 Materials Stores Handling	-	-	-	1	0	-	-	1	-	-	3	-	6
P10 Regular Pay Weekly	23,347	25,109	25,383	30,626	24,105	27,831	48,220	32,809	34,302	25,344	23,210	23,556	343,841
P15 Regular Pay Monthly	345,709	441,414	523,691	559,796	442,033	490,681	408,615	360,382	371,751	791,196	6,009	353,591	5,094,869
P20 Base OT Pay Weekly	750	506	1,065	1,166	787	455	248	(144)	368	463	753	375	6,792
P21 Incremental OT Pay Weekly	384	287	633	593	405	254	132	(57)	192	243	429	203	3,698
P25 Base OT Pay Monthly	455	664	1,133	1,617	1,624	1,202	213	1,416	1,025	782	385	299	10,815
P26 Incremental OT Pay Monthly	222	275	540	809	812	601	64	-	-	-	-	-	3,323
P30 Variable & Misc Pay	129,004	186,991	705,264	57,698	91,080	162,672	116,217	91,881	147,520	207,621	19,844	84,249	2,000,041
P50 Time Not Worked	68,399	89,385	32,225	103,586	81,830	90,786	79,404	69,004	71,293	142,609	5,368	66,050	899,939
T10 Transportation	334	505	87,363	461	403	486	510	492	952	1,160	948	961	94,576
Total	1,887,869	2,764,533	4,409,916	2,337,581	2,275,959	2,346,882	2,417,327	2,161,073	2,798,377	2,737,467	2,611,403	1,650,860	30,399,246

Source: OC-1 Liberty Grid Allocation Database CY 2010

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk "Other" Segment Calendar Year 2010 by Month														
Expense Type		JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	NOV-10	OCT-10	DEC-10	Total
A20	Service Co. Equity	(756)	-	79	-	-	-	-	-	2	-	-	-	(674)
A65	Service Co Operating Costs	16	-	(10)	-	-	-	-	-	(0)	-	-	-	6
B01	FAS 106	1,119	-	28	-	-	-	-	-	37	-	-	-	1,184
B02	FAS 112	96	-	(43)	-	-	-	-	-	4	-	-	-	56
B03	Health Care	2,717	-	19	-	-	-	-	-	26	-	-	-	2,762
B04	Group Life Insurance	160	-	15	-	-	-	-	-	3	-	-	-	177
B06	Pension	2,397	-	31	-	-	-	-	-	54	-	-	-	2,482
B07	Thrift Plan	559	-	14	-	-	-	-	-	9	-	-	-	583
B08	Workers Comp	16	-	3	-	-	-	-	-	0	-	-	-	20
P15	Regular Pay Monthly	5,105	-	279	-	-	-	-	-	271	-	-	-	5,655
P25	Base OT Pay Monthly	10,876	-	-	-	-	-	-	-	-	-	-	-	10,876
P30	Variable & Misc Pay	5,533	-	22	-	-	-	-	-	63	-	-	-	5,618
P50	Time Not Worked	2,941	-	20	-	-	-	-	-	47	-	-	-	3,008
Total		30,779	-	458	-	-	-	-	-	516	-	-	-	31,753
Source: OC-1 Liberty Grid Allocation Database CY 2010														
Check Totals														
ED		13,723,949	14,750,577	21,181,102	12,896,571	12,214,343	12,494,311	15,066,032	13,305,140	14,636,198	15,132,326	15,330,161	12,346,683	173,077,394
ET		3,713,095	5,455,825	5,718,042	3,965,907	3,836,637	4,412,220	4,066,108	3,813,104	5,211,043	4,829,531	5,783,089	3,384,984	54,189,585
GD		1,887,869	2,764,533	4,409,916	2,337,581	2,275,959	2,346,882	2,417,327	2,161,073	2,798,377	2,737,467	2,611,403	1,650,860	30,399,246
Other		30,779	-	458	-	-	-	-	-	516	-	-	-	31,753
All Sum		<u>19,355,692</u>	<u>22,970,935</u>	<u>31,309,518</u>	<u>19,200,059</u>	<u>18,326,940</u>	<u>19,253,412</u>	<u>21,549,466</u>	<u>19,279,318</u>	<u>22,646,133</u>	<u>22,699,323</u>	<u>23,724,652</u>	<u>17,382,527</u>	<u>257,697,978</u>
All Sheet		<u>19,355,692</u>	<u>22,970,935</u>	<u>31,309,518</u>	<u>19,200,059</u>	<u>18,326,940</u>	<u>19,253,412</u>	<u>21,549,466</u>	<u>19,279,318</u>	<u>22,646,133</u>	<u>22,699,323</u>	<u>23,724,652</u>	<u>17,382,527</u>	<u>257,697,978</u>

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk All Segments Combined Historic Test Year Ended Sept. 30, 2009													
Expense Type	JAN-09	FEB-09	MAR-09	APR-09	MAY-09	JUN-09	JUL-09	AUG-09	SEP-09	OCT-08	NOV-08	DEC-08	Total
100 Consultants	650,663	3,792,263	1,559,453	1,732,984	1,105,588	3,092,043	690,772	225,929	1,022,272	1,486,481	536,276	709,711	16,604,435
110 Contractors Services	5,318,678	14,414,453	13,728,126	3,750,441	3,712,996	5,557,259	5,262,195	4,194,257	9,907,605	4,797,589	6,715,475	4,542,502	81,901,577
150 Donations	1,657	-	-	-	2,701	-	-	3,000	-	-	-	-	7,358
200 Employee Expenses	336,575	1,098,470	468,299	(164,337)	463,256	423,536	328,634	612,568	581,575	603,251	576,421	864,165	6,192,411
300 Hardware	336,706	384,578	379,890	372,367	574,202	276,120	105,121	196,871	480,590	704,735	289,414	317,726	4,418,319
350 Software	1,060,132	728,878	2,274,827	873,655	449,726	797,157	754,753	712,907	397,643	942,226	1,045,956	67,661	10,105,519
400 Other	1,489,153	4,805,685	(3,470,010)	2,067,631	1,016,007	1,146,616	1,203,318	3,127,712	1,389,979	1,309,997	740,942	861,044	15,688,073
403 Claims	-	-	-	-	-	-	928	-	4,638	-	-	-	5,566
404 Reimbursements	-	-	-	-	-	-	-	427	-	-	-	-	427
406 Printing-Mailing-Non Promo	-	-	-	-	-	-	-	212	-	-	-	-	212
408 Dues-Permits-Subscriptions	-	-	-	-	-	-	-	166	4,754	-	-	-	4,920
409 Training	-	-	-	-	-	-	3,410	7,667	22,697	-	-	-	33,774
500 Rental/Lease Non-Real Estate	991,106	946,704	1,410,691	981,968	1,021,353	1,313,945	636,556	782,199	831,516	1,012,587	1,400,338	598,615	11,927,579
505 Rental-Lease Real Estate	-	-	-	-	-	-	79,466	132,969	1,582,027	-	-	-	1,794,462
510 Fleet Leasing	-	-	-	-	-	-	-	3,170	-	-	-	-	3,170
A20 Service Co. Equity	(72,983)	(92,268)	(522,684)	(90,011)	(90,242)	(90,622)	(91,270)	(94,774)	(92,463)	(95,506)	(84,864)	(84,445)	(1,502,131)
A60 Supervision & Admin	44,921	53,166	89,473	66,963	58,725	56,541	63,436	71,239	56,382	58,385	50,243	51,059	720,533
A65 Service Co Operating Costs	131,720	299,455	381,230	76,949	(118,423)	(97,423)	(94,363)	(19,081)	36,368	39,865	75,321	106,572	818,190
A70 Sales Tax	(34,491)	(9,096)	(9,523)	(1,632)	(1,757)	(8,105)	146,454	269,644	262,041	(15,206)	(16,056)	(24,319)	557,953
B01 FAS 106	549,633	724,858	789,654	669,843	618,016	727,443	616,811	646,919	581,553	607,327	585,728	608,648	7,726,433
B02 FAS 112	24,279	25,139	(3,623)	30,298	33,030	33,218	36,328	41,251	46,511	37,828	33,304	29,578	367,140
B03 Health Care	356,767	390,470	3,799,048	(3,459,838)	484,145	3,931,721	596,680	(2,905,061)	537,446	466,344	434,422	397,688	5,029,832
B04 Group Life Insurance	50,728	59,519	(4,760)	59,633	58,043	55,172	47,748	40,599	4,799	66,018	60,282	54,303	552,083
B05 Other Benefits	63,371	38,570	29,268	17,994	3,117	12,055	35,908	32,155	30,207	21,061	23,950	(25,909)	281,746
B06 Pension	237,577	348,386	6,804,899	361,755	468,079	4,657,086	590,554	682,729	2,293,215	216,077	250,327	3,267,045	20,177,726
B07 Thrift Plan	698,827	607,402	759,033	669,991	771,123	665,040	659,484	762,397	652,547	689,376	675,951	740,730	8,351,902
B08 Workers Comp	(4,640)	(2,163)	(19,058)	5,181	5,041	4,783	4,749	8,988	4,446	(3,011)	(1,175)	(4,715)	(1,574)
B09 Payroll Taxes	(35)	-	355	-	-	47	33	-	32	-	-	-	432
M10 Materials Outside Vendor	1,701,272	1,042,819	1,648,148	801,706	617,634	1,384,259	887,317	2,124,058	(40,096)	972,821	938,408	1,111,587	13,189,933
M13 Postage	-	-	-	-	-	-	2,696	-	2,509	-	-	-	5,205
M14 Clothing and Shoes	-	-	-	-	-	-	-	-	861	-	-	-	861
M20 Materials From Inventory	1,890,160	1,986,668	2,765,612	2,263,944	2,508,687	2,403,381	2,316,952	2,320,373	2,837,580	2,723,541	2,041,229	3,362,108	29,420,237
M50 Materials Stores Handling	677	(6,697)	180	3	32	171	134	71	24	988	184	37	(4,198)
P10 Regular Pay Weekly	178,014	164,241	188,918	236,241	191,876	211,492	273,476	221,035	199,019	229,902	174,721	156,284	2,425,222
P15 Regular Pay Monthly	3,105,598	3,954,368	3,873,104	3,999,008	3,916,422	3,839,759	3,676,803	3,778,575	3,596,728	3,854,618	3,698,472	3,425,483	44,718,936
P20 Base OT Pay Weekly	4,480	6,536	5,870	9,356	3,725	5,675	4,800	2,561	3,419	(390)	5,417	8,400	59,849
P21 Incremental OT Pay Weekly	2,349	3,384	3,364	4,979	1,977	2,948	2,548	1,317	1,726	(2,336)	2,780	4,698	29,734
P25 Base OT Pay Monthly	150,565	38,840	28,580	13,194	17,022	15,012	13,182	36,541	14,409	60,037	47,538	125,550	560,470
P26 Incremental OT Pay Monthly	65,593	19,231	13,745	6,021	8,068	7,324	5,742	15,692	6,400	26,751	21,456	58,166	254,190
P30 Bonus & Misc Pay	3,446,049	1,313,689	1,298,737	1,105,871	705,692	(1,275,702)	536,862	1,048,954	836,766	657,630	485,832	511,500	10,671,879
P50 Time Not Worked	591,348	775,633	1,880,813	733,000	692,190	683,118	711,402	727,353	691,312	662,296	545,261	617,569	9,311,295
T10 Transportation	29,396	39,537	25,818	28,863	27,343	25,429	29,703	30,492	15,854	37,042	35,141	33,909	358,527
Total	23,395,846	37,952,716	40,177,479	17,223,720	19,325,394	29,856,503	20,139,321	19,844,079	28,804,889	22,168,321	21,388,695	22,492,949	302,769,911

Source: OC-1, Liberty Grid Allocation Database for the NMPC TYE Sep-09

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric Electric Distribution Historic Test Year Ended Sept. 30, 2009													
Expense Type	JAN-09	FEB-09	MAR-09	APR-09	MAY-09	JUN-09	JUL-09	AUG-09	SEP-09	OCT-08	NOV-08	DEC-08	Total
100 Consultants	399,256	3,014,591	908,642	785,089	896,621	2,375,664	445,041	109,643	749,697	1,208,403	267,873	508,459	11,668,980
110 Contractors Services	3,614,401	12,969,218	11,107,482	2,866,528	2,860,941	3,660,717	2,987,589	2,798,544	6,187,420	2,860,643	3,376,641	2,936,228	58,226,353
150 Donations	1,238	-	-	-	-	-	-	3,000	-	-	-	-	4,238
200 Employee Expenses	231,904	809,651	342,837	(120,250)	307,331	302,440	231,373	498,014	431,369	411,264	397,257	601,813	4,445,003
300 Hardware	263,683	284,922	270,761	279,581	406,692	190,529	78,882	149,763	346,306	555,074	217,896	201,691	3,245,781
350 Software	926,956	588,662	1,703,273	700,325	275,835	604,019	576,178	515,838	308,398	735,207	782,919	69,354	7,786,963
400 Other	1,177,823	3,593,837	(2,270,965)	1,491,237	738,389	844,726	894,164	2,356,912	1,061,659	971,352	535,728	636,171	12,031,034
403 Claims	-	-	-	-	-	-	677	-	4,065	-	-	-	4,743
404 Reimbursements	-	-	-	-	-	-	-	312	-	-	-	-	312
406 Printing-Mailing-Non Promo	-	-	-	-	-	-	-	176	-	-	-	-	176
408 Dues-Permits-Subscriptions	-	-	-	-	-	-	-	121	3,590	-	-	-	3,711
409 Training	-	-	-	-	-	-	2,725	5,222	19,468	-	-	-	27,415
500 Rental/Lease Non-Real Estate	760,632	725,828	1,018,000	741,273	797,946	979,350	494,303	588,234	650,012	772,011	1,071,470	469,288	9,068,347
505 Rental-Lease Real Estate	-	-	-	-	-	-	59,965	99,022	1,111,112	-	-	-	1,270,098
510 Fleet Leasing	-	-	-	-	-	-	-	-	-	-	-	-	-
A20 Service Co. Equity	(72,983)	(92,268)	(522,684)	(90,009)	(90,242)	(90,622)	(91,270)	(94,774)	(92,463)	(95,506)	(84,864)	(84,445)	(1,502,130)
A60 Supervision & Admin	37,208	44,551	72,074	53,743	47,155	44,038	49,407	55,538	43,783	48,437	41,961	42,452	580,348
A65 Service Co Operating Costs	87,702	201,814	254,341	52,469	(80,057)	(65,618)	(63,513)	(12,856)	24,059	26,435	49,951	69,869	544,596
A70 Sales Tax	(30,106)	(8,512)	(6,570)	(1,343)	(1,126)	(3,855)	60,439	181,036	120,789	(12,478)	(15,225)	(22,323)	260,727
B01 FAS 106	375,086	499,083	545,140	470,780	430,018	503,975	427,466	450,376	398,275	413,858	397,929	410,817	5,322,805
B02 FAS 112	16,780	17,640	(1,434)	20,686	22,267	22,453	24,568	28,055	31,046	25,873	22,753	20,080	250,769
B03 Health Care	241,230	267,446	2,782,396	(2,542,637)	331,820	2,843,521	404,591	(2,144,683)	358,641	315,335	292,620	264,896	3,415,173
B04 Group Life Insurance	34,200	40,634	(2,902)	40,984	39,543	37,414	32,379	27,596	3,302	44,437	40,552	36,113	374,252
B05 Other Benefits	48,291	28,156	21,366	14,358	2,433	8,800	26,914	23,473	22,610	16,400	17,708	(18,406)	212,102
B06 Pension	160,777	237,798	4,750,660	252,850	322,094	3,249,593	403,390	467,146	1,583,343	146,000	168,364	2,277,346	14,019,361
B07 Thrift Plan	664,574	573,532	693,608	617,741	721,291	558,120	613,118	716,743	607,637	632,405	622,804	693,769	7,715,341
B08 Workers Comp	(2,565)	(642)	(12,045)	3,701	3,579	3,327	3,313	6,409	3,032	(1,357)	39	(2,446)	4,346
B09 Payroll Taxes	(35)	-	-	-	-	-	33	-	-	-	-	-	(2)
M10 Materials Outside Vendor	1,242,931	767,479	936,501	538,321	242,327	938,032	317,452	1,497,600	(216,234)	592,213	660,703	771,461	8,288,787
M13 Postage	-	-	-	-	-	-	1,968	-	1,942	-	-	-	3,910
M14 Clothing and Shoes	-	-	-	-	-	-	-	-	-	-	-	-	-
M20 Materials From Inventory	1,581,250	1,655,748	2,263,655	1,877,554	2,024,734	2,003,398	1,836,207	1,899,480	2,266,497	2,172,103	1,620,423	2,957,583	24,158,632
M50 Materials Stores Handling	507	(6,705)	152	3	-	-	131	65	23	719	134	27	(4,943)
P10 Regular Pay Weekly	133,109	123,218	142,899	176,840	143,964	151,423	191,339	155,111	149,337	167,073	125,607	112,907	1,772,827
P15 Regular Pay Monthly	2,056,842	2,679,312	2,591,898	2,736,815	2,660,947	2,602,451	2,496,752	2,572,573	2,387,832	2,563,256	2,466,471	2,254,113	30,069,262
P20 Base OT Pay Weekly	3,503	4,777	4,768	7,238	3,011	4,098	3,098	2,016	2,479	(815)	4,345	6,164	44,682
P21 Incremental OT Pay Weekly	1,832	2,489	2,775	3,882	1,593	2,134	1,598	1,040	1,253	(2,607)	2,228	3,448	21,665
P25 Base OT Pay Monthly	119,184	26,247	17,124	7,172	6,132	3,002	2,653	15,077	3,178	44,954	33,834	90,587	369,143
P26 Incremental OT Pay Monthly	52,383	13,135	8,171	3,298	2,699	1,451	1,202	6,206	1,172	19,404	14,604	42,043	165,766
P30 Bonus & Misc Pay	2,431,687	896,102	875,359	803,873	476,310	(951,765)	424,607	743,050	542,813	433,459	339,565	367,860	7,382,920
P50 Time Not Worked	397,654	527,355	1,337,300	504,202	472,114	463,503	482,577	494,345	461,068	444,229	365,488	409,745	6,359,580
T10 Transportation	13,839	20,576	12,143	11,048	7,239	6,888	7,853	7,700	5,155	14,988	17,237	13,879	138,545
Total	16,970,773	30,505,676	29,846,724	12,307,053	14,073,600	21,293,207	13,429,169	14,223,122	19,583,666	15,522,769	13,855,015	16,140,542	217,751,317

Source: OC-1, Liberty Grid Allocation Database for the NMPC TYE Sep-09

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric Electric Transmission Historic Test Year Ended Sept. 30, 2009													
Expense Type	JAN-09	FEB-09	MAR-09	APR-09	MAY-09	JUN-09	JUL-09	AUG-09	SEP-09	OCT-08	NOV-08	DEC-08	Total
100 Consultants	153,715	345,138	584,923	862,692	104,530	278,845	123,953	56,583	124,614	179,385	210,064	107,548	3,131,990
110 Contractors Services	1,212,716	754,799	2,183,288	442,462	398,682	1,068,285	1,579,596	758,018	2,494,418	1,494,472	2,785,089	880,867	16,052,691
150 Donations	167	-	-	-	2,701	-	-	-	-	-	-	-	2,868
200 Employee Expenses	55,770	118,627	78,317	(7,089)	118,047	71,113	67,470	57,567	103,657	120,704	101,667	138,100	1,023,949
300 Hardware	29,275	40,352	59,352	31,544	70,130	46,938	10,203	14,889	66,749	77,556	29,006	86,627	562,621
350 Software	44,054	42,310	224,914	81,207	58,396	61,689	67,304	76,844	26,359	48,100	92,328	(7,634)	815,872
400 Other	162,206	518,777	(356,847)	244,910	137,117	138,115	144,878	333,834	210,807	110,335	98,882	106,935	1,849,948
403 Claims	-	-	-	-	-	-	93	-	-	-	-	-	93
404 Reimbursements	-	-	-	-	-	-	-	43	-	-	-	-	43
406 Printing-Mailing-Non Promo	-	-	-	-	-	-	-	-	-	-	-	-	-
408 Dues-Permits-Subscriptions	-	-	-	-	-	-	-	17	480	-	-	-	496
409 Training	-	-	-	-	-	-	-	1,215	1,219	-	-	-	2,434
500 Rental/Lease Non-Real Estate	82,205	80,475	218,545	90,066	67,872	140,725	48,170	76,648	52,849	93,286	115,855	42,685	1,109,380
505 Rental-Lease Real Estate	-	-	-	-	-	-	8,020	13,371	294,262	-	-	-	315,653
510 Fleet Leasing	-	-	-	-	-	-	-	-	-	-	-	-	-
A20 Service Co. Equity	-	-	-	-	-	-	-	-	-	-	-	-	-
A60 Supervision & Admin	2,900	3,532	7,205	4,825	4,044	4,720	5,216	6,405	4,109	3,553	3,073	3,107	52,689
A65 Service Co Operating Costs	25,710	60,755	80,942	15,197	(23,597)	(19,760)	(19,082)	(3,903)	7,851	8,683	16,151	23,440	172,385
A70 Sales Tax	(1,875)	(103)	(402)	(290)	(24)	(1,197)	68,253	59,445	113,009	(744)	(53)	4	236,023
B01 FAS 106	98,830	136,637	136,510	116,523	109,317	122,013	109,985	116,062	106,717	119,694	115,185	118,503	1,405,975
B02 FAS 112	4,193	4,452	(1,773)	5,817	6,491	6,544	7,113	8,102	9,666	7,383	6,443	5,809	70,238
B03 Health Care	66,336	75,216	368,145	(309,046)	91,726	444,545	117,095	(243,121)	112,241	95,773	88,681	83,631	991,223
B04 Group Life Insurance	9,535	11,599	(939)	11,424	11,228	10,889	9,368	8,023	875	13,741	12,377	11,496	109,615
B05 Other Benefits	5,585	3,857	2,927	1,347	253	1,206	3,331	3,215	2,814	1,720	2,312	(2,779)	25,787
B06 Pension	43,759	67,376	695,646	64,486	86,771	494,714	112,220	131,441	297,023	43,515	50,636	339,531	2,427,116
B07 Thrift Plan	19,748	20,773	41,065	31,934	30,174	51,422	28,201	28,139	28,130	36,305	33,200	29,701	378,792
B08 Workers Comp	(1,375)	(1,412)	(4,666)	870	849	859	838	1,282	847	(1,369)	(1,294)	(1,703)	(6,274)
B09 Payroll Taxes	-	-	355	-	-	47	-	-	32	-	-	-	435
M10 Materials Outside Vendor	300,856	118,242	321,184	133,971	136,218	284,909	501,576	245,198	232,690	225,950	185,988	220,380	2,907,163
M13 Postage	-	-	-	-	-	-	270	-	210	-	-	-	480
M14 Clothing and Shoes	-	-	-	-	-	-	-	-	-	-	-	-	-
M20 Materials From Inventory	79,969	99,197	211,792	117,361	106,907	91,996	120,653	77,046	165,951	116,718	62,102	178,156	1,427,848
M50 Materials Stores Handling	63	3	10	-	-	-	1	-	1	98	18	4	197
P10 Regular Pay Weekly	21,561	19,789	22,014	27,285	21,620	29,384	37,512	30,720	24,022	32,214	25,570	22,970	314,661
P15 Regular Pay Monthly	599,829	788,439	819,583	781,635	770,035	765,112	729,139	750,930	763,626	832,792	780,789	733,497	9,115,406
P20 Base OT Pay Weekly	348	1,061	534	938	308	828	1,271	258	525	1,076	427	1,261	8,834
P21 Incremental OT Pay Weekly	187	542	287	483	162	421	724	134	264	584	220	691	4,698
P25 Base OT Pay Monthly	30,616	12,474	10,657	5,083	7,241	9,504	8,253	18,693	10,217	12,147	10,952	33,890	169,726
P26 Incremental OT Pay Monthly	12,827	5,865	5,174	2,253	3,546	4,620	3,402	8,101	4,721	5,880	5,476	15,586	77,451
P30 Bonus & Misc Pay	480,920	255,367	266,910	165,327	143,030	(70,070)	54,940	196,415	206,808	139,181	86,057	87,590	2,012,473
P50 Time Not Worked	112,207	153,460	257,469	140,201	133,633	134,699	139,579	144,149	144,586	139,756	113,534	131,408	1,744,681
T10 Transportation	14,919	17,893	13,027	16,687	19,120	17,728	20,792	21,788	9,967	21,715	17,159	19,298	210,093
Total	3,667,757	3,755,491	6,246,146	3,080,102	2,616,528	4,190,843	4,110,337	2,997,549	5,622,313	3,980,198	5,047,893	3,410,596	48,725,753

Source: OC-1, Liberty Grid Allocation Database for the NMPC TYE Sep-09

**National Grid USA Service Company
Regulated O&M Charges to Niagara Mohawk Electric
Electric Distribution and Transmission Combined
Historic Test Year Ended Sept. 30, 2009**

Expense Type	JAN-09	FEB-09	MAR-09	APR-09	MAY-09	JUN-09	JUL-09	AUG-09	SEP-09	OCT-08	NOV-08	DEC-08	Total
100 Consultants	552,971	3,359,729	1,493,565	1,647,782	1,001,151	2,654,509	568,994	166,226	874,311	1,387,787	477,937	616,007	14,800,969
110 Contractors Services	4,827,118	13,724,017	13,290,770	3,308,990	3,259,622	4,729,003	4,567,186	3,556,562	8,681,837	4,355,114	6,161,730	3,817,095	74,279,044
150 Donations	1,405	-	-	-	2,701	-	-	3,000	-	-	-	-	7,106
200 Employee Expenses	287,674	928,278	421,154	(127,339)	425,379	373,553	298,843	555,581	535,026	531,968	498,924	739,913	5,468,952
300 Hardware	292,958	325,274	330,113	311,125	476,822	237,467	89,086	164,652	413,055	632,629	246,901	288,318	3,808,401
350 Software	971,011	630,972	1,928,186	781,532	334,231	665,708	643,482	592,683	334,757	783,307	875,247	61,719	8,602,835
400 Other	1,340,030	4,112,614	(2,627,813)	1,736,147	875,506	982,841	1,039,043	2,690,745	1,272,466	1,081,687	634,610	743,105	13,880,982
403 Claims	-	-	-	-	-	-	770	-	4,065	-	-	-	4,836
404 Reimbursements	-	-	-	-	-	-	-	354	-	-	-	-	354
406 Printing-Mailing-Non Promo	-	-	-	-	-	-	-	176	-	-	-	-	176
408 Dues-Permits-Subscriptions	-	-	-	-	-	-	-	138	4,069	-	-	-	4,207
409 Training	-	-	-	-	-	-	2,725	6,437	20,687	-	-	-	29,849
500 Rental/Lease Non-Real Estate	842,837	806,303	1,236,545	831,339	865,818	1,120,074	542,473	664,882	702,861	865,297	1,187,326	511,973	10,177,727
505 Rental-Lease Real Estate	-	-	-	-	-	-	67,985	112,392	1,405,373	-	-	-	1,585,751
510 Fleet Leasing	-	-	-	-	-	-	-	-	-	-	-	-	-
A20 Service Co. Equity	(72,983)	(92,268)	(522,684)	(90,009)	(90,242)	(90,622)	(91,270)	(94,774)	(92,463)	(95,506)	(84,864)	(84,445)	(1,502,130)
A60 Supervision & Admin	40,108	48,084	79,279	58,568	51,199	48,759	54,623	61,943	47,892	51,990	45,033	45,558	633,036
A65 Service Co Operating Costs	113,412	262,568	335,282	67,666	(103,654)	(85,378)	(82,595)	(16,759)	31,910	35,118	66,103	93,309	716,981
A70 Sales Tax	(31,981)	(8,615)	(6,972)	(1,632)	(1,150)	(5,052)	128,692	240,480	233,798	(13,221)	(15,278)	(22,319)	496,750
B01 FAS 106	473,916	635,720	681,650	587,303	539,335	625,988	537,451	566,438	504,992	533,552	513,115	529,319	6,728,780
B02 FAS 112	20,973	22,092	(3,207)	26,504	28,758	28,998	31,681	36,157	40,712	33,256	29,196	25,888	321,007
B03 Health Care	307,566	342,662	3,150,541	(2,851,683)	423,546	3,288,066	521,686	(2,387,804)	470,881	411,108	381,301	348,527	4,406,396
B04 Group Life Insurance	43,735	52,233	(3,841)	52,408	50,771	48,302	41,747	35,619	4,178	58,178	52,929	47,608	483,867
B05 Other Benefits	53,876	32,013	24,292	15,705	2,686	10,006	30,245	26,688	25,424	18,120	20,020	(21,185)	237,889
B06 Pension	204,537	305,174	5,446,305	317,336	408,865	3,744,307	515,609	598,588	1,880,366	189,515	219,000	2,616,877	16,446,478
B07 Thrift Plan	684,322	594,305	734,673	649,675	751,465	609,542	641,319	744,881	635,766	668,710	656,004	723,470	8,094,132
B08 Workers Comp	(3,941)	(2,054)	(16,711)	4,571	4,429	4,186	4,152	7,691	3,878	(2,726)	(1,255)	(4,149)	(1,928)
B09 Payroll Taxes	(35)	-	355	-	-	47	33	-	32	-	-	-	432
M10 Materials Outside Vendor	1,543,787	885,721	1,257,685	672,292	378,545	1,222,941	819,029	1,742,798	16,456	818,164	846,691	991,841	11,195,951
M13 Postage	-	-	-	-	-	-	2,238	-	2,152	-	-	-	4,390
M14 Clothing and Shoes	-	-	-	-	-	-	-	-	-	-	-	-	-
M20 Materials From Inventory	1,661,218	1,754,945	2,475,447	1,994,915	2,131,641	2,095,394	1,956,860	1,976,526	2,432,448	2,288,821	1,682,526	3,135,739	25,586,480
M50 Materials Stores Handling	570	(6,702)	163	3	-	-	132	65	23	817	153	31	(4,746)
P10 Regular Pay Weekly	154,669	143,007	164,913	204,124	165,584	180,807	228,851	185,832	173,358	199,288	151,177	135,878	2,087,488
P15 Regular Pay Monthly	2,656,672	3,467,751	3,411,481	3,518,450	3,430,982	3,367,563	3,225,891	3,323,503	3,151,459	3,396,047	3,247,259	2,987,610	39,184,668
P20 Base OT Pay Weekly	3,850	5,839	5,302	8,176	3,319	4,926	4,369	2,275	3,004	261	4,772	7,424	53,516
P21 Incremental OT Pay Weekly	2,019	3,031	3,062	4,365	1,755	2,555	2,322	1,174	1,518	(2,023)	2,449	4,139	26,363
P25 Base OT Pay Monthly	149,800	38,721	27,780	12,255	13,373	12,505	10,906	33,770	13,394	57,101	44,786	124,477	538,870
P26 Incremental OT Pay Monthly	65,210	19,000	13,345	5,552	6,244	6,071	4,603	14,306	5,893	25,284	20,080	57,630	243,217
P30 Bonus & Misc Pay	2,912,607	1,151,469	1,142,269	969,199	619,340	(1,021,835)	479,547	939,464	749,621	572,640	425,621	455,449	9,395,392
P50 Time Not Worked	509,861	680,815	1,594,769	644,403	605,746	598,202	622,156	638,494	605,654	583,985	479,021	541,153	8,104,261
T10 Transportation	28,758	38,469	25,170	27,735	26,359	24,616	28,646	29,487	15,123	36,703	34,396	33,177	348,638
Total	20,638,529	34,261,167	36,092,870	15,387,155	16,690,128	25,484,050	17,539,506	17,220,671	25,205,979	19,502,968	18,902,908	19,551,138	266,477,070

Source: OC-1, Liberty Grid Allocation Database for the NMPC TYE Sep-09

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Gas Gas Distribution Historic Test Year Ended Sept. 30, 2009													
Expense Type	JAN-09	FEB-09	MAR-09	APR-09	MAY-09	JUN-09	JUL-09	AUG-09	SEP-09	OCT-08	NOV-08	DEC-08	Total
100 Consultants	97,692	432,535	65,888	85,203	104,436	437,534	121,778	59,702	147,960	97,804	58,340	93,704	1,802,576
110 Contractors Services	491,561	690,436	437,356	441,451	453,374	828,257	695,009	637,696	1,225,768	442,474	553,744	725,408	7,622,533
150 Donations	252	-	-	-	-	-	-	-	-	-	-	-	252
200 Employee Expenses	48,901	170,191	47,145	(36,998)	37,877	49,983	29,791	56,988	46,549	71,283	77,497	124,253	723,459
300 Hardware	43,748	59,304	49,777	61,242	97,380	38,653	16,035	32,219	67,534	72,106	42,513	29,408	609,918
350 Software	89,121	97,905	346,641	92,123	115,495	131,449	111,271	120,224	62,885	158,919	170,710	5,942	1,502,684
400 Other	149,124	693,071	(842,197)	331,483	140,500	163,775	164,275	436,967	117,513	228,310	106,332	117,938	1,807,092
403 Claims	-	-	-	-	-	-	158	-	573	-	-	-	730
404 Reimbursements	-	-	-	-	-	-	-	73	-	-	-	-	73
406 Printing-Mailing-Non Promo	-	-	-	-	-	-	-	36	-	-	-	-	36
408 Dues-Permits-Subscriptions	-	-	-	-	-	-	-	28	685	-	-	-	713
409 Training	-	-	-	-	-	-	685	1,230	2,010	-	-	-	3,925
500 Rental/Lease Non-Real Estate	148,269	140,402	174,147	150,629	155,536	193,871	94,083	117,317	128,655	147,290	213,012	86,642	1,749,852
505 Rental-Lease Real Estate	-	-	-	-	-	-	11,481	20,576	176,654	-	-	-	208,711
510 Fleet Leasing	-	-	-	-	-	-	-	3,170	-	-	-	-	3,170
A20 Service Co. Equity	-	-	-	-	-	-	-	-	-	-	-	-	-
A60 Supervision & Admin	4,813	5,083	10,194	8,395	7,526	7,782	8,813	9,297	8,490	6,395	5,210	5,500	87,497
A65 Service Co Operating Costs	18,309	36,887	45,948	9,281	(14,768)	(12,045)	(11,768)	(2,321)	4,458	4,747	9,218	13,263	101,208
A70 Sales Tax	(2,510)	(481)	(2,552)	-	(608)	(3,053)	17,762	29,163	28,243	(1,985)	(777)	(2,000)	61,203
B01 FAS 106	75,717	89,137	108,004	82,531	78,681	101,454	79,361	80,480	76,561	73,775	72,614	79,328	997,644
B02 FAS 112	3,306	3,047	(416)	3,794	4,273	4,221	4,647	5,094	5,799	4,571	4,108	3,690	46,133
B03 Health Care	49,201	47,808	648,507	(608,162)	60,599	643,655	74,994	(517,257)	66,565	55,237	53,121	49,160	623,429
B04 Group Life Insurance	6,993	7,286	(919)	7,224	7,272	6,869	6,000	4,980	621	7,841	7,353	6,694	68,215
B05 Other Benefits	9,495	6,557	4,976	2,289	431	2,049	5,662	5,466	4,783	2,941	3,930	(4,724)	43,857
B06 Pension	33,040	43,212	1,358,594	44,414	59,215	912,776	74,947	84,141	412,848	26,562	31,327	650,168	3,731,243
B07 Thrift Plan	14,505	13,098	24,360	20,313	19,658	55,498	18,165	17,515	16,781	20,666	19,947	17,260	257,767
B08 Workers Comp	(699)	(109)	(2,347)	610	612	597	597	1,297	568	(285)	80	(566)	355
B09 Payroll Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
M10 Materials Outside Vendor	157,485	157,098	390,464	129,413	239,089	161,319	68,288	381,260	(56,552)	154,658	91,717	119,745	1,993,982
M13 Postage	-	-	-	-	-	-	458	-	357	-	-	-	815
M14 Clothing and Shoes	-	-	-	-	-	-	-	-	861	-	-	-	861
M20 Materials From Inventory	228,942	231,723	290,165	269,029	377,046	307,987	360,092	343,848	405,133	434,720	358,703	226,368	3,833,757
M50 Materials Stores Handling	107	5	17	-	32	171	2	6	1	170	31	6	548
P10 Regular Pay Weekly	23,345	21,234	24,005	32,117	26,292	30,686	44,625	35,204	25,661	30,614	23,544	20,406	337,733
P15 Regular Pay Monthly	448,926	486,617	461,622	480,486	485,440	472,196	450,913	455,072	445,270	458,570	451,213	437,873	5,534,197
P20 Base OT Pay Weekly	630	697	568	1,181	406	749	431	286	414	(651)	646	975	6,332
P21 Incremental OT Pay Weekly	330	353	302	614	222	393	227	144	208	(313)	332	559	3,371
P25 Base OT Pay Monthly	765	119	800	938	3,649	2,506	2,277	2,771	1,015	2,936	2,752	1,073	21,601
P26 Incremental OT Pay Monthly	383	232	400	469	1,824	1,253	1,138	1,386	507	1,468	1,376	537	10,973
P30 Bonus & Misc Pay	533,442	162,220	156,468	136,661	86,351	(253,866)	57,316	109,490	87,145	84,989	60,210	56,051	1,276,476
P50 Time Not Worked	81,487	94,817	286,043	88,585	86,444	84,916	89,246	88,859	85,657	78,311	66,240	76,415	1,207,022
T10 Transportation	638	1,068	648	1,128	984	813	1,058	1,004	732	339	745	733	9,890
Total	2,757,316	3,691,550	4,084,608	1,836,444	2,635,266	4,372,448	2,599,819	2,623,407	3,598,911	2,664,463	2,485,787	2,941,811	36,291,831

Source: OC-1, Liberty Grid Allocation Database for the NMPC TYE Sep-09

National Grid USA Service Company Regulated O&M Charges to Niagara Mohawk Electric "Other" Segment Historic Test Year Ended Sept. 30, 2009														
Expense Type		JAN-09	FEB-09	MAR-09	APR-09	MAY-09	JUN-09	JUL-09	AUG-09	SEP-09	OCT-08	NOV-08	DEC-08	Total
100	Consultants	-	-	-	-	-	-	-	-	-	890	-	-	890
A20	Service Co. Equity	-	-	-	(1)	-	-	-	-	-	-	-	-	(1)
A65	Service Co Operating Costs	-	-	-	1	-	-	-	-	-	-	-	-	1
B01	FAS 106	-	-	-	10	-	2	(2)	-	-	-	-	-	10
B02	FAS 112	-	-	-	1	-	-	-	-	-	-	-	-	1
B03	Health Care	-	-	-	7	-	-	-	-	-	-	-	-	7
B04	Group Life Insurance	-	-	-	1	-	-	-	-	-	-	-	-	1
B06	Pension	-	-	-	5	-	2	(2)	-	-	-	-	-	5
B07	Thrift Plan	-	-	-	3	-	-	-	-	-	-	-	-	3
P15	Regular Pay Monthly	-	-	-	71	-	-	-	-	-	-	-	-	71
P30	Bonus & Misc Pay	-	-	-	10	-	-	-	-	-	-	-	-	10
P50	Time Not Worked	-	-	-	12	-	-	-	-	-	-	-	-	12
Grand Total		-	-	-	120	-	4	(4)	-	-	890	-	-	1,010
Source: OC-1, Liberty Grid Allocation Database for the NMPC TYE Sep-09														

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Niagara Mohawk Power Corp.
Historic Test Year Ending September 30, 2009
Major Storm Costs

Sum of Posted Jnl \$				Calendar Year Month													Grand Total
				CY 2008			CY 2009										
Originating Company	Expense Type	Expense Type Descr	Cost Type	October	November	December	January	February	March	April	May	June	July	August	September		
Narragansett Electric Company Total				27,004	69,371	6,728	11,801						267			115,171	
Narragansett Gas Company	T10	Transportation				83										83	
Narragansett Gas Company Total						83										83	
National Grid USA Service Co.	100	Consultants		19,801	82											19,883	
	110	Contractors Services		686,174	384,877	77,153	1,106,013	9,518,025	3,927,755	291,990	45,448	145,322	91,049	3,742	27,270	16,304,817	
	200	Employee Expenses		18,494	267	6,207	33,010	16,924	76,627	10,594	2,836	10,233			388	175,581	
	300	Hardware					1,158		214							1,373	
	400	Other		22,091	13,536	26,356	334,111	172,461	477,606	66		67,462	8,968	14,774	9,551	1,146,982	
		Other Total		22,091	13,536	26,356	334,111	172,461	477,606	66		67,462	8,968	14,774	9,551	1,146,982	
	500	Rental/Lease Non-Real Estate					3,719	653	2,087							6,458	
	A65	Service Co Operating Costs		821	1,147	3,922	8,018	3,065	1,970	54	(31)			(107)	15	18,874	
	A70	Sales Tax			(693)	(18,756)	(7,412)	(3,045)	(82)				2,852	636	405	(26,094)	
	B01	FAS 106		10,675	7,742	18,304	29,065	6,540	2,730	376	134			2,829	181	78,575	
	B02	FAS 112		657	430	915	1,203	204	(62)	20	8			214	18	3,608	
	B03	Health Care		8,828	6,136	13,728	20,045	3,678	(534)	269	118			2,572	208	55,048	
	B04	Group Life Insurance		1,273	860	1,896	2,906	572	(21)	40	15			214	1	7,757	
	B06	Pension		3,901	3,441	8,171	13,029	3,270	2,011	212	110			3,429	267	37,841	
	B07	Thrift Plan		3,367	2,294	4,903	6,013	1,022	965	110	39			750	52	19,515	
	B08	Workers Comp		(164)	(143)	(340)	(521)	(110)	(123)	3	1			21	1	(1,375)	
	B09	Payroll Taxes		7,883	5,505	12,551	19,243	3,924	2,299	275	100			2,057	142	53,980	
	M10	Materials Outside Vendor		25,338	32,955	12,815	303,870	39,648	12,576	9,604		3,220	7,719		7,502	455,248	
	M20	Materials From Inventory		32,709	46,590	1,170,255	113,238	(37,646)	607				175			1,325,928	
	P10	Regular Pay Weekly				185										185	
	P15	Regular Pay Monthly		37,928	24,845	23,412	68,726	15,024	5,484	456	118			8,556	462	185,011	
	P20	Base OT Pay Weekly				556										556	
	P21	Incremental OT Pay Weekly				278										278	
	P25	Base OT Pay Monthly		44,190	32,503	106,589	131,721	25,848	15,039	2,375	928			12,875	1,022	373,089	
	P26	Incremental OT Pay Monthly		19,022	13,938	49,395	58,261	12,224	7,305	1,187	464			5,987	511	168,294	
	P30	Variable & Misc Pay		8,368	5,844	13,323	61,597	12,560	6,307	414	153			2,919	202	111,687	
	P50	Time Not Worked		13,057	7,971	21,703	34,477	7,643	3,202	487	175			3,858	269	92,841	
	T10	Transportation		3,284	6,063	9,820	8,823	5,558	1,356	230				1,712		36,847	
National Grid USA Service Co. Total				967,697	596,191	1,563,343	2,350,313	9,808,041	4,545,317	318,762	50,617	226,237	110,763	67,038	48,467	20,652,787	
New England Power Company	110	Contractors Services							412,600	(412,600)						0	
	T10	Transportation				37										37	
New England Power Company Total						37			412,600	(412,600)						37	

Niagara Mohawk Power Corp.
Historic Test Year Ending September 30, 2009
Major Storm Costs

Sum of Posted Jnl \$				Calendar Year Month			CY 2009										Grand Total
				CY 2008													
Originating Company	Expense Type	Expense Type Descr	Cost Type	October	November	December	January	February	March	April	May	June	July	August	September		
Niagara Mohawk Power Corp	100	Consultants		0	0			37,223								37,223	
	110	Contractors Services		2,714,498	(2,496,815)	31,286,966	(1,174,414)	(5,270,587)	247,606	(67,194)	34,985	412,234	43,036	1,818,731	7,633	27,556,679	
	200	Employee Expenses		8,031	87,299	355,879	138,366	51,304	7,803	2,151	9,268	1,129	124	52,670	5,645	719,670	
	300	Hardware					0		0							0	
	400	Other	Deferral			(39,452,528)	0	(0)	(8,106,892)	(3,887,945)	(165,880)	7,416,739	61,921	0	(464,897)	(44,599,481)	
			Non-Deferral	7,398	53,230	9,798	151,771	156,626	(326,500)	12,697	17,398	3,918	958	3,507	36,754	127,555	
		Other Total		7,398	53,230	(39,442,730)	151,771	156,626	(8,433,392)	(3,875,248)	(148,483)	7,420,658	62,880	3,507	(428,143)	(44,471,927)	
	500	Rental/Lease Non-Real Estate					14,136	9,413	2,565						5,625	31,740	
	A60	Supervision & Admin		(14,528)	(42,069)	(1,894)	(2,917)				693	0	(40)	0		(60,756)	
	A65	Service Co Operating Costs		(23)	0	0	(0)	2	23	0	0			0	0	1	
	A70	Sales Tax		2,392	3,838	131,099	15,897	350	131				10,608	520	423	165,256	
	B01	FAS 106		(165)				(33)	31							(167)	
	B02	FAS 112		10				(2)	(1)							6	
	B03	Health Care		(100)				(29)	(6)							(135)	
	B04	Group Life Insurance		(34)				(5)	(0)							(39)	
	B06	Pension		(167)				(19)	23							(162)	
	B07	Thrift Plan		(49)				(11)	11							(49)	
	B08	Workers Comp		(1)				(1)	(1)							(3)	
	B09	Payroll Taxes		(142)				(26)	26							(141)	
	M10	Materials Outside Vendor		5,706	10,074	5,652	98,540	29,852	23,546	1,261	2,963	108	0	990	5,360	184,051	
	M20	Materials From Inventory		0	0	44,026	0	0	(21,775)				0		171,760	194,010	
	M50	Materials Stores Handling		3,271	4,193	206,428	19,251	(9,035)	(5,715)				21		29,213	247,625	
	P10	Regular Pay Weekly		44,093	727,598	2,649,453	494,087	328,527	28,193	11,714	42,837			401,170	12,929	4,740,599	
	P15	Regular Pay Monthly		59,262	63,016	71,912	214,356	37,925	6,866	5,134	3,539	367	140	30,381	2,801	495,700	
	P20	Base OT Pay Weekly		10,825	649,535	3,555,976	758,592	403,378	(23,914)	3,409	90,434			564,612	24,781	6,037,628	
	P21	Incremental OT Pay Weekly		7,939	515,586	3,207,310	733,835	307,157	172	6,469	63,008			478,646	24,526	5,344,648	
	P25	Base OT Pay Monthly		135,951	110,200	377,666	471,208	92,701	32,457	5,724	6,977	3,191	(658)	54,946	17,377	1,307,741	
P26	Incremental OT Pay Monthly		59,797	48,982	176,214	203,614	42,610	14,978	2,862	3,239	1,495	271	23,523	8,498	586,083		
P30	Variable & Misc Pay		9,168	58,138	249,563	248,066	135,754	10,529	1,535	8,498	173	(0)	78,518	3,788	803,729		
P50	Time Not Worked		43,608	195,344	1,104,714	339,726	145,754	10,083	4,521	25,882	651	(94)	191,302	9,483	2,070,974		
T10	Transportation		36,691	314,405	857,285	279,956	188,778	9,700	3,763	30,124	289	105	162,912	4,000	1,888,007		
Niagara Mohawk Power Corp Total				3,133,429	302,555	4,835,517	3,004,069	(3,312,393)	(8,090,063)	(3,893,900)	173,963	7,840,294	116,393	3,862,429	(94,301)	7,877,993	
Grand Total				4,200,568	1,207,062	6,410,420	5,376,364	6,559,624	(3,066,329)	(3,993,378)	224,581	8,066,531	227,424	3,929,467	(41,632)	29,100,701	

Total NMPC Before Deferral 52,477,475

Total Before Deferral 73,700,182

Legacy KeySpan Service Company Costs to Achieve Allocated to Niagara Mohawk October 2008 - September 2009				
Project	Project Description	Niagara Mohawk Electric Distribution	Niagara Mohawk Electric Transmission	Niagara Mohawk Electric - Total
K02701	CTA-BRAND CONVERSION PROJ	991,618	153,098	1,144,716
K02702	CTA-EDO TRANSFORMATION PROG	568,424	-	568,424
K02740	CTA-ACCOUNTING INTEGRATION	73,374	11,354	84,727
K02746	CTA-ELECTRIC MANAGER	-	-	-
K02761	CTA-TRAVEL EXPENSES	9,030	1,390	10,420
K02803	CTA-CONSOLIDATE CALL CENTERS	85,349	-	85,349
K02817	CTA-TRANSITION NON-INCOME TAX	20,027	3,159	23,186
K02859	CTA-GLOBAL PROC TRANSF PROG	8,455	1,309	9,764
K02897	CTA-EMPLOYEE SEVERANCE PLAN	-	-	-
K02905	CTA-STAFFING FEE MGT RPTG/PLAN	6,356	1,003	7,359
K02915	CTA-MGMT RPTG & PLAN'G INTEGR	170,426	26,534	196,960
K02932	CTA-INTEGR BS/CF/FORECAST PROC	215,186	33,200	248,386
K02946	CTA-CUSTOMER TRANSFORMATION	557,697	-	557,697
K02984	CTA-SYS OPER DISPATCH CONSOLID	3,431	-	3,431
K03621	CTA-CONS CALL CENTERS	-	-	-
K03699	CTA-INCREASE SELF-SERVICE	-	-	-
K04121	CTA-CALL CENTER IMPROVEMENT	257,870	-	257,870
K04122	CTA-RECORD TO REPORT BPO INIT	17,944	2,768	20,712
K04335	CTA-GLOBAL PROC TRANSF (LABOR)	41,478	6,546	48,024
K04349	CTA-INCOME TAX INTEGRATION	952,776	146,994	1,099,770
K04386	CTA-ONENET KEYSpan	-	-	-
K04543	CTA-ACCT MGMT (PMP CRIS)	-	-	-
Grand Total		3,979,442	387,355	4,366,797

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5. FUNCTIONAL ANALYSIS OF 2009 SERVICE COMPANY COST DISTRIBUTIONS

Introduction

This chapter covers an analysis of National Grid’s service companies, their relationships with the utilities and other affiliated entities they served, and the costs they distributed to these entities in 2009. It provides a “top down” view of service company cost distribution process for each significant service company functional organization. A functional analysis is based on a recognition that common costs flow (or should flow) to affiliated entities in proportion to the benefits they receive from services provided. Services, in turn, are organized and provided along functional lines. The key objectives included:

- Documenting National Grid’s organization, including the relationships between the functional organizations that dictated how service company costs were incurred and the legal entity (affiliate) organization that determined how service company costs were distributed.
- Documenting the procedures under which the costs of services provided by the service companies were directly charged and allocated to the New York utilities.
- Determining whether the distribution of costs from the service companies to the New York utilities was consistent overall with expectations given the activities performed by each functional organization, and whether unusual or unexpected cost distributions raised questions with respect to specific cost distributions or service company allocation procedures in general.

To accomplish these objectives, our analysis covered the following:

- National Grid’s functional and legal organizations,
- The service relationships between the legacy Grid and legacy KeySpan service companies and the utilities and other affiliated entities,
- The procedures used to distribute service company costs to the utilities and to other National Grid affiliates in calendar year 2009, and
- The relative amounts of service company costs distributed by individual functional organizations to the New York utilities and other affiliates in calendar year 2009.

It is also important to state what this analysis was not designed to do. First, although we found that service company cost distributions appeared reasonable overall for the period analyzed, this is based on a high-level functional analysis of the costs and their distribution to entities. It does not follow from this analysis that particular service company transactions were reasonable, properly charged or properly supported. For example, the analysis did not include consideration of whether cost distributions included adequate supporting documentation at the transaction level. Transaction-level charges and support are examined as part of our transaction testing process and are covered in Chapter 7.

In addition, it is important to note that some of the costs incurred and distributed by the service company are subjected to secondary distributions through complex expense clearing procedures. While we obtained a general understanding of these procedures and maintained an awareness of the costs subjected to clearing during our analysis, an evaluation of the ultimate distribution of certain costs on a post-clearing basis was not part of our analysis.

Analysis Scope

The employee and service company cost databases provided by National Grid show that in calendar year 2009 the company had an average of approximately 17,800 employees (operating companies and service companies combined) and that its service companies billed a total of approximately \$2,285,000,000. National Grid's 2009 service company employees and cost distributions were as follows:

Legacy Grid:

National Grid USA Service Company (National Grid USA) – 2,710 average employees,
\$1,356,714,000

Legacy KeySpan:

KeySpan Corporate Services - 3,416 average employees, \$765,358,000
KeySpan Engineering Services – 659 average employees, \$35,417,000
KeySpan Utility Services – 152 average employees, \$127,533,000

The analysis discussed in this chapter covered functional organizations that included approximately 94% of National Grid's employees and 77% of total costs distributed by its service companies. The 24 functional organizations and cost distributions included in the analysis are summarized below.

Table 5-1 – Functional Organization Cost Distribution Analysis Scope

Scope of National Grid Organizational and Service Company Cost Distribution Analysis		
Functional Organization	2009 Avg. Employees - All Affiliates	2009 Cost Distributions Analyzed
Corporate Services		
Corporate Financial Services	251	47,200,817
Corporate Human Resources	189	45,187,360
Corporate Legal	107	33,772,541
Non-Regulated Entities	531	17,661,927
Totals Corporate Services	1,077	143,822,646
Shared Services		
Property Services	317	81,957,833
Information Technology	637	215,037,329
Customer Interaction Mgmt	1,460	130,735,628
Customer Markets	597	95,044,692
Fleet and Materials	648	68,725,985
Safety, Health, Environmental	224	161,750,218
Totals Shared Services	3,881	753,251,686
Electric Operations		
Distribution Construction	212	98,056,941
Division Operations	2,364	26,728,111
Dispatch and Control	174	19,114,400
Protection and Telecom Ops	245	16,737,008
Distribution Support	255	42,803,779
Network Strategy	671	105,419,289
Transmission	591	218,250,885
Long Island T&D	1,107	49,537,709
Generation Operations	722	76,956,385
Energy Portfolio	112	19,542,003
Totals Electric Operations	6,450	673,146,510
Gas Operations		
Customer Meter Services	2,271	37,310,662
Gas Ops and Construction	2,202	57,240,388
Gas Distribution Support	501	60,906,042
Network Strategy	314	42,507,263
Totals Gas Operations	5,287	197,964,356
Total Analyzed	16,695	1,768,185,197
Total National Grid	17,800	2,285,022,000
Percentage Included in Analysis	94%	77%
Sources: OC-1 (Cost Distributions) & OC-4 Supplemental (Employee Data)		

Analysis Methodology

We conducted a “top down” analysis of service company cost distributions from a functional organization perspective. This included the following steps:

- We analyzed the structure of National Grid’s 2009 functional organization and divided the company into four high-level organizational groups (Corporate Services, Shared Services, Electric Operations

and Gas Operations).¹ Within these groups, we further divided the company into functional organizations. To accomplish this we used National Grid's organizational hierarchy, as provided in response to data request OC-4.

- We identified the cost centers and employees associated with each functional organization. We further identified the affiliates (legal entities) in which each organization's employees worked. In most cases, functional organizations crossed entity boundaries. For example, even in Corporate Services organizations such as Human Resources, employees were divided between utility and service company entities. Most organizations also had employees in more than one service company. The report includes a table for each functional organization analyzed. Depending on the organization, the tables show the number of employees in the organization by entity or by entity and cost center
- We identified costs incurred in and distributed from each service company functional organization. Such costs were either 1) incurred by the service companies and directly charged or allocated to the utilities and other affiliates, or 2) paid by the service company on behalf of affiliates (usually utilities) and charged (usually directly) to affiliate cost centers. The first category corresponds with activities conducted by the service company and its employees. The second category applies only to National Grid USA and corresponds generally with what can be called "convenience payments," payments National Grid USA made on behalf of an affiliate that it later billed to the affiliate.
- We analyzed the distribution of costs incurred in service company functional organizations to the New York utilities and other entities. The report includes a table summarizing service company cost distributions for each functional organization. Within each organization, we evaluated the following:
 - Whether service company costs flowed to entities and business segments as expected based on the nature of the activities conducted by the functional organization. For example, in assessing the Electric Transmission organization, we determined that nearly all of the costs distributed by the service companies flowed either to transmission entities such as New England Power, or to the Transmission segment of utilities such as Niagara Mohawk.
 - Whether charges for payments made on behalf of specific entities were charged to those entities. We reviewed service company costs charged to utility cost centers and determined that in most cases they were payments to vendors made by the service company on behalf of the cost centers to which they were charged. We also determined that in most cases, as would be expected, amounts charged to cost centers outside the service company were also charged

¹ In general, "Corporate Services" are services performed for the corporation as a whole, including regulated and non-regulated entities. Examples include Financial, Human Resources and Legal services. "Shared Services" are utility operating or operational support services shared by both Electric and Gas Operations. Examples include Fleet and Materials and Customer Interaction (call center) services.

entirely or allocated primarily to the entity that “owned” (had budget responsibility for) the cost center.

- o For functional organizations in which most activities were conducted by the service company, we compared the distribution of total service company costs to measures of relative entity size. For some service company organizations we used measures of relative entity size (O&M expense, assets, revenues, customer meters, employees) as a high-level test of reasonableness of total costs distributed (directly charged and allocated) to the New York utilities.² For example, we compared the distributions of service company Customer Interaction Management (customer call centers and account processing) costs with the relative percentages of customers served by each entity. For some organizations, the dispersion of employees and activities among utility and service company entities prevented a reasonable comparison of service company cost distributions to measures of entity size. In other organizations, we found one utility (often Niagara Mohawk) had employees working for and activities conducted within the utility, while most or all the employees serving other entities worked for the service companies. We took these factors into consideration in making our comparisons.
- o Within each service company functional organization, we reviewed the nature of costs charged and the methods used to directly charge and allocate significant costs to determine whether there were unusual costs or unusual methods used to distribute the costs to entities in general and the New York utilities in particular. We examined costs charged to determine whether they were consistent with the activities performed by in each organization. We did not find significant examples in which they were not. For the largest cost pools, we reviewed allocation methods used within each organization to determine whether they made sense given the activities of the organization. In many cases, we submitted data requests to obtain specific information about the nature of costs charged or the methods used to distribute them.

² In order to evaluate the distribution of total service company costs among entities on a functional basis it was necessary to combine cost distributions from the legacy Grid and legacy KeySpan service companies for each organization we analyzed. The legacy Grid and legacy KeySpan companies treated distributions of payroll burdens (payroll taxes, employee benefits and some variable pay) differently. The legacy KeySpan service companies charged payroll burdens along with all other costs (payroll, materials, leases, outside services, etc.) to the cost centers that incurred the cost, so they were included in the costs that were allocated from each service company cost center. However, National Grid USA distributed payroll burdens only at the entity level (e.g., from National Grid USA as a whole to Niagara Mohawk as a whole) rather than charging them along with other costs to the centers that had budget responsibility for employees and their payroll. Because payroll burdens were a significant cost, in order to compare “apples to apples,” it was necessary to assign National Grid USA’s entity-level payroll burdens on an organizational basis so that total service company costs for a given organization could be evaluated. To accomplish this we determined the total payroll and the associated payroll burdens distributed by National Grid USA at the entity level. We used the payroll-to-payroll burden relationship to develop entity-specific burden rates, and applied these rates to the service company payroll costs incurred by National Grid USA within each cost center and functional organization. These applied payroll burdens appear in the organizational cost distribution tables as a separate line (PeopleSoft Payroll Burdens). They were put on their own line to separate them from service company costs that were actually distributed at the organizational level.

Summary of Findings

Overall

Following are the general findings applicable to this analysis.

1. 2009 cost distributions by National Grid's service companies were generally consistent with expectations, given the activities performed by individual service company functional organizations on behalf of National Grid's utilities and other affiliates. Stated differently, it appears from our top-down analysis that the service companies charged costs to specific entities, and to groups of entities, that would be expected to benefit from the costs given the functions and activities performed.
2. In functional organizations in which most of the employees, activities and major costs were concentrated in the service companies, and in which the types of costs incurred were consistent between legacy Grid and legacy KeySpan service companies, cost distributions to the affiliates were generally commensurate with relative sizes of the affiliates.
3. The legacy Grid and legacy KeySpan service companies each had their own set of allocation procedures and methods. Although both sets of procedures allowed for direct charging and both allocated costs using measures of relative entity size, the differences in the procedures affected the overall distribution of costs compared to what would have occurred using a single, uniform set of procedures. However, for the period analyzed (calendar year 2009), it does not appear that the use of two sets of allocation procedures unfairly advantaged one set of legacy companies over another, or resulted in a significant over- or under-distribution of costs to the New York utilities relative to what would have occurred had only one set of procedures been used.
4. Our analysis of service company cost distributions did not reveal systemic procedural bias with respect to jurisdiction, entity, business segment or affiliate type (utility vs. non-utility), nor did the differences in procedures noted above appear to have inadvertently shifted large amounts of cost toward or away from the New York utilities in calendar year 2009.

Corporate Services

Financial Services - In 2009 the Financial Services organization averaged approximately 251 employees who were divided among KeySpan Corporate Services (204), National Grid USA (30) and Niagara Mohawk (17). It included the Controller's function, Financial Reporting, Management Reporting and Planning (budgets), Plant Accounting, Service Company Accounting, Taxes, Financial Processing and Claims. Review of service company cost distributions did not reveal significant unusual or unexpected allocations or direct charges to the New York utilities. Taking into account the fact that some of the employees performing services primarily for Niagara Mohawk worked for Niagara Mohawk,

distributions of costs incurred in service company cost centers to the New York utilities were generally consistent with a three-factor composite of utility revenues, assets and O&M expenses.

Human Resources - The 2009 Human Resources organization maintained an average of approximately 189 employees in 2009. These employees worked for KeySpan Corporate Services (117), National Grid USA (60) and Niagara Mohawk (22). Services included employee sourcing and recruiting, development, training, services, labor relations and compensation. We did not find significant unusual or unexpected cost distributions in 2009. Taking into account the fact that some of the employees performing services primarily for Niagara Mohawk worked for Niagara Mohawk, cost distributions from service company cost centers to the New York utilities were generally consistent with relative levels of non-service company employees.

Legal – National Grid’s 2009 Legal organization had an average of approximately 107 employees working for KeySpan Corporate Services (63), National Grid USA (42) and Niagara Mohawk (2). It included departments specializing in environmental, regulatory, labor and employment, real estate, securities and finance, ethics and tort law and it had employees specializing in the areas of generation, energy marketing, and business development. We did not find significant unusual or unexpected cost distributions. However, among the New York utilities, Niagara Mohawk’s share of 2009 Legal costs (22.0%) was lower than suggested by its share of the three-factor composite of assets, revenues and O&M expenses (29.2%). The percentages of Corporate Legal costs charged to KEDLI and KEDNY were closely aligned with their shares of a three-factor composite.

Diversified, Non-Regulated Entities - Prior to the 2007 merger, KeySpan owned a number of non-utility companies with various business operations, including appliance, plumbing and heating services companies operating in the New York metro area. Operations in some of these entities were being wound down in 2009. During that year they had an average of approximately 530 employees. Although we did not perform a detailed audit of service company charges to these entities, our review showed that, in general, the types of services and amounts charged to these entities by the service companies appeared consistent with the operations of and employees in the non-regulated companies as they were organized in 2009.

Shared Services

Property Services – Property Services performs real estate management, property tax management, facilities operations and maintenance, and functions such as mail room and printing operations. In 2009 it was also responsible for postage expense and for facilities and equipment lease costs. The Property Services organization is a conduit for the costs of National Grid’s facilities and related services that ultimately flow to facilities users. To the extent they are paid for by the service company, these costs can be charged to entities, such as utilities, that also house the employees that use the facilities. However, they may also be charged to entities that have overall cost responsibility for the facility, but whose employees are not the sole users of the facility. In such cases, the “net” service company cost

distributions may or may not reflect credits for the usage of the facilities by other entities. Although we did not find significant unusual or unexpected cost distributions that National Grid could not explain, the process through which facilities costs are distributed to facilities users is multi-layered and complex. This precludes a comparison of overall service company cost distributions to measures of relative affiliate size. We did not conduct a complete audit of this multi-step process, but significant differences between utility shares of service company costs and measures of utility size, such as employees, may warrant further investigation.

Information Technology - Information Technology had as many as 665 employees in 2009 spread among more than 100 cost centers. Our analysis of cost distributions did not reveal significant unusual or unexpected allocations or direct charges. The overall percentages of Information Technology costs distributed to the New York utilities were close to each utility's relative share of a three-factor composite of assets, revenues and directly incurred O&M expenses.

Customer Interaction Management – Customer Interaction Management includes the management and operations of customer call centers and related support functions such as training, customer satisfaction and policy. It averaged 1,460 employees in 2009. We did not find significant unusual or unexpected cost distributions. In general, the costs incurred in customer contact and account processing facilities were distributed based on relative levels of customers or telephone calls to the entities serviced by the center. Niagara Mohawk's percentage of service company costs was significantly below its share of total unique customers.³ However, this is consistent with the fact that most of the costs of the Syracuse call center and the Buffalo accounts processing center were recorded directly on Niagara Mohawk's books. KEDLI's and KEDNY's percentages of service company costs were roughly in line with their respective shares of National Grid's total unique customers.

Customer Products and Marketing - Customer Products and Marketing had approximately 600 employees in 2009. It included residential and business customer sales, marketing, account management and related support activities, smart metering, and economic and community development. Over 90% of the costs distributed by National Grid USA were charged to the legacy Grid utilities. 85% of the costs distributed by KeySpan Corporate Services and KeySpan Utility Services were charged to the legacy KeySpan utilities. We did not find significant unusual or unexpected cost distributions to the New York utilities. However, within the legacy Grid group of companies, a significant majority (77%) of the costs distributed by National Grid USA were charged to the New England utilities, while only 17% were charged to Niagara Mohawk. This disparity, which we did not further investigate, is not explained by the distribution of Customer Product and Marketing resources within the utilities, which was only slightly greater for Niagara Mohawk (with an average 95 employees) than for the New England utilities (with an average 85 employees). A significant share of Customer Products and Marketing was recorded on the books of the utilities; as such, conclusions cannot necessarily be drawn from the relative entity distributions of service company costs.

³ A count in which customers taking both electric and gas service at the same address are counted once.

Fleet and Materials Services – In 2009 approximately 648 employees responsible for materials, stores and National Grid’s fleet of rolling stock worked for the utilities, for National Grid USA Service Company and for KeySpan Corporate Services. Because the types of fleet and materials costs distributed by the service companies were different on the legacy Grid and legacy KeySpan sides of the business (for example, fleet leasing costs were incurred in and charged by the service company on the legacy Grid side of the business, but not on the legacy KeySpan side), and because most fleet and stores services were performed by employees in the utilities, a comparison of service company cost distributions with broad measures of relative entity size is not meaningful. The transportation clearing process, which ultimately distributes some costs to different entities than the entities to which they are initially charged, further complicates a cost distribution comparison. Although we have no reason to believe there are significant problems with the 2009 distribution of service company fleet and materials services costs, there were a few areas in which, upon initial review, cost distributions did not meet expectations. In at least one case (the relative distribution of fleet costs from KeySpan Corporate Services among KEDLI, KEDNY, KeySpan Corporate Services), National Grid’s explanation does not clear the issue to our satisfaction.

Safety, Health and Environmental Services - The 2009 Safety, Health and Environmental Services (SHES) organization included approximately 220 employees who worked for the legacy Grid and legacy KeySpan service companies and the utilities. It was responsible for environmental compliance, safety programs and safety compliance, site investigation and remediation, and security. 2009 service company costs were heavily concentrated in environmental site remediation work performed for KEDLI and KEDNY. Because of this, a comparison of combined service company cost distributions to the utilities using a broad measure of relative entity size is not meaningful. Of a total of approximately \$151 million charged by the service companies⁴, \$114.3 million was incurred in one cost center: 92242 – Site Investigation and Remediation. Of this, \$113.6 million was charged to KEDLI and KEDNY, primarily for vendors that provided contract labor, professional engineering services and legal services. As discussed elsewhere in this report, transaction testing demonstrated that site remediation costs were associated with former manufactured gas facilities located in KEDLI’s and KEDNY’s service territories, and were therefore correctly charged to KEDLI and KEDNY.

Electric Generation, Transmission and Distribution

Electric Distribution Construction and Work Delivery – In 2009, Electric Construction and Work Delivery included approximately 210 employees split between Niagara Mohawk (93) and National Grid USA (117). It was responsible for distribution system inspections, vegetation management and substation construction. Much of the work was performed by vendors. We did not find unusual or unexpected cost distributions from National Grid USA to Niagara Mohawk. Costs incurred in service company centers were distributed approximately 40% New York and 60% New England, compared with 53% New York / 47% New England split suggested by a three-factor composite of electric distribution assets, revenues and O&M expense. Costs distributed to Niagara Mohawk consisted primarily of contractor

⁴ This amount excludes \$6.7 million in assigned PeopleSoft payroll burdens for the legacy Grid companies.

services and materials. The relatively higher cost distribution to New England and the types of cost (primarily vendor purchases) distributed to New York are consistent with Niagara Mohawk having its own Electric Construction and Delivery employees, while the employees in New England cost centers worked for the service company.

Electric Customer Operations - Division Operations - Key responsibilities in the Division Operations organization include maintaining the electric distribution system and responding to outages and other trouble conditions. Division Operations averaged approximately 2,360 employees in 2009, nearly 15% of National Grid's 2009 employees in the U.S. Most of its 2009 costs were recorded directly on the books of Niagara Mohawk and the legacy Grid New England electric utilities. National Grid USA billed relatively minor amounts to the legacy Grid utilities, most of which were vendor payments made on behalf of the utilities. We did not find unusual or unexpected cost distributions to the New York utilities.

Electric Customer Operations - Dispatch and Control – Electric Dispatch and Control manages electric distribution system operations and dispatches work related to outage events. In 2009 it consisted of 174 employees in separate New York and New England regional operations. New York operations were handled by an average 72 Niagara Mohawk employees and recorded primarily on Niagara Mohawk's books, while 102 employees in the New England operation worked for National Grid USA. We did not find unusual or unexpected service company cost distributions to Niagara Mohawk. Distributions of costs incurred in National Grid USA cost centers were primarily to the New England electric utilities, consistent with the structure of the organization.

Electric Protection and Telecom Operations - The 2009 Protection and Telecom organization consisted of 245 employees responsible for maintaining National Grid's telecommunications network and its equipment, consisting primarily of radios, microwave systems and communication lines into substations. It also maintained protection systems, which include control systems, telemetry and protective relays that monitor for short circuits. Two-thirds of the employees worked for Niagara Mohawk; one-third for National Grid USA. The New York segment of the organization included employees who performed meter testing. We did not find significant unusual or unexpected service company cost distributions. 94% of the costs incurred in service company cost centers were charged to the New England electric entities. This is consistent with the structure of the organization, in which New York employees worked for Niagara Mohawk (and were recorded on Niagara Mohawk's books) and New England employees worked for National Grid USA (and were recorded on and distributed from service company books).

Electric Distribution Support – The Electric Distribution Support organization was put together in 2009 with employees from other organizations. By December 2009 it had 410 employees in Work Support, Scheduling and Work Coordination, Customer Order Fulfillment, Processes and Systems, Maps and Records, Labs and Testing and Emergency Planning. We did not find significant unusual or unexpected service company cost distributions. Costs incurred in National Grid USA centers were charged to the New England electric utilities in greater proportion (70% New England) than suggested by a three-factor composite of electric distribution assets, revenues and expenses (57% New England). However, this is consistent with the organizational structure, in which New England employees worked for and were

charged from the service company, while in 2009 Niagara Mohawk had many of its own Electric Distribution Support employees.

Electric Network Strategy - A 2009 average of 670 Network Strategy employees were employed primarily by Niagara Mohawk (40%), National Grid USA (31%) and the New England utilities (31%). Key functions in 2009 included Electric Distribution Planning, Engineering and Asset Management. We did not find significant unusual or unexpected service company cost distributions. Costs incurred in National Grid USA cost centers were charged to the New England electric utilities in greater proportion (69% New England) than suggested by a three-factor composite of electric transmission and distribution assets, revenues and expenses (47% New England). A review of the organization showed that the higher-level engineering functions for New York (Substation Engineering NY, Substation Design NY and Protection Engineering NY) were housed in Niagara Mohawk, while their New England equivalents (Substation Engineering NE, Substation Design NE and Protection Engineering NE) were maintained in National Grid USA. Assuming the “NY” engineering organizations housed in Niagara Mohawk worked primarily for the benefit of Niagara Mohawk, while their “NE” engineering equivalents in the service company worked primarily for the New England utilities, the organization structure explains why cost distributions to New England were higher than suggested by a three-factor composite of electric distribution assets, revenues and O&M expense. We found small unexpected distributions to gas operations, primarily in Maps and Records, and \$5.9 million in unspecified expense (lacking expense type description) was directly charged to relatively small Granite State Electric.

Electric Transmission - The 2009 Electric Transmission organization consisted of an average of 640 employees in approximately 45 cost centers working in Niagara Mohawk and National Grid USA. Electric Transmission underwent a significant reorganization during 2009, in which the Construction Services function was essentially replaced with the Work Delivery function. We did not find significant unusual or unexpected service company cost distributions in the 2009 Transmission organization. Almost 95% of the costs incurred in National Grid USA cost centers was directly charged, and of this, 90% was charged to one of National Grid’s electric transmission entities. In general, costs from “New England” cost centers (centers with New England in the title) were charged to New England Transmission segments and costs from “New York” cost centers were charged to Niagara Mohawk’s Transmission segment. The company stated that a small amount directly charged to Niagara Mohawk’s Gas Distribution segment was appropriately charged as vegetation management (in this case, mowing) of gas rights of way.

Long Island Transmission and Distribution - Long Island T&D operates the electric system on Long Island owned by LIPA. In 2009 approximately 80% of its employees worked for KeySpan Electric Services, the entity established to serve LIPA, and approximately 20% worked for KeySpan Engineering Services. We did not find significant unusual or unexpected service company charges to the New York utilities. Service company costs originated primarily from cost centers in KeySpan Engineering Services. 95% of costs incurred in service company cost centers were billed either to KeySpan Electric Services or KeySpan Generation. About 5% (approximately \$2.5 million) was billed to KEDLI and KEDNY, primarily directly charged from Long Island Survey, Public Works and Radio cost centers housed in KeySpan Engineering Services. Because we did not expect to see charges from an electric organization to the gas utilities, we asked National Grid to explain them. National Grid provided descriptions of the work charged to KEDLI and KEDNY by Long Island Survey, Public Works and Radio cost centers. The work included drafting, blueprinting and surveying for gas main, governor and heater installations and management and technical support for KEDNY's gas distribution communications system.

Electric Generation Operations - The Generation organization operates the National Grid power plants that serve LIPA's electric customers on Long Island. In 2009, approximately 55% of its 720 employees worked for KeySpan Engineering Services. The other 45% worked for KeySpan Generation Co. We did not find significant unusual or unexpected cost distributions to the New York utilities from the Generation cost centers located in KeySpan Engineering Services. Nearly 99% of the service company charges from this organization were distributed either to KeySpan Generation, the Ravenswood generating facility and KeySpan Electric. \$1.1 million (about 1%) was charged to KEDLI and KEDNY. Because we did not expect to see charges from an electric generation organization to gas utilities, we asked National Grid to explain the charges. National Grid provided descriptions of the work charged to the gas utilities by General Shops, Plant Maintenance and Power Engineering cost centers. The work included installation of gas main, maintenance of gas services, maintenance of LNG plants, decommissioning of a Brooklyn LNG plant, and replacement / repair activities at the Citizens gate station.

Energy Supply – The 2009 Energy Supply organization consisted of approximately 111 employees who acquired energy – primarily natural gas – to supply National Grid's Long Island power plants and the distribution systems of its gas utilities. A small group within the Portfolio Management function managed the operations of National Grid Energy Trading Company. Approximately 49% of the costs incurred in service company cost centers were charged to the New York utilities (14% to Niagara Mohawk and 35% to KEDLI and KEDNY combined). For comparison, in 2009 the New York utilities comprised approximately 48% of National Grid, measured in terms of a three-factor composite of assets, revenues and direct O&M expenses. We did not find significant unusual or unexpected service company cost distributions to the New York utilities from the Energy Supply organization. However, responses to questions addressing allocations were not adequate to obtain a complete understanding of the basis for the assigning the costs of various energy planning, gas scheduling, gas trading and administrative activities to different bill pools that included KEDLI, KEDNY and Niagara Mohawk and mixtures of other entities as cost objectives. Although it is reasonable to conclude all three New York

utilities were among the primary beneficiaries of the activities and associated cost allocations, it would take a more detailed review to fully assess how National Grid determined which activities and costs to allocate to various sets of cost objectives and how the activities were assigned to various bill pools.

Gas Distribution

Customer Meter Services - Customer Meter Services reads both gas and electric meters and collects overdue bills in the field. In 2009 it averaged almost 2,300 (13%) of National Grid's total U.S. workforce. Most of its employees worked for the utilities and most of the organization's costs were recorded directly on utility books. We did not find unusual or unexpected service company cost distributions to the New York utilities. A relatively small amount incurred in National Grid USA cost centers was distributed to the legacy Grid utilities. Most of the legacy KeySpan organization was housed in the utilities and, like legacy Grid, most costs were recorded on utility books. Long Island Meter Reading and Long Island Field Collections activities were exceptions. Because the costs were allocated between KEDLI (gas operations) and KeySpan Electric Services (contracted electric operations), these activities were performed by employees of KeySpan Corporate Services. Most of the service company costs for Long Island meter reading and field collection activities were allocated to KEDLI and KeySpan Electric Services on the basis of relative levels of gas and electric meters.

Gas Operations and Construction – This organization had approximately 2,200 employees in 2009 who installed gas service lines and maintained National Grid's utility gas distribution systems. Only about 5% of these employees worked for a service company; as such, only a small percentage of the organization's total costs were distributed from the service company cost centers. Gas Operations and Construction was divided into three regional organizations: New England, Upstate New York (Niagara Mohawk service territory) and Downstate New York (Brooklyn and Long Island). We did not find unusual or unexpected service company cost distributions to the New York utilities. Service company costs distributed to the New York utilities obeyed expectations based on the regional structure of the organization; that is, service company costs in centers serving the New England region were not allocated to the New York utilities; service company costs in centers serving downstate New York were allocated to KEDLI and KEDNY, but not to Niagara Mohawk, and service company costs in centers serving upstate New York were allocated to Niagara Mohawk, but not to KEDLI or KEDNY.

Gas Distribution Support – Gas Distribution Support activities include dispatching field work, sales completion, meter testing and repair, mapping and clerical support for gas operations. In 2009 approximately half the organization's 501 employees worked in the utilities and half worked in the service companies, primarily for KeySpan Corporate Services. Because of the dispersion of activities and employees among the utilities and service companies, a comparison of the relative distribution of service company costs among the gas utilities is not meaningful. We did not find unusual or unexpected service company cost distributions to the New York utilities. The legacy Grid and legacy KeySpan service company functions were not integrated in 2009. For the most part, costs incurred in National Grid USA cost centers were charged to the legacy Grid utilities and costs incurred in KeySpan Corporate and Utility Services were charged to the legacy KeySpan utilities.

Gas Network Strategy - Gas Network Strategy includes the gas planning, engineering and system control functions. In 2009 it had an average of approximately 315 employees, 75% of whom worked for the legacy KeySpan companies. Most of the legacy KeySpan employees (an average of 159) worked for the KeySpan service companies, while most of the legacy Grid employees worked for Niagara Mohawk. The dispersion of employees and activities between the service companies and the utilities precludes a meaningful comparison of the distribution of 2009 service company costs to measures of relative utility size. We did not find unusual or unexpected service company cost distributions to the New York utilities. The legacy Grid and legacy KeySpan service company functions were not integrated in 2009. For the most part, costs incurred in National Grid USA cost centers were charged to the legacy Grid utilities and costs incurred in KeySpan Corporate and Utility Services were charged to the legacy KeySpan utilities.

Corporate Services

Corporate Services include the following organizations and average employees in 2009:

- Business Development / Mergers (18)
- Corporate Affairs (57)
- Corporate Audit (28)
- Diversified Non-Regulated Entities (531)
- Financial Services (251)
- Human Resources (189)⁵
- Legal (107)
- Treasury (61)

We analyzed service company cost distributions for the Financial Services, Human Resources and Legal organizations, and for Diversified Non-Regulated Entities. The organizations analyzed below cover 87% of the employees in National Grid's 2009 Corporate Services organizations. . Tables accompanying the discussions below show the entity (and, in some cases, cost center) distribution of employees and the distribution of 2009 service company costs among entities.

Financial Services

In 2009 Financial Service consisted primarily of the accounting functions, including the Controller's function, Financial Reporting, Management Reporting and Planning (budgets), Plant Accounting, Service Company Accounting, Taxes, Financial Processing and Claims. Most of the accounting positions in Financial Services resided in KeySpan Corporate Services. .

⁵ Including employees moved to the Transaction Delivery Center in 2010

Table 5-2 – 2009 Financial Services Employees

Chrg Dept L2 SHARED_SERVICES					
Chrg Dept L3 FINANCIAL_SERV				Employees	
DeptID	Dept Name	Company		Mar '09	Dec '09
11250	Acctg Services NY	NG	036	10	10
12220	Claims Group NiMo	NG	036	7	7
Total Niagara Mohawk				17	17
11000	Controller	NG	099	1	-
11200	Acctg Services NE	NG	099	12	3
11400	Financial Reporting	NG	099	3	3
11600	Non Income Tax	NG	099	-	1
11990	Sarbanes-Oxley	NG	099	2	-
12240	Claims Group Svc Co	NG	099	8	6
14400	T&D Tech Serv Finance	NG	099	5	4
14800	Financial Solutions & Support	NG	099	7	6
Total NG USA				38	23
92014	Financial Services Officer US	KS	CSV	1	1
92017	Taxes	KS	CSV	9	11
92015	Asst Controller US	KS	CSV	32	15
92015	Financial Reporting & Research	KS	CSV	7	7
92016	Financial Processing	KS	CSV	14	14
92021 & 023	Mgmt Reporting & Planning	KS	CSV	20	24
92508	Cash Mgmt,Capital Mkts, Compl	KS	CSV	-	1
92018	Service Co & Acctg Support	KS	CSV	-	23
92508	US Controls & Governance	KS	CSV	9	8
92018	Electric Accounting	KS	CSV	19	20
92856	KETS Back Office	KS	CSV	27	27
92225	Claims	KS	CSV	16	15
92019	Financial Solutions & Support	KS	CSV	6	5
92014	Accounting Services Officer US	KS	CSV	1	2
92020	Plant Accounting	KS	CSV	35	37
92508	Gas Dist Finance US	KS	CSV	1	-
Total Keyspan Corporate Services				197	210
Total Financial Services				252	250

Source: OC-4 Supplemental

Service Company Cost Distributions

2009 service company Financial Services cost distributions are summarized below.

Table 5-3 – 2009 Financial Services 2009 Cost Distributions

Chrg Dept L2 SHARED_SERVICES							
Chrg Dept L3 FINANCIAL_SERV							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
36	Financial Services - Niagara Mohawk Cost	Total Direct	146,120	-	-	146,120	73%
		Total Allocated	17,099	11,531	24,376	53,006	27%
		PS Payroll Burdens	3,162	6,291	10,166	19,619	
		Total PS + Oracle	166,381	17,822	34,542	218,745	
			76.1%	8.1%	15.8%	100.0%	
99	Financial Services - Service Company Cost Centers	PS Direct	125,320	-	579,719	705,039	6%
		PS Allocated	5,301,668	836,128	5,899,802	12,037,598	94%
		PS Payroll Burdens	1,315,564	243,282	1,640,122	3,198,969	
		PS Total + PR Burdens	6,742,552	1,079,410	8,119,643	15,941,606	
CSV		Oracle Direct	26,975	982,673	2,345,642	3,355,290	11%
		Oracle Allocated	4,731,054	8,369,735	14,584,387	27,685,176	89%
		Oracle Total	4,758,029	9,352,408	16,930,029	31,040,466	
99 & CSV		Total Direct	152,295	982,673	2,925,361	4,060,329	9%
		Total Allocated	10,032,722	9,205,863	20,484,189	39,722,774	91%
		PS Payroll Burdens	1,315,564	243,282	1,640,122	3,198,969	
		Total PS + Oracle	11,500,581	10,431,818	25,049,672	46,982,072	
			24%	22%	53%	100%	

Source: Legacy Grid Allocation Database CY 2009.xls and Legacy Keyspan Allocation Database CY 2009.xls

Review of service company Financial Services cost distributions did not reveal significant unusual or unexpected allocations or direct charges to the New York utilities. Below is a comparison of service company cost distributions to the New York utilities with a three-factor composite of revenues, assets and directly incurred O&M expenses:⁶

Niagara Mohawk: 24.5% of Financial Services billings from service company cost centers
29.2% of a composite of assets, revenues & O&M expenses

KEDLI: 8.7% of Financial Services billings from service company cost centers
7.4% of a composite of assets, revenues & O&M expenses

KEDNY: 13.5% of Financial Services billings from service company cost centers
11.5% of a composite of assets, revenues & O&M expenses

Niagara Mohawk's share of costs is somewhat lower than its three-factor composite would suggest. However, as shown in the organizational table above, Niagara Mohawk had 17 Financial Services employees of its own (whose payroll costs were recorded on the books of Niagara Mohawk). KEDNY's and KEDLI's distributions were both slightly greater than their three-factor composites would suggest, at least in part because some of Niagara Mohawk's Financial Services costs were recorded on its own books.

⁶ Throughout this chapter, measures of financial size are based on fiscal year 2010 measurements used by National Grid.

Cost Descriptions:

- Niagara Mohawk Cost Centers – Minor costs charged by National Grid USA to Niagara Mohawk cost centers consisted primarily of payments to vendors on behalf of Niagara Mohawk for contractors services, materials, software and “other” (unidentified) items.
- National Grid USA Cost Centers – \$8.6 million (67%) of the incurred by National Grid USA in its own cost centers were payments to consultants and contract services vendors. \$3.1 million (24%) was payroll. 2009 payroll amounted to approximately \$103,000 per employee for 30.5 average employees. Remaining costs consisted primarily of “other” (unidentified) payments.
- KeySpan Corporate Services Cost Centers - \$25.4 million (82%) of total costs distributed by KeySpan Corporate Services from its own cost centers were payroll and payroll-related burdens. This equals approximately \$125,000 per employee for 204 average employees. \$3.8 million (12%) were outside services. \$648,875 (1%) was listed as “Metrotech.” Minor amounts for transportation, telecommunications (primarily cell phones), and purchasing cards made up most of the remaining 5%.

Cost Distributions:

- Niagara Mohawk Cost Centers – 82% of the service company payments charged to cost centers with Niagara Mohawk employees were charged to Niagara Mohawk, primarily through direct charges. Small amounts were allocated, primarily by cost center 12220 - Claims Group, to other utilities.
- National Grid USA Cost Centers - Most costs from National Grid USA cost centers were allocated. 25 different bill pools were used in 2009. 83% of the allocated costs were distributed using just three bill pools. \$4.5 million, primarily from cost centers 11000 – Controller, 11200 – Accounting Services New England and 11990 – Sarbanes Oxley, was allocated using bill pool 236, which distributed on the basis of all O&M expense to the legacy Grid utilities. \$3.7 million, primarily from cost centers 11200 – Accounting Services New England, 14800 – Financial Solutions and Support and 11000 – Controller, was allocated through bill pool 382, which distributes on the basis of all O&M to “all” National Grid companies (legacy Grid and legacy KeySpan). \$1.7 million, primarily from cost centers 11990 – Sarbanes Oxley and 11400 – Pension Accounting, was allocated using bill pool 380, which distributes on the basis of all O&M to “all” legacy Grid companies.
- KeySpan Corporate Services Cost Centers – Over 80% of Financial Services employees worked for KeySpan Corporate Services in 2009. These employees directly charged 11 different entities and used three dozen different allocation bill pools to distribute Financial Services costs. The predominant bill pools used to distribute \$31.0 million in Financial Services costs were as follows:
 - Direct Charges – \$3.4 million (11%) of total costs were directly charged to 11 different entities. The largest were \$1.4 million charged directly to KeySpan Energy Trading (KeySpan company 59) from cost center 92856 – KeySpan Energy Trading Back Office and \$875,525 directly charged to KEDNY from cost center 92225 – Claims. We asked why KEDNY was the only entity to be directly

charged for a significant amount of Claims costs. In response National Grid stated that Claims costs were directly charged to KEDNY because “KEDNY is the sole entity in the NYC territory, and it [therefore] has its own distinct cost pool and . . . can be [directly charged.]”⁷

- o G5100 – \$10.9 million (35%) of total costs were allocated through bill pool G5100, which distributed costs on the basis of a three-factor formula of assets, revenue and O&M expense to “all” legacy Grid and legacy KeySpan entities. Costs allocated through G5100 included most or all of cost centers 92014 -VP, Controller & CAO, 92017 – Tax; 92021 – Financial & Economic Analysis; 92023 – Financial Forecasting and Budgeting, and 92508 – Sarbanes Oxley and about three-fourths of cost center 92015 – Financial Reporting Assistant Controller.
- o I0200 – The Financial Planning function (cost center 92020) allocated \$4.2 million (97%) of its costs through bill pool I0200, which distributed costs on the basis of property to all legacy KeySpan “energy delivery” companies.⁸
- o G0800 - \$3.6 million (12%) of total costs were allocated through bill pool G0800, which distributed costs on the basis of the three-factor formula described above to “all” KeySpan companies, which include the KeySpan energy delivery companies, plus Seneca, KSI and the KeySpan Holding company. In 2009, bill pool G0800 was used to allocate portions of cost center 92015 – Financial Reporting Assistant Controller and 92018 – Accounting Services, and all of cost center 92019 – Financial Solutions and Technology.
- o Other Bill Pools – \$2.9 million (9%) of total costs were allocated to various groups of entities using bill pools that allocated costs based on revenue or gas send-out. Remaining costs were allocated to different mixes of entities using the three-factor formula discussed above.

Human Resources

The Corporate Human Resources organization averaged approximately 190 employees in 2009. Its functions included employee sourcing and recruiting, development, training, services, labor relations and compensation. A breakdown of employees by legal entity is shown below.

⁷ Response to discovery OC-266

⁸ In 2009 energy delivery entities included Boston Gas, Essex Gas, Colonial Gas, Energy North, Keyspan Electric Services (LIPA), KeySpan Generation, KEDLI, KEDNY, and KeySpan power stations Glenwood, Port Jefferson and Ravenswood.

Table 5-4 – 2009 Human Resources Employees

Chrg Dept L2 SHARED_SVCS / BUS_SERV_ & _OTHER					
Chrg Dept L3 HR_SERVICES / GLOBAL_HR				Employees	
DeptID	Dept Name	Company		Mar '09	Dec '09
16310	Labor NY	NG	036	5	5
38230	Train Gas & Meter NY Syr	NG	036	9	9
38260	Train Electric NY Syracuse	NG	036	7	10
Total Niagara Mohawk				21	24
16000	Human Resources Mgmt	NG	099	-	1
16010	HR Recruiting	NG	099	10	10
16110	Labor NE	NG	099	4	3
16120	US Talent & Org Development	NG	099	1	1
16200	HR Operations	NG	099	1	1
16210	Compensation	NG	099	2	1
16230	Health & Welfare Plans	NG	099	4	3
16250	Employee Services & Adm(NE)	NG	099	8	-
16260	HRIS	NG	099	4	-
16270	Payroll	NG	099	5	-
16320	Professional Development	NG	099	1	1
16300, 1635X	HR Bus Partner	NG	099	5	5
38200	Technical Training Mgmt	NG	099	5	7
38220	Train Electric & Meter	NG	099	13	17
38290	Learning & Development Safety	NG	099	2	3
Total National Gr				65	53
Total NG USA				65	53
92039	Global Learning & Development	KS	CSV	-	2
92040	Learning and Development	KS	CSV	36	34
92041	Learning and Development	KS	CSV	-	4
92042	Change Management	KS	CSV	3	2
92043	Inclusion & Diversity	KS	CSV	2	3
92045	Benefits	KS	CSV	5	5
92046	Comp & Benefits US Officer	KS	CSV	2	2
92048	Compensation	KS	CSV	2	2
92049	Recruiting & Sourcing	KS	CSV	12	13
92050	Labor Relations	KS	CSV	13	13
92095	Employee Services	KS	CSV	28	-
92128	Sr HR Services US Officer	KS	CSV	2	2
92172	Global HR Business Partner	KS	CSV	10	11
92252	Talent & Resourcing	KS	CSV	-	23
92256	Retirement Strategy	KS	CSV	-	2
Total Keyspan Corp Svcs.				115	118
Total HR Services				201	195

Source: OC-4 Supplemental

Service Company Cost Distributions

2009 service company Human Resources cost distributions are summarized below.

Table 5-5 – 2009 Human Resources Cost Distributions

Chrg Dept L2 SHARED_SVCS / BUS_SERV_&_OTHER							
Chrg Dept L3 HR_SERVICES / GLOBAL_HR							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
36	Human Resources - Niagara Mohawk Cost	Total Direct	685,224	-	3,753	688,977	50%
		Total Allocated	369,999	1,294	309,319	680,612	50%
		PS Payroll Burdens	117,405	505	79,015	196,925	
		Total PS	1,172,628	1,799	392,087	1,566,514	
			74.9%	0.1%	25.0%	100.0%	
99	Human Resources	PS Direct	412,455	22,682	701,973	1,137,110	9%
		PS Allocated	4,454,591	807,346	5,875,630	11,137,567	91%
		PS Payroll Burdens	3,595,451	330,853	3,147,297	7,073,601	
		PS Total + PR Burdens	8,462,497	1,160,881	9,724,900	19,348,278	
CSV	Human Resources	Oracle Direct	-	1,725,925	1,339,677	3,065,602	13%
		Oracle Allocated	3,714,502	4,526,563	12,965,901	21,206,966	87%
		Oracle Total	3,714,502	6,252,488	14,305,578	24,272,568	
99 & CSV	Human Resources - Service Co. Cost Centers	Total Direct	412,455	1,748,607	2,041,650	4,202,712	11%
		Total Allocated	8,169,093	5,333,909	18,841,531	32,344,533	89%
		PS Payroll Burdens	3,595,451	330,853	3,147,297	7,073,601	
		Total PS + Oracle	12,176,999	7,413,369	24,030,478	43,620,846	
			28%	17%	55%	100%	

Source: Legacy Grid Allocation Database CY 2009.xls and Legacy Keyspan Allocation Database CY 2009.xls

Our analysis did not reveal significant unusual or unexpected cost distributions in 2009.

Below are 2009 service company distributions of Human Resources costs compared with 2009 employees:⁹

Niagara Mohawk: 27.9% of Human Resources billings from service company cost centers
34.7% of total National Grid non-service company employees

KEDLI: 6.4% of Human Resources billings from service company cost centers
5.5% of total National Grid non-service company employees

KEDNY: 10.6% of Human Resources billings from service company cost centers
12.1% of total National Grid non-service company employees

Overall, cost distributions from Corporate Human Resources service company cost centers were commensurate with relative non-service company employee levels, including distributions to non-regulated appliance and HVAC services entities that employed approximately 4.3% of National Grid's non-service company workforce. Costs distributed from National Grid USA cost centers were distributed primarily to legacy Grid entities, and costs allocated from KeySpan Corporate Services cost centers were distributed more heavily to the legacy KeySpan entities. In 2009 the service company

⁹ Based on March 2009 employees, per OC-4 Supplemental

Human Resources organization was not yet fully integrated across the former National Grid and KeySpan entities.

Niagara Mohawk's share of service company charges was less than its share of non-service company employees. However, as shown in the organizational table above, Niagara Mohawk had its own Human Resources Training and Labor Relations departments. The departments in Niagara Mohawk had an average of approximately 23 employees in 2009. KEDNY's and KEDLI's shares of total Human Resources charges from service company cost centers were close to their relative shares of non-service company employees.¹⁰

Cost Descriptions:

- Niagara Mohawk Cost Centers – Service company charges to Niagara Mohawk cost centers included \$650,438 in consulting and contract labor and \$366,721 in vendor materials. These represent payments by the service company on behalf of Niagara Mohawk. Remaining costs consisted primarily of payroll and employee expenses.
- National Grid USA Cost Centers – \$6.6 million (54%) of total Human Resources costs billed by National Grid USA from its own cost centers were payroll costs. 2009 payroll charged by National Grid USA Human Resources was approximately \$112,000 per employee for an average of 60 employees (excluding payroll burdens). Other significant cost categories included consultants and contractor services (\$2.7 million, 22% of total costs charged), "other" (undefined) costs (\$1.6 million, 13% of total charges) and employee expenses (\$313,121, 3% of total charges).
- KeySpan Corporate Services Costs - \$16.9 million (70%) of total Human Resources costs charged by KeySpan Corporate Services from its own cost centers were payroll and payroll-related burdens. \$4.0 million (17%) of total charges were outside services. Dues, memberships and sponsorships comprised \$664,992 (3% of total charges). Telecommunications, transportation and purchasing card (corporate credit card) expenses made up most of the remaining costs.

Cost Distributions:

- Niagara Mohawk Cost Centers – Costs charged by National Grid USA to Niagara Mohawk cost centers were split equally between direct charges and allocated amounts. Most of the allocated amounts were distributed through bill pool 353, which distributed costs to the regulated legacy Grid companies based relative levels of employees.
- National Grid USA Cost Centers – \$1.1 million (9%) of total costs charged by National Grid USA from its own cost centers were directly charged. Of this, \$484,008 was bonus pay from cost center 16000 – Human Resources Management, charged to Niagara Mohawk's Electric Distribution segment in account 242 – Miscellaneous Liabilities. National Grid stated that this was a cost of stock

¹⁰ If Niagara Mohawk's Training and Labor Relations costs were included in the service company cost totals, Niagara Mohawk's share of total service company billings would be higher, and KEDLI's and KEDNY's billing shares (because of a bigger denominator) would be slightly lower.

appreciation rights (SARs) exercised by a former President of Niagara Mohawk and that the awards were earned prior to the National Grid merger in 2002.¹¹ An additional \$396,600 consisted of “other” (undefined) costs from center 16120 - VP Global Learning & Development, charged to company 72 – National Grid Billing Entity. We confirmed that these were costs applicable to National Grid in England and were not charged to US affiliates.¹² Allocated costs comprising the remaining 91% of \$12.3 million in total costs were distributed through 12 different bill pools. Nearly all of the allocated costs were distributed on the basis of employees. Most of the allocated costs (\$9.7 million of \$11.1 million) were distributed through the following two bill pools:

- o 353 - \$5.2 million was allocated through bill pool 353, which distributed costs to the legacy Grid entities on the basis of employees. All of National Grid USA’s Human Resources cost centers used bill pool 353 to distribute part of their costs.
- o 354 - \$4.5 million was allocated through bill pool 354, which distributed costs to “all” legacy KeySpan and legacy Grid entities based on employees. All of National Grid USA’s Human Resources cost centers used bill pool 354 to distribute part of their costs.
- KeySpan Corporate Services Cost Centers – \$3.1 million (13%) of total costs were directly charged by cost center 92040 – Learning and Development to several legacy KeySpan entities in New York. Most allocated costs were distributed to different groups of entities on the basis of employees. Although 17 different bill pools were used to distribute allocated costs, \$10.2 million (42% of total directly charged and allocated costs) was allocated through bill pool N5100, which distributed to “all” legacy Grid and legacy KeySpan companies based on employees. Most of the remaining allocated costs were distributed using one of the following four employee-based bill pools:
 - o N0300 – \$1.8 million was distributed using relative levels of employees to legacy KeySpan utilities in New England (Boston, Essex and Colonial Gas and Energy North).
 - o N3500 - \$1.9 million was distributed using relative levels of employees to the legacy KeySpan entities in New York and New England, excluding a small subset of non-regulated entities.
 - o N4600 - \$1.7 million was distributed using relative levels of employees to legacy KeySpan entities in New York, excluding the Port Jefferson and Glenwood energy centers.
 - o N4800 - \$2.1 million was distributed using relative levels of employees to legacy KeySpan entities in New York, primarily KEDLI, KEDNY, KeySpan Electric Services and KeySpan Generation, and excluding Glenwood and Port Jefferson.

KeySpan Corporate Services charged \$1.3 million (approximately 3.5% of total Human Resources costs billed by both service companies) to KeySpan company 59 – KeySpan Services Inc. (KSI). KSI is the holding company for non-utility entities KeySpan Energy Management, KeySpan Solutions, KeySpan Home Solutions and three plumbing companies. In 2009 these companies provided non-regulated

¹¹Response to OC-267-B

¹²Response to OC-267-A

appliance and HVAC services in the New York metro area. They maintained a workforce averaging approximately 480 employees in 2009, 4.3% of the non-service company workforce of approximately 10,900 employees.

Legal

The Corporate Legal organization averaged 107 employees in 2009. It included departments specializing in environmental, regulatory, labor and employment, real estate, securities and finance, ethics and tort law. There were specialists focused on generation, energy marketing, and business development. Administrative and records management employees in several cost centers supported the overall Legal organization. With the exception of two employees who worked for Niagara Mohawk, in 2009 Legal organization was split approximately 40% / 60% between National Grid USA and KeySpan Corporate Services. 2009 employees by entity are summarized below.

Table 5-6 – 2009 Legal Employees

Chrg Dept L2 BUS_SERV_ &_OTHER					
Chrg Dept L3 LEGAL_GROUP			Employees		
DeptID	Dept Name	Company	Mar '09	Dec '09	
18110	Legal Services NY Rep	NG	036	2	1
Total Niagara Mohawk				2	1
18000	Legal Services	NG	099	38	37
18340	Ethics Risk & Compliance	NG	099	4	5
Total National Grid USA				42	42
92092	Information Records Mgmt	KS	CSV	9	12
92008	Deputy General Counsel-Litigat	KS	CSV	1	1
92008	AGC Federal Regulatory	KS	CSV	1	1
92008	Deputy Gen'l Cnsl US - Comm	KS	CSV	1	1
92008	Legal - Generation & Energy Mk	KS	CSV	3	3
92201	General Counsel US	KS	CSV	2	-
92008	Legal-Environmental	KS	CSV	7	7
92008	Legal - Administration	KS	CSV	14	15
92008	Legal - Labor & Employment	KS	CSV	4	5
92008	Legal - LIPA, KSI, Ethics	KS	CSV	1	2
92008	Asst General Counsel NE	KS	CSV	3	4
92008	Tort Litigation	KS	CSV	5	4
92008	Asst General Counsel NY	KS	CSV	1	1
92008	Legal - Sec/Finance Commercial	KS	CSV	3	4
92008	Legal - Real Estate	KS	CSV	2	2
92008	Deputy General Counsel US	KS	CSV	1	-
92008	Legal - Bus Dev & Energy Inves	KS	CSV	1	-
92201	Ethics Group	KS	CSV	3	3
Total Keyspan Corporate Svcs.				62	65
Total Legal Services				106	108

Source: OC-4 Supplemental

Service Company Cost Distributions

2009 service company cost distributions for the Corporate Legal organization are summarized below.

Table 5-7 – 2009 Legal Cost Distributions

Chrg Dept L2 BUS_SERV_ &_OTHER							
Chrg Dept L3 LEGAL_GROUP							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
99	Legal	PS Direct	850,657	50,289	1,514,080	2,415,026	30%
		PS Allocated	1,478,859	512,375	3,624,007	5,615,241	70%
		PS Payroll Burdens	2,130,151	341,402	3,089,432	5,560,985	
		PS Total + PR Burdens	4,459,667	904,066	8,227,519	13,591,252	
CSV	Legal	Oracle Direct	17,148	1,072,610	1,601,866	2,691,624	13%
		Oracle Allocated	2,958,003	4,144,322	10,387,340	17,489,665	87%
		Oracle Total	2,975,151	5,216,932	11,989,206	20,181,289	
99 & CSV	Legal - Service Co. Cost Centers	Total Direct	867,805	1,122,899	3,115,946	5,106,650	18%
		Total Allocated	4,436,862	4,656,697	14,011,347	23,104,906	82%
		PS Payroll Burdens	2,130,151	341,402	3,089,432	5,560,985	
		Total PS + Oracle	7,434,818	6,120,998	20,216,725	33,772,541	
			22%	18%	60%	100%	

Source: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Allocation Database CY 2009.xls

Here is how Legal organization cost distributions to the New York utilities compare to a composite of revenues, assets and O&M expense, assets and revenues for fiscal year 2010:

Niagara Mohawk: 22.0% of Legal billings from service company cost centers
29.2% of a composite of assets, revenues & O&M expenses

KEDLI: 6.9% of Legal billings from service company cost centers
7.4% of a composite of assets, revenues & O&M expenses

KEDNY: 11.2% of Legal billings from service company cost centers
11.5% of a composite of assets, revenues & O&M expenses

Our analysis did not reveal significant unusual or unexpected cost allocations or direct charges; however, among the New York utilities, Niagara Mohawk's share of 2009 Legal costs was lower suggested by its share of a three-factor composite of revenues, assets and O&M expenses.

A portion of Legal costs allocated from both National Grid USA and KeySpan Corporate Services were distributed broadly over "all" entities; however, the costs distributed from National Grid USA were charged more heavily to the legacy Grid entities and a majority of KeySpan Corporate Services costs were distributed to the legacy KeySpan companies, indicating that the organization was not fully integrated across all National Grid entities in 2009. Most costs allocated from National Grid USA were allocated based on relative levels of O&M expense, while most allocated costs from KeySpan Corporate Services were allocated using on a three-factor formula of assets, revenues and O&M expenses.

Cost Descriptions:

- Niagara Mohawk Cost Centers – An insignificant amount (less than \$1,000) was billed by National Grid USA to Niagara Mohawk cost center 18110.
- National Grid USA Cost Centers – \$5.6 million (69% of total charges of \$8.0 million) were payroll charges. 2009 payroll charged by National Grid USA for its share of the Legal organization was approximately \$132,000 per employee for an average of 42 employees. \$1.7 million (21%) were consultant and contractor services, and the remaining 10% consisted of employee expenses, software and vendor materials.
- KeySpan Corporate Services – \$13.2 million (66% of total charges of \$20.2 million) were charges for payroll and payroll-related burdens, amounting to approximately \$209,000 per employee for 63.5 average employees. \$5.5 million (27%) were outside legal, consulting and other outside services. Remaining costs were transportation and facilities charges.

Cost Distributions:

- National Grid USA Cost Centers - National Grid USA's two Legal organization cost centers directly charged \$2.4 million (30% of total charges by National Grid USA), primarily to the legacy Grid utilities in New York and New England. Among these was a direct charge of \$326,537 to company 72 – NG Billing Entity. National Grid explained that this included charges relating to a law firm and a US Legal employee working on issues involving National Grid in England and that the costs were not allocated to any US entity.¹³ The other \$5.6 million (70%) charged from National Grid USA cost centers were allocated using 31 different bill pools a majority of which was distributed through the following two bill pools:
 - 235 – This bill pool was used to distribute \$1.7 million, based on total transmission and distribution O&M expenses, to the legacy Grid utilities in New England.
 - 382 – Bill pool 382 was used to distribute \$1.5 million to “all” legacy Grid and legacy KeySpan companies based on total O&M expense.
- KeySpan Corporate Services - \$2.7 million (18% of total costs) were directly charged, primarily by cost center 92008 – Deputy General Counsel Manager of Operations to KeySpan Electric Service, KEDLI and KEDNY. 16 different bill pools were used to distribute \$17.5 million in allocated costs. All but one distributed costs on the basis of a three-factor formula of assets, revenues and O&M expenses. The following three bill pools were used to distribute most of the costs.
 - G5100 – This bill pool was used to distribute \$6.8 million (34% of total direct and allocated charges) to “all” legacy KeySpan and legacy Grid companies based on the three-factor formula. All three cost centers (92008, 92092 and 92211) contributed amounts to this cost pool.
 - G0800 – Bill pool G0800 was used to distribute \$4.5 million (23% of total direct and allocated charges) to “all” legacy KeySpan companies based on the three-factor formula.

¹³Response to OC-268

- o G5800 – Bill pool G5800 distributed \$1.4 million (7% of total charges) to all legacy KeySpan and legacy Grid electric and gas distribution utilities using the three-factor formula.

Two other bill pools explain most of the remaining cost distributions: \$1.2 million was distributed through bill pool N5100 to “all” legacy KeySpan and legacy Grid companies based on relative employees, and \$1.0 million was distributed through bill pool G0300 to the legacy KeySpan New England utilities (Boston, Colonial & Lowell Gas and Energy North), based on the three-factor (revenues, assets and O&M expenses) formula.

Diversified, Non-Regulated Entities

In 2009 National Grid had a number of operating non-regulated non-utility entities. Operations in some of these were in the process of being wound down in 2009. In 2009 these entities had a combined average of approximately 540 employees. They were owned by KeySpan prior to the 2007 National Grid / KeySpan merger; as such, they are legacy KeySpan companies. The table below provides an organizational summary.

Table 5-8 – 2009 Diversified, Non-Regulated Entity Employees

Chrg Dept L2 BUS_SERV_ & OTHER					
Chrg Dept L3 BUS_DEV_NA / CORP_COST_CTR				Employees	
DeptID	Dept Name	Company		Mar '09	Dec '09
92223	Northeast Markets	KS	NEM	3	3
Total Northeast Markets				3	3
92875	KeySpan Production & Development	KS	SEN	34	34
Total Keyspan Production and Development				34	34
92876	Transgas	KS	TRG	15	16
Total Transgas				15	16
92997	KSpan Energy Management	KS	KEM	49	50
Total Keyspan Energy Management				49	50
92997	Field Operations	KS	KHS	146	110
92997	Marketing, Sales, Accting, Other	KS	KHS	26	23
Total Keyspan Home Services				172	133
92348 & 92997	Accounting, Exec & Marketing	KS	KSL	18	16
92997	Field, Sales & G&A Operations	KS	KSL	240	211
Total Keyspan Solutions				258	227
92997	HVAC Officer & PHL COS Install	KS	PHL	4	1
92997	PHV Cost of Sales Long Island	KS	PHV	9	5
92997	PSL COS Qns, SI & Brklyn Install	KS	PSL	26	22
Total Keyspan Plumbing				39	28
Total Diversified Non-Regulated				570	491

Source: OC-4 Supplemental

Following are National Grid’s descriptions of the entities in the table above.¹⁴

- Northeast Gas Markets (Employee company NEM, PeopleSoft company 568, Oracle company HF) – Northeast Gas is a Delaware limited liability company that provides natural gas procurement, contract management and marketing services to clients located in the northeastern part of the

¹⁴ Response to OC-193, except as noted below

United States, including affiliates of KeySpan. Northeast Gas Markets LLC is owned 90% by National Grid Northeast Ventures Inc.

- Seneca Upshur Petroleum (Employee company SEN, PeopleSoft company 471, Oracle company 71) – Seneca is a West Virginia corporation engaged in natural gas and oil exploration and production activities. It is also a holding company for four subsidiaries engaged in pipeline and liquefied natural gas activities: National Grid LNG GP, LLC; National Grid LNG LP, LLC; KeySpan Islander East Pipeline, LLC; and National Grid Millennium LLC.
- Transgas – (Employee company TRG, PeopleSoft company 559, Oracle company D1) – Transgas Inc. is a Massachusetts corporation which provides over-the-road transportation of liquefied natural gas, propane and other commodities to companies in the United States, including affiliates of KeySpan.
- National Grid (KeySpan) Energy Management, LLC (Employee company KEM, PeopleSoft company 503, Oracle company A8) – KeySpan Energy Management designs and operates energy systems for large-scale residential and commercial facilities and provides “energy-related services” in the New York metro area.¹⁵
- National Grid Services, Inc. (Employee companies KHS, KSL, PHL, PHV and PSL) – Several companies provided appliance, heating and plumbing services to residential and small commercial customers in the New York metro area. These were grouped under the umbrella of National Grid Services, Inc., described in OC-193 as “as a Delaware corporation and wholly-owned subsidiary of KeySpan, and is the holding company for non-utility subsidiaries which are engaged in providing appliance, HVAC, fiber optic, engineering, consulting and energy-related services to customers located primarily within the northeastern United States.” The subsidiaries providing these services in 2009 included KeySpan Home Services (KHS), KeySpan Solutions (KSL), KeySpan Plumbing Solutions (PSL), KeySpan Plumbing and Heating Solutions, LLC (PHL) and KeySpan Plumbing and Heating Services Inc.¹⁶

Service Company Cost Distributions

In 2009 service company costs attributable to the non-utility entities discussed above were charged by KeySpan to two holding company entities, as follows:

- National Grid Development Holdings (a.k.a. KeySpan Development Company) – Oracle company 36
 - Northeast Gas Markets - Oracle company HF, employee company NEM
 - TransGas – Oracle company D1, employee company TRG

¹⁵ OC-269-C

¹⁶ OC-4 Supplemental and OC-269-A

- National Grid Services, Inc. (a.k.a. KeySpan Services, Inc.) – Oracle company 59
 - Appliance Services - Employee companies KHS and KSL
 - Plumbing / HVAC Services - Employee companies PHL, PHV and PSL
 - National Grid (or KeySpan) Energy Management - Oracle company A8, employee company KEM

In addition, Seneca Upshur Petroleum (Oracle company 71, employee company SEN) was charged directly (not through a holding company).

The table below summarizes the costs charged to operating non-utility entities with employees in 2009. We did not audit specific service company charges or the allocation methods used to distribute this small component of service company costs and it was not our objective to state conclusively that all of the service company costs that should have been charged to the non-utility entities were charged to them. Rather, our objective was to determine whether the types of costs charged by KeySpan Corporate Services were consistent with expectations based on the entities' operations and employees.

Table 5-9 – 2009 Diversified, Non-Regulated Entity Cost Distributions

Chrg Dept L2 BUS_SERV_ &_OTHER									
Chrg Dept L3 BUS_DEV_NA / CORP_COST_CTR									
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	Oracle 36 Natl Grid Development Holdings	Oracle 59 Natl Grid Services Inc.	Oracle 71 Seneca Upshur Petroleum	Total Diversified Non-Utility	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
NEM. TRG, KEM, KHS, SEN, KSL, PHL, PHV, PSL	Diversified, Non-Utility Entities with Employees	Oracle Direct	4,662,174	4,447,466	(233)	9,109,407	377,329,904	386,439,311	42%
		Oracle Allocated	528,897	7,334,544	689,079	8,552,520	533,317,031	541,869,551	58%
		Oracle Total	5,191,071	11,782,010	688,846	17,661,927	910,646,935	928,308,862	100%
		Total Direct	4,662,174	4,447,466	(233)	9,109,407	377,329,904	386,439,311	42%
		Total Allocated	528,897	7,334,544	689,079	8,552,520	533,317,031	541,869,551	58%
		Total PS + Oracle	5,191,071	11,782,010	688,846	17,661,927	910,646,935	928,308,862	
			1%	1%	0%	2%	98%	100%	

Source: Legacy Keyspan Allocation Database CY 2009.xls

In general, it appears that the types of services charged to the non-utility entities (including energy management, communications, legal, accounting, planning and income tax services, insurance, customer services, human resources services and telecommunications and information technology services) were consistent with the operations and employees in these companies in 2009. For example, several cost centers in the KeySpan Corporate Services' Human Resources organization charged approximately \$1 million to National Grid Services, Inc., consistent with the fact that the companies consolidated within it employed over 400 people in 2009. National Grid Services, Inc. was also charged almost \$2.1 million for Information Technology. Over \$3 million in service company charges to National Grid Services for customer assistance services was also consistent with the nature of the companies it owned and their operations. Given the small combined size of the entities (accounting for only about 3% of total National Grid employees in 2009), the impact of potential under-allocation on the New York utilities would most likely be immaterial.

Cost Distributions:

- To National Grid Development Holdings (Northeast Gas Markets and TransGas) – In 2009 Northeast Gas Markets (NEM) provided gas procurement, contract management and marketing services. TransGas (TRG) provided over-the-road transportation of methane and propane liquids. Both companies provided services to affiliate and non-affiliate companies.¹⁷ Below is a breakout of the costs distributed to Development Holdings, which owns NEM and TRG.

Table 5-10 – 2009 KeySpan Corporate Services Charges to National Grid Development Holdings

2009 KeySpan Corporate Services Charges to National Grid Development Holdings				
Cost Center		Directly Charged	Allocated	Total
92001	Chairman		9,245	9,245
92008	Deputy General Counsel - Mgr Ops	12,672	61,282	73,954
92015	Financial Reporting Asst Cntrlr		20,025	20,025
92018	Accounting Services	172,780	18,430	191,210
92019	Financial Solutions / Technology		16,721	16,721
92028	Asset Strategy & Development	1,576,154		1,576,154
92032	Insurance		32,110	32,110
92033	Capital Markets & Asst. Treasurer			-
92059	Security Downstate KSE	83,736		83,736
92224	Fin. Analysis / Asset Valuation	780,262		780,262
92226	VP Fin. Anal. / Asset Valuation	315,812		315,812
92228	VP Energy Transactions	765,619		765,619
92231	VP Asset Strategy / Development	739,837		739,837
92466	Director Gas Production	55,584		55,584
92548	Energy Risk Management	150,005		150,005
92139	Income Tax		51,978	51,978
	Other (Net)	22,385	409,658	432,043
Total		4,662,174	528,897	5,191,071
Source: Legacy KeySpan Allocation Database CY 2009.xls				

- To National Grid Services Inc. (KeySpan Energy Management, Appliance / Plumbing Entities) - KeySpan (National Grid) Energy Management, Home Services, Solutions and the plumbing entities had more than 400 employees in 2009 providing appliance and HVAC services to customers in the New York Metro area. Following is a cost center breakout of 2009 service company charges to the companies within the National Grid Services, Inc. umbrella.

¹⁷Response to OC-193

Table 5-11 – 2009 KeySpan Corporate Services Charges to National Grid Energy Management

2009 Keyspan Corporate Services Charges to National Grid Energy Management				
Cost Center		Directly Charged	Allocated	Total
92001	Chairman		110,323	110,323
92008	Deputy General Counsel - Mgr Ops	30,426	463,548	493,974
92015	Financial Reporting Asst Cntrlr		140,837	140,837
92018	Accounting Services	158,269	126,139	284,408
92019	Financial Solutions / Technology		127,671	127,671
92032	Insurance	13,978	209,035	223,013
92033	Capital Markets & Asst. Treasurer		261,373	261,373
92037	VP Customer Prod & Service Dev	33,190	183	33,373
92040	Learning & Development	89,771	153,923	243,694
92045	HR Benefits Design & Planning		153,953	153,953
92049	HR Staffing & Recruiting		233,181	233,181
92050	HR Business Partner Consulting		256,611	256,611
92051	Data Mgt & Competitive Intel		151,437	151,437
92057	Facilities	62,600		62,600
92079	Internal Audit		76,579	76,579
92080	IT Business Management		190,293	190,293
92084	IT Enterprise Tech Solutions		71,755	71,755
92085	IT EO Computing		359,558	359,558
92087	IT Production Management		420,866	420,866
92089	IT Telecommunications	75,211	354,529	429,740
92095	HR Employee Services		333,973	333,973
92152	Corporate Giving	337,953		337,953
92153	Media Relations NY		84,969	84,969
93347	Customer Assist Center - KSI	3,496,286		3,496,286
92360	US Head of Procurement	103,468		103,468
92540	New Products & Services	38,176		38,176
92139	Income Tax		376,242	376,242
92274	IT Production Mgmt Appl Suppot		393,583	393,583
92327	Integrated Health Mgmt		273,166	273,166
92338	Internal Communications		73,172	73,172
M73	NG-IS-CTA		220,138	220,138
N06	NG-CTA-Treasury & Tax		162,133	162,133
N13	NG-CTA-Shared Services		77,822	77,822
	Other (Net)	8,138	1,477,553	1,485,691
Total		4,447,466	7,334,545	11,782,011

Source: Legacy KeySpan Allocation Database CY 2009.xls

The “Customer Assist Center – KSI” handled calls for all the KeySpan Home Energy services contract customers. It was part of the MetroTech customer service center. According to National Grid, facilities costs associated with operating this component of the MetroTech call center (such as space occupied) were charged to the cost center through the building facilities charge process.¹⁸ The costs in this center, as shown above, are charged to non-regulated holding company KSI.

- To Seneca Upshur Petroleum - In 2009 Seneca performed natural gas and oil exploration and production activities and had subsidiaries engaged in pipeline and liquefied natural gas activities.

¹⁸ OC-269-D

Below is a cost center breakout of 2009 charges from KeySpan Corporate Services to Seneca and its subsidiaries.

Table 5-12 – 2009 KeySpan Corporate Services Charges to Seneca Upshur Petroleum

2009 Keyspan Corporate Services Charges to Seneca Upshur Petroleum				
Cost Center		Directly Charged	Allocated	Total
92001	Chairman		16,436	16,436
92008	Deputy General Counsel - Mgr Ops		70,417	70,417
92015	Financial Reporting Asst Cntrlr		24,662	24,662
92018	Accounting Services		18,910	18,910
92019	Financial Solutions / Technology		20,915	20,915
92032	Insurance		26,368	26,368
92058	Enterprise Risk Mgt		10,454	10,454
92087	IT Production Management		34,861	34,861
92089	IT Telecommunications		24,420	24,420
92092	Records Management		10,632	10,632
92139	Income Tax		67,140	67,140
M73	NG-IS-CTA		20,585	20,585
N06	NG-CTA-Treasury & Tax		34,185	34,185
N13	NG-CTA-Shared Services		14,361	14,361
	Other (Net)	(233)	294,734	294,501
Total		(233)	689,080	688,847

Source: Legacy KeySpan Allocation Database CY 2009.xls

Shared Services

Our review of 2009 service company cost distributions for Shared Services covered the following organizations. Amounts in parentheses are 2009 average employees.

- Property Services (317)
- Information Technology (637)
- Customer Contact (Customer Interaction Management) (1,460)
- Customer Products and Marketing (597)
- Fleet and Materials Services (648)
- Safety, Health & Environmental (224)

Shared Services had approximately 4,500 employees at the end of 2009. Our analysis covered organizations and cost centers containing approximately 3,900 of (87%) of these employees. Tables accompanying the discussions below show the entity (and, in some cases, cost center) distribution of employees and the distribution of 2009 service company costs among entities.

Property Services

Property Services performed real estate management, property tax management, facilities operations and maintenance, and functions such as mail room and printing. It was also a conduit through which postage and facilities and equipment lease charges flowed. Property Services employees working for

individual utilities were focused primarily on facilities owned or leased by the utilities and on real estate activities relating to those utilities. Property Services employees working for National Grid USA and KeySpan Corporate Services worked in departments focused on shared services facilities, such as Metrotech in Brooklyn and Northborough in Massachusetts, or on the management of real estate and facilities for National Grid as a whole. The table below summarizes 2009 employment by entity.

Table 5-13 – 2009 Property Services Employees

Chrg Dept L2 SHARED_SERVICES				
Chrg Dept L3 PROPERTY_SERVICES			Employees	
Company			Mar '09	Dec '09
NG	05	Massachusetts Electric	9	10
NG	36	Niagara Mohawk	104	104
NG	41	Granite State Electric	1	-
NG	48	Narragansett Gas	3	3
NG	49	Narragansett Electric	14	14
NG	99	National Grid USA	50	49
KS	BUG	KEDNY	33	30
KS	CSV	Keyspan Corporate Services	108	101
Division Operations Totals			322	311
Source: OC-4 Supplemental				

Service Company Cost Distributions – 2009 service company cost distributions for Property Services are summarized below.

Table 5-14 – 2009 Property Services Cost Distributions

Chrg Dept L2 SHARED_SERVICES							
Chrg Dept L3 PROPERTY_SERVICES							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
05, 41,48 & 49	Property	Total Direct	210	-	4,928,641	4,928,851	100%
	Services - New England Utility	Total Allocated	4,486	-	18,133	22,619	0%
	Cost Centers	PS Payroll Burdens	116	-	60	176	
		Total PS	4,812	-	4,946,834	4,951,646	
			0.1%	0.0%	99.9%	100.0%	
36	Property Services - Niagara Mohawk Cost	Total Direct	6,470,229	-	(70,227)	6,400,002	48%
		Total Allocated	6,282,243	137,152	473,571	6,892,966	52%
		PS Payroll Burdens	(12,042)	39,412	166,527	193,896	
		Total PS	12,740,430	176,564	569,871	13,486,864	
			94.5%	1.3%	4.2%	100.0%	
99	Property Services - Service Company Cost Centers	PS Direct	660,153	773,814	12,554,774	13,988,741	45%
		PS Allocated	971,181	1,791,564	14,538,418	17,301,163	55%
		PS Payroll Burdens	1,111,807	111,124	2,397,936	3,620,868	
		PS Total + PR Burdens	2,743,141	2,676,502	29,491,128	34,910,772	
CSV		Oracle Direct	-	10,028,032	1,172,097	11,200,129	39%
		Oracle Allocated	435,023	7,086,976	9,886,423	17,408,422	61%
		Oracle Total	435,023	17,115,008	11,058,520	28,608,551	
99 & CSV		Total Direct	660,153	10,801,846	13,726,871	25,188,870	42%
		Total Allocated	1,406,204	8,878,540	24,424,841	34,709,585	58%
		PS Payroll Burdens	1,111,807	111,124	2,397,936	3,620,868	
		Total PS + Oracle	3,178,164	19,791,510	40,549,648	63,519,323	
			5.0%	31.2%	63.8%	100.0%	
Source: Legacy Grid Allocation Database CY 2009.xls and Legacy Keyspan Allocation Database CY 2009.xls							

Source: Legacy Grid Allocation Database CY 2009.xls and Legacy Keyspan Allocation Database CY 2009.xls

We did not find significant unusual or unexpected cost distributions that could not be explained by National Grid. However, the process through which facilities costs are distributed to facilities users is multi-layered and complex. We did not conduct a complete audit of this process.

Property Services is a conduit for the costs National Grid's facilities and facilities-related services that ultimately flow to facilities users. To the extent they are paid for by the service company, these costs can be charged to entities, such as utilities, that also house the employees that use the facilities. However, they may also be charged to entities that have overall cost responsibility for the facility, but whose employees are not the sole users of the facility. In this case, the cost distribution by the service company does not reflect the ultimate distribution of costs to the facility's users.

For example, KEDNY's 23.4% share of total service company Property Services costs was significantly higher than suggested by its share of total employees (12.1%) or by its share of a three-factor composite of total assets, revenues and O&M expenses (11.5%). Most of the "extra" costs charged to KEDNY were associated with the lease of the Metrotech building in Brooklyn, for which KEDNY has budget responsibility. We determined in the testing process that these costs were billed out to the entities

(such as the service company) that occupied Metrotech, through the service company's asset recovery charge process.¹⁹

While KEDNY's Property Services were skewed high by the charges associated with Metrotech, Niagara Mohawk's 5% share of total service company distributions was low primarily due to a \$5.3 million credit associated with its billing back to National Grid USA for the service company's use of the Syracuse office complex, the costs of which were initially charged entirely to Niagara Mohawk.²⁰ Finally, Massachusetts Electric's 27% share of total service company Property Services costs was higher than suggested by its size because it was charged the entire cost of the Northborough office facility which it owned.^{21 22}

Although we accept National Grid's explanations for utility cost distributions that appeared high or low compared with relative entity size, what remains unclear is why facilities costs, but not the offsetting credits for recovery from users, are reflected in distributions to KEDNY and Massachusetts Electric, while for Niagara Mohawk the credit associated with facilities users *is* included in service company cost distributions. This may be a matter for further investigation. If the initial charges as well as the credits for usage by other entities were reflected in cost distributions for all entities, we would expect total service company cost distributions to the utilities to approximate a measure of relative size such as employees.

Cost Descriptions:

- Niagara Mohawk and Other Legacy Grid Utility Cost Centers – 94% of the cost charged by National Grid USA to utility cost centers were vendor materials, rentals, contract services, consulting and related sales taxes paid by the service company on behalf of the utilities. An additional 5% was undefined "other" cost charged to a series of Niagara Mohawk cost centers, probably representing various smaller vendor payments that were not properly classified as to type.
- KEDNY Cost Centers – Less than \$4,000 distributed by the legacy KeySpan service companies was charged to KEDNY cost centers.
- National Grid USA Cost Centers – 2009 costs distributed by National Grid USA to its own cost centers are summarized by expense type in the table below.

¹⁹ Response to OC-255 and transactions test item LKS-MM-016

²⁰ Response to OC-254-B

²¹ Response to OC-254-C

²² The costs of the Northborough facility are reclassified and charged back to National Grid USA Service Company each month. National Grid USA then reallocates the costs to the companies that benefit from service company activities conducted in the facility.

Table 5-15 – 2009 Property Services Costs by Type - National Grid USA Cost Centers

Property Services 2009 Costs in National Grid USA Cost Centers	
Cost by Expense Type	Amount
Consulting	1,259,924
Contract Services	8,523,440
Vendor Materials	3,285,235
Rentals - Equipment	6,046,597
Rentals Real Estate	8,861,878
Payroll	3,635,529
Other Costs	(322,699)
Total	31,289,904

Source: Legacy Grid Allocation Database CY 2009.xls

Most of the equipment rental costs were machinery, equipment and software leases, including rentals relating to the Northborough facility.²³ Embedded within the “other” cost category was a \$5.25 million undefined credit from cost center 15830 – New York Facilities Operations – Service Company assigned to Niagara Mohawk and then allocated among Niagara Mohawk’s segments using bill pool 100. This was a reclassification of part of the cost of the Syracuse Office complex from Niagara Mohawk to National Grid USA to reflect the service company’s use of the facility.²⁴

KeySpan Corporate Services Cost Centers – 2009 costs distributed by the KeySpan service companies (over 99% of which were distributed by KeySpan Corporate Services) are summarized by expense type as follows.

Table 5-16 – 2009 Property Services Costs by Type - Legacy KeySpan Service Company Cost Centers

Property Services 2009 Costs in Legacy Keyspan Service Co. Cost Centers	
Cost by Expense Type	Amount
Brentwood	620,602
Hicksville	1,103,614
MetroTech	2,603,906
Outside Services / Consultants	4,250,757
Postage	7,485,720
Payroll & Related Burdens	7,650,579
Other Expense Types	4,893,373
Total	28,608,551

Source: Legacy KeySpan Allocation Database CY 2009.xls

Cost Distributions:

- Niagara Mohawk– 96% of the costs charged by National Grid USA to Niagara Mohawk’s cost centers were either charged directly to Niagara Mohawk or allocated internally within Niagara Mohawk using bill pools 100, 101 and 102, which distributed costs among Niagara Mohawk segments based on percentages agreed to between the company and the New York Department of Public Service

²³ Response to OC-254-A²⁴ Response to OC-254-B

Staff.²⁵ Small amounts of cost from Mail Room, Facilities Technical Support and Print Shop cost centers were allocated between Niagara Mohawk and the New England utilities, or to “all” legacy National Grid and legacy KeySpan utilities or entities.

- Other Legacy Grid Utility Cost Centers – Nearly all costs were directly charged. Costs charged by National Grid USA to Massachusetts Electric cost centers were charged to Massachusetts Electric. Costs charged by National Grid USA to Narragansett Electric or Gas cost centers were directly charged to Narragansett Electric or Gas cost centers.
- KEDNY Cost Centers – The KeySpan service companies allocated less than \$4,000 from one cost center (92118 - KeySpan Asset Management) within KEDNY.
- National Grid USA Cost Centers :
 - Directly Charged Costs - Of the \$14.0 million in directly charged costs, nearly two-thirds was directly charged to Massachusetts Electric, mainly from cost centers 15740 – New England Facilities Northborough and 15800 – Facilities Asset Management – New England. These centers included costs associated with the Northborough office facility that were charged to Massachusetts Electric because it owned the building. A portion of this cost was reclassified and charged by Massachusetts Electric to National Grid USA to reflect the service company’s use of the facility.²⁶ In addition, amounts directly charged from cost centers 15520 and 15530 – Real Estate Energy Delivery Support – New England South and New England North were charged almost entirely to the New England utilities.
 - Allocated Costs – Most of the \$17.3 million in allocated costs were distributed from the following three cost centers:
 - Cost Center 15450 – Real Estate Asset Management, Property Sales Facilities - \$12.6 million was allocated from this cost center, consisting primarily of \$8.9 million in real estate rental charges and \$3.0 million in non-real estate rentals. A majority, \$8.1 million, was allocated using bill pool 603 – Reservoir Woods, based on occupied square footage.²⁷ Bill pools 232 (O&M, New England Electric Distribution), 236 (O&M, Electric Transmission and Electric and Gas Distribution, all legacy Grid Utilities) and 247 (Customers, New England Electric Utilities) were used to allocate the remaining costs.
 - Cost Center 15760 – New England Facilities – Mail and Storeroom – A majority of the \$3.3 million in this cost center, consisting primarily of vendor materials and contract services, were allocated through bill pool 247 (Customers, New England Electric Utilities)

²⁵ Per Colleen Dowling, (email, April 13, 2012), the percentages used to distribute costs among segments within Niagara Mohawk are based on the Joint Merger Agreement between the New York Department of Public Service Staff and National Grid.

²⁶ Response to OC-254-C

²⁷ Response to OC-254-D

- Cost Center 15790 – New England Facilities – Maintenance – Nearly all of the net \$2.7 million from this cost center was distributed using bill pool 604.. Costs in bill pool 604 were associated with the Westborough facility and were allocated based upon how employees occupying the service company space in the building allocated their time.²⁸ Legacy Grid employees occupied the facility until around June 2009, when they moved to Reservoir Woods.
- KeySpan Corporate Services Cost Centers – 98% of the Property Services costs charged by KeySpan Corporate Services in 2009 was distributed to the legacy KeySpan companies, primarily KEDNY, KEDLI, KeySpan Electric Services and Boston Gas. Property Services cost allocations from KeySpan Corporate Services include a complex series of direct charges and allocations from 15 cost centers through more than two dozen cost pools. Key items include the following:
 - Directly Charged Costs - \$13.0 million (45%) of the \$28.6 million total costs were charged to KEDNY. Of this, \$8.4 million was directly charged, including \$4.1 million in Outside Services, \$2.3 million in postage and \$873,000 in “Work in Progress Adjustment.” Much of this was costs of the Metrotech facility, which were initially billed to KEDNY, skewing its share of charges from the service company’s Property Services organization. These charges were then billed out to the entities (such as the service company) which occupied Metrotech, through the service company’s asset recovery charge process.²⁹ Metrotech costs directly charged to KEDNY were particularly high in 2009 due to a “restacking” (leasehold improvement) project. Other significant directly charged costs included an additional \$3.7 million in postage directly charged to KEDLI and KeySpan Electric.
 - Allocated Clearings - \$6.3 million (22%) of the \$28.6 were clearings distributed among nearly all KeySpan entities.
 - Other Allocated Costs - The largest component of allocated costs, \$5.6 million of \$17.4 million allocated, was charged through bill pool G3800 (three-factor formula of assets, O&M expense and revenues) to New York-based energy delivery entities (primarily KEDLI, KEDNY, KeySpan Electric Services and KeySpan Generation Company). \$1.6 million, primarily postage associated with the New England gas companies (Boston, Colonial, Essex and Energy North) was charged through bill pool H0300 based on New England gas utility customers. Finally, \$1.5 million, consisting primarily of payroll and payroll-related burdens from cost center 92053 – Real Estate Transactions, was charged through bill pool G5100 (three-factor formula) to a broad distribution of regulated and unregulated legacy KeySpan and legacy National Grid companies. Allocations from cost center 92053 through bill pool G5100 accounted for nearly all of the costs distributed

²⁸Response to OC-254-F

²⁹ Response to OC-255 and transactions test item LKS-MM-016

to the legacy Grid utilities (Niagara Mohawk, Massachusetts Electric, Narragansett, Granite and Nantucket).

Information Technology

Information Technology had as many as 665 employees in 2009 spread among more than 100 cost centers. Following is a summary of 2009 Information Technology employees by entity.

Table 5-17 – 2009 Information Technology Employees

Chrg Dept L2 INFORMATION_TECH				
Chrg Dept L3 Various			Employees	
Company			Mar '09	Dec '09
NG	36	Niagara Mohawk	33	29
NG	99	National Grid USA	324	308
KS	CSV	Keyspan Corporate Services	296	259
KS	KEC	Keyspan Engineering Services	12	13
Division Operations Totals			665	609
Source: OC-4 Supplemental				

Service Company Cost Distributions – As shown below, nearly 90% of service company billings for Information Technology were allocated, rather than directly charged. In general, costs from National Grid USA cost centers were charged to the legacy Grid companies, while costs from KeySpan Corporate Services cost centers were charged primarily to the legacy KeySpan companies, indicating that the IT function was not fully integrated across the National Grid system of companies in 2009.³⁰ Our analysis did not reveal significant unusual or unexpected cost allocations or direct charges. Following is a summary of service company cost distributions for the Information Technology organization.

³⁰ As explained in the response OC-257-D, following the August 2007 merger, the two groups of companies, legacy KeySpan and legacy Grid, in large part continued to operate two separate groups of information systems that were supported by employees familiar with those systems prior to the merger. The response notes that the integration of systems necessary to bring about integration of the IT organization continues today.

Table 5-18 – 2009 Information Technology Cost Distributions

Chrg Dept L2 INFORMATION_TECH							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
36	Information Technology - Niagara Mohawk Cost	Total Direct	18,064	-	148,037	166,101	3%
		Total Allocated	984,802	(1,184)	4,964,467	5,948,085	97%
		PS Payroll Burdens	611,030	(916)	852,580	1,462,694	
		Total PS + Oracle	1,613,896	(2,100)	5,965,084	7,576,880	
			21%	0%	79%	100%	
99	Information Technology - Service Company Cost Centers	PS Direct	3,683,345	110,202	6,150,748	9,944,295	13%
		PS Allocated	33,131,765	1,457,194	33,485,978	68,074,937	87%
		PS Payroll Burdens	17,658,625	213,545	12,988,113	30,860,283	
		PS Total + PR Burdens	54,473,735	1,780,941	52,624,839	108,879,515	
CSV, KEC		Oracle Direct	99,306	2,947,079	6,415,840	9,462,225	10%
		Oracle Allocated	2,452,246	34,714,139	51,952,325	89,118,710	90%
		Oracle Total	2,551,552	37,661,218	58,368,165	98,580,935	
99, CSV & KEC		Total Direct	3,782,651	3,057,281	12,566,588	19,406,520	11%
		Total Allocated	35,584,011	36,171,333	85,438,303	157,193,647	89%
		PS Payroll Burdens	17,658,625	213,545	12,988,113	30,860,283	
		Total PS + Oracle	57,025,287	39,442,159	110,993,004	207,460,450	
			27%	19%	54%	100%	
Source: Legacy Grid Allocation Database CY 2009.xls and Legacy Keyspan Allocation Database CY 2009.xls							

The following 2009 distributions of Information Technology costs from service company cost centers to the New York utilities are compared to a composite of utility assets, revenues & directly incurred O&M expense for fiscal year 2010:

Niagara Mohawk: 27.5% of Information Technology billings from service company cost centers
29.2% of a composite of assets, revenues & O&M expenses

KEDLI: 6.6% of Information Technology billings from service company cost centers
7.4% of a composite of assets, revenues & O&M expenses

KEDNY: 12.5% of Information Technology billings from service company cost centers
11.5% of a composite of assets, revenues & O&M expenses

The percentages of Information Technology costs distributed to the New York utilities were close to each utility's relative share of the three-factor composite. Even though Niagara Mohawk had its own IT employees (about 5% of the total) and cost centers, the Niagara Mohawk centers operated as though they were part of the service company, charging significant costs to entities other than Niagara Mohawk.³¹

³¹ In 2009 Niagara Mohawk's IT employees performed customer billing, data center operating, and asset management and outage management application maintenance, among other functions. As explained in OC-257-B, the employee payroll and

Cost Descriptions:³²

- **Niagara Mohawk Cost Centers** – \$4.4 million (73%) of \$6.1 million in service company charges to Niagara Mohawk cost centers consisted of undefined “Other” charges. These included payments to phone service providers (Verizon, AT&T and others).³³ \$1.3 million (22%) was payroll for Niagara Mohawk employees who charged time to the service company through a bill pool because their work benefits multiple companies.³⁴ Most of the remaining 5% was vendor software.
- **National Grid USA Cost Centers** – Information Technology costs billed to affiliates by National Grid USA from its own cost centers are summarized below.³⁵

Table 5-19 –2009 Information Technology Costs by Type - National Grid Cost Centers

Chrg Dept L2 INFORMATION_TECH		
2009 Costs - National Grid USA Cost Centers		
Expense Type	Amount	Pct
Payroll	27,685,126	35%
Consultants & Contractors	16,378,609	21%
Hardware	9,604,616	12%
Software	16,842,626	22%
Other Categories	7,508,255	10%
Total	78,019,232	100%
Source: Legacy Grid Allocation Database CY 2009.xls		

- **KeySpan Corporate and Engineering Services Cost Centers** - Information Technology costs billed to affiliates by KeySpan Corporate Services from its own cost centers are summarized by expense type below.

other costs in these centers were charged to the service company and then back out to various operating companies because the work done in these centers benefited multiple entities.

³² Amounts discussed and shown for Niagara Mohawk and National Grid USA cost centers exclude payroll burdens, which are not assigned below the entity level in the PeopleSoft system.

³³ Response to OC-257-A

³⁴ Per response to OC-257-B, this results in a two-step process. In the first step the employees charged National Grid USA through a bill pool. In the second step, National Grid USA charged the operating companies for their allocation from the bill pool. The second step is included in the cost database. The charges show as from Niagara Mohawk cost centers because the employees and the payroll belonged to Niagara Mohawk.

³⁵ Amounts exclude payroll burdens, which are not assigned below the entity level in the PeopleSoft system.

Table 5-20 – 2009 Information Technology Costs by Type – Legacy KeySpan Service Company Cost Centers

Table 5-20

Chrg Dept L2 INFORMATION_TECH		
2009 Costs - Keyspan Corporate & Engineering Svcs Cost Ctrs		
Expense Type	Amount	Pct
Payroll & Payroll Burdens	48,044,008	49%
Consultants & Contractors	12,182,582	12%
Equipment & Related Maintenance	8,497,162	9%
Software	12,456,025	13%
Other Categories	17,401,158	18%
Total	98,580,935	100%
Source: Legacy KeySpan Allocation Database CY 2009.xls		

Cost Distributions:

- Niagara Mohawk Cost Centers – Almost all of the cost charged to Niagara Mohawk cost centers was allocated, rather than directly charged. A majority (71%) was distributed using bill pools that allocate only to New England, consisting primarily of charges from telecommunications service providers. As explained by National Grid, “the detailed networks charge[s] were booked to the correct company and bill pool combinations as a significant portion of the network costs was indeed New England related.”³⁶
- National Grid USA Cost Centers - 87% of the costs incurred in National Grid USA’s Information Technology organization were allocated; 13% were directly charged. A majority of the allocations were limited to the legacy Grid companies. Allocated costs were distributed through 33 different bill pools. \$26.9 million was allocated through bill pool 380, which distributed costs to all legacy Grid utilities and non-regulated entities Wayfinder and VAMCO, based on relative O&M expense. Other significant bill pools included 601 – Data Center, which allocated \$11.1 million based and bill pool 236, which allocated \$8.6 million to the legacy Grid utilities based on O&M expense.
- KeySpan Corporate Services Cost Centers – KeySpan Corporate Services used more than 44 bill pools to distribute the allocated portion of its costs. All but \$2.6 million of the \$98.6 million was distributed by KeySpan Corporate Services. KeySpan Engineering Services cost center 92842 – Operations Computing directly charged \$2.5 million of its \$2.6 million in cost to KeySpan Electric Services.

Customer Interaction Management (Customer Call Centers)

Customer Interaction Management includes the management and operations of customer call centers and related support functions such as training, customer satisfaction and policy. National Grid maintained the following customer contact centers in 2009.

³⁶ Response to OC-257-C

Table 5-21 – National Grid Call Centers and Benefiting Entities

National Grid Call Centers and Benefiting Entities		
National Grid Entity	Billing System	Call Center Location
Niagara Mohawk Power	CSS	Syracuse, NY
Massachusetts Electric	CSS	Northborough, Ma
Nantucket Electric	CSS	Northborough, Ma
Narragansett - Electric	CSS	Northborough, Ma
Granite State Electric	CSS	Northborough, Ma
Narragansett - Rhode Island Gas	Advantage	Northborough, Ma
Boston Gas	CRIS	Northborough, Ma
Essex Gas	CRIS	Northborough, Ma
Brooklyn Union Gas	CRIS	Metrotech, NYC
Colonial Gas	CRIS	Metrotech, NYC & Northborough, MA
Energy North Natural Gas	CRIS	Metrotech, NYC & Northborough, MA
Keyspan Gas East	CAS	Melville, Long Island
Long Island Lighting d/b/a LIPA	CAS	Melville, Long Island

Source: Reference for call center location listing.xls. Attachment to email from A.

In addition, Niagara Mohawk maintained a facility in Buffalo that was converted from a call center to accounts processing early in 2009.³⁷ Below is the 2009 Customer Interaction Management organization.

Table 5-22 – 2009 Customer Interaction Management Employees

Chrg Dept L2	ELEC_DIST_GENERATION				
Chrg Dept L3	CUST_MARKETS				
Chrg Dept L4	CUST_INTERACTION_MGT				
DeptID	Dept Name	Company		Employees	
				Mar '09	Dec '09
82300	Customer Policy	NG	036	9	8
82320	Change Management	NG	036	1	-
82410, 82411	Accounts Processing	NG	036	46	61
824XX	Contact Ctrs & Support	NG	036	200	208
Total Niagara Mohawk				256	277
22000	Exec VP & Support	NG	099	3	2
22010, 22030	Cust Contact Northboro	NG	099	173	177
22020, 22060	Accts Proc Northboro	NG	099	45	57
22210, 82311	Cust Policy & Satisfaction	NG	099	7	7
22220	Cust Contact Support	NG	099	21	2
22070	CSC Training	NG	099	-	20
Total National Grid USA				249	265
92076	NY Customer Offices	KS	BUG	44	45
Total KEDNY				44	45
92071	Cust Asst Call Ctr LI	KS	CSV	242	241
92072	Reg & Billing Svcs LI	KS	CSV	46	46
92073	LI Customer Offices	KS	CSV	74	75
92131	Accounts Processing	KS	CSV	37	40
92346, 92347	Contact Ctrs, Cust Call Ctr KSI	KS	CSV	340	380
92169, 92351	Customer Sat & Market Intell	KS	CSV	26	23
92362	Customer Contact Support	KS	CSV	28	15
92530, 92531	Cust. Inquiry / Cust. Relations	KS	CSV	72	63
	Other (1)	KS	CSV	13	22
Total Keyspan Corporate Svcs				878	905
Total				1,427	1,492

Source: OC-4 Supplemental

³⁷ Email from C. Dowling, Call center locations and benefiting companies listing, Apr. 19 2012

Service Company Cost Distributions – National Grid USA and KeySpan Corporate Services billed the following Customer Interaction Management (Customer Contact) organization costs to utility and service company cost centers in 2009.

Table 5-23 – 2009 Customer Interaction Management Cost Distributions

Chrg Dept L2 ELEC_DIST_GENERATION							
Chrg Dept L3 CUST_MARKETS							
Chrg Dept L4 CUST_INTERACTION_MGT							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
36	Customer Interaction Management - Niagara Mohawk Cost Centers	PS Direct	668,487	-	403,415	1,071,902	37%
		PS Allocated	1,657,185	9,339	154,414	1,820,938	63%
		PS Payroll Burdens	12,441	7,066	105,185	124,692	
		PS Total + PR Burdens	2,338,113	16,405	663,014	3,017,532	
		Oracle Direct	-	-	-	-	0%
		Oracle Allocated	-	-	-	-	0%
		Oracle Total	-	-	-	-	
		Total Direct	668,487	-	403,415	1,071,902	37%
		Total Allocated	1,657,185	9,339	154,414	1,820,938	63%
		PS Payroll Burdens	12,441	7,066	105,185	124,692	
		Total PS + Oracle	2,338,113	16,405	663,014	3,017,532	
			77%	1%	22%	100%	
99	Customer Interaction Management - Service	PS Direct	1,508	35,206	3,575,711	3,612,425	10%
		PS Allocated	8,404,068	508,431	22,380,566	31,293,065	90%
		PS Payroll Burdens	1,175,957	376,498	10,679,689	12,232,143	
		PS Total + PR Burdens	9,581,533	920,135	36,635,966	47,137,633	
CSV	Company Cost Centers	Oracle Direct	-	2,141,645	4,066,220	6,207,865	8%
		Oracle Allocated	2,273,668	31,420,217	40,678,712	74,372,597	92%
		Oracle Total	2,273,668	33,561,862	44,744,932	80,580,462	
99 & CSV	Company Cost Centers	Total Direct	1,508	2,176,851	7,641,931	9,820,290	9%
		Total Allocated	10,677,736	31,928,648	63,059,278	105,665,662	91%
		PS Payroll Burdens	1,175,957	376,498	10,679,689	12,232,143	0%
		Total PS + Oracle	11,855,201	34,481,997	81,380,898	127,718,095	
			9%	27%	64%	100%	

Source: Legacy Grid Allocation Database CY 2009.xls and Legacy Keyspan Allocation Database CY 2009.xls

We did not find significant unusual or unexpected cost distributions from Customer Interaction Management. In general, the costs from customer call center and account processing facilities were distributed based on relative levels of customers, telephone calls or meters. Most of the service company costs from the Buffalo, Syracuse and Northborough customer facilities, operated by Niagara Mohawk and National Grid USA employees, were charged to the legacy Grid utilities in New York and New England. Most of the service company costs incurred in the Melville, Long Island and Metrotech, Brooklyn call center facilities, operated by KeySpan employees, were charged to the legacy KeySpan utilities.

Below is a comparison of 2009 Customer Interaction Management service company cost distributions for the New York utilities with 2009 unique customers:³⁸

³⁸ Based on 6,756,227 unique customers for National Grid as a whole in 2009 (i.e. electric and / or gas). A unique customer is a customer of the gas or electric utilities or both. "Unique" means customers taking both gas and electric service

Niagara Mohawk:	9.3% of Customer Interaction billings from service company cost centers 24.8% of National Grid customers
KEDLI:	9.6% of Customer Interaction billings from service company cost centers 8.1% of total National Grid customers
KEDNY:	17.4% of Customer Interaction billings from service company cost centers 17.7% of total National Grid customers

Niagara Mohawk's percentage of service company costs was significantly below its share of total customers. However, employees in the Syracuse call center and the Buffalo accounts processing center, comprising over 18% of the employees in the total organization, resided within Niagara Mohawk and most of their costs were recorded directly on Niagara Mohawk's books. KEDLI's and KEDNY's percentages of service company costs are roughly in line with their respective shares of unique customers. KEDNY and KEDLI's share of service company Customer Interaction costs were also somewhat higher than they would have been if costs recorded by Niagara Mohawk on its own books were instead included in the service company cost denominator.³⁹

Cost Descriptions:

- Niagara Mohawk Cost Centers – \$2.7 million (92%) of \$2.9 million charged in 2009 by National Grid USA to Niagara Mohawk cost centers consisted of contractor and consulting service, software, vendor materials and rental payments made by the service company on behalf of Niagara Mohawk. The remainder included small amounts of payroll and undefined "other" expense. Most of the payroll and other costs incurred by the Syracuse and Buffalo Customer Contact and Accounts Processing functions maintained within Niagara Mohawk was recorded directly on Niagara Mohawk's general ledger, and was not part of our analysis.
- National Grid USA Cost Centers – In 2009 National Grid USA maintained an average of approximately 256 employees, primarily in the Northborough call center's Customer Contact and Accounts Processing functions. National Grid USA also included the Customer Interaction Management Executive Vice President's office, Customer Contact Support and a training department. \$18.7 million (54%) of \$34.9 million billed by National Grid USA to its own cost centers were contractor services from cost center 22220 – Work Force Management – Planning and Analysis. These were "outsourced call centers" that provided supplemental call center services. The primary vendors charging cost center 22220 in 2009 were Credit Collection Services, Nationwide Credit and NCO Financial Systems Inc.⁴⁰ Payroll totaled \$12.4 million (36%) of total costs, an average of about

are counted once. Total and utility-specific customer estimates developed from information provided in OC-7, OC-165 and Annual Reports to the Massachusetts and New Hampshire Public Service Commissions.

³⁹ If costs directly recorded on Niagara Mohawk's books were enough to make its overall share of service company Customer Interaction costs equal to its 24.8% share of National Grid customers, total 2009 Customer Interaction costs would be $\$154,072,997 = (\$127,718,095 - \$11,855,201) / (1 - .248)$. At this cost level, KEDNY's distribution of \$25,851,426 would be 16.7% (instead of 17.7%) of the total, and KEDLI's distribution of \$13,590,733 would be 8.8% of the total (instead of 9.6%).

⁴⁰ Response to OC-258-A-1

\$48,200 per employee, which does not appear sufficient to account for the payroll associated with the Northborough center, supporting functions and an Executive VP. However, National Grid explained that this average does not account for employees who worked for only part of the year or on a part-time basis.⁴¹ Most of the remaining costs were vendor rentals and contractor services incurred in cost centers other than 22220.

Cost Distributions:

- **Niagara Mohawk Cost Centers** – 37% of the costs charged to Niagara Mohawk cost centers were directly charged, primarily to Niagara Mohawk and Narragansett Gas. \$1.6 million of \$1.8 million in “allocated” costs were actually directly charged to Niagara Mohawk and then allocated between Niagara Mohawk’s Electric Distribution (87%) and Gas Distribution (13%) segments using bill pool 102.⁴² An additional \$59,842 was allocated using bill pool 100, which distributes costs among all three Niagara Mohawk business segments.
- **National Grid USA Cost Centers** - The following table summarizes costs distributed from National Grid USA cost centers.

Table 5-24 – 2009 National Grid USA Customer Interaction Management Cost Distributions

2009 Customer Interaction Management Cost Distributions National Grid USA Cost Centers					
Cost Center		Niagara Mohawk	KEDLI & KEDNY	Others	Total
22000	VP Customer Care	129,996	108,592	831,000	1,069,589
22010	Contact Center Mgmt-Grid/KS	788	26,033	168,847	195,668
22020	Accounts Processing-Northboro	3,551	784	2,353,972	2,358,307
22030	Contact Center-Northboro	12,702	6,563	11,281,462	11,300,727
22060	Accounts Processing Director	65,636	44,681	92,322	202,639
22070	CSat, QA, Training & Comm	317,186	253,440	457,526	1,028,152
22210	Cust Sat & Reg Compliance	61,432	-	481,500	542,932
22220	WFM-Planning & Analysis	7,652,634	69,948	10,193,752	17,916,334
82311	Customer Service Consol	161,652	33,596	95,895	291,143
Total		8,405,576	543,637	25,956,277	34,905,490

Source: Legacy Grid Allocation Database CY 2009.xls

Three cost centers, 22020 – Accounts Processing Northborough, 22030 – Contact Center Northborough and 22220 – Work Force Planning and Analysis, accounted for 90% of total costs distributed. The Northborough accounts processing center and call center distributed most of their costs to the legacy Grid New England electric utilities, primarily through bill pool 247, which distributed costs based on customers. Work Force Planning and Analysis allocated \$7.9 million, \$7.7 million of which were contractor services, to the legacy Grid New England electric utilities based on relative customers through bill pool 247. Another \$7.5 million, \$7.4 million of which were contractors services, were directly

⁴¹Response to OC-258-B

⁴² There is no calculation support for Niagara Mohawk segment bill pools 100, 101 or 102. It is Overland’s understanding that the percentages in these bill pools represent an agreement between National Grid and the NYDPS Staff as documented in the Merger Joint Proposal.

charged to Niagara Mohawk, and allocated within Niagara Mohawk's segments bill pool 102, which distributed costs based on fixed percentages of 83% Electric Distribution and 17% Gas Distribution.⁴³ The Workforce Planning and Analysis cost center also "directly charged" (manually allocated without a bill pool) an additional \$1.4 million in contractor services. This was distributed between Narragansett Gas and Boston Gas. National Grid explained that "each of the vendor invoices [for outsourced call center services] [were] for specific call centers for which they were performing services, and the invoices [were] charged accordingly."⁴⁴

- **KeySpan Corporate Services Cost Centers** – The table below summarizes Customer Interaction Management costs distributed from 15 KeySpan Corporate Services cost centers. Just four of these accounted for two-thirds of the total \$80.6 million distributed.

Table 5-25 – 2009 KeySpan Corporate Services Customer Interaction Mgmt. Cost Distributions

2009 Customer Interaction Management Cost Distributions KeySpan Corporate Services Cost Centers							
Cost Center		Niagara Mohawk	KEDLI	KEDNY	Keyspan Electric	Others	Total
92038	Strategic Planning	258,898	126,786	196,641	187,749	541,739	1,311,813
92044	SVP Customer Interaction Mgmt.	174,512	61,713	94,978	91,606	303,175	725,983
92065	Contact Ctr Support Emp Devel	263,990	73,766	114,134	107,593	301,260	860,743
92071	Contact Center LI	-	6,358,381	134	13,574,839	64	19,933,419
92072	Accounts Processing LI	-	1,417,019	16,926	2,923,249	(0)	4,357,194
92073	Customer Offices LI	-	2,718,834	-	5,825,101	0	8,543,934
92131	Accounts Processing - Metrotech	92	31	3,178,598	49	1,848,904	5,027,674
92169	Customer Experience	488,384	176,562	272,414	257,952	854,537	2,049,850
92346	Contact Center - Metrotech	(0)	265,055	15,534,010	59	6,948,599	22,747,722
92347	Customer Assit Center - KSI	-	-	4,823	-	3,498,598	3,503,420
92351	Cust Sat & Reg Compliance	-	340,266	620,411	501,194	583,394	2,045,265
92362	Contact Ctr Supp-LegacyKeyspan	298,706	303,613	710,460	581,559	761,786	2,656,123
92529	Customer Technologies	75,584	21,120	32,678	30,805	86,256	246,443
92530	Contact Center-Waltham	-	-	814,607	-	5,257,879	6,072,486
92531	Customer Relations	118,281	42,360	65,541	61,785	210,426	498,393
Total		1,678,446	11,905,506	21,656,355	24,143,539	21,196,616	80,580,462

Source: Legacy KeySpan Allocation Database CY 2009.xls

- o **Cost Center 92071 – Contact Center Long Island** – As shown in the table above, Long Island Contact Center costs were distributed primarily between KEDLI and KeySpan Electric, as expected. Nearly all of the costs were allocated on the basis of relative amounts of telephone calls through bill pool D0600, which distributes costs to entities with customers on Long Island.
- o **Cost Center 92131 – Accounts Processing Metrotech** - \$1.5 million of \$5.0 million was directly charged to KEDNY. \$3.0 million was allocated through bill pool B3400, which distributed costs on the basis of customer meters to the New England gas companies and KEDNY.

⁴³ It is Overland's understanding that these fixed percentages were agreed to between the Staff and National Grid in the Merger Joint Agreement

⁴⁴ Response to OC-258-A-2

- o Cost Center 92346 – Contact Center Metrotech – Costs from the Metrotech call center were distributed through several bill pools; however, \$21.3 million (94%) of \$22.7 million in total costs were distributed through bill pool D3400, which distributed costs on the basis of telephone calls to the New England gas companies and KEDNY.
- o Cost Center 92530 – Contact Center Waltham – \$4.7 million of the costs in the Waltham call center were charged through bill pool D1600, which distributes costs to the New England gas companies on the basis of telephone calls. \$1.2 million in costs were charged through bill pool D3400, which distributes to the New England gas companies as well as to KEDNY on the basis of telephone calls.⁴⁵

Customer Products and Marketing

Customer Products and Marketing had approximately 600 employees in 2009. It included residential and business customer sales, marketing, account management and related support activities, smart metering, and economic and community development. In the legacy Grid companies employees were divided between Niagara Mohawk and National Grid USA. In the legacy KeySpan companies Customer Products and Marketing employees worked for KeySpan Corporate Services and KeySpan Utility Services. The following is a summary of cost centers and employees.

⁴⁵ KEDNY was assigned 69% of the costs in bill pool D3400; however, KEDNY had only 58% of the total customers in the companies participating in the bill pool. This indicates that either the proportion of telephone calls attributed to KEDNY was overstated, or that KEDNY's calls-per-customer was significantly greater than calls-per-customer from the other participating companies (Boston, Colonial and Essex Gas).

Table 5-26 – 2009 Customer Products and Marketing Employees

Chrg Dept L2	ELEC_DIST_GENERATION				
Chrg Dept L3	CUST_MARKETS				
Chrg Dept L4	Various (Customer Products and Marketing)			Employees	
DeptID	Dept Name	Company		Mar '09	Dec '09
21XXX	Acct Manager / Business Svcs	NG	05	51	56
Total Massachusetts Electric				51	56
80510	ESS Business Fin Support	NG	36	5	6
81440	Program and Policy Admin	NG	36	8	8
81XXX	Acct Manager / Business Svcs	NG	36	81	83
Total Niagara Mohawk				94	97
21050	Acct Manager GSECo	NG	41	3	2
21700, 21730	Business Services RI	NG	48, 49	12	11
21720, 21820	Acct Manager RI	NG	49	12	13
21XXX, 25XXX	Other	NG	48	6	5
Total Granite State & Narragansett Gas & Electric				33	31
25020	Distributed Resources	NG	99	6	7
25200	Evaluation	NG	99	10	12
25360	Large C&I Energy Effic Serv	NG	99	16	25
25400	Res Mrkting Energy Effic Serv	NG	99	8	14
25XXX, 81XXX	Other	NG	99	15	27
Total National Grid USA				55	85
92848	Energy Efficiency	KS	ESV	35	36
Total Keyspan Electric Services				35	36
92051	Customer Sat & Market Intell	KS	CSV	14	9
92203	Energy Management	KS	CSV	38	53
92205	Process & Ops Support US	KS	CSV	76	1
92206	New England Sales	KS	CSV	31	44
92858	Account Mgmt LI	KS	CSV	13	15
92XXX	Others	KS	CSV	74	76
Total Keyspan Corporate Services				246	198
92690	Energy Solution Srv NY Officer	KS	USV	2	2
92691	Regional Exec Metro NY / NYC	KS	USV	14	17
92692	Metro NY Sales	KS	USV	46	76
92698	Market Performance	KS	USV	10	10
Total Keyspan Utility Services				72	105
Total				586	608

Note 1: Other includes Web Strategy & Dev., Asst. Controller, Plant Accounting,

Service Company Cost Distributions – In 2009 National Grid USA and KeySpan Corporate Services billed the following Customer Products and Markets costs to utility and service company cost centers.

Table 5-27 – 2009 Customer Products and Marketing Cost Distributions

Chrg Dept L2 ELEC_DIST_GENERATION							
Chrg Dept L3 CUST_MARKETS							
Chrg Dept L4 Various							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
36	Customer Products & Marketing - Niagara Mohawk Cost Centers	PS Direct	112,987	-	-	112,987	58%
		PS Allocated	72,137	23	11,255	83,415	42%
		PS Payroll Burdens	8,000	18		13,550	
		PS Total + PR Burdens	193,124	41	11,255	209,952	
05, 41, 48 & 49		PS Direct	-	-	169,979	169,979	71%
		PS Allocated	22,326	3,974	44,006	70,306	29%
		PS Payroll Burdens	12,757	3,024	20,938	36,718	
		PS Total + PR Burdens	35,083	6,998	234,923	277,003	
05, 36, 41, 48 & 49		Total Direct	112,987	-	169,979	282,966	65%
		Total Allocated	94,463	3,997	55,261	153,721	35%
		PS Payroll Burdens	20,757	3,042	20,938	50,268	
		Total PS	228,207	7,039	251,710	486,955	
			47%	1%	52%	100%	
99	Customer Products & Marketing - Service Company Cost Centers	PS Direct	972,877	127,590	9,773,143	10,873,610	73%
		PS Allocated	1,517,014	153,542	2,343,328	4,013,884	27%
		PS Payroll Burdens	1,684,442	66,960	4,432,652	6,184,055	
		PS Total + PR Burdens	4,174,333	348,092	16,549,123	21,071,549	
CSV, USV		Oracle Direct	2,601,379	27,448,078	14,390,329	44,439,786	60%
		Oracle Allocated	4,540,491	8,798,899	15,707,012	29,046,402	40%
		Oracle Total	7,141,870	36,246,977	30,097,341	73,486,188	
99, CSV, USV		Total Direct	3,574,256	27,575,668	24,163,472	55,313,396	63%
		Total Allocated	6,057,505	8,952,441	18,050,340	33,060,286	37%
		PS Payroll Burdens	1,684,442	66,960	4,432,652	6,184,055	
		Total PS + Oracle	11,316,203	36,595,069	46,646,464	94,557,737	
			12%	39%	49%	100%	
Source: Legacy Grid Allocation Database CY 2009.xls and Legacy Keyspan Allocation Database CY 2009.xls							

Source: Legacy Grid Allocation Database CY 2009.xls and Legacy Keyspan Allocation Database CY 2009.xls

Over 90% of the costs distributed by National Grid USA were charged to the legacy Grid utilities. 85% of the costs distributed by KeySpan Corporate Services and KeySpan Utility Services were charged to the legacy KeySpan utilities.

We did not find significant unusual or unexpected cost distributions to the New York utilities. \$11.5 million of \$14.9 million (77%) of the costs distributed by National Grid USA from its own cost centers were charged to the legacy Grid utilities in New England. Only \$2.5 million (17%) was charged to Niagara Mohawk. While a slightly greater number of legacy Grid Customer Products and Marketing employees worked for Niagara Mohawk (an average 95 of 250) than for the New England utilities (an average 85 of 250), this minor difference does not explain why costs distributed to the New England utilities were more than four times the costs distributed to Niagara Mohawk.

Because a majority (an average 180 of 250) of legacy Grid employees worked for the utilities and so much of the organization's cost was recorded on utility books, the costs charged by National Grid USA lacked the weight needed to be included in a comparison of cost distributions from KeySpan Corporate and Utility Services. Such a comparison is problematic also because of differences in the types of cost

incurred by National Grid USA and the KeySpan service companies. For example, significant incentive programs in the KeySpan gas utilities provided customers with free or rebated gas appliances in areas such as Long Island, where the company was trying to sell gas service to customers with homes not yet equipped to use it. Comparable marketing costs were not incurred by National Grid USA for the benefit of the electric utilities. Although these issues make it difficult to draw a conclusion from a high-level comparison of total service company cost distributions, as discussed below, we evaluated the costs and distributions for some of the largest service company cost centers.

Cost Descriptions:

- **Legacy Grid Utility Cost Centers** – Costs charged by National Grid USA to Niagara Mohawk and the legacy Grid New England utility cost centers consisted primarily of consultants, materials and “other” charges representing vendor payments by National Grid USA on behalf of the utilities. The total charged to utility cost centers by the service company was an insignificant percentage of total service company billings.
- **National Grid USA Cost Centers** - 2009 costs in National Grid USA cost centers consisted primarily of \$5.9 million in payroll (approximately \$84,000 per employee), \$6.9 million in contractors and consultants services and \$942,150 in employee expenses. Remaining costs included “conservation load management” (nature undisclosed), vendor materials, “other” (undefined) and donations.
- **KeySpan Corporate Services and KeySpan Utility Services Cost Centers** – Payroll and payroll-related burdens were \$47.7 million (65%) of total 2009 net cost distributions from the KeySpan service companies. Other significant categories of cost and revenue included incentive program costs (primarily “free boilers”) and rebates, \$17.1 million; advertising (bill enclosures, direct mail, television, radio and “other”), \$7.5 million; customer contributions to construction, \$8.0 million (revenue); miscellaneous revenues, \$6.6 million (revenue); outside services (consultants, legal, contract labor and unspecified), \$6.2 million and “commissions and leads” (sales-related), \$2.1 million.

Cost Distributions:

- **Legacy Grid Utility Cost Centers** – \$185,125 (94%) of \$196,402 charged to Niagara Mohawk cost centers were either directly charged or allocated to Niagara Mohawk. A majority of the remaining 6% was allocated to Massachusetts Electric. With the exception of \$10,658 charged to non-regulated affiliate VAMCO, nearly all of the \$222,245 charged to cost centers in the other legacy Grid utilities were charged to the utilities that owned the cost centers.
- **National Grid USA Cost Centers** – National Grid USA maintained 14 Customer Products and Marketing cost centers in 2009. The following table breaks out National Grid USA 2009 cost distributions by cost center.

Table 5-28 - 2009 Customer Products and Marketing Cost Distributions – National Grid USA Cost Centers

2009 Customer Products and Marketing Cost Distributions National Grid USA Cost Centers					
Cost Center		Niagara Mohawk	KEDLI & KEDNY	Others	Total
13500	NE Community/Economic Dev-MA	974	-	8,884	9,858
19420	Customer Communications	34,205	-	32,555	66,761
21900	ED/Community Relations NE	27,811	-	24,399	52,210
22054	Energy Products	46,696	28,230	131,896	206,822
25020	Distributed Resources	10,230	1,601	1,143,234	1,155,065
25044	Smart Metering	1,152,974	115,725	1,778,274	3,046,973
25000	Business Programs-NE South	-	-	51,040	51,040
25080	New Products-Energy Services	19,573	1,298	18,914	39,784
25200	Evaluation	217,853	125,350	2,221,507	2,564,711
25300	Tech Services-Business	3,367	110	411,018	414,495
25320	EP-Project Mangement	1,827	-	34,062	35,888
25360	Tech Services-Residential	446,769	1,211	2,244,714	2,692,694
25400	Residential Programs-NE North	322,711	7,304	3,190,842	3,520,857
25500	ESS Plan, Perf & Fin Support	17,250	-	418,534	435,784
25550	ESS Training & Communications	492	-	217,232	217,724
25600	Residential Programs-NE South	6,747	304	113,870	120,921
81450	Channel Part (Ext & Field) UNY	20,768	-	75,497	96,264
81511	ESD Upstate-Albany	159,645	-	-	159,645
Total		2,489,891	281,132	12,116,472	14,887,494

Source: Legacy Grid Allocation Database CY 2009.xls

About 45% of \$14.9 million in total were incurred in four utility-focused Residential Programs and Tech Services cost centers. These were charged primarily to New England. Costs from center 25044 – Smart Metering were divided primarily into three bill pools. \$1.7 million (57%) of Smart Metering was allocated through bill pool 203, which distributed costs on the basis of O&M expense to electric distribution entities, including the legacy Grid electric utilities and KeySpan Electric Services. Most of the remaining Smart Metering costs were distributed through bill pools 200 (to gas utilities, based on O&M expense) and 231 (to electric distribution utilities, excluding KeySpan Electric Services, based on O&M expense). Smart Metering was split approximately 92% electric and 8% gas.

- KeySpan Corporate and Utility Services Cost Centers – The KeySpan service companies maintained 26 Customer Products and Marketing cost centers in 2009. Most of the higher-level management, programs and policy, performance analysis and strategy functions for National Grid as a whole were maintained in KeySpan. The KeySpan service companies also maintained utility-focused sales and accounts management departments similar to those housed in National Grid USA. Below is a cost center breakout of cost distributions from the legacy KeySpan service companies.⁴⁶

⁴⁶ KeySpan Utility Services cost centers are distinguished from KeySpan Corporate Services cost centers by “USV” at the end of the cost center title.

Table 5-29 - Customer Products and Marketing Cost Distributions – KeySpan Corporate Services Cost Centers

2009 Customer Products and Marketing Cost Distributions KeySpan Corporate Services Cost Centers				
Cost Center	Niagara Mohawk	KEDLI & KEDNY	Others	Total
92037 VP Cust Product & Derv Develop	1,090	(99,220)	65,472	(32,658)
92051 Data Mgmt & Competitive Intel	639,482	981,913	1,760,287	3,381,682
92054 EVP Customer & Markets	566,337	399,162	875,311	1,840,810
92064 Renewables	60,115	13,766	74,316	148,197
92075 Customer Transfer Pgm Mgt	110,473	219,171	354,590	684,234
92123 Program Mgmt Office	348,408	246,635	539,643	1,134,686
92171 SVP Energy Solutions Services	626,037	180,193	522,984	1,329,213
92203 Energy Management Salaries	67,319	4,506,352	2,699,945	7,273,616
92204 VP ESS NE	-	-	604,786	604,786
92205 Process & Operations Support	141,119	7,182,445	1,114,259	8,437,823
92206 New England Sales	556	1,694	5,823,521	5,825,771
92207 Residential Planning & Impl	634,178	2,055,209	(235,918)	2,453,469
92208 Business Planning & Impl	257,673	4,318,426	1,578,483	6,154,582
92249 Market Planning & Imple Elec	-	-	1,582,346	1,582,346
92250 Economic Development	-	1,490,745	502,315	1,993,060
92269 Commun Cust&Brand Strat	2,706,063	2,509,681	6,600,511	11,816,256
92325 Programs & Policy	102,392	71,822	158,617	332,831
92339 Energy Efficiency Financial Supt	-	235,550	122,095	357,646
92359 NE Community/Economic Dev-KS	-	-	644,707	644,707
92533 New Products & Services	140,981	(167,264)	142,264	115,981
92690 VPP ESS Metro NY (USV)	-	516,538	285,978	802,515
92691 NYC Key Accounts (USV)	76,728	2,146,442	287,768	2,510,938
92692 Metro NY Sales (USV)	-	8,319,593	1,409,974	9,729,568
92698 Market Performance (USV)	598,719	443,637	930,575	1,972,931
92858 Account Mgmt LI	-	674,486	1,563,627	2,238,112
92878 Distributed Resources	64,199	-	88,888	153,087
Total	7,141,869	36,246,977	30,097,341	73,486,187

Source: Legacy KeySpan Allocation Database CY 2009.xls

We made the following observations regarding cost distributions from the largest KeySpan Corporate and Utility Services cost centers:

- Cost center 92269 – Communications Customer and Brand Strategy - These costs from were distributed broadly, primarily to gas entities from legacy Grid (Niagara Mohawk Gas) and legacy KeySpan (Boston Gas and its satellites, KEDLI, KEDNY and Energy North). \$1.4 million was charged to company 60 – KeySpan Holdings, and effectively “retained” by the parent.
- Cost Center 92206 – New England Sales – Costs from this cost center were distributed almost entirely to the New England gas entities, and primarily to Boston Gas.
- Cost Center 92691 – NYC Key Accounts and 92692 – Metro NY Sales – Costs from these New York-focused centers were charged primarily to KEDLI and KEDNY. Most of what was not charged to KEDLI and KEDNY in cost center 92692 was charged to KeySpan Electric Services, which serves the LIPA electric service area on Long Island.

- **Cost Center 92205 - Process and Operations Support** – This cost center distributed 85% of its costs to KEDLI and KEDNY, primarily through direct charges. Remaining costs were distributed through allocations to the New England gas companies.

Fleet and Materials Services

Employees in cost centers responsible for materials, stores and National Grid's fleet of rolling stock worked for the utilities, for National Grid USA and for KeySpan Corporate Services. Following is a distribution of employees among entities for 2009.

Table 5-30 – 2009 Fleet and Material Services Employees

Chrg Dept L2 SHARED_SVCS					
Chrg Dept L3 SUPPLY CHAIN / FLEET_MATSERV_SYSTEM				Employees	
DeptID	Dept Name	Company		Mar '09	Dec '09
37XXX	Stores MA	NG	05	23	22
39XXX	Fleet Maint MA	NG	05	38	39
Total Massachusetts Electric				61	61
37180	Investment Recovery NY	NG	36	11	10
375XX	Stores NY (West, Central, East)	NG	36	73	75
29020	Fleet Admin & Support NY	NG	36	2	2
39050	Aviation	NG	36	8	7
39XXX	Fleet Maint NY	NG	36	137	133
Total Niagara Mohawk				231	227
37230	Stores NE Lebanon	NG	41	1	1
37XXX	Stores Narragansett	NG	48, 49	7	10
39XXX	Fleet Maint Narragansett	NG	48, 49	26	26
Total Granite State & Narragansett Gas & Electric				34	37
37060	Supply Chain Business Support	NG	99	-	6
37100	Stores Warehouse Sutton CDC	NG	99	42	41
37110	Mat Planning & Sys Supp	NG	99	19	20
37160, 37170,	Inventory Mgt, Inv. Recovery	NG	99	11	8
39010, 39060	Fleet Admin & Supt, Asset Mgt	NG	99	6	7
39370, 39580	Fleet Maint NE	NG	99	10	10
Total National Grid USA				88	92
92167	Materials Management	KS	BUG	9	8
Total KEDNY				9	8
92012, 92056	Inventory Management	KS	CSV	52	52
92060	Fleet Services	KS	CSV	123	121
92162, 92163	Facilities & Materials Mgt	KS	CSV	18	21
92394	Fleet Services	KS	CSV	30	30
Total Keyspan Corporate Services				223	224
Total				646	649

Source: OC-4 Supplemental

Although KeySpan Corporate Services had approximately 223 Fleet and Materials Services employees during 2009, it did not distribute nearly enough in costs to cover these employees. As discussed below, even though the employees are listed as working for KeySpan Corporate Services, it appears that many of the Fleet and Materials Services costs incurred in operating the legacy KeySpan utilities, including much of the payroll costs, were actually incurred by the utilities themselves, rather than the service company.

Service Company Cost Distributions

In 2009 National Grid USA and KeySpan Corporate Services billed the following costs from the Fleet and Materials Management organization to utility and service company cost centers.

Table 5-31 – 2009 Fleet and Material Services Cost Distributions

Chrg Dept L2 SHARED_SERVICES							
Chrg Dept L3 SUPPLY CHAIN / FLEET_MATSERV_SYSTEM							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
36	Fleet and Materials Management - Utility Cost Centers	PS Direct	4,900,556	-	(346,446)	4,554,110	63%
		PS Allocated	1,284,968	189,888	1,246,056	2,720,912	37%
		PS Payroll Burdens	216,516	56,149	235,117	507,782	
		PS Total + PR Burdens	6,402,040	246,037	1,134,727	7,782,804	
05, 41, 48 & 49		PS Direct	1,622	-	2,770,084	2,771,706	67%
		PS Allocated	(13,248)	-	1,378,478	1,365,230	33%
		PS Payroll Burdens	-	-	1,173,803	1,173,803	
		PS Total + PR Burdens	(11,626)	-	5,322,365	5,310,739	
05, 36, 41, 48 & 49		Total Direct	4,902,178	-	2,423,638	7,325,816	64%
		Total Allocated	1,271,720	189,888	2,624,534	4,086,142	36%
		PS Payroll Burdens	216,516	56,149	1,408,921	1,681,586	
		Total PS	6,390,414	246,037	6,457,093	13,093,544	
			49%	2%	49%	100%	
99	Fleet and Materials Management - Service Company Cost Centers	PS Direct	17,839,840	5,672	6,221,276	24,066,788	71%
		PS Allocated	2,944,306	16,176	6,755,913	9,716,395	29%
		PS Payroll Burdens	1,867,315	11,933	4,702,714	6,581,963	
		PS Total + PR Burdens	22,651,461	33,781	17,679,903	40,365,146	
CSV		Oracle Direct	-	631,474	5,426,116	6,057,590	40%
		Oracle Allocated	164,678	3,345,710	5,699,317	9,209,705	60%
		Oracle Total	164,678	3,977,184	11,125,433	15,267,295	
		Total Direct	17,839,840	637,146	11,647,392	30,124,378	61%
99 & CSV		Total Allocated	3,108,984	3,361,886	12,455,230	18,926,100	39%
		PS Payroll Burdens	1,867,315	11,933	4,702,714	6,581,963	
		Total PS + Oracle	22,816,139	4,010,965	28,805,336	55,632,441	
				41%	7%	52%	100%
Source: Legacy Grid Allocation Database CY 2009.xls and Legacy Keyspan Allocation Database CY 2009.xls							

Source: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Allocation Database CY 2009.xls

Because the types of fleet and materials costs distributed by the service companies were different on the legacy Grid and legacy KeySpan sides of the business (for example, fleet leasing costs were incurred and charged by the service company on the legacy Grid side of the business, but not on the legacy KeySpan side), and because most fleet and stores services were performed by employees in the utilities, a comparison of overall service company cost distributions with broad measures of relative entity size is not meaningful. The transportation clearing process, which ultimately distributes some costs to different entities than the entities to which they are initially charged, further complicates the cost distribution comparison process. While we have no reason to believe there are significant problems with the 2009 distribution of service company fleet and materials services costs, there were a few areas in which, upon initial review, cost distributions did not meet expectations. In at least one case (the relative distribution of fleet costs from KeySpan Corporate Services among KEDLI, KEDNY, KeySpan Corporate Services), National Grid's explanation does not clear the issue to our satisfaction.

Cost Descriptions:

- Niagara Mohawk Cost Centers – 88% of the Fleet and Materials Services costs charged by National Grid USA to Niagara Mohawk cost centers were contractor services, materials, computer hardware

and “other” (unidentified) expenses representing payments to vendors by National Grid USA on behalf of Niagara Mohawk. Although the employees worked for Niagara Mohawk, National Grid USA also billed the salaries of cost center 29050 – Aviation. Most of which were allocated across the spectrum of National Grid entities.

- Other Legacy Grid Utility Cost Centers – Costs charged by National Grid USA to Massachusetts Electric, Narragansett Electric and Gas and Granite State Electric cost centers consisted primarily of contractor services and materials representing vendor payments by National Grid USA on behalf of the New England utilities. Approximately \$1 million were salaries from Massachusetts Electric Stores centers in Andover, Brockton, Worcester and other locations.
- National Grid USA Cost Centers – The table below summarizes the costs distributed by National Grid USA from its own Fleet and Materials Services cost centers:

Table 5-32 – 2009 Fleet and Material Services Costs by Type – National Grid USA Cost Centers

Chrg Dept L2 SHARED_SVCS		
Chrg Dept L3 SUPPLY CHAIN / FLEET_MATSERV_SYSTEM		
2009 Costs - National Grid USA Cost Centers		
Expense Type	Amount	Pct.
Rental/Lease Non-Real Estate	24,206,828	72%
Payroll	6,305,059	19%
Vendor Materials	1,558,818	5%
Contractors Services	560,820	2%
Gasoline - Fuel	543,421	2%
Other Expense Types	608,237	2%
Total	33,783,183	100%
Source: Legacy Grid Allocation Database CY 2009.xls		

\$24.2 million in non-real estate rental costs were the lease costs for National Grid’s fleet of rolling stock. Nearly all of these costs were associated with cost center 29060 – Fleet Asset Management. Payroll costs (without pension, benefits and other burdens) averaged approximately \$70,000 per employee for National Grid USA’s average of approximately 90 employees in 2009.

- KeySpan Corporate Services – The table below summarizes the costs distributed by KeySpan Corporate Services from its own Fleet and Materials Services cost centers:

Table 5-33 – 2009 Fleet and Material Services Costs by Type – Legacy KeySpan Service Company Cost Centers

Chrg Dept L2 SHARED_SVCS Chrg Dept L3 SUPPLY CHAIN / FLEET_MATSERV_SYSTEM 2009 Costs - Keyspan Corporate Services Cost Centers		
Expense Type	Amount	Pct.
Payroll and Payroll Burdens	10,511,665	69%
Outside Services	1,090,260	7%
Vehicle Property Damage	717,363	5%
Freight Expenses	642,000	4%
"Boston Location 2"	789,393	5%
Other Expense Types	1,516,614	10%
Total	15,267,295	100%
Source: Legacy KeySpan Allocation Database CY 2009.xls		

Unlike National Grid USA, KeySpan Corporate Services does not pay for and distribute the costs associated with vehicle leases for the legacy KeySpan utilities. Instead, the costs of leasing are recorded directly on the books of the entities that use them.⁴⁷ Although the majority of costs distributed by KeySpan Corporate Services were payroll-related, at approximately \$47,000 per employee the amount distributed from service company cost centers do not appear to be enough to cover the payroll and burdens (including pensions and post-retirement benefits) for a 2009 average of 224 service company employees. The costs distributed by KeySpan Corporate Services are also noticeably light on materials (e.g. vehicle parts) and contractor services (e.g. vehicle repairs), considering the costs should cover all of the KeySpan utilities in New England and New York.

Cost Distributions:

- Niagara Mohawk Cost Centers – Niagara Mohawk's Fleet and Materials organization included three Stores cost centers (NY West, Central and East), 22 District-based Fleet centers, cost center 37180 – Investment Recovery, and cost center 39050 – Aviation. Vendor payments made by National Grid USA on behalf of Niagara Mohawk Stores and Fleet cost centers were charged almost entirely to Niagara Mohawk. Cost center 37180 – Investment Recovery was allocated among the legacy Grid electric and gas utilities through bill pool 236 on the basis of O&M expense.
- Legacy Grid Utility Cost Centers – National Grid USA costs billed to 15 Massachusetts Electric and Narragansett Electric Stores cost centers were allocated across the New England utilities. Service company costs billed to 14 Massachusetts and Narragansett Fleet cost centers were charged primarily to the utility in which the cost center was geographically based; that is, most of the costs from centers based in Massachusetts were charged to Massachusetts Electric and most of the costs from centers based in Rhode Island were charged to Narragansett.
- National Grid USA Cost Centers – Nearly three-fourths of the Fleet and Materials costs charged by National Grid USA cost centers were vehicle lease costs directly charged to legacy Grid utilities from cost center 39060 – Fleet Asset Management.

⁴⁷Response to OC-265-D

Table 5-34 – 2009 Fleet and Materials - Directly Charged Vehicle Rental Costs – Cost Center 39060

2009 Directly Charged Vehicle Rental Costs Cost Center 39060 - Fleet Asset Management			
Expense Type	Niagara	Other Legacy	Total
Rental/Lease Non-Real Estate	16,951,255	7,227,778	24,179,033
"Other" (Undefined)	(502,128)	256,877	(245,251)
Other Expense Types (Payroll, etc.)	30,998	64,924	95,922
Total	16,480,125	7,549,579	24,029,704
Percentages	69%	31%	100%
Source: Legacy Grid Allocation Database CY 2009.xls			

As shown in the table, nearly 70% of the costs of leasing vehicles charged by National Grid USA cost center 39060 – Fleet Asset Management were charged to Niagara Mohawk. The other 31% were charged to the New England legacy Grid utilities. This appears high, given that even when electric and gas customers are counted separately (i.e., when Niagara Mohawk customers taking both gas and electric service are counted twice), Niagara Mohawk had only 51% of the customers in the legacy Grid utilities in 2009. As explained by National Grid:

The lease payments by Fleet Asset Management (39060) are charged to the companies' Fleet clearing accounts based on the company that owns the vehicles.⁴⁸

The response also refers to another section in the data response, which explains that when vehicles are used, the clearing costs following the cost of the underlying charge to other departments outside of the Fleet and Stores departments. It appears that vehicles located in Niagara Mohawk's territory account for 70% of the lease charges incurred within the legacy Grid utilities.

Only \$9.7 million (29%) of the total \$33.7 million in Fleet and Materials Services costs distributed by National Grid USA in 2009 were for cost centers other than 39060. Most of these costs were allocated from centers 37100 – Stores Warehouse – Sutton Central Distribution and 39010 – Fleet Administration and Support. \$4.2 million in costs from center 37100 were allocated to New England entities only through bill pools 235 (New England utility operating companies, on the basis of O&M) and 236 (New England utility distribution and transmission companies, on the basis of O&M). Niagara Mohawk was charged very little from cost center 37100. \$3.1 million in allocated, primarily "other" costs from cost center 39010 – Fleet Administration and Support were distributed broadly through bill pool 629 (all legacy Grid regulated entities, based on the transportation budget). \$1.2 million in fuel and outside vendor materials in center 39010 were directly charged to Niagara Mohawk and Massachusetts Electric.

- KeySpan Services Cost Centers – Even though KeySpan Corporate Services lists 224 Fleet and Materials Services employees in 2009, it appears that only a small portion of the costs associated with these employees and their activities is recorded on the books of the service company. As expected, the costs in KeySpan Corporate Services cost centers were distributed predominantly to

⁴⁸ Response to OC-264-F

the legacy KeySpan utilities, primarily KeySpan Electric Services (LIPA), Boston Gas and KEDLI. Cost distributions from KeySpan Corporate Services among the largest utilities are summarized below.

Table 5-35 – 2009 Fleet and Materials – KeySpan Corporate Cost Distributions to the Largest Legacy KeySpan Utilities

Keyspan Corporate Services 2009 Fleet and Materials Distributions to the Largest legacy Keyspan Utilities					
PCC	Provider Cost Center Descrip	Sum of 01 - Boston Gas	Sum of 34 - KS Elec Srvc	Sum of 37 - KEDLI	Sum of 38 - KEDNY
012	SUPPLY CHAIN BUSINESS SUPPORT	108,659	172,731	114,855	181,618
056	PURCHASING & MATERIAL MANAGEMENT	(1,474)	5,456,231	3,025,595	17,256
060	FLEET SERVICES NY/LI	2,177	637,478	455,137	60,685
162	VP-SUPPLY CHAIN & FLEET	56,490	71,342	44,665	76,553
163	PURCHASING & MATERIAL MANAGEMENT NE	3,533,992	15	169	260
394	FLEET SERVICES	32,066	0	149	241
Grand Total		3,731,910	6,337,797	3,640,570	336,614

Source: Legacy KeySpan Allocation Database CY 2009

As the table demonstrates, 2009 Fleet and Materials Services cost distributions from KeySpan Corporate Services to the largest legacy KeySpan utilities were not proportional to the relative size of the cost objective entities. For example, in 2009 KeySpan Electric Services and KEDNY each served approximately 1.1 million customers; however, KeySpan Corporate Services Fleet and Materials charges to KeySpan Electric Services were \$6.3 million while charges to KEDNY were only \$336,614. Following is National Grid's response to our question about this. In our view the response does not offer an explanation as to why the charges are disproportionate to the size of the entities, but instead asserts that it is not relevant to compare the relative amounts distributed to different utilities:

The aggregate amount of costs charged to the affiliates from the grouping of cost centers described as "Fleet & Materials Services" is representative of the nature of the underlying work performed and the related benefits of that work deemed to be attributable to each respective affiliate. As discussed in previous responses, the cost center code block value does not serve as the basis for assigning allocation codes. Hence, it is not relevant to compare the proportionate relationship between one affiliate's aggregate share of costs and any other affiliate's or group of affiliates' aggregate share of costs that have been accumulated at an individual cost center level or grouping of cost centers. Nor is it appropriate to view the aggregate differences between affiliates as "discrepancies".

Alternatively, the nature of the costs charged to the affiliates is described by the five code block segments comprising the service company cost pool and the benefit deemed to be attributable to the affiliates is defined by the cost pools assigned allocation code. Reference attachment "Part C OC-265.xlsx" and worksheet tabs "Cost Pools" & "OC-265 All Code Block Detail" for the specific cost pools and allocation assignments

comprising the approximately \$15.3m of charges associated with these cost centers. Note that the majority of total allocated charges represent the costs associated with cost center 056 - PURCHASING & MATERIAL MANAGEMENT. This group primarily serves the Long Island service area and as such, has appropriately allocated most of the costs between the Long Island affiliates KEDLI and Electric Services. This cost center does not provide any significant services to KEDNY.⁴⁹

Safety, Health and Environmental Services

The 2009 Safety, Health and Environmental Services (SHES) organization included employees in the legacy Grid and legacy KeySpan service companies as well as in several utilities. It was responsible for environmental compliance, safety programs and related compliance, site investigation and remediation, and security. Following is a summary of 2009 SHES employees by entity.

Table 5-36 – 2009 SHES Employees

Chrg Dept L2 ELEC_DIST_GENERATION			Employees	
Chrg Dept L3 SHES_GROUP				
Company			Mar '09	Dec '09
NG	05	Massachusetts Electric	4	-
NG	36	Niagara Mohawk	41	40
NG	49	Narragansett Electric	2	-
NG	99	National Grid USA	71	65
KS	BUG	KEDNY	23	21
KS	CSV	Keyspan Corporate Services	96	84
Division Operations Totals			237	210

Source: OC-4 Supplemental

Service Company Cost Distributions

Our review of service company SHES organization cost distributions did not reveal unusual or unexpected distributions. National Grid USA and KeySpan Corporate Services billed the following SHES organization costs to utility and service company cost centers in 2009.

⁴⁹ Response to OC-265-C.

Table 5-37 – 2009 SHES Cost Distributions

Chrg Dept L2 ELEC_DIST_GENERATION							
Chrg Dept L3 SHES_GROUP							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
05, 36 & 49	Safety, Health & Environmental Services - Utility Cost Centers	Total Direct	756,851	-	2,027,445	2,784,296	75%
		Total Allocated	579,259	76,054	287,055	942,368	25%
		PS Payroll Burdens	206,803	47,784	190,759	445,346	
		Total PS + Oracle	1,542,913	123,838	2,505,259	4,172,010	
			37%	3%	60%	100%	
99	Safety, Health & Environmental Service Company Cost Centers	PS Direct	148,649	166,168	6,026,174	6,340,991	45%
		PS Allocated	2,761,534	641,243	4,225,674	7,628,451	55%
		PS Payroll Burdens	2,836,832	504,501	3,357,899	6,699,232	
		PS Total + PR Burdens	5,747,015	1,311,912	13,609,747	20,668,674	
CSV		Oracle Direct	-	114,440,107	5,967,343	120,407,450	88%
		Oracle Allocated	249	5,945,978	10,555,857	16,502,084	12%
		Oracle Total	249	120,386,085	16,523,200	136,909,534	
99 & CSV		Total Direct	148,649	114,606,275	11,993,517	126,748,441	84%
		Total Allocated	2,761,783	6,587,221	14,781,531	24,130,535	16%
		PS Payroll Burdens	2,836,832	504,501	3,357,899	6,699,232	
		Total PS + Oracle	5,747,264	121,697,997	30,132,947	157,578,208	
			4%	77%	19%	100%	

Source: Legacy Grid Allocation Database CY 2009.xls and Legacy Keyspan Allocation Database CY 2009.xls

2009 costs in the SHES Group were heavily concentrated in environmental site remediation work performed for KEDLI and KEDNY. Because of this, a comparison of combined service company cost distributions to the utilities using a broad measure of relative entity size would not be meaningful. Of a total of approximately \$155 million in SHES costs billed by the service companies, \$114.3 million was associated with one KeySpan Corporate Services cost center: 92242 – Site Investigation and Remediation. Of this, \$113.6 million was charged to KEDLI and KEDNY, primarily for vendors that provided contract labor, professional engineering and legal services. As discussed elsewhere in this report, transaction testing demonstrated that site remediation costs were associated with former manufactured gas facilities located in KEDLI's and KEDNY's service territories, and were therefore correctly charged to KEDLI and KEDNY.

Cost Descriptions:

- Niagara Mohawk, Massachusetts Electric and Narragansett Cost Centers – 81% of the costs charged to legacy Grid utility cost centers in 2009 were consulting and contract services costs, reflecting payments by National Grid USA on behalf of the utilities. Outside vendor materials (also service company payments on behalf of the utilities) and payroll costs made up most of the other 19% in service company charges to utility cost centers.
- National Grid USA Cost Centers – Approximately half of the costs charged by National Grid USA from its own cost centers were consulting and contract services payments and smaller amounts of vendor materials and “other” undefined costs. The remaining half was primarily payroll and employee expenses.

- KeySpan Corporate Services Cost Centers - \$111.1 million (81%) of \$136.9 million in total 2009 costs consisted of outside services (consulting, contract labor and legal services). Almost all of these services related to environmental site remediation. \$14.6 million (10%) consisted of payroll and payroll-related burdens primarily for safety, environmental management, site investigation and security.⁵⁰ The remaining 9% consisted primarily of dues and memberships, “payments to governments,” real estate rental, telecommunications and transportation.

Cost Distributions:

- Niagara Mohawk, Massachusetts Electric and Narragansett Cost Centers – Costs associated with cost center 38510 – New England Compliance and 38570 – New England Compliance – Rhode Island were charged to the New England utilities, while costs in center 38450 – New York North Compliance were charged entirely to Niagara Mohawk. Slightly more than half of the costs in centers 80210 – Safety Shared Services New York and 80230 – Integrated Health Management New York were charged to Niagara Mohawk. The remainder was spread among the New England utilities and the legacy KeySpan utilities in New York and New England.
- National Grid USA Cost Centers – SHES costs directly charged and allocated by National Grid USA included the following:
 - Directly Charged Costs – Approximately \$2.8 million (20% of total costs, 44% of directly charged costs) were consulting and contractor services directly charged to Massachusetts (Massachusetts Electric Distribution and Transmission and New England Power), primarily from cost centers 38320 – New England Site Investigation and Remediation and 38500 – New England Compliance Management. Including payroll and other expense types, these two cost centers directly charged approximately \$2.2 million to Massachusetts Electric and New England Power. Other large direct charges came from cost center 18400 – Security New England, which charged \$402,443 (75%) of its directly charged costs to Massachusetts Electric and the remainder to other New England utilities and Niagara Mohawk; and cost center 38420 – Licensing and Permitting, which charged \$692,436 (93%) of its directly charged costs to Massachusetts Electric, New England Power and the New England transmission interconnector entities. Niagara Mohawk was charged only \$148,649 (2%) of directly charged costs totaling \$6,340,991.
 - Allocated Costs – Significant SHES costs allocated by National Grid USA included the following:
 - Cost Center 18400 – Security New England – This cost center allocated approximately \$1.9 million through several bill pools, primarily to legacy Grid utilities. Approximately 65% was allocated to legacy Grid New England utilities, 33% to Niagara Mohawk and small amounts to other entities.

⁵⁰ The payroll and payroll burdens contained in SHES cost centers is approximately \$63,000 per employee and does not explain all of the payroll paid to the 2009 average of approximately 224 SHES employees.

- Cost Center 20160 – Safety – Electric Transmission, Distribution and Generation – This cost center allocated \$972,463 through a number of bill pools. Some allocations were limited to the legacy Grid utilities in New England and New York, others extended to the legacy KeySpan entities, primarily Boston Gas, KEDLI, KEDNY and KeySpan Electric Services.
- Cost Center 20190 – Integrated Health Services – This cost center allocated \$935,649 through a number of bill pools, primarily to the legacy Grid utilities in New England and Niagara Mohawk. 23% of its allocated cost was distributed to Niagara Mohawk, and 51% was distributed to Massachusetts Electric and New England Power.
- KeySpan Corporate Services Cost Centers – 2009 SHES costs distributed by KeySpan Corporate Services were as follows:

Table 5-38 – 2009 SHES Group Cost Distributions - KeySpan Corporate Services by Cost Center

2009 SHES Group Cost Distributions by Keyspan Corporate Services Cost Center						
Cost Center		2009 Cost Distributions				
		KEDLI	KEDNY	Niagara Mohawk	Others	Total
92031	Risk Management	34,124	66,747	59	150,388	251,319
92059	Security Downstate KSE	1,447,307	1,406,538		7,097,906	9,951,751
92242	Site Investigation & Remediation KSE	77,168,784	36,474,624		691,670	114,335,078
92243	Env Management NY South	331,655	236,299		2,626,099	3,194,052
92244	Environmentl Process Improvemnt	458,152	189,478		1,136,129	1,783,759
92245	NE Compliance KSE	-	-		252,089	252,089
92326	VP Security KSE	109,515	118,305		328,829	556,649
92327	Integrated Health Management KSE	377,465	717,185		2,213,395	3,308,045
92328	Safety NE KSE	-	-		167,094	167,094
92329	Safety NY South - KSE	422,497	731,906	189	1,108,642	2,263,234
92334	Safety Programs & Reg Compliance KSE	32,999	62,506		196,563	292,068
92338	Security New England KSE	-	-		554,396	554,396
Total Keyspan Corporate Svcs - SHES Group Cost Ctrs		80,382,497	40,003,588	248	16,523,201	136,909,534

Source: Legacy KeySpan Allocation Database CY 2009.xls

- Directly Charged Costs - As shown in the table above, nearly 84% of the total costs distributed by KeySpan Corporate Services for SHES cost centers was incurred in cost center 92242. 99% of this cost was directly charged. \$76.9 million (67% of total cost center 92242) was directly assigned to KEDLI and \$36.5 million (32% of total cost center 92242) was directly assigned to KEDNY. A majority of the costs in other SHES cost centers was also directly charged. For example, \$5.2 million of \$10.0 million in cost center 92059 – Security Downstate KSE was directly charged. \$2.5 million was directly charged to Boston Gas and \$1.6 million was directly charged to KeySpan Generation.
- Allocated Costs - \$16.5 million (12%) of total costs were allocated. \$8.9 million, primarily Security, Safety and Compliance, was allocated on using a three factor formula of assets, O&M

expense and revenues, primarily using bill pools G0200 (all legacy KeySpan energy delivery, New England and New York), G0300 (legacy KeySpan New England energy delivery) or G0400 (legacy KeySpan New York energy delivery). \$2.9 million in Site Investigation and Remediation, Environmental Management and Environmental Process Improvement was allocated on the basis of relative levels of property and I0400 (legacy KeySpan New York energy delivery). Cost center 92326 – VP Security, was allocated using bill pool I0200 (all legacy KeySpan energy delivery, New England and New York).

Electric Operations

Our review of service company cost distributions for Electric Operations covered the following organizations and average employees in 2009:

- Distribution Construction and Work Delivery (212)
- Customer Operations
 - Division Operations (2,364)
 - Dispatch and Control (174)
 - Protection and Telecom (245)
- Distribution Support (255)
- Network Strategy (671)
- Transmission (591)
- Long Island Transmission and Distribution
- Long Island Generation (722)
- Energy Portfolio (112)

National Grid’s electric organization had an average of approximately 6,600 employees during 2009. Our cost distribution analysis covered cost centers containing 6,453 (over 97%) of these employees. Tables accompanying the discussions below show the entity (and, in some cases, cost center) distribution of employees and the distribution of 2009 service company costs among entities.

Distribution Construction and Work Delivery

In 2009 the Electric Distribution Construction Delivery organization included approximately 210 employees who worked for Niagara Mohawk and National Grid USA. It was responsible for distribution system inspections, vegetation management and substation construction.

Table 5-39 – 2009 Distribution Construction and Work Delivery Employees

Chrg Dept L2	ELEC_DIST_GENERATION				
Chrg Dept L3	COO_ELEC_DIST				
Chrg Dept L4	CONSTRUCT_DELIVERY			Employees	
DeptID	Dept Name	Company		Mar '09	Dec '09
83980	Veg Mgt Southwest	NG	036	2	1
84950	Veg Mgmt Syr/Cortland	NG	036	7	6
84970	Veg Mgmt MHV	NG	036	8	8
84980	Veg Mgt Potsdam	NG	036	4	3
84990	Veg Mgt Watertown	NG	036	7	7
85950	Veg Mgt Capital	NG	036	8	8
85960	Veg Mgt Glens Falls	NG	036	7	7
85970	Veg Mgt Gloversville	NG	036	6	5
88600	Inspections NY	NG	036	47	45
Total Niagara Mohawk				96	90
26230	Dist Project Mgmt RI	NG	049	1	1
Total Narragansett Electric				1	1
26010	Contract Mgmt	NG	099	3	4
26040	Resource Mgmt	NG	099	5	7
26050	Vegetation Mgmt	NG	099	19	22
26350	Substation Project Mgmt	NG	099	8	7
26390	Inspections NE	NG	099	21	22
36030	Dist Project Mgmt	NG	099	14	12
36620	Dist Const NE	NG	099	32	27
36650	Contract Administration	NG	099	6	6
62360	Dist Const NY	NG	099	9	11
Total National Grid USA				117	118
Total Electric Distribution Construction Delivery				214	209
Source: OC-4 Supplemental					

Service Company Cost Distributions – National Grid USA billed the following costs to Niagara Mohawk and service company cost centers in 2009.

Table 5-40 – 2009 Distribution Construction and Work Delivery Cost Distributions

Chrg Dept L2	ELEC_DIST_GENERATION						
Chrg Dept L3	COO_ELEC_DIST						
Chrg Dept L4	CONSTRUCT_DELIVERY						
Employee	Functional	Ledger & Cost	2009	2009	2009	2009	Pct.
036	Electric Distribution Construction - Niagara Mohawk	Total Direct	6,745,376	-	1,676	6,747,052	100%
		Total Allocated	5,048	-	4,060	9,108	0%
		PS Payroll Burdens	-	-	-	-	
		Total PS	6,750,424	-	5,736	6,756,160	
			100%	0%	0%	100%	
099	Electric Distribution Construction - Service Company	Total Direct	31,871,287	-	47,416,937	79,288,224	97%
		Total Allocated	453,498	232	1,636,531	2,090,261	3%
		PS Payroll Burdens	4,067,910	112	5,854,273	9,922,296	
		Total PS + Oracle	36,392,695	344	54,907,741	91,300,781	
			40%	0%	60%	100%	
Source: Legacy Grid Allocation Database CY 2009.xls and OC-4, Supplemental							

We did not find unusual or unexpected cost distributions from the service company to Niagara Mohawk for Electric Distribution Construction and Delivery. As shown below, overall cost distributions from service company cost centers to New York were somewhat lower than suggested by a three-factor composite of electric distribution assets, revenues and O&M expenses, and cost distributions to New England were correspondingly higher. However, a somewhat higher distribution to New England is consistent with Niagara Mohawk having its own Electric Construction and Delivery employees, while the employees in New England cost centers worked for the service company.

Niagara Mohawk:	39.9% of Electric Construction and Delivery billings from NG USA cost centers
	52.7% of a composite of electric distribution assets, revenues & O&M expenses

Legacy Grid New

England Electrics:	60.0% of Electric Construction and Delivery billings from NG USA cost centers
	47.3% of a composite of electric distribution assets, revenues & O&M expenses

We noted there were minor cost allocations to gas distribution, something we would not expect from an electric construction organization; however, the amounts distributed to gas were immaterial (0.1% of total costs distributed from service company cost centers).

Cost Descriptions:

- Niagara Mohawk Cost Centers – 99% of the costs charged by National Grid USA to Niagara Mohawk cost centers were service company payments to vendors for contract labor, materials and associated sales taxes made on behalf of Niagara Mohawk. The remaining costs were materials issued from inventory. Payroll costs in Niagara Mohawk cost centers were not billed by the service company.
- National Grid USA Cost Centers – \$65.0 million (80%) of \$81.4 million of the costs charged by National Grid USA from its own cost centers were contractor and consulting services. \$11.5 million (14%) were payroll of service company employees and most of the remaining costs were transportation and vendor materials and rentals.

Cost Distributions:

- Niagara Mohawk Cost Centers – 99% of the costs charged to Niagara Mohawk cost centers were directly charged or allocated to Niagara Mohawk. Of these costs, 90% were charged to the Distribution segment and 10% to the Transmission segment.
- National Grid USA Cost Centers – Overall, Niagara Mohawk's 40% share of cost distributions from National Grid USA cost centers is lower than its 52.7% share of a three-factor composite of New England and New York assets, revenues and O&M expense.

Table 5-41 – 2009 Charges from NG USA Electric Distribution Construction / Work Delivery Centers

2009 Charges from NG USA Elec. Dist. Construction / Work Delivery Centers					
Common Cost Centers		Niagara Mohawk	New England Elec. Dist. (1)	Total	Pct Niagara Mohawk
26010	Contract Mgmt	13,785,306	34,581,304	48,366,610	29%
26040	Resource Mgmt	387,216	537,120	924,336	42%
26050	Vegetation Mgmt	5,544,352	5,322,315	10,866,667	51%
26350	Substation Project Mgmt	6,231,548	1,534,164	7,765,712	80%
26390	Inspections - New England	162,978	2,035,405	2,198,383	7%
36030	Dist Project Mgmt	1,141,092	1,433,389	2,574,481	44%
36620	Dist Construction New Eng.	2,236,930	3,153,435	5,390,365	41%
36650	Contract Administration	229,869	446,206	676,075	34%
62360	Dist Construction New York	2,605,495	10,360	2,615,855	100%
Total		32,324,786	49,053,698	81,378,484	40%
Note 1: Also includes immaterial amounts charged to cost objectives other than the New England Electrics					
Source: Legacy Grid Allocation Database CY 2009					

The distribution of Construction / Work Delivery costs is influenced by the distribution of contract work performed for and directly charged to specific utilities. Directly charged contract services and consulting accounted for \$63.1 million (78%) of total costs charged from National Grid USA's cost centers. The percentage is also influenced by the fact that Niagara Mohawk has its own Distribution Construction / Work Delivery cost centers for Inspections and Vegetation Management.

Electric - Customer Operations

Electric Customer Operations consists of Division Operations (maintenance and repair), Dispatch and Control and Protection and Telecom Operations.

Electric Customer Operations - Division Operations – Key functions include maintaining the electric system (maintenance of underground and overhead electric lines and substations) and responding to outage and other trouble conditions. Electric Division Operations comprises nearly 15% of National Grid's total US employees. For the most part, employees work on operations within specific geographic areas and their work benefits the utility entity that employs them. Below is a breakdown of Division Operations employees by employee entity.

Table 5-42 – 2009 Electric Customer Operations Employees

Chrg Dept L2 ELEC_DIST_GENERATION				
Chrg Dept L3 COO_ELEC_DIST				
Chrg Dept L4 CUST_OPERATIONS				
Chrg Dept L5 DIV_OPERATIONS			Employees	
Company			Mar '09	Dec '09
NG	004	Nantucket Electric	15	15
NG	005	Massachusetts Electric	823	765
NG	036	Niagara Mohawk	1,296	1,239
NG	041	Granite State Electric	23	21
NG	049	Narragansett Electric	265	251
NG	099	Natl Grid USA	6	6
NG	KEC	Keyspan Electric	1	1
Division Operations Totals			2,429	2,298
Source: OC-4 Supplemental				

Service Company Cost Distributions – As shown in the table above, 2009 Electric Division Operations were maintained almost entirely within the utilities most of the costs associated with over 2,000 employees were recorded directly on the books of the utilities. National Grid USA billed relatively minor costs, primarily associated with vendor payments made on behalf of the utilities, as shown below.

Table 5-43 – 2009 Electric Customer Operations Cost Distributions

Chrg Dept L2 ELEC_DIST_GENERATION							
Chrg Dept L3 COO_ELEC_DIST							
Chrg Dept L4 CUST_OPERATIONS							
Chrg Dept L5 DIV_OPERATIONS							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
36	Elec Cust. Division Ops. - Niagara Mohawk Cost Centers	Total Direct	11,598,393	-	2,186	11,600,579	98%
		Total Allocated	170,815	-	117,482	288,297	2%
		PS Payroll Burdens	140,491	-	74,254	214,745	
		Total PS	11,909,699	-	193,922	12,103,621	
			98.4%	0.0%	1.6%	100.0%	
004, 005, 041, 049	Elec Cust. Division Ops. - New England Utility Cost Centers	Total Direct	(47,428)	-	12,780,553	12,733,125	96%
		Total Allocated	236,023	11,305	275,644	522,972	4%
		PS Payroll Burdens	-	-	284,235	284,235	
		Total PS	188,595	11,305	13,340,432	13,540,332	
			1%	0%	99%	100%	
099	Elec Cust. Division Ops. - NG USA Service Co.	PS Direct	-	-	571,717	571,717	99%
		PS Allocated	(26)	-	3,039	3,013	1%
		PS Payroll Burdens	-	-	368,744	368,744	
		PS Total + PR Burdens	(26)	-	943,500	943,474	
KEC	Elec Cust. Division Ops. - KeySpan Eng. Svcs.	Oracle Direct	88,022	-	52,662	140,684	100%
		Oracle Allocated	-	-	-	-	0%
		Oracle Total	88,022	-	52,662	140,684	
099 & ESV	Elec Cust. Division Ops. - NG USA & KeySpan Elec. Services	Total Direct	88,022	-	624,379	712,401	100%
		Total Allocated	(26)	-	3,039	3,013	0%
		PS Payroll Burdens	-	-	368,744	368,744	
		Total PS + Oracle	87,996	-	996,162	1,084,158	
			8%	0%	92%	100%	

Sources: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Allocation Database CY 2009.xls

We did not find unusual or unexpected cost distributions to the New York utilities. Minor issues associated with service company cost distributions include the following:

- It is not clear why cost center 27590– Operations O&M Lebanon was a National Grid USA cost center, rather than a utility cost center. It is also unclear why it divided its directly charged costs primarily between New England Power and Granite State Power.
- It is not clear why a cost center associated with KeySpan Electric Services (the entity that operates the Long Island Power Authority’s electric distribution network on Long Island) would charge the costs of its lone employee to Niagara Mohawk, or why these costs would be recorded on KeySpan Utility Services’ general ledger instead of KeySpan Electric’s general ledger.

Cost Descriptions:

- **Niagara Mohawk Cost Centers** – 87% of \$11.8 million charged by the service company from Niagara Mohawk cost centers were materials, purchase-related sales taxes, contractor services and equipment rentals. These reflect charges for payments made to vendors by National Grid USA on behalf of Niagara Mohawk. 8% of the costs were classified as training or “other,” also payments made by the service company on behalf of the utility. Costs included a relatively insignificant amount of payroll (about 2% of the total).
- **New England Utility Cost Centers** – 78% of \$13.3 million charged by National Grid USA from cost centers housed in the New England electric utilities were materials, related sales taxes, contractors and consultant services and equipment leases. Except from materials from inventory, these charges appear to represent payments made by National Grid USA on behalf of the New England utilities. Approximately \$1.9 million (15%) of the total cost described as “other” probably also represents payments on behalf of the utilities by the service company.
- **National Grid USA and KeySpan Electric Services** – National Grid USA distributed payroll and miscellaneous costs from one Operations O&M cost center. In addition, KeySpan Utility Services distributed costs from one KeySpan Electric Services cost center. This was the only legacy KeySpan cost center classified organizationally as part of Electric Division Operations in 2009.

Cost Distributions:

- **Niagara Mohawk Cost Centers** – 99% of the costs charged by National Grid USA from Niagara Mohawk cost centers was charged to Niagara Mohawk. Nearly all of this was directly charged. As discussed above, most of the costs were payments to material and rental vendors and contract labor providers made by the service company on Niagara Mohawk’s behalf. About 2% of total costs were allocated between Niagara Mohawk and the New England utilities. Of this, almost half was payroll from cost center 84400 – Power Deliver Management, Central. Most of the remainder consisted of small amounts of payroll and employee expenses from cost center 83020 – Operations Planning and Support and related Operations Planning cost centers.

- New England Utility Cost Centers – 98% of the costs charged by National Grid USA from New England electric utility cost centers were charged to New England electric utilities (both distribution and transmission). As noted above, most of these charges were materials and contractor charges that reflect payments made by the service company on behalf of the New England utilities. Only one percent was charged to Niagara Mohawk, and nearly 90% of the \$236,023 in allocated charges was distributed from Operations Management and Operations Planning cost centers.
- Service Company Cost Center 27590 – In 2009 six Electric Division Operations employees worked in National Grid USA cost center 27590 – Operations O&M Lebanon. The employees directly charged most of their payroll to New England Power and Granite Electric, primarily to Granite’s Electric Distribution segment.
- KeySpan Electric Cost Center 92618 - KeySpan Electric Services, the entity that operates the Long Island Power Authority’s (LIPA’s) electric distribution network, had one employee in cost center 92618- Power Delivery Substation – Glen Falls. KeySpan Utility Services recorded approximately \$141,000 in payroll and payroll burdens for the KeySpan employee on its general ledger. It directly charged these costs to Niagara Mohawk in 2009.

Electric Customer Operations - Dispatch & Control

In 2009 the Electric Dispatch and Control function consisted of separate New York and New England regional operations. This function controls the electric distribution system and handles dispatch related to outage events. They do not dispatch day-to-day customer appointments.⁵¹ In 2009 there were three control rooms in New York and two in New England. As shown in the table below, the New York operation was performed by employees of Niagara Mohawk, while employees in the New England operation worked for National Grid USA.

⁵¹ Interview, Chris Root, Vice President, Network Strategy function, February 10, 2012

Table 5-44 – 2009 Electric Dispatch & Control Employees

Chrg Dept L2	ELEC_DIST_GENERATION				
Chrg Dept L3	COO_ELEC_DIST				
Chrg Dept L4	CUST_OPERATIONS				
Chrg Dept L5	DISPATCH & CONTROL				Employees
Cost Center	Cost Center Name	Company		Mar '09	Dec '09
87000	Dispatch & Control Mgmt-NY	NG	036	5	5
87300	Regional Control-West	NG	036	23	23
87400	Regional Control-Central	NG	036	22	23
87500	Regional Control-East	NG	036	20	23
	Total Niagara Mohawk			70	74
38000	Dispatch & Control Mgmt NE	NG	099	2	2
38050	Dist Disp Center Wbro Ctrl	NG	099	40	41
38051	Dist Disp Center Wbro Serv	NG	099	15	15
38150	Dist Disp Center Lincoln Ctrl	NG	099	30	27
38151	Dist Disp Center Lincoln Serv	NG	099	16	14
87001	Dispatch & Control Mgmt Svc Co	NG	099	1	1
	Total NG USA			104	100
	Total Dispatch & Control			174	174

Source: OC-4 Supplemental

Service Company Cost Distributions – National Grid USA distributed the following Electric Dispatch and Control function costs from Niagara Mohawk and service company cost centers in 2009.

Table 5-45 – 2009 Electric Dispatch & Control Cost Distributions

Chrg Dept L2 ELEC_DIST_GENERATION							
Chrg Dept L3 COO_ELEC_DIST							
Chrg Dept L4 CUST_OPERATIONS							
Chrg Dept L5 DISPATCH_ & CONTROL							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
36	Elec Dispatch & Control - Niagara Mohawk Cost Centers	Total Direct	83,799	-	-	83,799	14%
		Total Allocated	366,592	-	155,254	521,846	86%
		PS Payroll Burdens	126,413	-	87,927	214,340	
		Total PS	576,804	-	243,181	819,985	
			70%	0%	30%	100%	
99	Elec Dispatch & Control - Service Company Cost Centers	Total Direct	81,814	-	10,226,832	10,308,646	96%
		Total Allocated	198,847	-	179,932	378,779	4%
		PS Payroll Burdens	280,691	-	7,326,299	7,606,990	
		Total PS + Oracle	561,352	-	17,733,063	18,294,415	
			3%	0%	97%	100%	

Source: Legacy Grid Allocation Database CY 2009.xls

We did not find unusual or unexpected cost distributions from the service company to Niagara Mohawk for Electric Dispatch and Control. New York Dispatch and Control employees worked for Niagara Mohawk, and their costs were recorded primarily on Niagara Mohawk's books. New England Dispatch and Control employees worked for the service company. These costs were distributed by National Grid USA among the legacy Grid New England electric utilities. .

Cost Descriptions:

- **Service Company Costs – Niagara Mohawk Cost Centers** – Nearly all of the costs distributed by National Grid USA to Niagara Mohawk cost centers were payroll, contractor services and “other” costs from cost center 87000 – Dispatch and Control Center Management, New York. Although this cost center’s employees were part of Niagara Mohawk in 2009, some of its costs were treated for cost distribution purposes as though it was a service company cost center.⁵²
- **Service Company Costs – National Grid USA Cost Centers** – The costs distributed from service company cost centers consisted of the normal range of costs incurred by a typical department, including payroll, employee expenses and contractor services.

Cost Distributions:

- **Niagara Mohawk Cost Centers** - Nearly all of the service company costs distributed to Niagara Mohawk cost centers were distributed to cost center 87000 – Dispatch and Control Center Management, New York. Approximately \$84,000 of this was directly charged entirely to Niagara Mohawk. The dispatch management cost center also allocated costs from bill pools distributing only to segments of Niagara Mohawk and from bill pools distributing between Niagara Mohawk and the New England electric entities.
- **Service Company Cost Centers** - Most the costs distributed from service company cost centers were directly charged to the legacy Grid New England electric entities. New England Dispatch and Control employees worked for the service company. Relatively minor charges to Niagara Mohawk consisted primarily of allocations that originated in cost centers 38050 – Distribution Network Operations, 38150 – Distribution Dispatch Center Lincoln Control and 87001 – Dispatch and Control Management - Service Company.

Electric Customer Operations – Protection and Telecom Operations

The Protection and Telecom organization is responsible for maintenance of National Grid’s telecommunications network and its equipment, consisting primarily of radios, microwave systems and communication lines into substations. It also maintains protection systems, which include control systems, telemetry and protective relays that monitor for short circuits. In New York (but not in New England), employees under the Protection and Telecom umbrella were responsible for meter testing (requirements and operation of test equipment).⁵³ The table below shows employees by entity and function.

⁵² It is possible that the cost center was moved to the service company at some point during 2009.

⁵³ Interview, Chris Root, Vice President, Network Strategy function, February 10, 2012

Table 5-46 – 2009 Electric Protection and Telecom Operations Employees

Chrg Dept L2	ELEC_DIST_GENERATION				
Chrg Dept L3	COO_ELEC_DIST				
Chrg Dept L4	CUST_OPERATIONS				
Chrg Dept L5	PROT_ & TELECOM_OPS				
Cost Center	Cost Center Name	Company		Employees	
				Mar '09	Dec '09
264XX	Tele Ops NY cost centers	NG	036	35	35
265XX	Prot Ops NY cost centers	NG	036	72	68
834XX & 855XX	Meter & Test cost centers	NG	036	60	58
Total Niagara Mohawk				167	161
26400	Protection & Telecom Ops Mgmt	NG	099	7	9
264XX	Tele Ops New England	NG	099	34	34
265XX	Prot Ops New England	NG	099	38	39
Total National Grid USA				79	82
Total Protection / Telecom Ops				246	243

Source: OC-4 Supplemental

Service Company Cost Distributions – In 2009 National Grid USA distributed the following Electric Protection and Telecom Operations costs from its own cost centers and from Niagara Mohawk cost centers.

Table 5-47 - 2009 Electric Protection and Telecom Operations Cost Distributions

Chrg Dept L2 ELEC_DIST_GENERATION							
Chrg Dept L3 COO_ELEC_DIST							
Chrg Dept L4 CUST_OPERATIONS							
Chrg Dept L5 PROT_ & TELECOM_OPS							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
36	Electric Protection & Telecom Operations - Niagara Mohawk Cost Centers	Total Direct	1,156,137	-	-	1,156,137	80%
		Total Allocated	253,391	-	30,791	284,182	20%
		PS Payroll Burdens	-	-	-	-	
		Total PS	1,409,528	-	30,791	1,440,319	
			98%	0%	2%	100%	
99	Electric Protection & Telecom Operations - Service Company Cost Centers	Total Direct	207,321	-	7,905,816	8,113,137	83%
		Total Allocated	409,452	-	1,215,077	1,624,529	17%
		PS Payroll Burdens	366,649	-	5,192,373	5,559,023	
		Total PS + Oracle	983,422	-	14,313,266	15,296,689	
			6%	0%	94%	100%	
Source: Legacy Grid Allocation Database CY 2009.xls							

Source: Legacy Grid Allocation Database CY 2009.xls

We did not find significant unusual or unexpected service company cost distributions. 98% of the costs distributed to Niagara Mohawk cost centers, consisting primarily of charges for vendor payments made on behalf of Niagara Mohawk, were charged to Niagara Mohawk. 94% of the costs distributed by the service company from its own cost centers were charged to the New England electric entities. This is consistent with the structure of the Electric Protection and Telecom organization, in which New York employees worked for Niagara Mohawk (and were recorded on Niagara Mohawk's books) and New England employees worked for National Grid USA (and were recorded and distributed from service company books).

In 2009 Electric Protection & Telecom allocated approximately \$57,000 to Niagara Mohawk's Gas segment (about \$37,000 associated with Niagara Mohawk cost centers and about \$20,000 from the service company's P&T Management cost center). It is not clear why a gas segment should be a cost objective of what appears to be an electric-only function; however, the amount allocated was immaterial.

Cost Descriptions:

- Service Company Costs – Niagara Mohawk Cost Centers – 90% of Protection and Telecom costs distributed by National Grid USA to Niagara Mohawk cost centers consisted of vendor materials, materials from inventory and contractor services purchased by the service company on behalf of Niagara Mohawk. The remaining 10% consisted of sales tax and "other" expense.
- Service Company Costs – National Grid USA Cost Centers – 89% of the Protection and Telecom costs distributed by National Grid USA from its own cost centers in 2009 consisted of payroll for service company employees. The remaining 10% consisted primarily of transportation and vendor materials.

Cost Distributions:

- Niagara Mohawk Costs Centers - 98% of the 2009 costs distributed by the service company to Niagara Mohawk cost centers was charged to Niagara Mohawk.
- Service Company Cost Centers - As shown in the organizational summary table above, the Protection and Telecom functions housed within National Grid USA cost centers are divided into New England Telecom Operations (cost centers 264XX), New England Protection Operations (cost centers 265XX) and Protection and Telecom Operations Management (cost center 26400). 95% of approximately \$617,000 charged to Niagara Mohawk by National Grid USA from its own cost centers was charged from cost center 26400, which manages the overall Protection and Telecom Operations organization. The remaining costs charged by the other service company cost centers were associated with charges to the New England electric entities. These cost distributions are in line with expectations based on the distribution of employees and functions in the Protection and Telecom organization.

Electric – Distribution Support

Electric Distribution Support was created as a separate organization in 2009.⁵⁴ By the end of 2009 it included Work Support, Scheduling and Work Coordination, Customer Order Fulfillment, Processes and Systems, Maps and Records, Labs and Testing and Emergency Planning. Between March and December 2009 it quadrupled in size.

Table 5-48 – 2009 Electric Distribution Support Employees

Chrg Dept L2	ELEC_DIST_GENERATION				
Chrg Dept L3	COO_ELEC_DIST				
Chrg Dept L4	DISTRIBUTION_SUPPORT				
Cost Center	Cost Center Name	Company		Employees	
				Mar '09	Dec '09
3515X	NY Work Support Cost Ctrs	NG	036	-	81
358XX	NY Lab & Testing Cost Ctrs	NG	036	29	25
36000	Technical Services	NG	036	1	1
36790	Maps & Records New York	NG	036	-	19
Total Niagara Mohawk				30	126
35150	Support Services	NG	099	-	1
3515X,35160	NE Work Support Cost Ctrs	NG	099	3	75
3517X	Customer Cost Centers	NG	099	-	41
3519X	NE Schedule / Work Coord.Cost Ctrs	NG	099	-	81
35700	NE Lab & Testing Cost Ctrs	NG	099	31	28
367XX	Process & Systems Cost Ctrs	NG	099	27	34
36780	Maps & Records New England	NG	099	-	7
38650	Emergency Planning	NG	099	4	9
Total NG USA				65	276
92771	Customer Order Fulfillment	KS	CSV	-	1
92800	Electric Dist Support Officer	KS	CSV	-	2
Total NG USA				-	3
149	Emerg Prep & Nuc Affairs (ESV)	KS	ESV	1	1
Total Keyspan Electric				1	1
206	Emergency Preparedness	KS	KEC	3	4
Total Keyspan Engineering Svcs.				3	4
Total Distribution Support				99	410

Source: OC-4 Supplemental

Service Company Costs and Cost Distributions – In 2009 National Grid USA and the legacy KeySpan service companies (KeySpan Corporate Services and KeySpan Engineering Services) distributed the following Electric Distribution Support costs incurred in Niagara Mohawk and service company cost centers.

⁵⁴ Interview, Chris Root, Vice President, Network Strategy function, February 10, 2012

Table 5-49 – 2009 Electric Distribution Support Cost Distributions

Chrg Dept L2 ELEC_DIST_GENERATION							
Chrg Dept L3 COO_ELEC_DIST							
Chrg Dept L4 DISTRIBUTION_SUPPORT							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
036	Electric Distribution Support - Niagara Mohawk Cost Centers	Total Direct	1,495,968	-	66,873	1,562,841	83%
		Total Allocated	127,479	56	181,622	309,157	17%
		PS Payroll Burdens	-	-	57,119	57,119	
		Total PS	1,623,447	56	305,614	1,929,117	
			84%	0%	16%	100%	
099		PS Direct	3,812,443	-	10,336,681	14,149,124	55%
		PS Allocated	2,349,009	6,226	9,223,171	11,578,406	45%
		PS Payroll Burdens	5,554,796	4,093	8,220,208	13,779,097	
		PS Total + PR Burdens	11,716,248	10,319	27,780,060	39,506,627	
CSV & KEC	Electric Distribution Support - Service Company Cost Centers	Oracle Direct	-	-	465,720	465,720	34%
		Oracle Allocated	293,291	181,436	427,588	902,315	66%
		Oracle Total	293,291	181,436	893,308	1,368,035	
CSV & KEC		Total Direct	3,812,443	-	10,802,401	14,614,844	54%
		Total Allocated	2,642,300	187,662	9,650,759	12,480,721	46%
		PS Payroll Burdens	5,554,796	4,093	8,220,208	13,779,097	
		Total PS + Oracle	12,009,539	191,755	28,673,368	40,874,662	
			29%	0%	70%	100%	
Sources: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Allocation Database CY 2009.xls							

We did not find significant unusual or unexpected cost distributions in the Electric Distribution Support organization. Most costs billed to Niagara Mohawk cost centers were vendor purchases made by the service company on behalf of Niagara Mohawk. Electric Distribution Support worked primarily for the benefit of Niagara Mohawk and the legacy Grid New England electric utilities.⁵⁵

Costs incurred in National Grid USA centers were charged to the New England electric utilities in greater proportion (70% New England) than suggested by a three-factor composite of electric distribution assets, revenues and expenses (47% New England). However, this appears consistent with the organizational structure, in which New England employees worked for and were charged from the service company, while an average 78 of 244 employees in 2009 worked for Niagara Mohawk. Almost none of the payroll associated with Niagara Mohawk employees was distributed by National Grid USA, meaning that it was recorded directly on Niagara Mohawk's books.

Approximately \$400,000 was charged to National Grid's gas segments. We selected three of the cost centers charging gas and asked National Grid to explain the distributions. National Grid provided detailed explanations of why gas segments were charged.⁵⁶

⁵⁵ KeySpan Electric Services, National Grid's only electric distribution entity on the KeySpan side of the business, had its own electric distribution support organization.

⁵⁶ Response to OC-247

Cost Descriptions:

- Niagara Mohawk Cost Centers – 92% of Electric Distribution Support costs distributed by National Grid USA to Niagara Mohawk cost centers were vendor materials, rentals, contractor services, computer hardware and software and related sales taxes representing purchases by the service company on behalf of Niagara Mohawk. The remaining 8% consisted of small amounts of payroll, freight, postage, employee and “other” (undefined) expenses.
- National Grid USA Cost Centers – 60% of the costs incurred in National Grid USA cost centers consisted of payroll and employee expenses for service company employees. Contractor and consulting services, materials, rentals and other items purchased from vendors made up most of the remainder.
- KeySpan Corporate Services and KeySpan Engineering Services Cost Centers – Costs incurred in legacy KeySpan service companies consisted mainly of payroll and payroll burdens in cost centers 92800 – Distribution Support Executive and 92855 – Emergency Preparedness.

Cost Distributions:

- Niagara Mohawk Costs Centers - 87% of the total costs distributed from Niagara Mohawk cost centers were directly charged or allocated to Niagara Mohawk. Approximately 9% of the costs were distributed to Massachusetts Electric and approximately 4% to Narragansett. A third of the costs charged to Massachusetts Electric and a fifth of the costs charged to Narragansett were directly charged from the New York Chemical and Engineering Lab cost centers. Remaining costs charged to the New England electric entities and very small amounts charged to other entities were payroll, computer hardware and software and a small amount of vendor materials allocated on the basis of relative O&M expense. Two-thirds of these costs were incurred in cost center 36790 – Maps and Records New York. These O&M-based allocations were distributed primarily to the legacy Grid utilities either in New England only or in both New England and New York.
- National Grid USA Cost Centers – Direct Charges – \$14.1 million (55%) of the costs distributed by National Grid USA from its own cost centers (in which employees worked for the service company) were directly charged. Nearly all of the direct charges were to the electric distribution segments of Massachusetts Electric, Niagara Mohawk, Granite State or Narragansett Electric. Just six cost centers accounted for more than 80% of the direct charges. These are shown below.

Table 5-50 – 2009 Electric Distribution Support - Directly Charged Costs - National Grid USA Cost Centers

Chrg Dept L2 ELEC_DIST_GENERATION Chrg Dept L3 COO_ELEC_DIST Chrg Dept L4 DISTRIBUTION_SUPPORT National Grid USA Cost Centers - Directly Charged Costs				
Cost Center		Niagara Mohawk Direct Charges	New England Utility Direct Charges	KeySpan Electric Services
35153	Work Support New England	75	1,771,975	
35172	Customer Connections	96,057	695,744	
35191	Dist Sched & Work Coord East	58,286	2,734,040	
35192	Dist Sched & Work Coord West	2,493,617	38,657	
35700	Meter Test NE	504	2,947,887	
36780	Maps & Records New England	5,519	557,569	
Other	Other Direct Charges	1,158,385	1,569,045	21,764
Total NG USA Cost Center Direct Charges		3,812,443	10,314,917	21,764
Source: Legacy Grid Allocation Database CY 2009				

The fact that 2009 direct charges in the service company cost centers were skewed toward the New England utilities is consistent with the 2009 functional organization. As shown in the organizational table above, Niagara Mohawk had its own employees (30 in March 2009 and 126 in December) in many Distribution Support functions. On the New England side, many of the equivalent employees worked for National Grid USA. National Grid confirmed that the cost directions for the cost centers in the table above were correct based on the work performed by the employees. In general, service company employees in “West” centers primarily benefited New York, and employees in “East” and “New England” centers benefited the New England utilities.⁵⁷ Cost center 35172 – Customer Connections was physically located in Waltham and worked primarily for the benefit of the legacy Grid New England utilities in 2009.⁵⁸

- National Grid USA Cost Centers – Allocated Costs** – Approximately half of the \$11.6 million in costs allocated during 2009 were distributed through bill pool 232, which distributed cost to New England electric utilities based on relative electric distribution O&M expense. None of this expense was distributed to New York. A majority of it (\$4.6 million out of \$5.5 million) was incurred in cost center 36750 – Process and Systems – Operations Systems Support, a business support (help desk) group that interacted with business clients and served as an interface between business customers and Information Technology Services.⁵⁹ Contractor services totaling more than \$4.4 million accounted for nearly all of these costs. 97% of approximately \$800,000 (7% of total allocated cost) from cost center 35600 – Engineering Lab New England was allocated to the New England utilities. Niagara Mohawk had its own lab and testing function with more than 25 employees in 2009. Approximately \$350,000 (3% of total allocated cost) allocated from cost center 35191 – Distribution Scheduling and Work Coordination – East and approximately \$530,000 (5% of total allocated cost)

⁵⁷ Response to OC-246-A

⁵⁸ Response to OC-246-B. Comparable efforts benefitting Niagara Mohawk were rolled out from the same Waltham-based Customer Order Fulfillment organization in 2010.

⁵⁹ Response to OC-247-A

allocated from cost center 35700 – Meter Test New England were allocated primarily to the New England utilities, rather than Niagara Mohawk, consistent with expectations.

- KeySpan Corporate Services and KeySpan Engineering Services Cost Centers – Legacy KeySpan service company costs were limited to two cost centers. Costs distributed from cost center 92800 - Distribution Support Executive were allocated from cost pool G5400 to all electric distribution entities based on a three-factor formula of assets, revenues and operating expenses. Costs distributed from cost center 92855 – Emergency Preparedness were divided into three buckets and directly assigned to KeySpan Electric Services, KEDLI and the KeySpan Generation Company (all located on Long Island).

Electric Distribution Support Service Company Cost Distributions Not Meeting Expectations -

The following minor distributions did not meet initial expectations:

- Approximately \$400,000 (1.6% of total 2009 costs) in Electric Distribution Support costs from National Grid USA cost centers were distributed, primarily through allocations, to Niagara Mohawk's gas segment and to Narragansett Gas. In response to a data request, National Grid provided detailed explanations of the benefits provided to gas operations by Electric Distribution Support cost centers 36760 – Maps and Records, 36770 – Process and Systems Meter Work Support and 36720 – Process and Systems – Work Management Support.⁶⁰
- Approximately \$43,000 was directly charged by Electric Distribution cost centers serving upstate New York and New England to KeySpan Electric Services, the entity operating the LIPA-owned electric distribution system on Long Island.

Electric - Network Strategy

The 2009 Electric Network Strategy organization included a diverse set of functions located in a variety of New York and New England locations. Key functions in 2009 included the Electric Distribution Planning, Engineering and Asset Management functions. Distribution Planning performs studies of the distribution system to plan for load growth and to determine how to size and when to upgrade facilities. The Investment Management function keeps track of long term projects, manages related licensing and building plans and prepares the five-year capital and investment plan. Electric Distribution Engineering performs engineering and design work for everything from customer electric service lines to distribution substations. Engineering had several hundred employees at the local (district) level in 2009. The Distribution Asset Management function evaluates distribution assets and makes repair vs. replacement decisions.⁶¹

⁶⁰ Response to OC-247-B

⁶¹ Interview, Chris Root, Vice President, Network Strategy function, February 10, 2012

Table 5-51 – 2009 Electric Network Strategy Employees

Chrg Dept L2	ELEC_DIST_GENERATION				
Chrg Dept L3	COO_ELEC_DIST				
Chrg Dept L4	NETWORK_STRAT_ELEC	Employees			
Cost Center	Cost Center Name	Company		Mar '09	Dec '09
Various	Mass Elec. Engineering Cost Ctrs	NG	05	164	100
	Total Mass Electric			164	100
35220	Work Methods NY Rep	NG	36	1	-
35240	Distribution Standards NY Rep	NG	36	1	1
353XX, 35540	Substation, Protection Eng.	NG	36	50	68
36790	Maps & Records New York	NG	36	19	-
62140	Sub T Design - NY	NG	36	9	10
81320	Outdoor Lighting	NG	36	2	-
83XXX, 84XXX, 85XXX	District-Level Dist. Design	NG	36	180	157
88300	Regional Field Engineering-NY	NG	36	9	12
88400	Field Engineering NY	NG	36	5	4
88720	Dist Plan Eng NY Rep	NG	36	2	2
	Total Niagara Mohawk			278	254
34180, 27320, 322XX & 332XX	Nantucket, Granite State, and Narragansett Engineering	NG	04, 41 49	59	45
	Total Narragansett, Granite and Nantucket			59	45
35000	Network Strategy Elec Mgmt	NG	99	3	3
35020	Distribution Design Mgmt	NG	99	3	3
35200	Distribution Eng Svcs Mgmt	NG	99	2	2
35210	Work Methods NE/NY	NG	99	9	8
34600	Distribution Central Design	NG	99	16	12
35230	Distribution Standards NE/NY	NG	99	11	9
35250	Dist Engineering Support Serv	NG	99	2	3
35500	Protection & Meter Eng Mgmt	NG	99	2	2
36760	Maps & Records Management	NG	99	3	1
26XXX & 35XXX	New England Engineering	NG	99	85	103
36070 & 080, 35070	Substation Engineering NY & NE	NG	99	22	26
20710, 263XX, 352XX, 88800	Asset Strategy & Investmt Planning	NG	99	31	31
Various	Other NG USA Network Strategy	NG	99	29	26
	Total National Grid USA			218	229
92862	Sr Network Strategy US Officer	KS	CSV	1	1
92806	LI Reliability	KS	KEC	-	8
92806	Network Strategy Engineering	KS	KEC	-	3
92849	R&D Deployment	KS	USV	4	5
	Total Keyspan Service Companies			5	17
	Total Network Asset Planning			724	645

Source: OC-4 Supplemental

Service Company Costs and Cost Distributions – In 2009 National Grid USA and the legacy KeySpan service companies (KeySpan Corporate Services and KeySpan Engineering Services) distributed the following Electric Network Strategy costs from utility and service company cost centers. .

Table 5-52 – 2009 Electric Network Strategy Cost Distributions

Chrg Dept L2 ELEC_DIST_GENERATION							
Chrg Dept L3 COO_ELEC_DIST							
Chrg Dept L4 NETWORK_STRATEGY							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
036	Electric Network Strategy - Niagara Mohawk Cost Centers	Total Direct	9,471,662	-	83,161	9,554,823	94%
		Total Allocated	248,821	-	347,471	596,292	6%
		PS Payroll Burdens	99,697	-	210,253	309,950	
		Total PS	9,820,180	-	640,885	10,461,065	
			94%	0%	6%	100%	
04, 05, 41, 49	Electric Network Strategy - New England Utility Cost Centers	Total Direct	-	-	854,644	854,644	80%
		Total Allocated	104,716	-	104,609	209,325	20%
		PS Payroll Burdens	94,876	-	72,011	166,887	
		Total PS	199,592	-	1,031,264	1,230,856	
			16%	0%	84%	100%	
099	Electric Network Strategy - Service Co. Cost Centers	PS Direct	17,113,450	-	41,194,833	58,308,283	82%
		PS Allocated	4,970,980	341	7,819,556	12,790,877	18%
		PS Payroll Burdens	6,351,883	205	11,080,808	17,432,897	
		PS Total + PR Burdens	28,436,313	546	60,095,197	88,532,057	
CSV, KEC & USV		Oracle Direct	-	-	3,037,686	3,037,686	58%
		Oracle Allocated	199,457	292,619	1,665,550	2,157,626	42%
		Oracle Total	199,457	292,619	4,703,236	5,195,312	
099, CSV, KEC & USV		Total Direct	17,113,450	-	44,232,519	61,345,969	80%
		Total Allocated	5,170,437	292,960	9,485,106	14,948,503	20%
		PS Payroll Burdens	6,351,883	205	11,080,808	17,432,897	
		Total PS + Oracle	28,635,770	293,165	64,798,433	93,727,369	
			31%	0%	69%	100%	
Sources: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Allocation Database CY 2009.xls							

Sources: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Allocation Database CY 2009.xls

We did not find significant unusual or unexpected cost distributions in the Electric Network Strategy organization. Most costs billed to Niagara Mohawk centers were vendor purchases made by the service company on behalf of Niagara Mohawk. The Electric Network Strategy organization was dedicated primarily to Niagara Mohawk and the legacy Grid New England electric utilities.⁶²

Costs incurred in National Grid USA centers were charged to the New England electric utilities in greater proportion (68% New England) than suggested by a three-factor composite of electric transmission and distribution assets, revenues and expenses (48% New England). 40% of Network Strategy employees were employed by Niagara Mohawk and 27% in the New England electric utilities, with most of the remainder in National Grid USA. The biggest difference between the functions housed within Niagara Mohawk and those maintained in New England was the Engineering function. A review of showed that higher-level New York engineering functions (e.g. Substation Engineering NY, Substation Design NY and Protection Engineering NY) were maintained in Niagara Mohawk, while their New England equivalents (e.g. Substation Engineering NE, Substation Design NE and Protection Engineering NE) were maintained in National Grid USA. Assuming it is reasonable to expect the “NY” engineering organizations housed

⁶² KeySpan Electric Services, National Grid’s only electric distribution service entity on the KeySpan side of the business, had its own network planning and engineering functions.

within Niagara Mohawk primarily benefited Niagara Mohawk, while their “NE” engineering equivalents housed in the service company primarily benefited the New England utilities, the organization structure largely explains why National Grid USA’s 2009 cost distributions to New England (68% of the total) were higher than New England’s share of a three-factor composite of legacy Grid electric transmission and distribution assets, revenues and O&M expense (48%).

As discussed in more detail below, we found the following costs were either unexplained or their distributions did not expectations.

- Small amounts of cost, primarily in the Maps and Records function, were allocated to gas operations.
- Approximately \$360,000 incurred in KeySpan’s Electric Network Strategy organization was distributed from the KeySpan service companies to gas utilities, primarily KEDLI and KEDNY. .
- \$5.9 million in unspecified costs (costs with no assigned cost types or cost type descriptions) were directly charged to the distribution segment of relatively small Granite State Electric.

Cost Descriptions:

- Niagara Mohawk Cost Centers – Most of National Grid USA’s cost distributions to Niagara Mohawk cost centers consisted of vendor materials, consulting and contractor representing payments by National Grid USA on behalf of Niagara Mohawk. A relatively small percentage, about 3%, consisted of payroll charges.
- New England Utility Cost Centers – 75% of costs charged by National Grid USA to Massachusetts Electric, Narragansett Electric, Granite State and Nantucket Electric cost centers were vendor materials, contractor services and “other” (undefined) expenses. The remaining 25% was payroll.
- National Grid USA Cost Centers – 59% of costs distributed by National Grid USA from its own cost centers consisted of vendor-purchased or inventory materials, vendor rentals, contract services, consulting, computer equipment and software and related sales taxes. Vendor materials and contractor services dominated this general category. Approximately \$5.9 million (8%) was charged from cost center 35300 – Substation Engineering and Design New England and had no expense type or expense type description associated with it.⁶³ Most of the remaining 35% consisted of payroll and payroll-related charges from various service company cost centers.
- Legacy KeySpan Service Company Cost Centers – The legacy KeySpan service companies distributed \$5.2 million in costs consisting primarily of payroll and related burdens. These costs were distributed from four cost centers which averaged 11 employees in 2009, including Network Strategy Senior Executive, Long Island Reliability, Network Strategy Engineering and R&D

⁶³ All \$5.9 million of this was directly charged to Granite State Electric.

Deployment. The R&D Deployment cost center included \$1.1 million in unspecified “Research and Development – No Demonstration” cost other than payroll.

Cost Distributions :

- **Niagara Mohawk Cost Centers** - 94% of the total costs distributed by National Grid USA were directly charged, and 99% of the costs direct charged were charged to Niagara Mohawk, in line with expectations. Of the 6% of costs that were allocated, most were allocated based on relative levels of O&M expense across legacy Grid utilities in New England and New York.
- **Other Utility Cost Centers** – Nearly all vendor materials and contractor services, which comprise about 75% of the costs charged to New England utility cost centers, were directly charged, primarily to Massachusetts and Narragansett Electric. These costs appear to be payments made by National Grid USA on behalf of these utilities. Payroll charges, primarily from Operations Engineering “Central” and Operations Engineering “Southeast” centers, were allocated, mainly through bill pool 231, which distributed costs based on relative O&M expense to New England and New York electric distribution utilities. These allocations account for most of the \$101,647 allocated from New England utility cost centers to Niagara Mohawk.
- **National Grid USA Cost Centers** – A total of \$71.1 million was incurred in National Grid USA cost centers. Of this, approximately \$27.6 million (39%) was charged from engineering and design cost centers with a New England focus (the New England equivalent of the Niagara Mohawk-based engineering group). These New England-focused engineering centers accounted for an average of 44% of the Electric Network Strategy employees in National Grid USA during 2009. Consistent with expectations, these centers charged primarily to the New England utilities. Only \$1.5 million (5%) of the \$27.6 million distributed by the New England-focused engineering centers was charged to Niagara Mohawk. After removing the New England engineering centers, the remaining \$43.5 million was distributed 47% to Niagara Mohawk and 53% to the New England utilities, approximately in proportion with a three-factor composite of electric transmission and distribution assets, revenues and expenses (52% Niagara Mohawk, 48% New England).
- **KeySpan Corporate, Engineering, and Utility Services Cost Centers** – 58% of the costs distributed by the KeySpan service companies were directly charged to KeySpan Electric and KeySpan Generation. Approximately \$2.0 million in costs from cost center 92806 - Long Island Reliability was charged directly to KeySpan Electric, consistent with expectations, while another \$392,000 was distributed using a three-factor formula between KEDLI and KeySpan Electric. \$1.1 million from cost center 92849 – R&D Deployment was also directly charged: \$477,287 to KeySpan Electric and \$607,830 to KeySpan Generation Company. Among these direct charged costs were \$928,833 in unspecified “research and development” cost split approximately equally between KeySpan Electric Service and the KeySpan Generation company. An additional \$211,858 in unspecified R&D was allocated through bill pool G2400 (three factor formula, all gas entities). Costs in cost center 90863 - Network

Strategy Executive were allocated using a three-factor formula to all National Grid electric distribution utilities.

Electric Network Strategy Service Company Cost Distributions Not Meeting Expectations

- Small amounts of cost in Niagara Mohawk and National Grid USA cost centers, primarily in the Maps and Records function, were allocated by National Grid USA among both electric and gas segments. However, the amounts allocated to gas operations were substantially less than one percent of the total cost distributions from Niagara Mohawk cost centers.
- Approximately \$360,000 (7% of the KeySpan total) in costs from KeySpan's Electric Network Strategy organization was distributed from the KeySpan service companies to gas utilities, primarily KEDLI and KEDNY. Included in the charges to KEDLI were \$141,055 in allocated contract labor from cost center 92806 - Long Island Reliability and \$53,858 in allocated research and development of an unknown nature. The costs charged to KEDNY consisted entirely of \$85,200 in allocated research and development. It is unclear what the nature of the R&D charged to KEDLI, KEDNY, KeySpan Electric and other entities was or why any costs from Long Island (electric) Reliability or electric research and development would be charged to the gas utilities.
- \$5.9 million in unspecified costs (costs with no assigned cost types or cost type descriptions) were directly charged to the distribution segment of Granite State Electric. National Grid explained this as follows:

*These costs were manual journal entries to post intercompany cash deposits to the Granite State's (Co 00041) cash account – FERC account 131000. Business unit 00041 and a Granite State journal ID (41-617) were used to post the entry which should have shown them as originating from Company 41. However, the journal source "IN" was used, which is the journal ID used for inventory transactions originating in business unit 00099 (Service Co). This was incorrect. While the originating company was incorrect, the charged company was correctly posted and no adjustment is necessary.*⁶⁴

Electric – Transmission

The 2009 Electric Transmission organization consisted of employees in approximately 45 cost centers working in Niagara Mohawk and National Grid USA. Transmission underwent a significant reorganization during 2009, in which the Construction Services function was essentially replaced with the Work Delivery function.

⁶⁴ OC-248-C

Table 5-53 – 2009 Electric Transmission Employees

Chrg Dept L2 TRANSMISSION				
Chrg Dept L3 Organization	Company		Mar '09	Dec '09
Construction Services	NG	036	57	-
Network Asset Management	NG	036	4	-
Network Operations	NG	036	29	34
Work Delivery	NG	036	-	59
Total Niagara Mohawk			90	93
Transmission Management	NG	099	2	2
Transmission Finance	NG	099	11	14
Transmission Regulatory Policy	NG	099	19	26
Construction Services	NG	099	278	-
Network Asset Management	NG	099	99	95
Network Asset Operations	NG	099	40	46
Work Delivery	NG	099	7	357
Total National Grid USA			456	540
Transmission Finance	KS	CSV	1	1
Total Keyspan Corporate Services			1	1
Total Electric Transmission Construction Svcs			547	634
Source: OC-4 Supplemental				
(1) Excludes Construction Depts: Construction Strategy, Stations Const. & Transmission Line Svcs.				

Service Company Costs and Cost Distributions – In 2009 National Grid USA and the legacy KeySpan Corporate Services distributed the following Electric Transmission organization costs from utility and service company cost centers.

Table 5-54 – 2009 Electric Transmission Cost Distributions

Chrg Dept L2 TRANSMISSION							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
036	Transmission - Niagara Mohawk Cost Centers	Total Direct	7,864,318	-	27,692	7,892,010	100%
		Total Allocated	13,367	-	11,306	24,673	0%
		PS Payroll Burdens	4,416	-	-	7,832	
		Total PS	7,882,101	-	38,998	7,924,515	
			99%	0%	0%	100%	
099		PS Direct	47,888,250	-	111,065,946	158,954,196	93%
		PS Allocated	6,263,948	4,975	5,505,216	11,774,139	7%
		PS Payroll Burdens	11,000,745	2,476	28,479,766	39,482,988	
		PS Total + PR Burdens	65,152,943	7,451	145,050,928	210,211,323	
CSV	Transmission - Service Company Cost Centers	Oracle Direct	-	-	-	-	
		Oracle Allocated	64,182	-	50,865	115,047	100%
		Oracle Total	64,182	-	50,865	115,047	
099 & CSV		Total Direct	47,888,250	-	111,065,946	158,954,196	93%
		Total Allocated	6,328,130	4,975	5,556,081	11,889,186	7%
		PS Payroll Burdens	11,000,745	2,476	28,479,766	39,482,988	
		Total PS + Oracle	65,217,125	7,451	145,101,793	210,326,370	
			31%	0%	69%	100%	

Sources: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Allocation Database CY 2009.xls

We did not find significant unusual or unexpected service company cost distributions in the 2009 Transmission organization. Charges to Niagara Mohawk consisted primarily of vendor payments made by the service company, nearly all of which were directly charged to Niagara Mohawk. Almost 95% of the costs incurred in National Grid USA cost centers was directly charged, and of this, 90% was charged to one of National Grid's electric transmission entities. In general, costs from "New England" cost centers (centers with New England in the title) were charged to New England Transmission segments and costs from "New York" centers were charged to Niagara Mohawk's Transmission segment.

Cost center 62700 - Transmission Forestry directly charged \$309,373 to Niagara Mohawk's Gas Distribution segment. National Grid stated that a contractor performed mowing of gas rights of way; thus, according to National Grid the cost was appropriately charged. The amount charged to gas operations was less than two-tenths of 1% of total Transmission costs billed by the service companies in 2009.

Cost Descriptions:

- Niagara Mohawk Cost Centers – A relatively small amount of service company billings were charges to Niagara Mohawk Transmission cost centers. 91% of the costs distributed by National Grid USA to Niagara Mohawk cost centers consisted of vendor materials, contractor services, equipment rentals and related sales taxes paid by the service company on behalf of Niagara Mohawk. Another 5% were materials from inventory. The remaining costs included small amounts of transportation and employee expenses. 80% of the costs were charged to Niagara Mohawk cost center 37630 – Substation Construction New York.
- National Grid Cost Centers – National Grid Electric Transmission cost centers were divided into Construction / Work Delivery and O&M / Administration groups for purposes of analysis.
 - Construction / Work Delivery Cost Centers – \$69.3 million (58%) of \$119.7 million charged to National Grid USA's Transmission Construction and Work Delivery cost centers were contract labor or consulting. \$13.6 million (11%) were vendor materials and rentals and materials from inventory. 28% (approximately \$33 million) were payroll costs and the remaining 3% consisted primarily of transportation and "Other" (unspecified) costs.
 - Transmission Executive, Operations, Asset Management, Regulatory Policy and Finance Cost Centers - 47% of \$76.0 million from consisted of contractor and consulting services. 28% were Vendor materials and related sales taxes or materials issued from inventory. The remaining 25% consisted of payroll and employee expenses.

Cost Distributions – The following table summarizes cost distributions to National Grid's various electric transmission entities.

Table 5-55 – 2009 Electric Transmission Cost Distributions to Transmission Entities

Chrg Dept L2 TRANSMISSION									
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	05 Mass Elec Trans	10 NEP Elec Trans	36 Nimo Elec Trans	49 Narr Elec Trans	Non-Transmission	2009 Service Co. Total Billed	Pct. Direct / Alloc.
036	Transmission - Niagara Mohawk Cost Centers	Total Direct	763	26,929	7,542,950	-	321,368	7,892,010	100%
		Total Allocated	133	4,185	5,655	353	14,347	24,673	0%
		PS Payroll Burdens	96	3,063	4,416	257	0	7,832	
		Total PS	992	34,177	7,553,021	610	335,715	7,924,515	
			0.0%	0.4%	95.3%	0%	4%	100%	
099	Transmission - Service Company Cost Centers	PS Direct	1,459,087	73,946,735	44,917,550	22,863,348	15,767,476	158,954,196	93%
		PS Allocated	150,221	4,249,634	5,825,213	438,649	1,110,422	11,774,139	7%
		PS Payroll Burdens	312,555	17,800,699	9,545,196	3,127,347	8,697,191	39,482,988	
		PS Total + PR Burdens	1,921,863	95,997,068	60,287,959	26,429,344	25,575,089	210,211,323	
CSV	Transmission - Service Company Cost Centers	Oracle Direct					-		
		Oracle Allocated	-	45,872	64,182	-	4,993	115,047	100%
		Oracle Total		45,872	64,182		4,993	115,047	
099 & CSV	Transmission - Service Company Cost Centers	Total Direct	1,459,087	73,946,735	44,917,550	22,863,348	15,767,476	158,954,196	93%
		Total Allocated	150,221	4,295,506	5,889,395	438,649	1,115,415	11,889,186	7%
		PS Payroll Burdens	312,555	17,800,699	9,545,196	3,127,347	8,697,191	39,482,988	
		Total PS + Oracle	1,921,863	96,042,940	60,352,141	26,429,344	25,580,082	210,326,370	
			0.9%	45.7%	28.7%	13%	12%	100%	

Sources: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Allocation Database CY 2009.xls

- Niagara Mohawk Cost Centers – 99% of the costs charged by National Grid USA to Niagara Mohawk cost centers were billed to Niagara Mohawk. Nearly all of these costs were directly charged. About one-fourth of the costs were directly charged to Niagara Mohawk’s Distribution segment. Nearly all of the costs associated with Distribution were vendor materials and equipment rentals split between Transmission and Distribution in cost center 37630 – Substation Construction New York.
- National Grid USA Transmission Construction / Work Delivery Cost Centers – \$117.0 million (98%) of \$119.7 million charged from National Grid USA’s Transmission Construction / Work Delivery cost centers were directly charged. Of the directly charged costs:
 - Costs from “New England” cost centers (e.g. 62310 - Transmission Line Services Construction New England) were charged primarily to New England cost objectives (New England Power, Narragansett Electric, etc.). For example, in cost center 62310, 99.5% of \$23.8 million in costs were directly charged to New England and 0.5% was charged to Niagara Mohawk’s Transmission segment.
 - Costs from “New York” cost centers (e.g. cost center 37850 – Substation Construction Management New York) were charged primarily to Niagara Mohawk.⁶⁵ In this example, \$1,573,304 (99%) of \$1,592,526 was charged to Niagara Mohawk; the remaining 1% was charged to New England cost objectives.
 - \$26.0 million (93%) of \$27.9 million in costs directly charged to Niagara Mohawk were charged to the company’s Transmission segment, while the remaining 7% were charged to the

⁶⁵ One exception was cost center 62210 which had two titles: “Trans Project Management” (for some cost distributions) and “Sub & T-Line Project Mgmt-NY” (for some cost distributions). In this cost center \$6.7 million (27%) of \$24.7 million was charged to New York. (OC-252)

Distribution segment. Of the \$1.9 million in costs directly charged to the Distribution segment, 83% were charged either to cost center 37850 – Substation Construction New York, or cost center 62210, which had the title Substation and Transmission Line Project Management for part of the year. Substations are a boundary between the transmission and distribution system.

- National Grid USA Transmission Executive, Operations, Asset Management, Finance and Regulatory Policy Cost Centers
 - o Directly Charged Costs - 88% of \$76.0 million in costs billed from National Grid USA cost centers were directly charged. Of this, \$73.0 million (96%) were distributed to Transmission segments within National Grid's utilities (New England Power, interconnectors and Transmission segments in Narragansett Electric, Niagara Mohawk, Massachusetts Electric and Granite State Electric). Cost center 62700 - Transmission Forestry directly charged \$309,373 to Niagara Mohawk's Gas segment. National Grid stated that "employees in the transmission forestry group manage and source vegetation management (mowing) work using contract labor" and that "gas right[s] of way occasionally run through . . . transmission corridors – as such a portion of the mowing work . . . is appropriately charged to the Gas segment."
 - o Allocated Costs – \$9.3 million (12%) of 2009 Transmission Executive, Operations, Asset Management, Finance and Regulatory Policy costs from National Grid USA cost centers was distributed through allocation bill pools. Of this, \$9.2 million (99%) was allocated through bill pool 233, which distributes costs to the Transmission segments in National Grid's utilities companies based on operations and maintenance expense.
- KeySpan Corporate Services Cost Center 92537 – Transmission Rate and Bill Administration – One KeySpan Corporate Services employee was assigned to the Electric Transmission organization. This employee's payroll costs were allocated using a three-factor formula of assets, revenues and O&M expense through bill pool G5300 - All Electric Transmission. This bill pool distributed costs primarily to New England Power, Niagara Mohawk's Transmission segment, with smaller amounts distributed to Narragansett Electric's and Massachusetts Electric's (presumably) Distribution segments.

Electric - Long Island Transmission and Distribution Operations

Long Island T&D is the National Grid organization that operates the electric system on Long Island owned by LIPA. In 2009 most of this organization's employees worked for KeySpan Electric Services, the entity operating of the LIPA system. Approximately 1,100 employees in Long Island T&D constituted a smaller version of most of the organizations associated with National Grid-owned electric utilities analyzed above, including System Operations, Division Operations (OH / UG Lines), Construction, Distribution Support and Network Strategy.

Table 5-56 – 2009 Long Island Transmission and Distribution Operations Employees

Chrg Dept L2 ELEC_DIST_GENERATION		Chrg Dept L3 COO_ELEC_DIST		Chrg Dept L4 LONG_ISLAND_T&D		Employees	
Cost Center	Cost Center Name	Company		Mar '09	Dec '09		
92421, 92425	Program Management	KS	ESV	23	14		
92801	NMP2 Onsite Organization	KS	ESV	3	3		
92801	Sr T&D LI Officer	KS	ESV	2	2		
92837, 92841, 92870	Substation, Protection & Telec	KS	ESV	76	75		
9281X	OH/UG Lines	KS	ESV	416	347		
924XX, 928XX	System Operations LI	KS	ESV	259	251		
92846, 92852	Network Asset Planning LI	KS	ESV	10	11		
92424, 92431, 92831,	Construction Delivery	KS	ESV	41	39		
92421	Distribution Support	KS	ESV	29	70		
92421	Project Office	KS	ESV	2	1		
92828	Network Strategy Engineering	KS	ESV	-	53		
Total Keyspan Electric Services				861	866		
92888	Investment Planning			1	-		
Total Keyspan Corporate Svcs.				1	-		
92806	Reliability Eng LI	KS	KEC	10			
92803, 92804,	Network Strategy Engineering	KS	KEC	76	69		
92888	Maintenance Services	KS	KEC	2	2		
92834	Construction Delivery	KS	KEC	8	7		
92846	Network Asset Planning	KS	KEC	20	22		
92888	Substation, Protection & Telec	KS	KEC	119	116		
92859	Investment Management	KS	KEC	2	3		
92821	Distribution Support	KS	KEC	13	17		
Total Keyspan Engineering Svcs.				250	236		
Total Long Island Trans. & Dist.				1,112	1,102		

Source: OC-4 Supplemental

Service Company Costs and Cost Distributions –The following table shows the 2009 legacy KeySpan service company cost distributions from the Long Island (LIPA) Transmission and Distribution organization.

Table 5-57 – 2009 Long Island Transmission and Distribution Operations Cost Distributions

Chrg Dept L2 ELEC_DIST_GENERATION							
Chrg Dept L3 COO_ELEC_DIST							
Chrg Dept L4 LONG_ISLAND T&D							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
ESV	Long Island T&D - KeySpan Electric Svcs. Cost Ctrs.	Oracle Direct	-	192	2,943,870	2,944,062	70%
		Oracle Allocated	365	-	1,231,641	1,232,006	30%
		Oracle Total	365	192	4,175,511	4,176,068	
			0%	0%	100%	100%	
KEC, CSV	Long Island T&D - KeySpan Engineering, Corp Svcs. Cost Ctrs.	Oracle Direct	-	1,657,312	38,013,706	39,671,018	87%
		Oracle Allocated	-	815,281	4,875,342	5,690,623	13%
		Oracle Total	-	2,472,593	42,889,048	45,361,641	
			0%	5%	95%	100%	
ESV & KEC	Long Island T&D - KeySpan Electric & Service Co. Cost	Total Direct	-	1,657,504	40,957,576	42,615,080	86%
		Total Allocated	365	815,281	6,106,983	6,922,629	14%
		Total Oracle	365	2,472,785	47,064,559	49,537,709	
			0%	5%	95%	100%	

We did not find significant unusual or unexpected charges to the New York utilities. There were no service company charges from National Grid USA. Service company costs charged were incurred primarily by KeySpan Engineering Services. 94% of service company charges from Long Island T&D were billed to either KeySpan Electric Services or KeySpan Generation.

Service company charges to the New York utilities were limited to approximately \$2.5 million (5%) of \$46 million charged to KEDLI and KEDNY. The primary costs billed to KEDLI and KEDNY were directly charged from Long Island Survey, Public Works and Radio cost centers housed in KeySpan Engineering Services. Because we did not expect to see charges from an electric transmission and distribution organization to gas utilities, we asked National Grid to explain these charges. Explanations are provided below.

Cost Descriptions:

- KeySpan Electric Services Cost Centers – Nearly all of the service company costs charged to KeySpan Electric Service cost centers were clearings, mainly for company-used electric power, charged to KeySpan Electric Services.
- KeySpan Engineering Services Cost Centers – The Long Island T&D activities in KeySpan Engineering Services in 2009 consisted primarily of Engineering, Distribution Support, Substation Maintenance, and Protection & Telecom. \$32.3 million of the \$45.4 million incurred in service company cost centers consisted payroll and related payroll burdens. \$2.5 million was contract and other outside services, \$2.3 million was transportation (mainly fleet leasing and maintenance charges) and \$6.0 million was purchased materials.

Cost Distributions – Virtually all of the costs incurred in KeySpan Electric Services cost centers were charged to KeySpan Electric Services. Cost distributions from KeySpan Engineering Services cost centers were charged primarily to KeySpan Electric Services, with smaller amounts charged to KeySpan Generation, KEDLI and KEDNY. Cost distributions from are summarized as follows:

- Directly Charged Costs - \$39.7 million (87%) of costs distributed by KeySpan Engineering Services from its own cost centers were directly charged.
 - o \$36.9 million, a majority from cost centers 92803 – Long Island Transmission Engineering, 92888 – Substation Maintenance and General Services, 92804 – Long Island System Control, Protection and Meter and 92846 – Long Island Electric System Planning, was directly charged to KeySpan Electric Service.
 - o \$1.1 million, primarily from cost centers 92846 – Long Island Electric System Planning – Servco and 92888 – Substation Maintenance and General Services), was directly charged to KeySpan Generation.
 - o \$1.2 million, primarily from cost centers 92830 – Long Island – Survey and 92834 – Public Works, was directly charged to KEDLI.
 - o \$506,246, primarily from cost center 92838 – Radio, was directly charged to KEDNY.

We asked National Grid to explain the larger cost center charges from the Long Island Electric organization to KEDLI and KEDNY. The company provided the following explanations for the charges:⁶⁶

Charges to KEDLI from cost center [92]830 primarily involved surveying and drafting /blueprint services associated with the installation of gas main, governors and gas heaters. Charges from cost center [92]888 resulted primarily from work performed on the replacement of a vaporizer and vaporizer roof at the LNG Plant in Holtsville, Long Island.

Cost Center [92]838 - Radio manages the internal wireless, radio, microwave and satellite communication requirements for the T&D business as well as the installation and maintenance of commercial wireless carrier antennas and base station equipment on National Grid facilities and LIPA transmission and distribution structures. The work performed on behalf of KEDNY was primarily associated with direct charges for the labor and labor burdens related to a Department Manager and two Radio technicians along with supporting general & administrative expenses including company vehicles, materials & supplies, office supplies & expenses and administrative support necessary to support KEDNY's gas distribution related communication requirements.

- Allocated Costs – KeySpan Engineering Services allocated \$5.7 million (13%) of the Long Island T&D costs it distributed from its own cost centers. \$2.8 million from cost center 92888 – Substation Maintenance were divided into two cost pools and allocated using a three-factor formula of assets, revenue and O&M expense, as follows: 1) to KeySpan Electric Services, KeySpan Generation Company and Ravenswood (\$2.3 million, bill pool G4300) and 2) between KeySpan Generation Co. and Ravenswood (\$0.5 million, bill pool G4500). Most of the remaining allocated costs, including costs from Long Island centers 92617 - Distribution Standards and Work Methods, 92806 – Reliability, 92846 – Electric System Planning and 92888 – Substation Maintenance and General Services, were distributed using a three factor formula between KeySpan Electric Services and KEDLI, (\$1.1 million, bill pool G0600) or between KeySpan Electric Services and KeySpan Generation Co. (\$1.6 million, bill pool G1100).

Electric – Generation

The Generation organization operates the National Grid power plants that serve LIPA's electric customers on Long Island. It consists of employees working for KeySpan Generation Company and for KeySpan Engineering Services.

⁶⁶ Response to OC-250-A & B

Table 5-58 – 2009 Electric Generation Employees

Chrg Dept L2 ELEC_DIST_GENERATION				Employees	
Chrg Dept L3 GENERATION / COO_ELEC_DIST					
Chrg Dept L4 GEN_OPERATIONS					
Cost Center	Cost Center Name	Company		Mar '09	Dec '09
9288X	Electric Production (GEN)	KS	GEN	315	312
92895	Generation Material Svcs (GEN)	KS	GEN	15	15
Total Keyspan Generation Co.				330	327
92861	Generations Opers US Officer	KS	KEC	2	2
92880, 92883	Materials Mgmt (KEC)	KS	KEC	14	14
92889, 92891, 92892	Maintenance Services	KS	KEC	243	231
92877, 92900	Power Engineering	KS	KEC	53	56
92883	Combustion Turbine	KS	KEC	47	52
92879, 92881	Electric Production	KS	KEC	26	27
92889	Substation, Protection & Telec	KS	KEC	10	10
Total Keyspan Engineering Svcs.				395	392
Total Generation				725	719

Source: OC-4 Supplemental

Service Company Costs and Cost Distributions – The following table summarizes 2009 service company cost distributions from the Generation Operations organization.

Table 5-59 – 2009 Electric Generation Cost Distributions

Chrg Dept L2 ELEC_DIST_GENERATION							
Chrg Dept L3 COO_ELEC_DIST							
Chrg Dept L4 GEN_OPERATIONS							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
KEC	Generation Operations - Service Company	Total Direct	-	1,102,043	66,092,332	67,194,375	87%
		Total Allocated	-	-	9,762,010	9,762,010	13%
		Total Oracle	-	1,102,043	75,854,342	76,956,385	
			0.0%	1.4%	98.6%	100.0%	

Sources: Legacy KeySpan Allocation Database CY 2009.xls

We did not find significant unusual or unexpected service company cost distributions to the New York utilities from the Generation organization located in KeySpan Engineering Services. As shown in the table above, nearly 99% of the service company charges from this organization were distributed either to KeySpan Generation, the Ravenswood generating facility or KeySpan Electric. \$1.1 million was charged to KEDLI and KEDNY. Because we did not expect to see charges from an electric transmission and distribution organization to gas utilities, we asked National Grid to explain these charges. The company's explanations are provided below.

Cost Descriptions:

- **KeySpan Generation Cost Centers** – 2009 service company cost distributions from KeySpan Generation Co. cost centers were less than \$2,000 and are therefore omitted from the above table.

- KeySpan Engineering Services Cost Centers – Approximately 85% of the Generation Operations costs distributed by KeySpan Engineering Services were payroll and related payroll burdens. The remaining 15% consisted primarily of vendor-purchased materials.

Cost Distributions – Service company costs distributions in the Generation Operations organization consisted entirely of distributions by KeySpan Engineering Services, virtually all of which were incurred in KeySpan Engineering Services cost centers. Nearly 99% of the costs Generation Operations costs distributed by KeySpan Engineering charged to KeySpan Generation Company, Ravenswood (a power plant formerly owned by National Grid) and KeySpan Electric Services. \$1.1 million (slightly more than 1%) was distributed to KEDLI and KEDNY, as follows:

Table 5-60 – 2009 Electric Generation Direct Charges to KEDLI and KEDNY

Chrg Dept L2 ELEC_DIST_GENERATION Chrg Dept L3 GENERATION / COO_ELEC_DIST Chrg Dept L4 GEN_OPERATIONS 2009 Electric Generation Charges to KEDLI and KEDNY				
Cost Center		Amounts Charged		
		KEDLI	KEDNY	Total
92877	Power Engineering	72,152	30,892	103,045
92879	Electric Production Special Svcs	104,405	35,533	139,939
92883	Elec. Prod. - Internal Combustion	615	132	747
92889	General Shops Division	450,323	117,471	567,794
92892	Plant Maintenance Division	263,984	26,536	290,520
Totals		891,479	210,564	1,102,043
Source: Legacy KeySpan Allocation Database CY 2009.xls				

We asked National Grid to provide explanations for charges to KEDLI and KEDNY. The company provided the following:⁶⁷

Cost Center 92889 - General Shops

General Shops, cost center 889, provides a variety of construction and maintenance services primarily in support of the Electric & Generation lines of business. However, it is customary to make the common skill sets of these employees available to the Gas business when there is the capacity and opportunity to do so. Use of these employees by the Gas business allows National Grid to maximize the utilization of the department's employees and creates an opportunity to reduce or obviate the need to use more expensive outside contracted labor on large jobs and/or during periods of high activity. The services provided to KEDLI and KEDNY primarily involved the installation of gas main, maintenance of services, the installation and replacement of regulators, governors and heaters, general maintenance services performed at gas regulator stations and gas leak investigation and repair.

⁶⁷Response to OC-249-A, B, C & D

Cost Center 92892 - Plant Maintenance

The broad skill sets of the employees in the Plant Maintenance Division can be leveraged on various types of construction & maintenance jobs and as discussed in the response to [the] question [about the General Shops cost center above], the department's position in a "Generation Operations" reporting organization does not preclude its employees from providing services for the benefit of affiliates outside the generation line of business. The specific work performed for the direct benefit of KEDNY identified in this request was primarily associated with Plant Maintenance Division employees working on a gas main installation project on Staten Island, NYC and performing maintenance services at the LNG plant in Greenpoint, NYC. Services provided for the direct benefit of KEDLI included capital and maintenance work performed at the LNG Plant in Holtsville, Long Island and various activities, including the installation and or replacement of heaters, vaporizers, regulators and gas services as well as gas leak investigations. Cost Center 92879 - Electric Production – Special Services See ... response ... above for a discussion regarding a "Generation Operations" cost center's ability to provide services to non-generation company affiliates. Similar to the employees in the General Shops and Plant Maintenance departments discussed ... above, the skill sets of employees in Electric Production Special Services can be applied to various types of construction & maintenance projects. Accordingly, department employees provided various services to KEDNY & KEDLI including the installation of Gas Main, the installation and/or replacement of vaporizers, regulators, governors and heaters, pipeline integrity inspections and other miscellaneous related services for both KEDNY & KEDLI gas projects.

Cost Center 92877 - Power Engineering

See ... response to question ... above for a discussion regarding a "Generation Operations" cost center's ability to provide services to non-generation company affiliates. The specific work performed for the direct benefit of KEDNY identified in this request was primarily associated with Power Engineering employees working on decommissioning activities at a Brooklyn LNG plant and gas heater replacement and bulkhead repairs at the Citizen's Gate Station. Services provided for the direct benefit of KEDLI included capital and maintenance work performed at the Holtsville LNG Plant on Long Island and various activities including the installation of gas main and installation and/or replacement of gas heaters, vaporizers and regulators.

Energy Supply

In 2009 the Energy Supply organization consisted of approximately 110 employees who acquired energy – primarily natural gas – to supply National Grid's Long Island power plants and the distribution systems of its gas utilities. A small group within the Portfolio Management organization also managed the operations of National Grid Energy Trading Company.

Table 5-61 – 2009 Energy Supply Employees

Chrg Dept L2	ELEC_DIST_GENERATION				
Chrg Dept L3	ENERGY_PORTFOLIO	Employees			
Cost Center	Cost Center Name	Company		Mar '09	Dec '09
80520	Energy Supply-NY	NG	036	1	-
80570	Gas Supply & Transport Mgmt	NG	036	1	-
	Total Niagara Mohawk			2	-
33626	Mgr Gas Supply Oper RI	NG	048	3	1
	Total Narragansett Gas			3	1
20548	Energy Risk Management	NG	099	-	1
20560	Energy Supply NE	NG	099	2	2
	Total NG USA			2	3
92022	Capital Expenditure Planning	KS	CSV	5	3
92224	Financial Analysis / Asset Valuation	KS	CSV	3	4
92228	Sr Energy Portfolio Mgt US Off	KS	CSV	2	2
92229	Energy Transactions	KS	CSV	22	22
92230	Retail Services	KS	CSV	3	1
92246	Contracts	KS	CSV	7	14
	Gas Supply & Planning and				
92463	Customer Choice	KS	CSV	35	38
92548	Energy Risk Management	KS	CSV	13	15
	Total Keyspan Corporate Svcs			90	99
92851	Regulated Electric Load & DG	KS	ESV	5	4
	Total Keyspan Electric Services			5	4
92030	LIPA Electric Supply	KS	TEG	7	7
	Total TEG			7	7
	Total Generation			109	114

Source: OC-4 Supplemental

Source: OC-4 Supplemental

Service Company Costs and Cost Distributions – Below is a summary 2009 service company cost distributions from the Generation Operations organization. Approximately 49% of the costs incurred in service company cost centers were charged to the New York utilities (14% to Niagara Mohawk and 35% to KEDLI and KEDNY combined). For comparison, in 2009 the New York utilities comprised approximately 48% of National Grid, measured in terms of a three-factor composite of assets, revenues and direct O&M expenses.

Table 5-62 – 2009 Energy Supply Cost Distributions

Chrg Dept L2 ELEC_DIST_GENERATION							
Chrg Dept L3 ENERGY_PORTFOLIO							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
099	Energy Supply - NG USA Cost Centers	PS Direct	50,767	-	315,630	366,397	74%
		PS Allocated	51,314	-	78,118	129,432	26%
		PS Payroll Burdens	54,209	-	23,789	77,998	
		PS Total + PR Burdens	105,523	-	468,304	573,827	
CSV	Energy Supply - KeySpan Corp. Svcs. Cost Ctrs.	Oracle Direct	1,576,166	-	5,162,430	6,738,596	36%
		Oracle Allocated	1,036,412	6,905,792	4,287,376	12,229,580	64%
		Oracle Total	2,612,578	6,905,792	9,449,806	18,968,176	
099, CSV	Energy Supply - Service Company Cost Centers	Total Direct	1,576,166	-	5,528,827	7,104,993	37%
		Total Allocated	1,087,726	6,905,792	4,365,494	12,359,012	63%
		PS Payroll Burdens	54,209	-	23,789	77,998	
		Total PS + Oracle	2,718,101	6,905,792	9,918,110	19,542,003	
			14%	35%	51%	100%	

Sources: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Allocation Database CY 2009.xls

We did not find significant unusual or unexpected service company cost distributions to the New York utilities from the Energy Supply organization. However, responses to questions addressing allocations were not adequate to obtain a complete understanding of the basis for the assigning the costs of various energy planning, gas scheduling, gas trading and administrative activities to different bill pools that included KEDLI, KEDNY and Niagara Mohawk and mixtures of other entities as cost objectives. Although it is reasonable to conclude all three New York utilities were among the primary beneficiaries of the activities and associated cost allocations, it would take a more detailed review to fully assess how National Grid determined which activities and costs to allocate to various sets of cost objectives and how the activities were assigned to various bill pools.

Cost Descriptions:

- National Grid USA Cost Centers – Two employees in National Grid USA worked for cost center 20560 – Marketing – Energy Supply – New England. 44% of \$495,829 distributed from this cost center was payroll and employee expenses associated with its two employees. Virtually all of the remainder is described only as “other.”
- KeySpan Corporate Services – More than 80% of the Energy Supply distributed by KeySpan Corporate Services in 2009 were payroll and payroll-related burdens. Outside services (consulting and other services) accounted for approximately 10% and a variety of other costs made up the remainder.

Cost Distributions – The costs distributed from the Energy Supply organization are complex and detailed relative to the amount of money involved. In total, the New York utilities were charged approximately \$9.5 million (50%) of the service company costs distributed by KeySpan Corporate Services and National Grid USA from Energy Supply cost centers. This is generally in line with other types of costs charged to National Grid gas and electric utilities. Given the relatively small amounts involved, and the high-level

nature of this analysis, we did not attempt to perform a detailed audit of the costs distributed from the service companies for the Energy Supply organization. Our analysis is summarized below.

- National Grid USA Cost Centers – Energy Supply organization charges from National Grid USA to the New York utilities were relatively insignificant. \$366,751 (74%) of the cost distributed by National Grid USA was directly charged. Of this, \$259,283 was “other” cost directly charged to Massachusetts Electric’s Transmission segment and \$50,767 was payroll and employee expense charged directly to Niagara Mohawk’s Distribution segment. The remaining \$129,078 was allocated payroll and employee expenses. Most of this was distributed among the New England utilities using bill pool 232 – Retail New England Companies, based on relative levels of O&M expense.
- KeySpan Corporate Services – KeySpan Corporate Services directly charged and allocated Energy Supply organization costs to a large group of cost objectives that included legacy Grid and legacy KeySpan utilities and non-regulated entities KeySpan Energy Trading and KeySpan Energy Development.
 - \$1.6 million was directly charged to Niagara Mohawk, primarily from cost centers 92246 – Contracts, \$856,279; 92463 – Gas Supply and Planning, \$293,377; and 92548 – Energy Risk Management, \$130,479.
 - Gas Supply and Planning directly charged \$291,624 to Niagara Mohawk’s Gas segment. Niagara Mohawk Electric Distribution was also allocated \$178,722, primarily from cost center 92022 - Capital Expenditure Planning.

National Grid provided the following explanations for the amounts directly charged to Niagara Mohawk.⁶⁸

Cost Center 92246 (\$856,279 directly charged to Niagara Mohawk)

The costs charged to cost center 92246 are primarily associated with labor, burdens and related employee expenses associated with department personnel who are responsible for Electric Supply and Distributed Generation Services. Electric Supply manages the power purchase agreements with the New York Independent System Operator (NY ISO), and also manages price volatility of the portfolio through physical contracts and financial hedges. Distributed Generation Services handles interconnections into the electric distribution system of projects less than 20 megawatts, such as photovoltaic, wind turbines, fuel cells and engine generator sets. This group works with distribution engineering and construction to serve as the single interface with the customer through the interconnection process.

Cost Center 92463 (\$293,377 directly charged to Niagara Mohawk)

The costs charged to cost center 92463 are primarily associated with labor, burdens

⁶⁸ Response to OC-251-A

and related employee expenses associated with department personnel who are responsible for Supplier Services and Process, Systems and EDI. Supplier Services is responsible for managing the relationship between National Grid and both the gas and electric ESCOs. Supplier Services deals with; ESCO applications, testing of data exchange between the Company and ESCOs, completion of operating and billing service agreements and resolution of issues affecting retail customers (e.g. switching, billing, historical usage, etc.) Supplier Services is also responsible for customer migration reporting. Process, Systems and EDI is responsible for documentation of all processes for each region with the objective of streamlining and improving operations and ensuring one process, one way, wherever feasible. Process and Systems is responsible for department compliance with Sarbanes Oxley in conjunction with the other sections, and the development of projects pursuant to orders from various regional regulatory agencies.

KeySpan Corporate Services also allocated costs to Niagara Mohawk, KEDLI and KEDNY, primarily through bill pools G2400 (three-factor formula, all legacy KeySpan gas distribution utilities) and G5200 (three-factor formula, all legacy Grid and legacy KeySpan gas distribution utilities) from cost centers 92229 – Energy Transactions (\$1.6 million allocated to KEDLI and KEDNY), 92463 – Gas Supply and Planning (\$2.9 million allocated to KEDLI and KEDNY) and 92548 – Energy Risk Management (\$1.4 million allocated to KEDLI and KEDNY). The activities supporting these charges were “energy supply planning and procurement,” “energy trading gas,” “gas planning and procurement” and “supervision.” We asked National Grid to explain the basis under which costs from these centers charged to bills pools G5200 and G2400 were separated from other costs in the same cost centers. The company provided the following explanations.⁶⁹

Cost Centers 92229 – Energy Transactions, 92463 – Gas Supply and Planning and 92548 – Energy Risk Management

[T]he basis for assigning a G52 allocation code to the cost pools identified for each of the three cost centers above is based on the nature of the work being performed and captured in those pools and the affiliates who are receiving the benefit of that work. See attachment “Part B OC-251.xlsx” for a detailed summary of the specific cost pools assigned G52 allocation codes.

The basis for assigning a G24 allocation code to the cost pools of these cost centers is the same as described in the response to OC-240 and Parts A. & B. above. The difference between assigning these cost pools a G24 and a G52 allocation code is the direct result of post-merger integration and the expansion in the number of affiliates receiving the benefits associated with the functions performed by these departments. Beginning in July 2009, the G24 allocation code assignment associated with certain cost pools was changed to a G52 allocation code to reflect the expanded group of affiliates receiving

⁶⁹ Response to OC-251-B & C

the benefit of the work performed and captured in these cost pools. See attachment “Part C OC-251.xlsx” for a summary of the re-assigned cost pools with the related amounts presented by Period to illustrate the cut-over period of July 2009.⁷⁰

Gas Distribution

Our review of Gas Distribution included the following organizations and average employees in 2009:

- Customer Meter Services (2,270)
- Gas Operations and Construction (2,212)
- Gas Distribution Support (501)
- Gas Network Strategy (314)

Our review covered organizations containing 96% of a 2009 average of 5,500 National Grid Gas Distribution employees. Tables accompanying the discussions below show entity (and, in some cases, cost center) distributions of employees and the entity distribution of 2009 service company costs.

Customer Meter Services

Although part of the Gas Distribution organization, Customer Meter Services reads both gas and electric meters and collects overdue bills in the field. In 2009 it included approximately 2,300 (13%) of National Grid’s US workforce. With the exception of about a dozen managers and clerical personnel employed by National Grid USA, legacy Grid employees in CMS worked for the utilities they served. Most employees on the legacy KeySpan side of the business also worked for the utilities they served. However, Long Island certain meter reading and field collection employees serving KEDLI and KeySpan Electric were employed by KeySpan Corporate Services. The entity spread of the 2009 CMS organization is summarized below.

⁷⁰ The spreadsheets referred to in the data response excerpts above (Part B OC-251-xlsx and Part C OC-251.xlsx) are derived from the accounting system. For example, the “Part B” spreadsheet contains the following breakout / information about the allocated costs: cost center, cost center description, project, project description, activity, activity description, account, account description, allocation code and pool account. Unfortunately, this is essentially the same information we have available in the databases we are using to analyze the costs.

Table 5-63 – 2009 Customer Meter Services Employees

Chrg Dept L2 GAS_DISTRIBUTION				
Chrg Dept L3 GAS_OPS_&_CONSTRUCT				
Chrg Dept L4 CUST_METER_SERV			Employees	
Company			Mar '09	Dec '09
NG	005	Massachusetts Electric	240	207
NG	036	Niagara Mohawk	399	402
NG	041	Granite State Electric	10	9
NG	048	Narragansett Gas	139	145
NG	049	Narragansett Electric	83	78
NG	099	NG USA	14	13
KS	BGC	Boston Gas	327	388
KS	BUG	KEDNY	485	498
KS	BUL	KEDLI	116	124
KS	COL	Colonial Gas	74	83
KS	CSV	Keyspan Corp Svcs.	286	298
KS	ENH	Energy North	34	42
KS	ESX	Essex Gas	22	25
Totals			2229	2312

Service Company Cost Distributions – The legacy Grid and legacy KeySpan service companies distributed the following Customer Meter Services costs in 2009.

Table 5-64 – 2009 Customer Meter Services Cost Distributions

Chrg Dept L2 GAS_DISTRIBUTION							
Chrg Dept L3 GAS_OPS_&_CONSTRUCT							
Chrg Dept L4 CUST_METER_SERV							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
36	Customer Meter Services- Niagara Mohawk Cost Ctrs	Total Direct	746,324	-	-	746,324	92%
		Total Allocated	58,213	160	5,916	64,289	8%
		PS Payroll Burdens	-	-	2,620	2,620	
		Total PS	804,537	160	8,536	813,233	
			98.9%	0.0%	1.0%	100.0%	
04, 05, 41, 48, 49, 99	Customer Meter Services- New England Legacy Grid Utility &	Total Direct	1,016,806	-	2,835,725	3,852,531	83%
		Total Allocated	164,368	125,232	473,808	763,408	17%
		PS Payroll Burdens	176,508	25,044	628,729	830,281	
		Total PS	1,357,682	150,276	3,938,262	5,446,220	
			24.9%	2.8%	72.3%	100.0%	
BGC, BUG, BUK, COL, ENH, ESX, CSV	Customer Meter Services KeySpan	Total Direct	175,269	917,107	2,030,174	3,122,550	10%
		Total Allocated	202,490	9,546,778	18,179,391	27,928,659	90%
		PS Payroll Burdens	-	-	-	-	
		Total Oracle	377,759	10,463,885	20,209,565	31,051,209	
			1.2%	33.7%	65.1%	100.0%	

Source: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Database CY 2009.xls

Because the types of incurred costs by the service companies were different on the legacy Grid and legacy KeySpan sides of the business, and because a large percentage of Customer Meter Services organization was housed within various utilities, an overall comparison of service company costs to

broad measures of relative entity size would not be meaningful. We did not find unusual or unexpected service company cost distributions to the New York utilities. The legacy Grid organization was located almost entirely in the utilities and most costs were recorded directly on utility books. A relatively small amount of costs incurred in National Grid USA cost centers was distributed to the legacy Grid utilities. Apart from higher-level management functions, most of the legacy KeySpan Customer Meter Services organization was also located in the utilities and costs were recorded on utility books. Long Island meter reading and Long Island field collections were exceptions. Because these costs were allocated between KEDLI (gas) and KeySpan Electric Services (electric), the employees were housed in service company cost centers. As discussed below, the costs of Long Island meter reading and field collections were allocated between KEDLI and KeySpan Electric Services primarily on the basis of meters.

Cost Descriptions:

- Niagara Mohawk Cost Centers – Costs charged by National Grid USA to Niagara Mohawk cost centers consisted primarily of vendor materials purchased by the service company on Niagara Mohawk’s behalf and materials issued from inventory.
- National Grid USA Costs – 44% of the costs incurred in National Grid USA cost centers consisted primarily of lease / rental payments incurred in cost center 82790 – Meter Services Performance, charged to Niagara Mohawk. 43% was payroll, distributed primarily to the legacy Grid New England utilities and most of the remainder consisted of materials purchased from vendors.
- KeySpan Corporate Services Costs - Service company costs consisted primarily of payroll and related payroll burdens. A majority of these costs were associated with meter readers and field collection employees working for KeySpan Corporate Services who provided services jointly to KEDLI and KeySpan Electric Services.

Cost Distributions :

- Niagara Mohawk Cost Centers - More than 99% of the costs distributed by National Grid USA to Niagara Mohawk’s cost centers were directly charged or allocated to Niagara Mohawk.⁷¹
- New England Utility Cost Centers - \$2.4 million distributed by the service company to New England utility centers were charged almost entirely to Massachusetts Electric, Narragansett Electric and Gas, and Granite City Electric. \$1,120 (significantly less than 1%) was charged to Niagara Mohawk.
- National Grid USA Cost Centers – The Customer Meter Services organization in the legacy Grid businesses was located primarily in the utilities. Only 14 out of more than 2,000 employees worked for National Grid USA. As such, the service company distributed relatively insignificant costs, a total of \$2.3 million, primarily to the legacy Grid companies, from its own cost centers. Approximately half the total costs incurred in National Grid USA centers was distributed to Niagara Mohawk. 84%

⁷¹ Allocated costs were distributed among Niagara Mohawk’s electric and gas segments.

of the costs distributed to Niagara Mohawk were directly charged vendor lease costs (non-real estate) incurred in cost center 82790 – Meter Services Performance.

- **KeySpan Corporate Services** – Nearly all of the costs distributed by KeySpan Corporate Services from its own cost centers were payroll and related payroll burdens incurred in the Long Island meter reading and field collections organizations which provided services jointly to KEDLI and KeySpan Electric. A majority of these costs, totaling \$13.6 million in 2009, were allocated between KEDLI and KeySpan Electric based on the relative number of meters serving KEDLI and KeySpan Electric customers on Long Island.⁷² The table below summarizes cost distributions from KeySpan Corporate Services Long Island Field Collections and Long Island Meter Reading cost centers.

Table 5-65 – Customer Meter Services – 2009 Cost Distributions – KeySpan Corporate Services Centers Serving Long Island

Keyspan Corporate Services Customer Meter Services PCCs 248, 305 & 756 2009 Cost Distributions							
PCC	Alloc Code	Alloc Description	Total	Keyspan	KEDLI	KEDNY	Other
248 LI Field Collections	A8700	Direct - KS Electric	1,884,494	1,884,494			-
248 LI Field Collections	A9000	Direct - KEDLI	586,220		586,220		-
248 LI Field Collections	B0600	Meters - LI	6,235,009	4,199,777	2,035,232		-
248 LI Field Collections	CLEAR/OTH	Various	43	29	14		-
248 LI Field Collections	M0600	Sendout LI	485,651	118,123	367,528		-
248 LI Field Collections	M0700	Sendout NY	347,021	40,448	125,662	180,911	-
Total PCC 248			9,538,438	6,242,871	3,114,656	180,911	-
305 AMR / AMI	A7800	Direct - Narr. Gas	(41,191)	-			(41,191)
305 AMR / AMI & 756 LI Meter Reading	A8700	Direct - KS Electric	63,797	63,797			-
305 AMR / AMI	A8800	Direct - Genco	6				6
305 AMR / AMI & 756 LI Meter Reading	A9000	Direct - KEDLI	10,415		10,415		-
305 AMR / AMI	A9100	Direct - KEDNY	320,471			320,471	-
305 AMR / AMI & 756 LI Meter Reading	B0600	Meters - LI	17,410,255	11,724,651	5,685,604		-
305 AMR / AMI	CLEAR/OTH	Various	403,709	-			403,709
305 AMR / AMI	D0600	Phone Calls - LI	50	35	16		(1)
305 AMR / AMI	G2400	3 factor- Gas	610,177	-	233,461	376,716	-
305 AMR / AMI	G5800	3 factor- Gas & Elec	79,462	9,998	6,772	10,439	52,253
Total PCCs 305 & 756			18,857,151	11,798,481	5,936,268	707,626	414,776
Total PCC 248, 305 & 756			28,395,589	18,041,352	9,050,924	888,537	414,776

OC-240, Attachment 1

KeySpan Corporate Services costs associated with cost center 304 - Vice President Customer Meter Services and cost center 276 - Director, Service were allocated more broadly to cost objectives beyond Long Island, including both legacy Grid and legacy KeySpan utilities. This is consistent with the broader duties of service company managers at the Director and Vice President levels.

Gas Distribution - Operations and Construction

Gas Operations and Construction included employees who installed gas service lines and maintained National Grid's gas distributions systems. It had approximately 2,200 employees in 2009. It was divided

⁷² \$13.6 million in KeySpan Corporate Services was distributed in 2009 using allocation code B0600 – "Number of Meters – Customer – LI."

into three regional organizations: New England, Upstate New York (Niagara Mohawk service territory) and Downstate New York (Brooklyn and Long Island). An entity breakdown of employees is shown in the following table.

Table 5-66 – 2009 Gas Operations and Construction Employees

Chrg Dept L2 GAS_DISTRIBUTION				
Chrg Dept L3 GAS_OPS_ & _CONSTRUCT			Employees	
Company			Mar '09	Dec '09
NG	048	Narragansett Gas	155	174
NG	049	Narragansett Electric	-	2
NG	099	NG USA	2	5
KS	BGC	Boston Gas	493	507
KS	COL	Colonial Gas	67	76
KS	CSV	Keyspan Corp Svcs.	72	65
KS	ENH	Energy New Hampshire	43	39
KS	ESX	Essex Gas	24	26
Total New England			856	894
KS	BUG	KEDNY	539	553
KS	BUL	KEDLI	388	368
KS	CSV	Keyspan Corp Svcs.	25	49
Total New York Downstate			952	970
NG	036	Niagara Mohawk	350	359
NG	099	NG USA	21	21
Total New York Upstate			371	380
Total Gas Operations and Construction			2,179	2,244

Service Company Cost Distributions – National Grid USA and KeySpan Corporate Services distributed the following Gas Operations & Construction costs in 2009.

Table 5-67 – 2009 Gas Operations and Construction Cost Distributions

Chrg Dept L2 GAS_DISTRIBUTION						
Chrg Dept L3 GAS_OPS_&_CONSTRUCT						
Chrg Dept L4 OPS_&_CONSTRUCT (New England, New York Upstate, New York Downstate)						
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Service Co. Total Billed	Pct. Direct / Alloc.
48, 99	Gas Ops & Construction - New England	PS Direct -	643	-	16,910,220	100%
		PS Allocated	918	3,537	79,500	0%
		PS Payroll Burdens	-	-	298,519	
		PS Total + PR Burdens	1,561	3,537	17,288,239	
BGC, COL, ENH, ESX, CSV		Oracle Direct	-	-	3,972,911	22%
		Oracle Allocated	-	-	13,851,259	78%
		Oracle Total	-	-	17,824,170	
48, 99, BGC, COL, ENH, ESX, CSV		Total Direct	643	-	20,883,131	60%
		Total Allocated	918	3,537	13,930,759	40%
		PS Payroll Burdens	-	-	298,519	
		Total PS + Oracle	1,561	3,537	35,112,409	
			0%	0%	100%	
BUG, BUL, CSV	Gas Ops & Construction - Downstate New York	Total Direct	-	719,636	719,637	14%
		Total Allocated	-	4,464,290	4,464,289	86%
		PS Payroll Burdens	-	-	-	
		Total Oracle	-	5,183,926	5,183,926	
			0%	100%	100%	
NG 36, 99	Gas Ops & Construction - Upstate New York	Total Direct	13,649,678	-	13,946,324	100%
		Total Allocated	4,832	(58,378)	10,857	0%
		PS Payroll Burdens	2,751,703	1,782	2,986,873	
		Total PS	16,406,213	(56,596)	16,944,054	
			97%	0%	100%	
Source: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Database CY 2009.xls						

Source: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Database CY 2009.xls

Over 90% of the total cost incurred in Gas Operations and Construction in 2009 was incurred within the utilities. We did not find unusual or unexpected service company cost distributions to the New York utilities. As shown in the table above, service company cost distributions to the New York utilities obeyed expectations based on the regional structure of the organization. That is, costs in centers serving the New England region were not charged to the New York utilities; costs in centers serving downstate New York were allocated to KEDLI and KEDNY, but not to Niagara Mohawk; and costs in centers serving upstate New York were allocated to Niagara Mohawk, but not to KEDLI and KEDNY. The organizational structure indicates that the management of legacy Grid and legacy KeySpan operations had not been integrated in 2009. A relatively small number of legacy Grid employees in the Upstate New York component of the organization worked for National Grid USA and the costs in their centers were distributed almost entirely to Niagara Mohawk.

Cost Descriptions:

- **Niagara Mohawk Cost Centers** – National Grid USA distributed \$6.3 million to Niagara Mohawk cost centers in 2009. \$3.8 million (60%) was materials issued from inventory. \$2.3 million (37%) consisted of vendor materials, contractor services and related sales taxes purchased by the service company on Niagara Mohawk's behalf.
- **National Grid USA Cost Centers** – National Grid USA distributed \$7.9 million incurred in its own "company 99" cost centers. \$4.7 million (60%) was contractor services. \$2.3 million (29%) was payroll associated with 21 Gas Operations and Construction employees who worked for National Grid USA in 2009, primarily in cost centers 26020 – Gas Construction New York and 26080 – Damage Prevention – Upstate. Most of the remaining costs consisted of consulting and materials, either purchased from vendors or issued from inventory.
- **KeySpan Corporate Services Costs** – \$22.9 million incurred in KeySpan Corporate Services cost centers consisted primarily of payroll and payroll-related burdens for the New England regional organization. Most of the payroll was associated with approximately 100 Gas Operations and Construction employees who worked for KeySpan Corporate Services. Non-payroll costs consisted primarily of outside services (\$1.7 million), Transportation (\$1.3 million) and Telecommunications (\$663,000).

Cost Distributions:

- **Niagara Mohawk Cost Centers** – Virtually all of the costs charged by National Grid USA to Niagara Mohawk cost centers were directly charged to Niagara Mohawk
- **National Grid USA Cost Centers** – \$7.6 million of the \$7.8 million incurred in National Grid USA were incurred by cost centers in the Upstate New York functional organization. Nearly all of these costs were directly charged to Niagara Mohawk. \$216,640 incurred in cost center 33633 – New England – Cape Cod, was charged to Narragansett Gas and Electric.
- **KeySpan Corporate Services** – A total of \$22.9 million were incurred in KeySpan Corporate Services cost centers in the New England and Downstate New York organizations. Of this \$4.6 million (20%) was directly charged, primarily from Directors' and Vice Presidents' cost centers. \$3.7 million of this was directly charged to Boston Gas, from cost centers 92114 – VP Delivery Gas NE, 92130 – Director – Construction and 92374 – Director - Maintenance. \$10.3 million (45%) was allocated through bill pool G0300, which distributed costs to the New England legacy Grid gas utilities (Boston, Essex, Colonial and Energy North) based on a three-factor composite of assets, revenues and O&M expenses. The costs allocated to the New England utilities were incurred primarily in cost centers 92130 – Director, Construction, 92375 – Damage Prevention and 92114 – VP, Delivery Gas NE. \$4.4 million (19%), were allocated through bill pool G0900, which used a three-factor composite of assets, revenues and O&M expenses to distribute costs to KEDLI and KEDNY. Most of the costs allocated to KEDLI and KEDNY were incurred in cost centers 92098 – Construction NY/LI and 92219 –

VP Operations and Construction, Downstate New York. Remaining costs were allocated through three-factor formula bill pools G2000 (Boston area – Boston, Essex and Colonial) and G5900 (all New England gas – legacy KeySpan plus Narragansett).

Gas Distribution – Gas Distribution Support

Gas Distribution Support functions include dispatching field work, sales completion (Sales Fulfillment), meter testing and repair, mapping and clerical support for gas operations. In 2009 approximately half the organization's 501 employees worked in the utilities and half in the service companies, primarily for KeySpan Corporate Services.

Table 5-68 – 2009 Gas Distribution Support Employees

Chrg Dept L2 GAS_DISTRIBUTION				
Chrg Dept L3 GAS_DIST_SUPPORT				
Gas Dispatch, Sales Fulfillment, Meter Shops & General Support			Employees	
Company			Mar '09	Dec '09
NG	036	Niagara Mohawk	55	70
NG	048	Narragansett Gas	54	33
NG	099	National Grid USA	19	40
KS	BGC	Boston Gas	1	
KS	BUG	KEDNY	107	91
KS	BUL	KEDLI	49	51
KS	CSV	Keyspan Corp Svcs.	185	186
KS	USV	Keyspan Utility Svcs.	31	30
Totals			501	501

Service Company Cost Distributions

National Grid USA and KeySpan Corporate Services distributed the following Gas Distribution Support costs in 2009.

Table 5-69 – 2009 Gas Distribution Support Cost Distributions

Chrg Dept L2 GAS_DISTRIBUTION							
Chrg Dept L3 GAS_DIST_SUPPORT							
Gas Operations Dispatch, Meter Shops, Sales Fulfillment, Mapping & Clerical Support							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
36, 48	Gas Distribution Support - Utility Cost Centers	PS Direct -	1,162,067	-	1,689,444	2,851,511	100%
		PS Allocated	49	-	3,456	3,505	0%
		PS Payroll Burdens	(0)	-	1,533	1,533	
		PS Total + PR Burdens	1,162,116	-	1,694,433	2,856,549	
BUG, BUL		Oracle Direct	-	245	-	245	1%
		Oracle Allocated	-	23,019	-	23,019	99%
		Oracle Total	-	23,264	-	23,264	
36, 48 BUG, BUL		Total Direct	1,162,067	245	1,689,444	2,851,756	99%
		Total Allocated	49	23,019	3,456	26,524	1%
		PS Payroll Burdens	(0)	-	1,533	1,533	
		Total PS + Oracle	1,162,116	23,264	1,694,433	2,879,813	
			40%	1%	59%	100%	
99	Gas Distribution Support - Service Company Cost Centers	PS Direct -	172,998	-	468,390	641,388	33%
		PS Allocated	336,559	72,984	881,139	1,290,682	67%
		PS Payroll Burdens	537,387	55,687	1,249,502	1,842,576	
		PS Total + PR Burdens	1,046,944	128,671	2,599,031	3,774,646	
CSV, USV		Oracle Direct	-	3,082,134	217,208	3,299,342	6%
		Oracle Allocated	663,671	17,019,142	33,269,428	50,952,241	94%
		Oracle Total	663,671	20,101,276	33,486,636	54,251,583	
99, CSV		Total Direct	172,998	3,082,134	685,598	3,940,730	7%
		Total Allocated	1,000,230	17,092,126	34,150,567	52,242,923	93%
		PS Payroll Burdens	537,387	55,687	1,249,502	1,842,576	
		Total PS + Oracle	1,710,615	20,229,947	36,085,667	58,026,229	
			3%	35%	62%	100%	
Source: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Database CY 2009.xls							

Source: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Database CY 2009.xls

Because the functions performed by the legacy Grid and legacy KeySpan service companies were different, and because a large percentage of the Gas Distribution Support organization was located within the various utilities, an overall comparison of service company costs to broad measures of relative entity size would not be meaningful. We did not find unusual or unexpected service company cost distributions to the New York utilities. The legacy Grid and legacy KeySpan service company functions were not integrated in 2009. For the most part, costs incurred in National Grid USA cost centers were charged to the legacy Grid utilities and costs incurred in KeySpan Corporate and Utility Services were charged to the legacy KeySpan utilities.

Cost Descriptions:

- Legacy Grid Utility Cost Centers – Costs charged to Niagara Mohawk and Narragansett Gas cost centers consisted almost entirely of vendor materials, contractor and consulting services and associated sales tax purchased by National Grid USA on behalf of the utilities.
- National Grid USA Costs – \$1.9 million incurred in National Grid USA cost centers consisted primarily of payroll. Payroll costs of \$1.8 million amounted to \$61,000 per employee for an average of approximately 29 employees in 2009.

- KeySpan Corporate and Utility Services - \$26.3 million (66%) of the costs incurred by KeySpan Corporate Services cost centers in 2009 consisted of payroll and payroll-related burdens. This amounts to \$122,000 per employee for an average of approximately 216 KeySpan service company employees in 2009. \$8.5 million (21%) was “equipment.” Facilities, transportation and telecommunications charges made up most of the remaining costs.

Cost Distributions:

- Legacy Grid Utility Cost Centers – Virtually all of the \$2.9 million charged from National Grid USA to utility cost centers was directly charged to Niagara Mohawk and Narragansett Gas for payments by the service company on behalf of these utilities. As noted above, costs directly charged to Niagara Mohawk consisted primarily of vendor materials (most likely gas meters and related items) and contract services in cost center 35900 – Gas Meter Shop, Upstate New York. Most of the costs charged to Narragansett Gas were contract services in cost center 33660 – Gas Ops Clerical, Rhode Island and vendor materials (meters) in cost center 33620 – Meter Shop Rhode Island.
- National Grid USA Cost Centers - \$641,388 (33%) was directly charged. Cost centers 33636 – Sale Fulfillment-Waltham, 33639 – Gas Contractors- RI Supervisor – Service Company and 33646 – Mapping – RI Service Company directly charged Narragansett Gas. Cost Centers 85050 – Manager Gas Support Services – UPNY and 87420 – NY Upstate Dispatch directly charged Niagara Mohawk. \$1.3 million (67%) was allocated. 85% of the allocated cost was incurred in cost center 38100 – Dispatch MWork (meter work) and most of it was distributed on the basis of relative levels of direct O&M expenses through bill pools 229 (all legacy Grid electric and gas utilities) and 232 (New England electric distribution utilities).
- KeySpan Corporate Services and KeySpan Utility Services – The legacy KeySpan service companies charged \$54.3 million of \$58.0 million (94%) in service company costs billed in 2009. KEDLI and KEDNY were directly charged a combined \$3.1 million from cost center 92097 - Sales Fulfillment.⁷³ Nearly all of the remainder, apart from clearings, was allocated using a three-factor formula based on assets, revenues and O&M expenses, applied to several cost pools, as follows:
 - o \$28.4 million was allocated through cost pool G0300, which distributed costs to the legacy KeySpan gas entities in New England (Boston Gas, Essex Gas, Colonial and Energy North). Niagara Mohawk and Narragansett Gas, the two primary legacy Grid gas utilities, and KEDLI and KEDNY, the two legacy KeySpan companies in New York, are excluded from this pool. The primary Gas Distribution Support functions allocated through G0300 in 2009 were Meter Operations, Manager Dispatch, GIS and Mapping, Mandated Programs and Leak Survey.

⁷³ KEDNY and KEDLI had their own Sales Fulfillment employees. Give this, we asked why KeySpan Corporate Services also allocated Sales Fulfillment costs to KEDNY and KEDLI. In response to data request OC-243, National Grid stated that “[i]n March 2009 the KeySpan Sales Fulfillment function consisted of 62 employees. This total included 50 from the Service Company [KeySpan Corporate Services], 7 from KEDNY and 5 from KEDLI.” The company further stated that the employees with KEDNY and KEDLI were “largely field inspectors who would generally provide direct support to those operating companies” and “the Service company employees charged their time to the entities they supported.”

- o \$1.8 million was allocated through cost pool G5900, which distributed costs to all New England gas entities. The cost objectives for G5900 include all of the companies in cost pool G0300, plus Narragansett Gas. Niagara Mohawk, KEDLI and KEDNY are not cost objectives in this pool. The Sales Fulfillment function accounted for more than half the total 2009 allocation. Relatively small amounts from Meter Operations, GIS and Mapping, Asset Management and Manager Dispatch were also distributed.
- o \$1.6 million was allocated through cost pool G5200, which distributed costs to all National Grid gas utilities. The primary cost centers allocated to all gas entities were the Vice President of Distribution Support and a small portion (approximately 10%) of the Sales Fulfillment cost center.

Gas Distribution – Network Strategy

The Gas Network Strategy organization includes the planning, engineering and gas system control functions. In 2009 it had an average of approximately 315 employees, 75% of whom worked for the legacy KeySpan companies. Most of the legacy KeySpan employees (an average of 159) worked for the KeySpan service companies. A majority of the legacy Grid employees worked for Niagara Mohawk. An entity breakdown is shown in the following table.

Table 5-70 – 2009 Gas Distribution Network Strategy Employees

Chrg Dept L2 GAS_DISTRIBUTION				
Chrg Dept L3 NETWORK_STRATEGY				
Planning, Engineering and Gas System Control				
			Employees	
Company			Mar '09	Dec '09
NG	036	Niagara Mohawk	57	45
NG	048	Narragansett Gas	5	5
NG	099	National Grid USA	24	23
KS	BUG	KEDNY	41	37
KS	BUL	KEDLI	38	36
KS	CSV	Keyspan Corp Svcs.	112	154
KS	USV	Keyspan Utility Svcs.	27	24
Totals			304	324

Service Company Cost Distributions – National Grid USA and KeySpan Corporate Services distributed the following Gas Network Strategy costs in 2009.

Table 5-71 – 2009 Gas Distribution Network Strategy Cost Distributions

Chrg Dept L2 GAS_DISTRIBUTION							
Chrg Dept L3 NETWORK_STRAT							
Engineering, Planning & Gas System Control							
Employee Co.	Functional Organization	Ledger & Cost Distribution Method	2009 Niagara Mohawk	2009 KEDLI & KEDNY	2009 Other NG Entities	2009 Service Co. Total Billed	Pct. Direct / Alloc.
36, 48	Gas Network Strategy - Utility Cost Centers	PS Direct -	2,747,052	-	24,727	2,771,779	100%
		PS Allocated	2,970	1,237	3,179	7,386	0%
		PS Payroll Burdens	(1,319)	(2,523)	(2,064)	(5,906)	
		PS Total + PR Burdens	2,748,703	(1,286)	25,842	2,773,259	
BUG, BUL		Oracle Direct	-	-	-	-	0%
		Oracle Allocated	-	61,323	-	61,323	100%
		Oracle Total	-	61,323	-	61,323	
36, 48 BUG, BUL		Total Direct	2,747,052	-	24,727	2,771,779	98%
		Total Allocated	2,970	62,560	3,179	68,709	2%
		PS Payroll Burdens	(1,319)	(2,523)	(2,064)	(5,906)	
		Total PS + Oracle	2,748,703	60,037	25,842	2,834,582	
				97%	2%	1%	100%
99	Gas Distribution Support - Service Company Cost Centers	PS Direct -	171,225	-	1,087,511	1,258,736	51%
		PS Allocated	168,161	586,978	458,824	1,213,963	49%
		PS Payroll Burdens	381,258	332,499	1,276,877	1,990,635	
		PS Total + PR Burdens	720,644	919,477	2,823,212	4,463,334	
CSV, USV		Oracle Direct	-	1,133,830	291,059	1,424,889	4%
		Oracle Allocated	1,800,284	16,703,302	15,280,873	33,784,459	96%
		Oracle Total	1,800,284	17,837,132	15,571,932	35,209,348	
99, CSV, USV		Total Direct	171,225	1,133,830	1,378,570	2,683,625	7%
		Total Allocated	1,968,445	17,290,280	15,739,697	34,998,422	93%
		PS Payroll Burdens	381,258	332,499	1,276,877	1,990,635	
		Total PS + Oracle	2,520,928	18,756,609	18,395,144	39,672,682	
				6%	47%	46%	100%
Source: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Database CY 2009.xls							

Source: Legacy Grid Allocation Database CY 2009.xls and Legacy KeySpan Database CY 2009.xls

The functions performed by the legacy Grid and legacy KeySpan service companies were different and the legacy KeySpan organization maintained a greater number of functions and employees within the service companies, compared with the legacy Grid organization, which maintained most functions in the utilities. Because of this, an overall comparison of service company costs to broad measures of relative entity size would not be meaningful. We did not find unusual or unexpected cost distributions to the New York utilities. In keeping with the relatively low level functional integration between the legacy Grid and KeySpan service company organizations, 2009 costs incurred in National Grid USA centers were charged primarily to the legacy Grid companies, and costs incurred in KeySpan Corporate and Utility Services centers were charged mainly to the KeySpan utilities. A relatively small distribution of costs from National Grid USA to Niagara Mohawk is consistent with the organizational structure, in which Niagara Mohawk maintained most of the employees providing services to New York on its own books.

Cost Descriptions:

- Niagara Mohawk Cost Centers – An average 51 employees worked for Niagara Mohawk. Nearly all of the \$2.8 million directly charged to utility cost centers consisted of contractor services and materials paid for by National Grid USA on behalf of Niagara Mohawk.

- National Grid USA Cost Centers –\$1.3 million directly charged by National Grid from service company cost centers consisted primarily of payroll and employee expenses from the Waltham Engineering and Design cost center (charged to Narragansett Gas) and the Materials and Standards and Corrosion Control cost centers (charged to Niagara Mohawk). \$1.0 million in allocated costs also consisted primarily of payroll and related employee expenses, much of which was incurred in the Network Strategy Executive, Investment Portfolio Management and Materials and Standards cost centers.
- KeySpan Corporate Services and KeySpan Utility Services Costs – Nearly nine of 10 *service company* employees in the Gas Network Strategy organization worked for KeySpan Corporate or KeySpan Utility Services. Approximately 90% of the costs incurred in the legacy KeySpan service companies consisted of payroll and payroll burdens incurred in 10 cost centers covering the Gas Engineering, Resource Management, Gas Standards and Policy, Regulatory Compliance, Corrosion and Gas Control functions. Contract labor and dues and memberships accounted for approximately 10% of total costs on a combined basis.

Cost Distributions:

Service Company Cost Distributions For Gas Network Strategy – 2009 cost distributions for the Network Strategy organization generally meet expectations given the structure of National Grid’s functional organization and the location of the entities charged. Costs directly charged by National Grid USA to Niagara Mohawk reflect vendor payments made on behalf of Niagara Mohawk utility functions. 80% of the Gas Network Strategy costs distributed by the service companies in 2009 were charged by the legacy KeySpan service companies. Apart from clearings, most of these costs were allocated through three cost pools that distributed the costs either to all National Grid gas utilities, or to subsets of these utilities. As discussed below, the assignment of specific functions to each of the large cost pools appears reasonably consistent with the 2009 entity distributions of employees in the Network Strategy organization.

- Cost Distributions From Utility Cost Centers – Nearly all of the \$2.8 million distributed by National Grid USA from Niagara Mohawk cost centers was directly charged to Niagara Mohawk. Most of the costs were vendor materials (primarily in cost center 35100 – Niagara Mohawk Gas System Engineering) and contractor and consultant services in cost center 35100 and in 84420 – Corrosion Central Upstate New York and 85510 – Corrosion East. With the exception of small amounts associated with employee expense reimbursements, all of these costs appear to be payments to vendors by National Grid USA on behalf of Niagara Mohawk.
- Cost Distributions From National Grid USA Cost Centers – \$1.3 million was directly charged by National Grid USA from its own cost centers. A relatively small amount, \$171,000, was charged to Niagara Mohawk, primarily from cost centers 86880 - Materials and Standards and 86890 - Corrosion Control. \$976,000 was charged directly to Narragansett Gas from cost centers 33634 - New England Gas Control and 33629 - Waltham Project Engineering and Design. We asked whether the centers were dedicated to Narragansett Gas, and if so, why they were housed in

National Grid USA instead of the utility. National Grid's response was that 1) they were not dedicated to Narragansett Gas and 2) the KeySpan merger was being finalized at the time of the acquisition of New England Gas' (including Narragansett's) assets. These employees were already part of the service company, and keeping them there allowed them to be charged to New England Gas directly, while also allowing future flexibility to permit them to easily charge the KeySpan New England companies as the gas line of business became more integrated.⁷⁴

An additional \$1.2 million was allocated by National Grid USA, primarily from cost centers 10250 – Network Strategy Gas Executive, 86880 – Materials and Standards, 86800 – Investment Portfolio Management and 86030 – Director Operations, Regulatory Compliance. 98% of the service company Gas Network Strategy costs allocated in 2009 was charged through bill pool 90200, which distributes to all National Grid gas utilities based on relative O&M expense. This appears consistent with the global nature of the functions in these cost centers.

- Cost Distributions From KeySpan Service Company Cost Centers – Over \$35 million (89%) of the Gas Network Strategy costs charged by the service companies in 2009 were costs distributed by KeySpan Corporate Services and KeySpan Utility Services. Most of these costs were allocated using a three-factor formula based on assets, revenues and O&M expenses. Specifically:
 - \$9.5 million was distributed through cost pool G0300 to the legacy KeySpan gas utilities in New England (Boston Gas, Essex Gas, Colonial and Energy North.) The primary cost centers distributed using this allocator included 413 - Projects Engineering, 416 - Corrosion and 467 - Gas Control New England. The New York gas utilities and Narragansett Gas in New England are excluded from this cost pool. This appears consistent with the makeup of the Network Strategy organization, in which almost half the work force is employed by the New York gas utilities or by Narragansett. The Network Strategy organization serving the legacy KeySpan gas utilities in New England is housed in KeySpan Corporate Services, rather than the KeySpan utilities.
 - \$8.4 million was distributed through cost pool G5200 to all National Grid gas distribution utilities. The primary cost centers distributed to all gas utilities included two Engineering Vice Presidents (101 and 218), 416 – Corrosion and 607 - Materials and Standards. The “all gas utilities” allocation of the Vice Presidents centers is consistent with the global nature of their responsibilities. The allocation of Materials and Standards to all gas utilities mirrors the treatment of this function within National Grid USA, which also distributes it among all gas utilities.
 - \$4.7 million was distributed using allocation code G2400 to all legacy KeySpan gas entities in New England and New York (all gas distribution entities except Niagara Mohawk). The primary cost centers included Resource Management and Operations Engineering. In 2009 Niagara

⁷⁴ Response to OC-242

Mohawk was the only National Grid utility with its own Gas Engineering organization (cost center 35100, which had 13 employees.)

6. ANALYSIS OF SERVICE COMPANY COST ALLOCATION METHODS AND FACTORS

Introduction

This chapter covers a review of the allocation methods and factors used by National Grid to distribute service company costs during the audit period. It describes the procedures used to distribute legacy Grid and legacy KeySpan service company costs, their similarities and differences, and the potential impact of using two sets of procedures on the costs distributed to the New York utilities. Recognizing that National Grid relied on two separate sets of allocation procedures (one for legacy Grid and one for legacy KeySpan), our primary objectives were as follows:

- Document National Grid's allocation procedures during the analysis period,
- Analyze significant individual allocators (those allocating most of the service companies' costs) to determine how they were calculated and how they worked to produce allocation outcomes,
- Determine whether the allocation methods used were free from systemic bias with respect to regulated vs. non-regulated entities,
- Determine whether allocation methods produced reasonable results for the New York utilities.

Analysis Scope

National Grid has maintained separate sets of allocation procedures and methods for its legacy Grid and legacy KeySpan service companies since the August, 2007 merger.¹ These procedures are essentially tied to the separate accounting systems that the company has maintained for each set of legacy companies since the KeySpan merger. Given that the methods have remained essentially the same from the time of the KeySpan merger, we focused our analysis primarily on allocation procedures and factors used during calendar years 2009 and 2010, and covering factors between fiscal years 2009 and 2011.

Summary of Findings

1. Overall Assessment – During our analysis period (calendar years 2009 and 2010), National Grid's cost allocation process was used primarily to distribute the common costs of shared utility and corporate activities performed by service company employees among multiple cost-regulated utilities, a generation company and a contract to provide electric distribution management services on Long Island.² Non-regulated entities engaged in activities not traditionally associated with regulated utilities (such as appliance repair services) were a small part of National Grid's business; as such, there was little risk of significant cross-subsidies flowing to non-regulated, non-utility ventures due to allocation procedures. In addition, although the size-based financial measures used to distribute a majority of common service company costs were

¹ In 2011, National Grid hired a consultant to study its allocation processes and to propose a unified set of allocation procedures for all companies, to be implemented with the conversion to the SAP accounting system late in 2012. The details of the new allocation processes have been discussed with the NYDPS staff.

² KeySpan Generation and KeySpan Electric Services are not subject to cost regulation.. They provide services to the Long Island Power Authority under negotiated contracts.

economically arbitrary³ and there were differences in methods between legacy Grid and legacy KeySpan procedures that affected allocation results (compared with the results that would have been achieved with a unified set of procedures), in general, the procedures employed distributed common costs proportionally among the entities deemed to be objectives (beneficiaries) of the costs. Viewed independently, each legacy company's allocation procedures, although they did not necessarily maximize the opportunities to distribute costs on an "attributable" basis, appeared free from material systemic bias (i.e. material bias that favored particular outcomes). As discussed below, there were issues that affected some allocation results and that could be argued to be advantageous or disadvantageous to a specific region or affiliate; however, the amounts involved were generally small in percentage and dollar terms, involving only a few percentage points difference in potential outcomes and a maximum shift of a few million dollars among entities.

2. Legacy Grid Allocation Procedures – National Grid USA directly charged nearly two-thirds of the total costs it billed to affiliates during calendar years 2009 and 2010. The high direct charge percentage is the result of the service company's heavy use of "convenience payments," which were primarily vendor payments that the service company made on behalf of specific affiliates (usually utilities) and then billed to those affiliates. Following are the key facts concerning costs that were allocated (rather than directly charged) under legacy Grid's allocation procedures:
 - a. Total costs allocated by National Grid USA were \$479 million in 2009 and \$417 million in 2010.⁴
 - b. 7.2% of allocated costs were allocated only within Niagara Mohawk between the company's gas distribution, electric distribution and electric transmission segments. These allocations were based upon factors negotiated between National Grid and the New York Department of Public Service.
 - c. 65.2% of allocated costs were distributed using relative levels of O&M expense. The calculation of O&M expense excluded wheeling and purchased power, as well as A&G expenses (expenses charged to FERC accounts 920 through 930), but included intercompany expense and service company allocations.
 - d. 9.8% of allocated costs were distributed exclusively among utilities in New England based on customers.
 - e. 6.9% of allocated costs were distributed based on employees.

³ There are many ways of calculating an "acceptable" (fair) allocator using measures of size. Various balance sheet or income statement measures may be selected and determined to be reasonable. Various accounts or account groups may be included or excluded for various reasons. Operational measures, such as the number of employees, may be added to form a "composite" allocator and the individual components of such an allocator may be weighted in different ways. However, to the extent no particular allocator among a group of acceptable allocators can be demonstrated to be objectively superior to the others in linking the costs with affiliate cost objectives on the basis of causation, all are "unattributable" and are arbitrary in an economic sense. This does not mean they are "unfair" or should be rejected by regulators; however, non-attributable allocators should not be used when measures that can attribute cost more directly on the basis of causation are available.

⁴ These amounts include \$39.7 million in 2009 and \$25.2 million in 2010 charged to Niagara Mohawk and allocated among its segments.

- f. 10.9% of allocated costs were distributed using a variety of other allocation bases, including, among other methods, microwave circuit miles (telecommunications expenses), aerial devices, budgeted transportation expenses, and a composite based on purchase orders, invoices and average inventory balances.
- 3. Legacy KeySpan Allocation Procedures – Excluding expense clearings and certain other transactions, which subtract from the amounts distributed, the legacy KeySpan service companies (KeySpan Corporate Services, Engineering Services and Utility Services) directly charged 41% of their costs in 2010. Following are the key facts concerning costs that were allocated (rather than directly charged) under legacy KeySpan’s allocation procedures:
 - a. Total costs allocated by the legacy KeySpan service companies were \$551 million in 2009 and \$546 million in 2010.
 - b. 57.6% of allocated costs were distributed using a composite of assets, revenue and O&M expense. Unlike the equivalent legacy Grid allocator, the O&M component of the three-factor composite included A&G expense and excluded intercompany expenses and service company allocations.
 - c. 15.4% of allocated costs were distributed based on the number of employees. The KeySpan companies “allocated” certain service company employees to some entities based on the nature of the services provided, which increased the amount of costs drawn by the employee allocator to those entities.
 - d. 13.9% of allocated costs were distributed using customers or customer meters. More than half of meter-allocated costs were distributed between KeySpan Electric Services (Long Island electric distribution) and KEDLI (Long Island gas distribution).
 - e. 8.8% of allocated costs were distributed using telephone call volumes.
 - f. 4.3% of allocated costs were distributed using other allocation bases, including property, revenue, customer bills and gas volumes.
- 4. Inadequate Cost Allocation Manual Documentation – The definitions of some allocators in the legacy Grid and legacy KeySpan cost allocation manuals are lacking in detail sufficient to understand the calculation of the allocator. Specifically:
 - a. The definition of legacy Grid’s O&M allocator notes that the calculation excludes wheeling and purchased power, but fails to note that it also excludes A&G expense (expense accounts 920 through 930).
 - b. Cost manual definitions for both financial-size allocators (O&M expense for legacy Grid and the three-factor composite for legacy KeySpan) fail to note that O&M expenses for the legacy Grid allocator include service company and other inter-company expenses.⁵

⁵ As discussed in another finding, the inclusion of service company expenses in O&M expense used to calculate allocation factors introduces circularity into the allocation process.

- c. The definition for legacy KeySpan defines the “3-Point Formula” as consisting of an “equal weighting of Revenue, Assets and Expenses” but does not describe what is meant by any of these terms.
 - d. The definition of legacy Grid’s employee allocator incorrectly describes how service company employees are treated for purposes of allocation.
 - e. The definition of legacy KeySpan’s employee allocator fails to note that certain service company employees are “allocated” to certain operating companies and treated, for cost allocation purposes, as though they belong to those operating companies.
5. Circularity (Feedback) Built into the Legacy Grid O&M Expense Allocator – The legacy Grid O&M expense allocator excludes A&G expense accounts which contain much of the costs charged by the service companies. However, the allocator *includes* prior period allocated service company expenses from other (non-A&G) O&M accounts. This introduces a feedback mechanism into the allocation process whereby service company allocations from one year help determine the allocation factors used to distribute service company costs in the next year. We estimate this changed Niagara Mohawk’s share of legacy Grid’s O&M-based allocation to all Grid companies (legacy Grid bill pool 236) by approximately 2% in fiscal year 2011, lowering it from 53.9% to 51.7%, and that it affected other legacy Grid O&M bill pools in a similar proportion (i.e., reducing the amount allocated to Niagara Mohawk by about 4%).^{6 7}
6. Impact of Method Differences in Legacy Grid and Legacy KeySpan Financial Size Allocators– In both legacy companies, a majority of allocated costs were distributed using “unattributable” allocators based on relative financial size. Legacy Grid used O&M expense and legacy KeySpan used a composite of assets, revenue and O&M expense. Although the methods were different, the factors applicable to the New York utilities resulting from them were similar. The largest factor difference applicable to a New York utility was Niagara Mohawk in fiscal year 2010, when its share of legacy Grid’s “all” company O&M expense allocation (bill pool 382) was 31.55%, while its share of Legacy KeySpan’s “all” company three-factor composite allocation (bill pool G5100) was 29.25%. For fiscal years 2010 and 2011, Niagara Mohawk’s and KEDLI’s allocations were lower by an average of about 1.7% when the other legacy service company’s financial size allocator was used instead of its own legacy service company, while KEDNY’s costs were a little more than 0.5% higher when legacy Grid’s O&M allocator was used instead of the three-factor composite allocator to distribute costs allocable to “all” companies.

⁶ Estimated based on: $2\% \text{ change in NiMo Allocation} / 53.9\% = 3.7\% \text{ actual NiMo allocation, rounded to } 4\%$.

⁷ In general, circularity in the O&M allocator reduced O&M-based allocations to Niagara Mohawk and increased similar allocations to the legacy Grid New England utilities. The reason for this is that more of the service company O&M expenses in accounts other than A&G were allocable to New England than to Niagara Mohawk. This is because during the analysis period, some functions performed for New York were maintained within Niagara Mohawk, while their New England regional equivalents were maintained within the service company to facilitate cost distribution among multiple New England affiliates. This created more allocable service company expenses for New England. By itself this was not a problem; however, because the Grid O&M allocator included allocated service company expense, it increased New England’s weight within the allocator, causing New England to draw a higher proportion, and New York a lower proportion, of allocable cost relative to what would have been calculated had service company costs been excluded.

7. Differences between Actual Employees and Counts Used in Employee Allocators – Employee counts used in allocators for particular companies in a given year were different from actual average employees during the same year for several reasons: 1) the time lag between the measurement date for employees included in the allocator and the actual number of employees working at the time costs were allocated; 2) exclusion of non-regulated employees from the allocators used to distribute costs to “all” companies (primarily for allocations from legacy Grid’s “all” company bill pool); and 3) assignment of service company employees to the employee counts of affiliated operating companies (for legacy KeySpan employee allocators). The impact of time lag on relative percentages attributable to specific affiliates was small because it affected most companies proportionately. The exclusion of non-regulated employees (comprising about 4.6% of total employees in calendar year 2009 and 1.5% in calendar year 2010) from legacy Grid’s “all” company allocator increased the amounts distributed to the other companies included in the allocator. The shares of cost from the legacy Grid service company’s “all” employee allocator charged to the New York utilities were all slightly higher as a result of excluding non-regulated employees from the allocator. The assignment of service company employees to KeySpan operating companies in legacy KeySpan’s “all” company employee allocator lowered Niagara Mohawk’s share of costs from the pool, and had little impact on KEDNY or KEDLI because most of the allocated KeySpan service company employees were assigned to other KeySpan operating companies (e.g. KeySpan Generation, for which the assignment of service company employees more than doubled the employee count used in the allocator).
8. Allocations Based on Customers or Customer Meters – We did not find issues or problems with customer or customer meter-based allocators; however, we did not receive customer counts for comparison with customer meters. Customer-based allocations within legacy Grid were limited to the distribution of customer contact and related costs from a single bill pool to the New England utilities and did not affect New York. Customer meter-based allocations were confined to distributions within the legacy KeySpan group of companies, and primarily to the distribution of meter reading, field collections and related costs between KEDLI and KeySpan Electric Services on Long Island and between KEDLI and KEDNY.
9. Allocations Based on Telephone Calls – KeySpan allocated customer contact expenses incurred in New England and New York using telephone calls. We found individual company telephone calls relative to meters were proportional for several companies; for example, KeySpan Electric Services’ share of meters averaged 29.4% in fiscal years 2009-2011, while its share of telephone calls during the same period was 29.8%. KEDNY had an average 32.0% of meters, but 38.4% share of total telephone calls. While KEDNY’s telephone calls were high relative to meters, Boston Gas showed a significantly lower share of telephone calls (averaging 12.4%) than meters (16.7%). Boston Gas also showed an unexpected decline in telephone calls in fiscal 2010 (dropping 22% from fiscal 2009) followed by an unexpected significant increase in fiscal 2011

(increasing 42% from fiscal 2010).⁸ National Grid acknowledged there was a problem with the Boston Gas call count used in fiscal year 2010 in that it included only a subset of total calls. Based on an assumption that the total number of Boston Gas calls was proportionally the same in fiscal 2010 as in fiscal 2009 and 2011, National Grid estimated that as a result Boston Gas had been under-allocated by \$1,761,069, KEDNY had been over-allocated by \$1,086,255, KEDLI over-allocated by \$3,269 and other entities (primarily the other New England gas companies) over-allocated by \$671,545 in fiscal year 2010.⁹

Summary of Allocation Procedures and Methods

During the review period, legacy Grid and legacy KeySpan both used the same basic steps to distribute costs incurred by their service companies. They directly charged costs deemed to be attributable to one or more specific affiliates and allocated costs common to more than one affiliate. Common costs were distributed by assigning them to bill pools which allocated based on measures of relative financial or operating size.¹⁰ A bill pool is unique combination of an allocation method and a group of affiliates (cost objectives) deemed to benefit from the costs. For example, a combination of affiliates such as “all New England utilities” and a size-based allocation method such as O&M expense constitutes a bill pool.

Some of National Grid’s service company allocations were based on operational measures such as customers (or customer meters) and employees. In some cases, including customer activities allocated using customers, meters or telephone calls, and human resources activities allocated using employees, allocators reflected a relationship between the level of activities that give rise to the costs and the affiliates to which the costs were distributed. These allocators are arguably “attributable.”

Over 60% of all costs allocated in 2009 and 2010 were distributed based on measures of relative financial size. These included allocations based on operating expense for the legacy Grid companies and a three-factor composite of assets, revenues and O&M expense for the legacy KeySpan companies. They usually did not link the activities that gave rise to the costs with the affiliate cost objectives to which they were distributed; as such, we would classify these allocations as “unattributable.” However, given that allocations based on financial size were used to distribute costs primarily among affiliates with similar operating characteristics, there is no reason to believe they did not generally produce reasonable or fair results.

⁸ The significant decrease in telephone calls, followed by a significant increase, was unexpected in that Boston Gas’s meters were relatively steady during this period.

⁹ Email from John O’Shaughnessy to Robert Welchlin, Questions re. telephone call metric and ‘D’ series bill pools used by KeySpan service companies. July 2, 2012

¹⁰ Legacy Grid refers to costs grouped in a pool for allocation purposes as a bill pool. Legacy KeySpan does not use the term bill pool; however, we have used the term consistently throughout our report to refer to any collection of legacy Grid or legacy KeySpan service company cost allocated to a specific group of affiliates using a specific allocation method.

Regulatory Issues Connected With Size-Based Allocators

One of the key concerns utility industry regulators have historically had with joint and common costs is that cross-subsidies can flow from cost-regulated utilities to non-regulated, non-utility entities through the cost allocation process. This occurs when the utilities, because of the way allocations are designed, wind up funding more than their share of service company costs common to both regulated and non-regulated operations. The distribution of large amounts of cost using “unattributable” size-based allocators warrants scrutiny because they tend to be inherently arbitrary, and because they may be managed to influence allocation outcomes. Although they often do not produce “attributable” cost distributions, size-based allocators are usually not a problem from a regulatory standpoint unless they are used to distribute costs among affiliates that lack similar operating or ownership characteristics. For example, some utility holding companies consist of a mixture of both regulated utilities and non-regulated, non-utility entities. When the regulated utilities and non-regulated entities both draw significant resources from a service company but do not have similar operating characteristics, measures of relative financial size such as assets, revenue or operating expense may not reflect the relative level of costs caused or benefits received by the regulated and non-regulated entity groups. In such cases, the use of “unattributable” measures of financial size to distribute common costs may not produce reasonable results.

During the analysis period, National Grid consisted primarily of electric and gas utilities with similar operating characteristics. Most of the costs incurred by the service companies were either directly associated with a particular utility entity or were common to the operation of more than one utility. Setting aside KeySpan’s power generation and electric distribution businesses dedicated to serving the Long Island Power Authority, for which many attributable service company activities and costs were ring fenced in KeySpan Engineering Services and KeySpan Utility Services, National Grid’s non-regulated businesses were dwarfed by its cost-regulated utilities. Moreover, KeySpan Electric Services, which served LIPA, but did not own the distribution system assets, was effectively treated for cost allocation purposes as though it was one of National Grid’s utilities. For example, although owned by another entity (LIPA), National Grid included the Long Island electric distribution assets in its three-factor allocator consisting of a composite of assets, revenue and operating expense for the purpose of distributing costs common to KeySpan Electric Services and its owned utilities.

National Grid’s “unattributable” allocators were somewhat arbitrary and to some extent not well documented in cost allocation manuals. However, both legacy Grid’s and legacy KeySpan’s allocation procedures distributed most costs proportionally across the entities deemed to be beneficiaries of the activities grouped within individual bill pools. Overall, during the analysis period of calendar years 2009 and 2010, the allocation processes of both legacy companies appear to have been free from material bias that favored specific allocation outcomes.

Overview of Legacy Grid Allocation Procedures

The table below summarizes cost distributions from National Grid USA for calendar years 2009 and 2010.¹¹

Table 6-1 – Summary of National Grid USA Calendar Year 2009 & 2010 Cost Distributions

Summary of National Grid USA Calendar Year 2009 & 2010 Cost Distributions				
Category	2009		2010	
	Amount	Percent	Amount	Percent
Bill Pools Allocated Only Among Niagara Mohawk Segments	39,699,628	2.9%	25,156,374	1.7%
Bill Pools Allocated Among Entities	439,740,112	32.4%	391,931,071	25.8%
Subtotal Allocated Costs	479,439,740	35.3%	417,087,445	27.4%
Directly Charged (No Bill Pool)	877,324,221	64.7%	1,102,948,685	72.6%
Total Cost Distributions (1)	1,356,763,961	100.0%	1,520,036,130	100.0%
(1) Excludes -\$50,340 in 2009 & -\$207,982 in 2010 charged to Narragansett; allocated between Gas & Electric. Source: OC-1, Legacy Grid Allocation Database CY 2009.xls and Legacy Grid Allocation Database CY 2010.xls				

A majority of the costs distributed by National Grid USA in 2009 and 2010 were directly charged. Only about one-third of the costs distributed in 2009 and slightly more than one-fourth of the costs distributed in 2010 were allocated. National Grid USA's relatively high direct charge percentage is due to the prevalence of "convenience payments" (payments, usually to vendors, made by the service company on behalf of affiliates) within the legacy Grid group of companies.

Legacy Grid (National Grid USA) Allocated Costs

The following table breaks out allocated costs by category and for significant individual bill pools. Additional detail, showing the factor percentages for each cost objective in the bill pool, is shown in Exhibit 6-1. As the table demonstrates, National Grid USA used a limited number of allocation bases for most of its allocated cost distributions. In most cases it was the scope of the allocation (the combination of entities and segments to which the cost was distributed) that determined the bill pool, not the allocation basis. Nearly two-thirds of costs allocated by National Grid USA were distributed based on relative levels of directly incurred O&M (O&M excluding fuel, purchased energy and service company costs). The discussion below covers each significant set of allocated costs.

¹¹ Based on comments to our draft report, National Grid considers costs in bill pools allocated only among Niagara Mohawk's segments to directly charged, rather than allocated. Viewed from this perspective, National Grid USA directly charged 67.6% of its costs in 2009 and 74.3% of its costs in 2010 and it allocated 32.4% of its costs in 2009 and 25.8% in 2010.

Table 6-2 –National Grid USA Service Company Bill Pools and Cost Allocations

National Grid USA Service Company Bill Pools and Cost Allocations - 2009 and 2010													
Allocation Basis	Bill Pool	Allocation Scope										Amounts Allocated by Year	
		Legacy Cos.			Entity Type		Segment					2009	2010
		Grid NE	Grid NY	KS	Utility	Non-Utility	Electric Dist	Electric Trans	Electric Gen	Gas Dist	Other		
Factors Agreed to with NYDPS	100		X		X		X	X		X		18,900,527	5,546,317
	101		X		X		X	X				4,034,817	4,777,901
	102		X		X		X			X		16,764,284	14,832,156
Subtotal Niagara Mohawk Segment Allocations												39,699,628	25,156,374
Directly Incurred O&M Excluding Fuel and Energy	203	X	X	X	X		X					19,514,490	5,168,693
	231	X	X				X			X		29,395,785	27,522,906
	232	X			X		X					21,263,845	16,003,111
	233	X	X		X			X				19,215,668	19,957,427
	235	X			X		X			X		17,696,679	16,200,527
	236	X	X		X		X	X		X		49,145,580	26,381,415
	380	X	X		X	X	X	X		X	X	43,628,406	36,851,107
	382	X	X	X	X	X	X	X	X	X	X	63,165,787	51,487,422
	388	X	X	X	X		X			X		8,499,153	21,655,840
25 Others											43,140,764	49,075,855	
Subtotal O&M Expense Based Allocations												314,666,157	270,304,303
Customers	247	X			X		X					49,321,551	38,280,561
Subtotal Customer Based Allocations												49,321,551	38,280,561
Employees	353	X	X		X	X	X	X		X	X	11,610,396	8,200,403
	354	X	X	X	X	X	X	X	X	X	X	13,871,271	20,395,247
	4 Others											3,099,276	4,606,576
Subtotal Employee Based Allocations												28,580,943	33,202,226
Other Bases	601	X	X		X	X	X	X	X	X	X	12,697,081	7,445,638
	603	X	X	X	X	X	X	X	X	X	X	9,455,484	18,627,336
	11 Others											25,018,896	24,071,007
Subtotal Other Allocation Bases												47,171,461	50,143,981
Total Costs Allocated Among Entities												479,439,740	417,087,445
Sources: OC-1, Legacy Grid Allocation Data CY 2009.xls & Legacy Grid Allocation Data CY 2010.xls, Analysis of OC-7S, Attachment 12													

Sources: OC-1, Legacy Grid Allocation Data CY 2009.xls & Legacy Grid Allocation Data CY 2010.xls, Analysis of OC-7S, Attachment 12

Niagara Mohawk Segment Factors Negotiated with the NYDPS (7.2% of Allocated Costs) - Bill pools 100, 101 and 102 were used to allocate costs to segments within Niagara Mohawk. These allocations were based on fixed factors agreed to by National Grid and the NYDPS staff.¹² It is noteworthy that the amount of cost distributed through these bill pools, particularly through bill pool 100, decreased between 2009 and 2010 as Niagara Mohawk, National Grid USA and the legacy KeySpan service company organizations became more integrated. The fixed factors that distributed costs in 2009 and 2010 were as follows:

¹² It is Overland's understanding from discussion with National Grid that these factors were agreed to by National Grid and the NYDPS Staff as part of the joint agreement approving the merger between National Grid and KeySpan.

Table 6-3 – National Grid USA – Distribution of “Niagara Mohawk Only” Costs to Segments

National Grid USA - Distribution of "Niagara Mohawk Only" Costs to Segments			
Bill Pool	Electric Distribution	Electric Transmission	Gas Distribution
100	73%	17%	10%
101	88%	12%	
102	83%		17%
Source: Analysis of Legacy Grid Allocation Data CY 2009 and Legacy Grid Allocation Data 2010.xls			

Analysis of the database confirmed that the factors shown above were used consistently in 2009 and 2010.

O&M Expense (65.2% of Allocated Costs) - National Grid USA used relative levels of regulated O&M expense to distribute approximately two-thirds of its total allocated costs in 2009 and 2010. A total of 34 cost pools were used to distribute costs for a diverse set of service company organizations and functions. 84% of the cost was distributed through the 9 cost pools listed above in Table 6-2. O&M expense was calculated using transmission, distribution, generation, customer and “other” expenses, minus “wheeling and purchased power.” A&G expense (FERC accounts between 920 and 930) was removed because much of it was allocated service company expense. However, service company costs allocated to other O&M expense accounts (electric and gas distribution, electric transmission and customer categories) were not removed from the allocator, creating feedback loop that tended to cause additional costs to flow to the New England utilities. This issue is described in more detail below.

Customers (9.8% of Allocated Costs) – National Grid USA used relative levels of New England utility electric customers to distribute certain customer-related costs among the New England electric utilities (Massachusetts Electric, Narragansett Electric, Granite State Electric and Nantucket Electric). This allocator was not used to distribute costs to Niagara Mohawk.

Employees (6.9% of Allocated Costs) – National Grid USA used relative levels of employees in entities other than the service companies to distribute costs originating primarily in functions within the Human Resources organization. Bill pools 353 (legacy Grid companies, regulated and unregulated) and 354 (legacy Grid and legacy KeySpan companies, regulated and unregulated) were used for most employee-allocated costs. Niagara Mohawk was allocated 38.1% of the costs from bill pool 354 during fiscal year 2009.¹³ During this year, the bill pool 354 allocator was based on employees from most National Grid companies that had employees (legacy Grid and legacy KeySpan, regulated and unregulated).¹⁴ However, the employees included in bill pool 354 did not include employees in KeySpan’ appliance,

¹³ OC-7, OC-7S_Attachment_8_NG APR 09.xls, sheet 00354

¹⁴ National Grid actually labeled the allocator “KeySpan and National Combined.” We placed the word “all” in quotes because some non-regulated companies with employees were excluded.

HVAC and plumbing businesses. Had an average of approximately 480 2009 employees from these non-regulated companies been included in bill pool 354's allocation calculation, we estimate Niagara Mohawk's share of 2009 allocated costs would have been about \$141,000, or 1.8%, lower.¹⁵ By the end of 2010 most appliance services employees had left these companies, which National Grid wound down in 2010.¹⁶ The exclusion of the non-regulated appliance employees also affected the allocation to KEDLI and KEDNY; however, based on the fact that on a combined basis they had only 46% of Niagara Mohawk's employees, the allocation impact was smaller (less than \$70,000).

Other Allocation Bases (10.9% of Allocated Costs) – National Grid USA allocated \$86.9 million in 2009 and \$75.3 million in 2010 using a variety of other allocation bases, including microwave circuit miles (for shared telecommunications expenses), number of aerial “devices” (for shared dielectric testing expenses), a composite of relative levels of invoices processed, purchase orders issued and average inventory balances (for shared purchasing, materials and payables expenses) and budgeted transportation expenses (for transportation supervision expenses common to the legacy Grid New England utilities).

Overview of Legacy KeySpan Allocation Procedures

The table below summarizes cost distributions from the legacy KeySpan service companies (KeySpan Corporate Services, KeySpan Engineering Services and KeySpan Utility Services) in 2009 and 2010

Table 6-4 – Summary of Legacy KeySpan Service Company 2009 & 2010 Cost Distributions

Summary of Legacy KeySpan Service Company 2009 & 2010 Cost Distributions				
Category	2009		2010	
	Amount	Percent	Amount	Percent
Directly Charged ('A' Bill Pools)	386,439,311	41.2%	378,330,801	40.9%
Allocated ('B' through 'N' Bill Pools)	551,250,296	58.8%	545,976,619	59.1%
Total Cost Distributions	937,689,607	100.0%	924,307,420	100.0%
Clearings / Other	(9,380,744)		(180,319,973)	
Net Cost Distributions	928,308,862		743,987,447	
Sources: OC-1: Legacy KeySpan Allocation Data CY 2009.xls & Legacy KeySpan Allocation Data 2010.xls				

Legacy KeySpan service companies directly charged a smaller percentage of costs compared with National Grid USA. The relatively small direct charge percentage (compared with legacy Grid) can be explained by the fact that, unlike National Grid USA, the legacy KeySpan service companies did not make “convenience payments” on behalf of affiliates.

¹⁵ 10,134 FY 2009 “All” employees without appliance-HVAC-plumbing business employees (per OC-7, OC-7S_Attachment_8_NG APR 09.xls, sheet 00354), plus an average 481 CY 2009 appliance / HVAC / plumbing employees (per data provided in OC-4 Supplemental) = 10,615 employees. 3,857 Niagara Mohawk employees / 10,615 employees without appliance-HVAC-plumbing employees = 38.1% of total employees. 3,857 Niagara Mohawk employees / 10,615 total employees (i.e. including 481 appliance-HVAC-plumbing employees) = 36.3% of total employees, 1.8% less than without the appliance-HVAC-plumbing services employees. 1.8% X 7,812,073 distributed using the employee allocator in 2009 = \$140,617 less allocated to Niagara Mohawk.

¹⁶ Because it was not possible to determine a reasonably accurate average number of appliance employees in 2010, it was not possible to make a similar calculation of the impact on Niagara Mohawk.

Legacy KeySpan Allocated Service Company Costs

The following table breaks out allocated costs by category and for the largest legacy KeySpan service company bill pools. Additional detail, showing the factor percentages for each cost objective in the bill pool, is shown in Exhibit 6-2. The KeySpan service companies used more than 100 different bill pools to allocate costs in 2009 and 2010 and dozens more were set up that were not used. 21 of these bill pools accounted for approximately 80% of the allocations in 2009 and 2010.

As with National Grid USA, in most cases it was the scope of the allocation (the combination of entities and segments to which the cost was distributed) that differentiated bill pools, rather than the allocation basis. 58% of the amounts allocated were distributed based on a three-factor composite of assets, revenue and O&M expense. The discussion below covers each significant set of allocated costs.

Table 6-5 – Summary of Legacy KeySpan Service Company Bill Pools and Cost Allocations

Summary of Legacy KeySpan Service Company Bill Pools and Cost Allocations - 2009 and 2010																	
Allocation Basis	Bill Pool	Allocation Scope													Amounts Allocated by Year		
		Legacy Cos.					Entity Type				Segment				2009	2010	
		KS	KS NY	KS LI	KS NE	KS & Grid	Owned Utility	Dist LIPA	Gen LIPA	Non-Utility	Elec Dist	Elec Trans	Elec Gen	Gas Dist			Other
Meters (Customers)	B0600			X			X	X			X			X		41,348,783	43,998,644
	B0900		X				X							X		14,070,850	14,130,886
	B3400		X		X		X							X		5,516,138	6,567,696
	12 Others															18,527,030	8,735,481
Subtotal Allocations Based on Meters															79,462,800	73,432,708	
Telephone Calls	D0600			X			X	X			X			X		19,773,567	18,282,337
	D3400		X		X		X							X		22,972,857	21,712,208
	2 Others															7,734,206	5,897,170
Subtotal Allocations Based on Telephone Calls															50,480,629	45,891,714	
3-Factor Composite: Assets, Revenue, O&M	G0200	X					X	X	X		X		X	X		10,521,841	8,580,675
	G0300				X		X							X		61,379,861	56,877,062
	G0600			X			X	X			X		X			11,548,250	12,039,657
	G0800	X	X				X	X	X	X	X		X	X	X	14,973,728	4,246,286
	G0900		X				X							X		18,366,932	26,569,273
	G2400	X					X							X		18,468,900	13,666,735
	G5100					X	X	X	X	X	X	X	X	X	X	56,520,656	78,999,551
	G5200					X	X							X		28,726,698	46,694,253
	G5800					X	X	X		X	X			X	X	18,929,960	19,392,692
52 Others															66,985,012	58,128,098	
Subtotal Allocations Based on Composite of Assets, Revenue, O&M															306,421,839	325,194,282	
Employees	N0100	X					X	X	X	X	X	X	X	X	X	11,013,774	2,881,718
	N0200	X					X	X	X	X	X	X	X	X	X	24,397,546	19,635,072
	N1400	X					X	X	X	X	X	X	X	X	X	7,748,759	5,918,662
	N3500	X					X	X	X	X	X	X	X	X		6,589,518	3,433,370
	N5100					X	X	X	X	X	X	X	X	X		19,638,049	33,329,189
19 Others																17,919,642	16,473,899
Subtotal Allocations Based on Employees															87,307,287	81,671,910	
Other Bases	K0200 (Revenue)	X					X	X	X		X		X	X		9,223,073	4,273,257
	J0200 (Property)	X					X	X	X		X		X	X		4,819,988	2,420,641
	24 Others															13,534,680	13,092,107
Subtotal Other Allocation Bases															27,577,741	19,786,005	
Total Legacy KeySpan Cost Allocations															551,250,296	545,976,619	
Sources: OC-1, Legacy KeySpan Allocation Data CY 2009.xls & Legacy KeySpan Allocation Data CY 2010.xls																	

Three-Factor Composite of Assets, Revenue & O&M Expense (57.6% of Allocated Costs) - In 2009 and 2010 the legacy KeySpan service companies distributed 58% of their combined allocable costs using a composite of three measures of financial size (assets (total balance sheet assets minus intercompany-

related assets and goodwill), revenue and O&M expense).¹⁷ More than 60 different bill pools, each representing different combinations of entities, were used to distribute the costs. For bill pools that included allocations to KeySpan Electric Services, which operated the Long Island Power Authority's (LIPA's) electric distribution network, National Grid included the assets owned and revenue received by LIPA in the allocator's calculation, even though they were not National Grid's assets or revenue. The inclusion of LIPA's assets and revenue (along with O&M incurred by KeySpan Electric in serving LIPA) was necessary to ensure that KeySpan Electric Services drew a share of common costs proportional to the Long Island electric distribution operation's costs and activities relative to other affiliates. Had LIPA's assets and revenue been omitted from the calculation, additional costs would have flowed to other entities, including the New York and New England utilities.

Employees (15.4% of Allocated Costs) – Relative levels of employees were used in both sets of legacy service companies primarily to allocate costs from the Human Resources and Information Technology organizations. In general, legacy Grid's employee allocations were based on relative numbers of employees in the affiliates to which the costs were being allocated.¹⁸ However, the employee counts in KeySpan's allocations included employees in the operating affiliates plus an allocation of certain service company employees that varied from one affiliate to another; thus, the KeySpan employee allocations were not proportional to employee counts in the legacy KeySpan operating affiliates. For employee-based allocations from the KeySpan service companies to "all" operating affiliates (i.e. companies in both legacy Grid and legacy KeySpan), the factors for the legacy Grid companies were based on employee counts in the legacy Grid operating companies, while the factors for the legacy KeySpan companies included operating company employees plus an allocation of service company employees. This tended to draw costs away from the legacy Grid affiliates, and toward legacy KeySpan affiliates; particularly those KeySpan affiliates with large allocations of service company employees. Employee-based allocations from National Grid USA to "all" operating companies were based on counts from employees only within the operating affiliates for companies in legacy Grid as well as legacy KeySpan.

Customers and Customer Meters (13.9% of Allocated Costs) – National Grid USA allocated the costs of certain New England customer activities among the New England utilities based on relative levels of customers. The KeySpan service companies used relative levels of electric and gas meters to distribute customer-related costs, including meter reading, meter operations, customer office costs, field collections and account processing, among legacy KeySpan utilities. More than half of the costs allocated based on meters in 2009 and 2010 were distributed between KeySpan Electric Services (Long Island electric distribution) and KEDLI (Long Island gas distribution) through bill pool B0600.

Telephone Calls (8.8% of Allocated Costs) – Telephone calls were used to allocate most of the costs in the Long Island, Metrotech and the Waltham / Northborough customer contact (call) centers.

¹⁷ Email to John O'Shaughnessy, July 23 2012, to confirm definition for assets.

¹⁸ However, as discussed in more detail below, some legacy Grid employee allocators calculated a factor for costs attributable to service company employees, and then reallocated this cost to operating affiliates (e.g. utilities) using "service company equity."

Other Allocation Bases (4.3% of Allocated Costs) – Relative levels of property, revenue, customer bills and gas volumes were used to allocate approximately 4% of total allocated costs.

Analysis of Legacy Grid and Legacy KeySpan Allocation Factors

Financial Size-Based Allocators Used to Distribute “Unattributable” Costs

O&M expense (for legacy Grid) and a three-factor composite of assets, revenue and O&M expense (for legacy KeySpan) were the most widely-used allocators employed during the analysis period. These measures of financial size were used to distribute nearly two-thirds of the costs allocated by National Grid USA and 58% of costs allocated by the legacy KeySpan entities.

The Legacy Grid O&M Expense Allocator - The O&M expense allocator used by National Grid USA is defined in the Cost Allocation Procedures Manual for Legacy National Grid as follows: ¹⁹

A methodology based on the dollar amount, for the prior fiscal year, of the operation and maintenance ("O&M") expenses (excluding transmission of electricity by others as applicable), including customer accounts, customer service and information, and sales expenses, if applicable, for those National Grid system companies that have such expenses . . .

Here are the additional important details about legacy Grid’s O&M expense allocator that were not included in the definition contained in the cost manual:

- O&M expense includes electric transmission and distribution expense, gas distribution expense and customer expense, but *excludes* administrative and general (A&G) expense.
- O&M expense for a given affiliate *includes* intercompany charges from other affiliates and expenses charged by the service companies to the extent they are included in account categories other than A&G expense.²⁰

National Grid excluded A&G accounts from the expenses that go into the calculation of the O&M allocator because much of the expense charged by the service company is A&G expense. However, O&M accounts other than A&G contained a significant amount of allocated service company expense, which created a feedback loop within the allocator that tended to reinforce itself. For example, in calendar year 2009 (on which fiscal year 2011 allocation factors were based), \$128.7 million (34.2%) of \$376.1 million in total costs allocated to O&M expense by National Grid USA was charged to FERC accounts included in the calculation of the O&M allocator. This resulted in 2009’s service company cost

¹⁹ OC-20, Cost Allocation Policies and Procedures Manual for Legacy National Grid, May 2010, p.23

²⁰ O&M amounts for the allocator are taken from pre-elimination amounts on a Regulatory Consolidating Income Statement; thus, they include inter-company charges. We believe it is reasonable that they include inter-company charges, which, for the most part, are directly attributable to the affiliate being charged.

allocations becoming a factor in determining fiscal year 2011's allocations. Service company costs should be distributed based on either the activities in the affiliates that cause the service company to incur cost, or on the relative sizes of the affiliates to which costs are being allocated and should not be influenced by the costs allocated in a prior period by the service company itself. We estimate that this lowered Niagara Mohawk's allocations to O&M based on the O&M allocator by about 4%.

As shown the following table, about 11 percent of the legacy Grid affiliate expenses included in the fiscal 2011 O&M allocator were cost allocations from National Grid USA.

Table 6-6 – National Grid USA O&M Expense Allocations to Legacy Grid

National Grid USA O&M Expense Allocator Inputs for Legacy Grid Companies and Service Company Allocations Embedded in Inputs Calendar Year 2009 Expense Used for Allocations in FY 2011				
O&M Expense Category	O&M Expense Allocator Inputs by Category	O&M Amounts Allocated by NG USA Servco	Allocator Inputs Without ServCo Allocations	Service Co. Allocations Pct. Of Total
Electric Transmission (1)	110,753,688	9,316,652	101,437,036	8.4%
Electric Distribution	432,414,828	44,932,250	387,482,578	10.4%
Gas Distribution	80,655,601	493,969	80,161,632	0.6%
Customer Expenses	544,502,475	73,971,881	470,530,594	13.6%
Other	400,698	-	400,698	0.0%
Totals / Avg. Pct	1,168,727,290	128,714,752	1,040,012,538	11.0%
Note 1: National Grid's O&M allocator excludes \$6,190,560 in transmission expense, net of purchased power and wheeling, attributable to companies 06 and 08 (New England Hydros), company 20 (NEET) and company 21 (NG USA Transmission). It also excludes very minor amounts of electric distribution and customer expenses associated with these same companies.				
Sources: OC-7S Attachment 12, 'O&M Expense' Sheet, OC-1, Legacy Grid Allocation Database CY 2009.xls				

The impact of circularity on legacy Grid allocation factors is illustrated below. In this example, Niagara Mohawk's share of costs in bill pool 236, which allocated to all legacy Grid regulated companies based on O&M expense, would have decreased from 53.91% to 51.70% had service company expenses been excluded from the allocator's calculation. Proportional changes would have occurred with other bill pools had service company charges been excluded. In this case, the legacy Grid allocation database for calendar year 2010 shows that bill pool 236 distributed a total of \$26,381,415, of which \$13,769,978 (52.20%) was allocated to Niagara Mohawk.²¹ If service company expenses had been excluded from the allocator's calculation as they should have been, we would expect Niagara Mohawk's 2010 share of bill pool 236 to be between 54% to 55% (between \$475,000 and \$740,000) higher.

²¹ This percentage is not the same as in the table, because the allocator in the table was used for fiscal year 2011, which did not begin until April 2010. The actual allocation for calendar 2010 is based on blend of allocators from fiscal years 2010 (January through March 2010) and 2011 (April through December 2010).

Table 6-7 – Comparison of Including and Excluding Service Company Expenses in Calculating the O&M Expense Allocator for Bill Pool 236

Comparison of Including and Excluding Service Company O&M Expense Allocations from the O&M Allocator Calculation							
Bill Pool 236 - All Grid Utilities, All Segments - FY 2011 (CY 2009 O&M Expense)							
Cost Objective	Elec. Transmission	Elec. Distribution	Gas Distribution	Customer	Wheeling / Purch Pwr	Total	Allocation Pct.
As Calculated by National Grid (O&M Exp. Including Service Co. Allocations)							
Nantucket Electric	1,274,727	1,234,780	-	999,997	(1,233,185)	2,276,319	0.19%
Massachusetts Electric	295,034,907	142,796,743	366	172,213,468	(292,395,460)	317,650,024	27.19%
New England Power	62,195,739	15,591	-	152,628	(20,462,658)	41,901,301	3.59%
Niagara Mohawk Power	81,704,906	236,297,798	44,738,416	263,286,112	(21,974,188)	604,053,044	51.70%
Granite State Electric	12,304,615	6,067,762	-	2,500,037	(12,153,177)	8,719,238	0.75%
Narragansett Gas	-	-	35,916,818	46,969,841	-	82,886,659	7.09%
Narragansett Electric	59,011,965	45,976,824	-	58,401,485	(52,554,504)	110,835,771	9.49%
Total Calculated by NG (1)	511,526,860	432,389,498	80,655,601	544,523,568	(400,773,172)	1,168,322,355	100.00%
Test Comparison (O&M Exp. Excluding Service Co. Allocations)							
Nantucket Electric	1,274,727	1,076,076	-	658,368	(1,233,185)	1,775,986	0.17%
Massachusetts Electric	294,902,180	122,357,797	366	136,016,770	(292,395,460)	260,881,653	25.09%
New England Power	58,491,705	-	-	(115,856)	(20,462,658)	37,913,191	3.65%
Niagara Mohawk Power	76,611,604	219,530,249	44,458,813	241,871,828	(21,974,188)	560,498,306	53.91%
Granite State Electric	12,304,615	5,428,524	-	1,319,079	(12,153,177)	6,899,042	0.66%
Narragansett Gas	-	-	35,702,453	45,986,547	-	81,689,000	7.86%
Narragansett Electric	58,625,376	39,064,602	-	44,814,952	(52,554,504)	89,950,425	8.65%
Total Comparison (1)	502,210,208	387,457,248	80,161,631	470,551,687	(400,773,172)	1,039,607,602	100.00%
Difference	9,316,652	44,932,250	493,969	73,971,881	-	128,714,753	
Note 1: Amounts do not match the prior table because the prior table includes amounts from all affiliates included in all three-factor composite bill pools. Bill pool 236 excludes amounts associated with some minor affiliates.							
Sources: OC-7S Attachment 12, 'O&M Expense' and '00236' sheets; OC-1, Legacy Grid Allocation Database CY2009							

The Legacy KeySpan Three-Factor Composite Allocator - The three-factor composite allocator used to distribute a majority of the costs from the KeySpan service companies is defined in National Grid's Cost Allocations Procedures Manual for Legacy KeySpan as follows:²²

3-Point Formula – This formula consists of three factors. It is designed to be an equitable and feasible tool to act as a surrogate when direct charging or cost causal relationships cannot be established. It is a calculated ratio, which compares each of the formula factors for the Client Company to the total of the same factors for all recipient Client Companies. The factors are an equal weighting of Revenue, Assets, and Expenses. These ratios will be calculated annually based on actual experience

Like the definition for legacy Grid's O&M allocator, this definition is extremely sparse on details. For example, nowhere does it define what is meant by "assets", "revenue" or "expenses" or what regulated accounts are included in these categories. It also does not state that allocated service company expenses are excluded from the expense used to calculate the allocator. In fact, the allocation procedures manual's three-factor formula definition is as much a justification for using the allocator as it is a description of the allocator.

²² OC-20, Cost Allocation Policies and Procedures Manual for Legacy KeySpan, January, 2010, p.22

Differences in the Calculation of O&M Expense for Use in Legacy Grid and Legacy KeySpan Allocations—

Legacy Grid's O&M expense allocator *excludes* A&G expenses, while the O&M expense component of legacy KeySpan's three-factor composite *includes* A&G accounts. Legacy Grid's O&M allocator *includes* allocated service company expenses to the extent they are charged to expense accounts other than A&G. The O&M expense component of legacy KeySpan's three-factor composite allocator *excludes* allocated service company expenses. The following table illustrates these differences for Niagara Mohawk for fiscal year 2011 (calendar period April 2010 through March 2011):

Table 6-8 – Comparison of Niagara Mohawk O&M Expense Calculation for Allocation

Comparison of Niagara Mohawk O&M Expense Calculation for Allocation			
Legacy Grid vs. Legacy KeySpan, For Use in FY 2011 Allocations			
Expense Category	Legacy KS Calculation	Legacy Grid Calculation	Difference
Purchased Power / Wheeling	1,557,250	-	1,557,250
Electric Transmission	59,730,717	59,730,649	68
Electric Distribution	236,297,798	236,287,253	10,545
Gas Distribution	44,738,416	44,738,416	-
Customer & Sales Expenses	263,286,112	263,286,112	-
A&G Expenses	393,944,137	-	393,944,137
Total	999,554,430	604,042,430	395,512,000
Source: FY - DEC-09 NMOC O&M Metric Reconciliation Grid to KeySpan.xls, provide by John O'Shaughnessy, June 3, 2012			

These differences affected the relative shares of O&M expense attributed to the New York utilities in the two commonly used financial size allocators. For example, Niagara Mohawk's percentage share of "all" company O&M expense for fiscal year 2011 was 31.18% in the legacy Grid calculation and 36.67% for the O&M component of the three-factor composite in the legacy KeySpan calculation.²³ KEDLI's share of total affiliate O&M expense in fiscal year 2011 was 5.60% in the legacy Grid calculation and 3.81% in the legacy KeySpan three-factor calculation, while KEDNY's share of O&M expense for fiscal year 2011 was 10.83% in the legacy Grid calculation and 7.23% in the legacy KeySpan three-factor calculation.²⁴

Differences Between Legacy Grid's O&M Allocator and Legacy KeySpan's Three-Factor Composite Allocator—Notwithstanding the differences caused by different calculations of O&M expense discussed above, factor differences resulting from the use of different measures of financial size to allocate "unattributable" service company costs were relatively small.²⁵ The following table summarizes fiscal year 2010 and 2011 factor differences for the financial-size-allocated bill pools that distributed costs to "all" National Grid companies from National Grid USA and from the legacy KeySpan service companies.

²³ For legacy Grid, Niagara Mohawk's share of O&M is the legacy Grid calculation for FY 2011 is \$604,042,430 / \$1,937,097,974 = 31.18% (OC-7S Attachment 12, Sheet '00382'), while in the legacy KeySpan calculation it is \$999,544,000 / \$2,725,504,000 = 36.67% (OC-7 Attachment 18, Sheet '51 All KS and NG').

²⁴ OC-7S Attachment 12 sheet '00382' and OC-7 Attachment 18, sheet '51 All KS and NG'

²⁵ Legacy Grid had bill pool 382 to allocate costs from National Grid USA across both sets of legacy companies in fiscal year 2009. The legacy KeySpan service companies did not have a similar bill pool until fiscal 2010; thus, the table does not include a factor for legacy KeySpan for fiscal year 2009.

Table 6-9 – Comparison of Cost Allocation Percentages to New York Utilities

Comparison of Cost Allocation Percentages to New York Utilities			
Legacy Grid and Legacy KeySpan Financial Size Allocators			
Affiliate Cost Objective / Bill Pool	FY 2009	FY 2010	FY 2011
Niagara Mohawk			
Legacy Grid O&M-Based BP 0382	30.43%	31.55%	31.18%
Legacy KeySpan 3-Factor-Based BP G5100	27.94%	29.25%	30.15%
Difference	2.49%	2.30%	1.03%
KEDLI			
Legacy KeySpan 3-Factor-Based BP G5100	6.87%	7.41%	7.54%
Legacy Grid O&M-Based BP 0382	5.64%	5.81%	5.60%
Difference	1.23%	1.60%	1.94%
KEDNY			
Legacy KeySpan 3-Factor-Based BP G5100	10.38%	11.49%	10.47%
Legacy Grid O&M-Based BP 0382	11.15%	11.34%	10.83%
Difference	-0.77%	0.15%	-0.36%
Sources: OC-7S Attachments 7,8 & 12; OC-7 Attachments 5, 11 & 18			

As the table shows, differences in factors resulting from the method difference (O&M vs. three-factor composite) were relatively small. The following table shows the “costs” and “savings” to the New York utilities caused by having the other legacy company group’s financial-size allocation method used to distribute the “unattributable” costs of the other legacy group’s service companies for the largest bill pool that allocates to “all” companies. Specifically, it shows:

- “Savings” to Niagara Mohawk from having a three-factor composite used instead of an O&M expense-based method to allocate costs from legacy KeySpan’s largest cross-legacy-company “unattributable” bill pool in legacy KeySpan (bill pool N5100).
- “Savings” to KEDLI from applying an O&M expense-based allocator instead of a three-factor composite to costs distributed from National Grid USA’s largest cross-legacy-company “unattributable” bill pool (bill pool 382).
- “Costs” to KEDNY in fiscal 2009 and 2011 (but “savings” in fiscal 2010) from applying an O&M expense-based allocator instead of a three-factor composite to costs distributed from National Grid USA’s largest cross-legacy-company “unattributable” bill pool (bill pool 382).

The overall impact of the method differences in calendar years 2009 and 2010, applied to the two largest bill pools that allocated based on measures of financial size, was small for the New York utilities as a whole, and relatively small for the utilities individually.²⁶

²⁶ Note that the calculations in the table are based on *calendar years*; thus the allocation factors are similar, but do not equal, the equivalent *fiscal year* 2010 and 2011 allocation factors in the table above.

Table 6-10 – Impact of Differences in Legacy Grid and Legacy KeySpan Financial Size Allocation Methods

Impact of Differences in Legacy Grid and Legacy KeySpan Financial Size Allocation Methods						
Affiliate Cost Objective / Bill Pool	Calendar Year 2009			Calendar Year 2010		
	Total Bill Pool Amt.	Allocation Percentage	Allocation Amount	Total Bill Pool Amt.	Percentage	Allocation Percentage
Niagara Mohawk						
Actual Allocations to Niagara Mohawk from LK Bill Pool G5100 Using a Three-Factor Composite Factor	56,520,656	29.92%	16,913,507	78,999,551	30.16%	23,827,244
Equivalent Allocations to Niagara Mohawk Using an O&M Expense-Based Factor (i.e., the factor from LG Bill Pool 382)	56,520,656	31.23%	17,650,566	78,999,551	31.33%	24,753,588
Cost or (Savings) From Using the LK Allocation Method		-1.30%	(737,059)	-	-1.17%	(926,344)
KEDLI						
Actual Allocations to KEDLI from LG Bill Pool 382 Using an O&M-Based Factor	63,165,787	5.77%	3,642,036	51,487,422	5.66%	2,915,264
Equivalent Allocations to KEDLI Using the Three Factor Composite Factor (i.e., the factor from LK Bill Pool G5100)	63,165,787	6.41%	4,047,941	51,487,422	7.32%	3,767,863
Cost or (Savings) From Using the LG Allocation Method		-0.64%	(405,905)	-	-1.66%	(852,599)
KEDNY						
Actual Allocations to KEDNY from LG Bill Pool 382 Using an O&M-Based Factor	63,165,787	11.29%	7,130,612	51,487,422	10.97%	5,649,995
Equivalent Allocations to KEDNY Using the Three Factor Composite Factor (i.e., the factor from LK Bill Pool G5100)	63,165,787	9.91%	6,258,258	51,487,422	10.41%	5,360,399
Cost or (Savings) From Using the LG Allocation Method		1.38%	872,354	-	0	289,596
Sources: OC-1 Legacy Grid Allocation Databases CY2009 & 2010; Legacy KeySpan Allocation Databases CY2009 & 2010						

Employee-Based Allocators

Employee-based allocators accounted for approximately 7% of the costs allocated by National Grid USA and approximately 15% of the costs allocated by the legacy KeySpan service companies in 2009 and 2010. National Grid USA used employees to distribute costs in the service company's Human Resources organization. The legacy KeySpan service companies used to allocate costs from the Human Resources and Information Technology organizations. The Cost Allocation Procedures Manual for Legacy National Grid defines the employee allocator as follows:²⁷

A ratio based on the sum of the number of employees as of the end of the prior fiscal year, the numerator of which reflects the number of employees for each applicable National Grid system company or Service Company Department, and the denominator of which reflects all employees for the National Grid system companies, including the Service Company, combined. This ratio is updated annually. Costs for Service Company employees are reallocated based on how Service Company personnel charged their time to National Grid system companies in the prior year. Currently, this allocation method used primarily to allocate costs in the Employee Relations and Labor Relations Departments of the Service Company among all National Grid system companies.

²⁷ OC-20, Cost Allocation Policies and Procedures Manual for Legacy National Grid, May 2010, p.22

The definition states that the legacy Grid employee allocator is based on employee counts that include service company employees and that they are “reallocated based on how Service Company personnel charged their time to National Grid system companies in the prior year.” This is not accurate. Firstly, three of the largest employee-allocated bill pools, covering about 60% of employee-based cost allocations in 2009 and 2010, did not include service company employees anywhere in the allocator’s calculation, so there is no reallocation. Secondly, costs in the remaining bill pools (352, 353 and 356) were not allocated as described in the CAM definition, but rather based on a combination of employee counts, including service company employees, and on “service company equity,” resulting in a “special distribution percentage.”²⁸ Finally, although legacy Grid’s cost allocation manual definition indicates that measurement of employees is to be made “as of the end of the prior fiscal year,” we found that National Grid appears to have used data from the end of the prior *calendar* year, three months earlier than employees measured “as the end of the prior fiscal year.”²⁹

The Legacy KeySpan Cost Allocations Procedures manual includes the following definition for the employee allocator:³⁰

of Employees - A ratio based on the number of full time employees at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

The definition in the KeySpan manual does not indicate the point in time at which employee counts in the allocator are based. It also does not describe the fact that the employee counts for the “client companies” include employees allocated from the KeySpan service companies. The definition also does not explain that service company employees are allocated into employee counts for some affiliates, thereby increasing the employee-attributable costs drawn to those companies.

Analysis of Employee-Based Allocators - We analyzed the employee allocation factor calculations for the broadest and largest employee-based bill pools in each legacy company (legacy Grid “all” company bill pool 354 and legacy KeySpan “all” company bill pool N5100).³¹ The table below compares the employee-based allocations and percentages for the New York utilities in calendar years 2009 and 2010

²⁸ Costs charged to bill pools 352, 353 and 356 were distributed to the operating companies based on the sum of 1) relative employee counts for the service company and the operating companies determined to be direct beneficiaries of the costs and 2) the relative service company equity of each operating company, including operating companies that were not direct beneficiaries of the cost, but which indirectly benefited from the costs directly attributable to service company employees. Effectively, the component allocated to service company employees in the first factor (using relative employee counts) was reallocated to the operating companies using service company equity, rather than on “how Service Company employees charged their time,” as described in the definition.

²⁹ For example, as shown in OC-7S, Attachment 8, sheet ‘00353,’ the employee data used for fiscal year 2010 allocations (from April, 2009 through March 2010) appears to have been as of December 31, 2008 (the end of the prior calendar year) instead of March 31, 2009 (the end of the prior fiscal year).

³⁰ OC-20, Cost Allocation Policies and Procedures Manual for Legacy KeySpan, January, 2010, p.21

³¹ Bill pool 354 distributed 55% percent of all legacy Grid employee-allocated costs in 2009 and 2010. Bill pool N5100 distribute 31% of all legacy KeySpan employee-allocated costs in 2009 and 2010, and 41% of employee-allocated costs in 2010.

with average calendar year employee levels and percentages derived from organizational data provided by National Grid in response to a data request.

Table 6-11 – Comparison of Legacy Grid and Legacy KeySpan “All” Company Employee-Based Allocations

Comparison of Legacy Grid and Legacy KeySpan “All” Company Employee-Based Allocations with Average Employee Levels									
Year / Affiliate	LG Employee-Based Bill Pool 0354		LK Employee-Based Bill Pool N5100		Non-Service Company Employees Per OC-4				Employee Average
	Allocation Amt.	Allocation Pct.	Allocation Amt.	Allocation Pct.	March 2009 Employees	December 2009 Employees	December 2010 Employees	Amount	
CY 2009									
Niagara Mohawk	5,254,619	37.88%	6,341,217	32.29%	3,798	3,884		3,841	35.21%
KEDLI	829,663	5.98%	1,084,736	5.52%	604	593		599	5.49%
KEDNY	1,631,976	11.77%	2,091,416	10.65%	1,324	1,320		1,322	12.12%
Other Affiliates	6,155,013	44.37%	10,120,680	51.54%	5,234	5,063		5,149	47.19%
2009 Total “All” Affiliates	13,871,271	100.00%	19,638,049	100.00%	10,960	10,860		10,910	100.00%
CY 2010									
Niagara Mohawk	7,812,073	38.30%	11,090,565	33.28%		3,884	3,876	3,880	35.56%
KEDLI	1,215,318	5.96%	1,866,987	5.60%		593	584	589	5.39%
KEDNY	2,408,305	11.81%	3,794,326	11.38%		1,320	1,320	1,320	12.10%
Other Affiliates	8,959,551	43.93%	16,577,311	49.74%		5,063	4,557	4,810	44.09%
2010 Total “All” Affiliates	20,395,247	100.00%	33,329,189	100.00%		10,860	10,337	10,599	97.14%

Sources: OC-1 (Legacy Grid and Legacy KeySpan CY 2009 & 2010 Allocation Databases; OC-4 Organizational / Employee Data

The table shows:

- Niagara Mohawk was allocated more cost in 2009 and 2010 from legacy Grid bill pool 0354 than its share of actual employees would indicate.
- Niagara Mohawk was allocated less cost in 2009 and 2010 from legacy KeySpan bill pool N5100 than its share of actual employees would indicate.
- KEDNY was allocated less cost in 2009 and 2010 from both the legacy Grid bill pool 0354 and legacy KeySpan bill pool N5100 than its share of actual employees would indicate.
- KEDLI was allocated about ½ percent more cost in 2009 and 2010 from legacy Grid bill pool 0354 than its share of actual employees would indicate.
- KEDLI was approximately the same amount of cost in 2009 and 2010 from legacy KeySpan bill pool N5100 that it would have been allocated if actual calendar year employees had been used.

There are a number of offsetting factors that contribute to these differences. To provide a foundation for explaining them, the table below shows how employee counts built into the allocation factor calculations for both the legacy companies compare with average calendar employee counts from organizational data.

Table 6-12 – Comparison of Employee Counts in Legacy Grid and Legacy KeySpan “All Company Employee Bill Pools

Comparison of Employee Counts in Legacy Grid and Legacy KeySpan "All" Company Employee Bill Pools with Actual Employee Counts												
Calendar Years 2009 and 2010												
Affiliate	Calendar Year 2009						Calendar Year 2010					
	Wtd. Avg. Employees - Legacy Grid BP 0354		Wtd. Avg. Employees - Legacy KS BP N5100		Estimated Avg. 2009 Employees per OC-4		Wtd. Avg. Employees - Legacy Grid BP 0354		Wtd. Avg. Employees - Legacy KS BP N5100		Estimated Avg. 2009 Employees per OC-4	
	Amt.	Pct.	Amt.	Pct.	Amt.	Pct.	Amt.	Pct.	Amt.	Pct.	Amt.	Pct.
Nantucket Electric	16	0.2%	16	0.1%	17	0.2%	16	0.2%	16	0.1%	15	0.1%
Massachusetts Electric	1,267	12.4%	1,264	10.5%	1,278	11.7%	1,217	12.0%	1,217	10.5%	1,166	11.0%
Niagara Mohawk	3,848	37.7%	3,842	32.0%	3,841	35.2%	3,870	38.3%	3,870	33.3%	3,880	36.6%
Granite State Electric	39	0.4%	38	0.3%	38	0.3%	36	0.4%	36	0.3%	35	0.3%
Narragansett Gas	387	3.8%	398	3.3%	392	3.6%	389	3.9%	389	3.3%	375	3.5%
Narragansett Electric	442	4.3%	437	3.6%	451	4.1%	436	4.3%	436	3.7%	421	4.0%
Subtotal Legacy Grid Regulated	5,997	58.8%	5,995	50.0%	6,015	55.1%	5,963	59.0%	5,963	51.3%	5,892	55.6%
Boston Gas Company	833	8.2%	1,114	9.3%	884	8.1%	844	8.4%	1,156	9.9%	912	8.6%
Colonial Gas Company	159	1.6%	220	1.8%	171	1.6%	160	1.6%	228	2.0%	175	1.7%
Essex Gas	-	0.0%	-	0.0%	55	0.5%	-	0.0%	43	0.4%	57	0.5%
EnergyNorth Natural Gas Inc.	82	0.8%	114	0.9%	83	0.8%	82	0.8%	111	1.0%	84	0.8%
KeySpan Electric Services, LLC	896	8.8%	1,098	9.2%	905	8.3%	885	8.8%	1,095	9.4%	904	8.5%
KeySpan Generation LLC	328	3.2%	800	6.7%	329	3.0%	328	3.2%	810	7.0%	325	3.1%
KS Gas East Corporation (KEDLI)	609	6.0%	674	5.6%	599	5.5%	602	6.0%	652	5.6%	589	5.6%
Brooklyn Union Gas (KEDNY)	1,196	11.7%	1,281	10.7%	1,322	12.1%	1,193	11.8%	1,323	11.4%	1,320	12.5%
KS Ravenswood Svcs Corp.	46	0.5%	80	0.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
KS Energy Trading Svcs LLC	8	0.1%	8	0.1%	7	0.1%	7	0.1%	7	0.1%	7	0.1%
Subtotal Legacy KeySpan Regulated	4,157	40.8%	5,387	44.9%	4,353	39.9%	4,101	40.6%	5,425	46.6%	4,371	41.2%
KS Energy Dev. (NE Gas Mkts)	4	0.0%	15	0.1%	3	0.0%	3	0.0%	19	0.2%	3	0.0%
Seneca Upshur Petroleum	34	0.3%	46	0.4%	34	0.3%	34	0.3%	46	0.4%	34	0.3%
Appliance, Plumbing & Energy Mgt. Cos.	3	0.0%	553	4.6%	478	4.4%	2	0.0%	176	1.5%	269	2.5%
KeySpan LNG	-	0.0%	-	0.0%	12	0.1%	-	0.0%	-	0.0%	13	0.1%
TransGas	-	0.0%	-	0.0%	16	0.1%	-	0.0%	-	0.0%	18	0.2%
Subtotal Legacy KeySpan Non-Reg	40	0.4%	614	5.1%	543	5.0%	39	0.4%	241	2.1%	336	3.2%
Total National Grid	10,194	100.0%	11,996	100.0%	10,910	100.0%	10,103	100.0%	11,628	100.0%	10,599	100.0%
Sources: OC-7 Attachments 5, 11 & 18, Sheet '51 All KS and NG'; OC-7S Attachments 7, 8 & 12, Sheet '00354' (Employees Used in bill pools); OC-4 Supplemental (Actual Employees)												

The factors contributing to the differences between actual allocation factors and factors using actual employee levels at the time of cost allocation include:

The time lag between the measurement dates for employee counts used in the allocator and the actual number of employees at the time costs were allocated. Cost allocations for a given calendar year are based on factor calculations from two separate fiscal years. For example, in calendar year 2009, allocations were based on three months from fiscal year 2009 and nine months from fiscal year 2010. The employee counts for fiscal year 2009 allocations (January through March 2009) were measured as of December 31, 2007. Employee counts for fiscal year 2010 allocations (April through December 2009) were measured as of December 31, 2008. The impact of the time lag on the distribution of employee-attributable costs, compared with what would have been allocated using employee's counts current at the time of cost allocations, was small.

Exclusion non-regulated affiliate employees from bill pool calculations. The employees in non-regulated affiliates KeySpan LNG and TransGas were excluded from both legacy Grid and legacy KeySpan "all" company employee-based allocation calculations. Because they accounted for only 3/10ths of 1% of National Grid's non-service company employees, this had a minimal impact on amounts allocated to the regulated Grid and KeySpan affiliates. However, most of the employees in non-regulated KeySpan

companies other than LNG and TransGas, including the employee-heavy companies involved in appliance, plumbing and energy management, were also excluded from legacy Grid bill pool 354. National Grid explained this as follows:³²

[T]he appliance service portion of KSI [the holding company for these companies] was winding down and would only be supported through the wind down by the legacy KeySpan service company. Appropriately, it was not included in the legacy Grid [bill] pool because the Appliance Service portion of KSI was not deemed to be a beneficiary of the services provided by legacy Grid service company employees.

However, this does not explain why KeySpan Energy Management, which performs energy management services for commercial customers and was not being wound down, and which continued to have nearly 50 employees at the end of 2011, was also excluded from the bill pool. The exclusion of most of KeySpan's non-regulated affiliate employees from bill pool 354 is one of the key reasons why Niagara Mohawk's allocated share of costs from the bill pool is about 2% higher than its share of total non-service company employees in 2009 and 2010.

Inclusion of service company employees for legacy KeySpan affiliate employee counts in legacy KeySpan employee-allocated bill pools. In general, employee-based allocations are designed to distribute the costs of employee-attributable activities, such as human resources, among operating companies based on relative employee levels. Normally, employees from the allocating entities (in this case the service companies) would be excluded from such a calculation because they are the source, rather than an objective, of the costs being distributed. National Grid's calculation for bill pool 354 was consistent with this principle, as it was calculated using only employees from the cost-objective operating companies. However, the same was not true of the calculation for legacy KeySpan bill pool N5100. Here, employee counts in the regulated KeySpan operating companies (but not in the regulated Grid operating companies) were increased by the assignment of service company employees to the counts. This can be seen in the table above by comparing employee counts for bill pool N5100 to employee counts for bill pool 354. Regarding the inclusion of service company employees in operating company employee counts, National Grid made the following statement:

Specifically, for the legacy KeySpan [bill pool N5100] employee metrics, the Utility Services and Engineering Services employees are allocated to the legacy KeySpan affiliates based on a proportionate share of each affiliate's allocated share of each respective service company's costs. In addition, there is a group of New England employees who were moved into the Corporate Services service company after the acquisition of Eastern Enterprises that perform work solely on behalf of the legacy KeySpan New England gas companies and as such, are also allocated to and included in the employee counts of the legacy KeySpan New England gas companies. These service

³² Email from John O'Shaughnessy to Robert Welchlin, "RE: Question about employees for the KeySpan appliance service companies for the legacy Grid "all" company employee allocator (BP 0354)", June 8, 2012

company employees are included into the legacy KeySpan counts of each appropriate legacy KeySpan operating affiliates.

For bill pools that allocated to both legacy KeySpan and legacy Grid, the result of adding service company employees only to the KeySpan operating company counts (and disproportionately to certain companies; in particular KeySpan Generation) is that the allocation percentages were skewed toward KeySpan compared with percentages that would have been obtained using only employees from operating companies.

The primary beneficiary of this procedure was Niagara Mohawk, which, as the legacy Grid affiliate with the most employees, drew less cost from bill pool N5100 because its share of costs was reduced more than others by costs drawn to the KeySpan companies by the addition of service company employees to their counts. This largely explains why Niagara Mohawk's allocation from bill pool N5100 in 2009 and 2010 averaged about 2.5% lower than its relative share of operating company employees. It does not appear that KEDNY and KEDLI either benefited from or were disadvantaged by this procedure during the analysis period, because although they were both assigned some employees from the KeySpan service companies, the numbers of employees assigned were relatively low, and were proportionally much lower than the employees assigned to several of the other KeySpan companies.

Customer-Based Allocators

Allocations based on customers (customer or meter counts) account for approximately 10% of the costs allocated by National Grid USA and approximately 14% of the costs allocated by the legacy KeySpan service companies in 2009 and 2010.

Legacy Grid Customer Allocations - Customer-based allocations from National Grid USA were confined to bill pool 247. This bill pool distributed the costs of customer contact and account processing in the Northborough customer center, a customer service information systems conversion project, bill printing and mailing and certain human resources costs among the legacy Grid utilities in New England. It was not used to distribute costs to Niagara Mohawk or to the legacy KeySpan utilities in New York or elsewhere.

Legacy KeySpan Customer Allocations – The legacy KeySpan service companies used customer meters as a basis for allocating common costs of meter reading, field collections, billing services, customer inquiry and related support activities within the KeySpan companies. Meter-based allocators did not distribute costs to Niagara Mohawk in 2009 or 2010. Meters are different from customer counts in that a single customer may have more than one meter; for instance, a residential customer on Long Island can have an electric and a gas meter. The Legacy KeySpan Cost Allocations Procedures manual includes the following definition for its meters allocator:³³

³³ OC-20, Cost Allocation Policies and Procedures Manual for Legacy KeySpan, January, 2010, p.21

of Meters - A ratio based on the number of meters at the end of the year, the numerator of which is for a specific client company and the denominator being all recipient client companies. This ratio will be calculated annually based on actual experience.

Over half the costs distributed using meters in 2009 and 2010 were allocated between Long Island gas operations (KEDLI) and electric operations (KeySpan Electric Services) through bill pool B0600. Another 18% was distributed between KEDLI and KEDNY through bill pool B0900. Combined, these two bill pools accounted for nearly three-fourths of the total costs distributed by the KeySpan service companies using customer meters. Meters were used as an allocation basis only within the KeySpan companies. Niagara Mohawk and the other legacy Grid companies did not receive any distributions from the KeySpan service companies using meters.

We attempted to validate the meter counts used in the legacy KeySpan's meter allocations by comparing them with customer counts. This met with limited success. National Grid's response to our request for customers provided a total for the New England companies and KEDNY combined, but not for the companies individually. We were able to get customer totals from annual reports filed with state public utility commissions in Massachusetts and New Hampshire. The totals provided for KEDLI and KeySpan Electric Services (the LIPA service entity) appear to be meter totals, rather than customer totals. However, to the extent the amounts in state utility commission reports (a source independent of the allocation factor worksheets) are customers, rather than meters, they track reasonably well with the meter counts used in allocation factor calculations.

Table 6-13 – Comparison of Utility Customer Counts with Meter Counts

Comparison of Utility Customer Counts with Meter Counts Used in Legacy KeySpan Meter Allocations							
Company	December 2009 Customers (1)	Meters per Allocator Worksheets					
		FY 2009		FY 2010		FY 2011	
Boston Gas Company	609,213	633,230	16.9%	645,016	17.1%	625,716	16.0%
Essex Gas Company	50,921	-	0.0%	-	0.0%	51,926	1.3%
Colonial Gas Company	193,064	186,761	5.0%	189,380	5.0%	196,108	5.0%
EnergyNorth Natural Gas Inc.	85,938	83,775	2.2%	84,593	2.2%	87,614	2.2%
KeySpan Electric Services, LLC	1,123,777	1,116,951	29.8%	1,120,923	29.6%	1,123,777	28.7%
KEDLI	549,340	538,053	14.4%	545,398	14.4%	549,329	14.0%
KEDNY	Unknown	1,187,475	31.7%	1,195,915	31.6%	1,287,144	32.8%
Total	Not Meaningful	3,746,245	100.0%	3,781,225	100.0%	3,921,614	100.0%
Sources: OC-7 Attachments 6, 12 & 19. '05 Customer All' sheet; OC-165 and annual reports filed with state PUCs							
Note 1: Customer data was requested in OC-165, but was not provided individually for KEDNY or the New England companies. Customer totals shown for the New England companies are from annual reports filed with the Massachusetts and New Hampshire public utility commissions. Similar reports were not readily available for the New York utilities. Customers for KEDLI and KeySpan Electric Services provided in response to OC-165 appears to be meters rather than customers.							

Telephone Call-Based Allocators

The legacy KeySpan service companies used telephone calls to distribute the costs of customer contact centers in New England (Northborough) and New York (MetroTech and Long Island). 46% of the costs

distributed in 2009 and 2010 using telephone calls was allocated among the New England companies and KEDNY using bill pool D3400. 40% of the telephone call-based allocations were distributed between KeySpan Electric Service and KEDLI through bill pool D0600. The table below summarizes the metrics used in this allocator in fiscal years 2009 through 2011.

Table 6-14 – Telephone Calls Used in KeySpan “D” Series Bill Pools

Telephone Calls Used in KeySpan 'D' Series Bill Pools						
Company	Telephone Calls per Allocator Worksheets					
	FY 2009		FY 2010		FY 2011	
Boston Gas Company	965,611	13.7%	756,402	10.3%	1,074,535	12.9%
Essex Gas Company	-	0.0%		0.0%	64,093	0.8%
Colonial Gas Company	204,269	2.9%	228,305	3.1%	283,838	3.4%
EnergyNorth Natural Gas Inc.	122,195	1.7%	143,631	2.0%	151,992	1.8%
KeySpan Electric Services, LLC	2,106,939	29.9%	2,237,141	30.6%	2,414,474	29.0%
KEDLI	942,139	13.4%	1,084,111	14.8%	1,207,445	14.5%
KEDNY	2,702,670	38.4%	2,861,384	39.1%	3,130,516	37.6%
Total	7,043,823	100.0%	7,310,974	100.0%	8,326,893	100.0%

Source: OC-7 Attachments 6, 12 & 19. '05 Customer All' sheet

The table shows that percentages for the New York utilities were relatively stable over the three-year period. However, telephone calls for Boston Gas decreased significantly in the allocation calculation used in fiscal year 2010. In addition, KEDNY's relative share of telephone calls, averaging over 38%, was significantly higher than its relative share of customer meters, which averaged only 32%. We asked National Grid why KEDNY's share of total telephone calls was so much higher than its share of meters. National Grid responded as follows:³⁴

There is no corresponding direct linear relationship between the number of meters and the number of calls made by customers. Number of calls result for a variety of reasons and do not occur in proportionate relationship to the number of meters. In some cases, differences in geographic & demographic criteria can have a profound impact on the number of calls received..

While KEDNY's share of telephone calls was high relative to meters, the percentage of phone calls for the other large recipient of telephone call-based allocations, Boston Gas, was about 4 points lower than its share customer meters. Moreover, Boston Gas's telephone call counts decreased significantly in the fiscal year 2010 allocation compared with the prior year, and then increased significantly in fiscal year 2011. One possibility is by this is that the different customer service systems from which Boston Gas and KEDNY draw their call counts or the people providing the call counts in New England and New York had different ways of counting a telephone call.

³⁴ Email from John O'Shaughnessy to Robert Welchlin, Questions re. telephone call metric and 'D' series bill pools used by KeySpan service companies. June 18, 2012

Problems with Fiscal Year 2010 Telephone Call-Based Allocations

We inquired about the decline in Boston Gas' telephone call count in fiscal year 2010 and subsequent rebound in fiscal year 2011. National Grid provided the following information:³⁵

Gloria Protasio has received some additional information back from the customer organization that indicates the phone call metrics they supplied for DEC-08 that were included in the calculation of allocation percentages in fy 2010, appear to have used a different and more specific type of call count for Boston/Essex. This supports the percentage anomaly you calculated in the table below and your question as to why the Boston percentage drops in FY10 and rises back up in FY2011. The metrics were supplied by different employees in the customer organization many of whom are no longer with the company and all we have on file is what was originally provided. As a result, we are unable to determine what, if any rationale existed at that time in compiling these call metrics.

In an accompanying spreadsheet, National Grid stated:³⁶

The phone call metrics supplied by the customer organization for DEC-08 and used in the FY2010 allocation formula calculations appear to have been based on a specific subset of calls handled rather than the total of all calls handled as reported for the other affiliates. . . . As a result, the percentage of calls reported for Boston Gas in FY2010 is lower than that reported in the preceeding and successive fiscal year periods, i.e. FY 2009 & FY 2011. The call metrics were supplied by employees of the customer organization many of whom are no longer with the company and all the documentation we have on file is what was originally provided for use in the FY 2010 calculations. As a result, we are unable to determine what, if any rationale existed at that time in compiling these call metrics. Accordingly, this calculation/estimate is for analytical purposes and is not intended to represent a correction to the recorded amounts in FY2010.

We view the statement above as an acknowledgement of a mistake made in compiling telephone calls for Boston Gas for fiscal year 2010 allocations. Based on a revised fiscal year 2010 telephone call count for Boston Gas, the spreadsheet containing the above quote also contained the following estimates of the impact of the mistake on costs allocated using telephone call-based bill pools:

- Boston Gas – Under-allocated in FY 2010 by \$1,761,069
- KEDNY – Over-allocated in FY 2010 by \$1,086,255
- KEDLI – Over-allocated in FY 2010 by \$3,269

³⁵ Email from John O'Shaughnessy to Robert Welchlin, Questions re. telephone call metric and 'D' series bill pools used by KeySpan service companies. July 2, 2012

³⁶ Boston Gas Alternate Phone Call Calculations for FY2010.xls, supplied as an attachment to an email from John O'Shaughnessy to Robert Welchlin, July 2, 2012

- Other Entities Combined (KeySpan Electric, Colonial Gas and EnergyNorth) – Over-allocated in FY 2010 by \$671,545

Legacy National Grid (National Grid USA Service Company) Bill Pools and Allocation Factors for Fiscal Years 2009 through 2011 (April 2008 through March 2011)													
Bill Pool	Bus Unit	BU Description	Segment	FY 2009	FY 2010	Diff (10-09)	FY 2011	Diff (11-10)	Cost Objectives			Allocated Costs	
									Entity Scope	Segment Scope	Allocation Basis	CY 2009	CY 2010
00100	00036	Niagara Mohawk Power	DIST	73.000%	73.000%	0.000%	73.000%	0.000%	Niagara Mohawk	Electric Dist. & Trans. Gas Dist	Agreed to with NYDPS Staff	13,797,385	4,048,808
00100	00036	Niagara Mohawk Power	GAS	17.000%	17.000%	0.000%	17.000%	0.000%				1,890,051	554,631
00100	00036	Niagara Mohawk Power	TRAN	10.000%	10.000%	0.000%	10.000%	0.000%				3,213,091	942,878
00100 Total				100.000%	100.000%	0.000%	100.000%	100.000%				18,900,527	5,546,317
00101	00036	Niagara Mohawk Power	DIST	88.000%	88.000%	0.000%	88.000%	0.000%	Niagara Mohawk	Electric Dist. & Trans.	Agreed to with NYDPS Staff	3,550,638	4,204,551
00101	00036	Niagara Mohawk Power	GAS	12.000%	12.000%	0.000%	12.000%	0.000%				484,179	573,350
00101 Total				100.000%	100.000%	0.000%	100.000%	100.000%				4,034,817	4,777,901
00102	00036	Niagara Mohawk Power	DIST	83.000%	83.000%	0.000%	83.000%	0.000%	Niagara Mohawk	Electric Dist. Gas Dist.	Agreed to with NYDPS Staff	13,910,692	12,310,688
00102	00036	Niagara Mohawk Power	TRAN	17.000%	17.000%	0.000%	17.000%	0.000%				2,853,592	2,521,468
00102 Total				100.000%	100.000%	0.000%	100.000%	100.000%				16,764,284	14,832,156
00200	00036	Niagara Mohawk Power	GAS	13.394%	13.066%	-0.328%	13.092%	0.026%	Utility LG & Utility LK	Gas	O&M	1,486,802	891,287
00200	00048	Narragansett Gas	GAS	8.668%	10.031%	1.363%	12.125%	2.095%				1,141,393	825,455
00200	01401	Boston Gas Company	GAS	22.528%	21.213%	-1.315%	22.189%	0.976%				2,413,885	1,510,552
00200	01402	Essex County Gas Company	GAS	0.000%	0.804%	0.804%	0.875%	0.071%				91,484	59,565
00200	01403	Colonial Lowell Division	GAS	4.108%	3.619%	-0.489%	2.788%	-0.831%				411,846	189,813
00200	01406	EnergyNorth Company	GAS	2.708%	1.946%	-0.763%	2.377%	0.431%				221,397	161,807
00200	01437	Keyspan Energy Delivery LI	GAS	16.327%	16.718%	0.391%	15.867%	-0.851%				1,902,362	1,080,167
00200	01438	Keyspan Energy Delivery NY	GAS	32.267%	32.603%	0.337%	30.686%	-1.917%				3,709,964	2,088,969
00200 Total				100.000%	100.000%	0.000%	100.000%	0.000%				11,379,133	6,807,615
00201	00004	Nantucket Electric	DIST	0.148%	0.212%	0.064%	0.196%	-0.016%	Utility LG & Utility LK	Electric Dist. & Gen.	O&M	6,356	6,246
00201	00005	Massachusetts Electric	DIST	25.519%	26.612%	1.093%	27.563%	0.951%				798,913	880,367
00201	00036	Niagara Mohawk Power	DIST	37.996%	40.682%	2.685%	39.796%	-0.886%				1,221,316	1,271,111
00201	00041	Granite State Electric	DIST	0.826%	0.759%	-0.067%	0.750%	-0.009%				22,780	23,945
00201	00049	Narragansett Electric	DIST	8.437%	9.085%	0.648%	9.133%	0.048%				272,743	291,709
00201	01434	Keyspan Electric Services LLC	DIST	13.885%	13.720%	-0.165%	12.824%	-0.897%				411,901	409,603
00201	01435	Keyspan Generation Services LLC	GEN	8.516%	8.561%	0.045%	9.395%	0.834%				257,017	300,090
00201	01442	Keyspan Ravenswood Services, LLC	GEN	4.246%	0.000%	-4.246%	0.000%	0.000%				-	-
00201	01446	Keyspan Glenwood Energy Center LLC	GEN	0.241%	0.181%	-0.060%	0.164%	-0.017%				5,442	5,242
00201	01448	Keyspan Port Jefferson Energy Center L	GEN	0.185%	0.188%	0.003%	0.180%	-0.008%				5,646	5,761
00201	01458	Keyspan Energy Supply Inc	GEN	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00201 Total				100.000%	100.000%	0.000%	100.000%	0.000%				3,002,115	3,194,073
00202	00004	Nantucket Electric	DIST	0.094%	0.133%	0.039%	0.122%	-0.010%	Utility LG & Utility LK	Elec. Dist. Elec Gen. Gas Dist.	O&M	951	808
00202	00005	Massachusetts Electric	D / T	16.173%	16.696%	0.523%	17.247%	0.551%				119,525	113,890
00202	00036	Niagara Mohawk Power	DIST	24.081%	25.524%	1.443%	24.902%	-0.622%				182,720	164,439
00202	00036	Niagara Mohawk Power	GAS	4.905%	4.868%	-0.037%	4.900%	0.032%				34,852	32,357
00202	00041	Granite State Electric	D / T	0.524%	0.476%	-0.048%	0.469%	-0.007%				3,408	3,098
00202	00048	Narragansett Gas	GAS	3.174%	3.737%	0.563%	4.538%	0.801%				26,755	29,967
00202	00049	Narragansett Electric	D / T	5.347%	5.700%	0.353%	5.715%	0.015%				40,805	37,737
00202	01401	Boston Gas Company	GAS	8.251%	7.904%	-0.347%	8.305%	0.400%				56,584	54,839
00202	01402	Essex County Gas Company	GAS	0.000%	0.300%	0.300%	0.327%	0.028%				2,144	2,162
00202	01403	Colonial Lowell Division	GAS	1.505%	1.349%	-0.156%	1.044%	-0.305%				9,654	6,891
00202	01406	EnergyNorth Company	GAS	0.992%	0.725%	-0.267%	0.890%	0.165%				5,190	5,874
00202	01434	Keyspan Electric Services LLC	DIST	8.800%	8.608%	-0.192%	8.024%	-0.584%				61,624	52,989
00202	01435	Keyspan Generation Services LLC	GEN	5.397%	5.371%	-0.026%	5.879%	0.508%				38,452	38,821
00202	01437	Keyspan Energy Delivery LI	GAS	5.979%	6.229%	0.250%	5.938%	-0.291%				44,593	39,214
00202	01438	Keyspan Energy Delivery NY	GAS	11.817%	12.148%	0.331%	11.484%	-0.664%				86,966	75,837
00202	01442	Keyspan Ravenswood Services, LLC	GEN	2.691%	0.000%	-2.691%	0.000%	0.000%				-	-
00202	01446	Keyspan Glenwood Energy Center LLC	GEN	0.153%	0.114%	-0.039%	0.103%	-0.011%				814	678
00202	01448	Keyspan Port Jefferson Energy Center L	GEN	0.117%	0.118%	0.001%	0.113%	-0.005%				845	745
00202	01458	Keyspan Energy Supply Inc	GEN	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00202 Total				100.000%	100.000%	0.000%	100.000%	0.000%				715,883	660,347
00203	00004	Nantucket Electric	DIST	0.171%	0.232%	0.062%	0.217%	-0.016%	Utility LG & Utility LK	Elec. Dist.	O&M	45,368	11,197
00203	00005	Massachusetts Electric	DIST	29.396%	29.221%	-0.174%	30.537%	1.315%				5,702,387	1,578,348
00203	00036	Niagara Mohawk Power	DIST	43.768%	44.671%	0.903%	44.090%	-0.581%				8,717,362	2,278,887
00203	00041	Granite State Electric	DIST	0.952%	0.833%	-0.118%	0.831%	-0.003%				162,598	42,929
00203	00049	Narragansett Electric	DIST	9.719%	9.976%	0.257%	10.118%	0.142%				1,946,753	522,984
00203	01434	Keyspan Electric Services LLC	DIST	15.995%	15.066%	-0.929%	14.208%	-0.858%				2,940,022	734,349
00203 Total				100.000%	100.000%	0.000%	100.000%	0.000%				19,514,490	5,168,693
00229	00004	Nantucket Electric Company	DIST	0.173%	0.232%	0.059%	0.211%	-0.021%	Utility LG	Elec. Dist. Gas Dist.	O&M	9,776	14,361
00229	00005	Massachusetts Electric	DIST	29.786%	29.223%	-0.563%	29.792%	0.569%				1,231,343	2,027,736
00229	00036	Niagara Mohawk Power Corp	DIST	44.308%	44.152%	-0.156%	42.727%	-1.425%				1,860,393	2,908,133
00229	00036	Niagara Mohawk Power Corp	GAS	9.075%	9.043%	-0.032%	8.751%	-0.292%				381,037	595,620
00229	00041	Granite State Electric Company	DIST	0.964%	0.833%	-0.131%	0.810%	-0.023%				35,099	55,131
00229	00048	Narragansett Gas Company	GAS	5.846%	6.541%	0.695%	7.839%	1.298%				275,612	533,547
00229	00049	Narragansett Electric Company	DIST	9.848%	9.976%	0.128%	9.871%	-0.105%				420,350	671,851
00229 Total				100.000%	100.000%	0.000%	100.001%	0.001%				4,213,609	6,806,311
00230	00004	Nantucket Electric Company	DIST	0.371%	0.497%	0.126%	0.436%	-0.061%	Utility LG - New England	Elec. Dist. Gas Dist.	O&M	4,655	1,923
00230	00005	Massachusetts Electric	DIST	63.893%	62.433%	-1.460%	61.396%	-1.037%				584,743	270,782
00230	00041	Granite State Electric Company	DIST	2.069%	1.780%	-0.289%	1.670%	-0.110%				16,671	7,365
00230	00048	Narragansett Gas Company	GAS	12.541%	13.976%	1.435%	16.155%	2.179%				130,898	71,250
00230	00049	Narragansett Electric Company	DIST	21.126%	21.314%	0.188%	20.344%	-0.970%				199,625	89,726
00230 Total				100.000%	100.000%	0.000%	100.001%	0.001%				936,593	441,042
00231	00004	Nantucket Electric Company	DIST	0.203%	0.274%	0.071%	0.253%	-0.021%	Utility LG	Elec. Dist. Gas Dist.	O&M	80,544	69,633
00231	00005	Massachusetts Electric	DIST	34.993%	34.405%	-0.588%	35.594%	1.189%				10,113,620	9,796,503
00231	00036	Niagara Mohawk Power Corp	DIST	52.101%	52.595%	0.494%	51.392%	-1.203%				15,460,713	14,144,572
00231	00041	Granite State Electric Company	DIST	1.133%	0.981%	-0.152%	0.968%	-0.013%				288,373	266,422
00231	00049	Narragansett Electric Company	DIST	11.570%	11.745%	0.175%	11.794%	0.049%				3,452,535	3,246,052
00231 Total				100.000%	100.000%	0.000%	100.001%	0.001%				29,395,785	27,522,906

Legacy National Grid (National Grid USA Service Company)														
Bill Pools and Allocation Factors for Fiscal Years 2009 through 2011 (April 2008 through March 2011)														
									Cost Objectives			Allocated Costs		
Bill Pool	Bus Unit	BU Description	Segment	FY 2009	FY 2010	Diff (10-09)	FY 2011	Diff (11-10)	Entity Scope	Segment Scope	Allocation Basis	CY 2009	CY 2010	
00232	00004	Nantucket Electric Company	DIST	0.424%	0.577%	0.153%	0.519%	-0.058%	Utility LG - New England	Elec. Dist.	O&M	122,692	83,056	
00232	00005	Massachusetts Electric	DIST	73.056%	72.577%	-0.479%	73.227%	0.650%				15,432,661	11,718,598	
00232	00041	Granite State Electric Company	DIST	2.365%	2.069%	-0.296%	1.992%	-0.077%				439,949	318,782	
00232	00049	Narragansett Electric Company	DIST	24.155%	24.777%	0.622%	24.263%	-0.514%				5,268,543	3,882,835	
00232 Total				100.000%	100.000%	0.000%	100.001%	0.001%				21,263,845	16,003,111	
00233	00005	Massachusetts Electric	TRAN	1.222%	1.500%	0.278%	2.387%	0.887%	Utility LG	Elec. Trans.	O&M	288,235	476,384	
00233	00010	New England Power Company	TRAN	37.734%	40.510%	2.776%	37.747%	-2.763%				7,784,267	7,533,330	
00233	00036	Niagara Mohawk Power Corp	TRAN	56.431%	54.013%	-2.418%	54.026%	0.013%				10,378,959	10,782,200	
00233	00049	Narragansett Electric Company	TRAN	4.613%	3.977%	-0.636%	5.841%	1.864%				764,207	1,165,713	
00233 Total				100.000%	100.000%	0.000%	100.001%	0.001%				19,215,668	19,957,427	
00235	00004	Nantucket Electric Company	DIST	0.339%	0.448%	0.109%	0.403%	-0.045%	Utility LG - New England	Elec. Dist. & Trans.	O&M	79,283	65,355	
00235	00005	Massachusetts Electric	DIST	58.381%	56.612%	-1.769%	56.294%	-0.318%				10,018,449	9,119,932	
00235	00010	New England Power Company	TRAN	7.796%	8.647%	0.851%	7.426%	-1.222%				1,530,320	1,203,013	
00235	00041	Granite State Electric Company	DIST	1.900%	1.626%	-0.273%	1.545%	-0.081%				287,832	250,335	
00235	00048	Narragansett Gas Company	GAS	11.409%	12.601%	1.192%	14.689%	2.088%				2,229,965	2,379,728	
00235	00049	Narragansett Electric Company	DIST	20.176%	20.065%	-0.111%	19.642%	-0.423%				3,550,831	3,182,165	
00235 Total				100.000%	100.000%	0.000%	100.000%	0.000%				17,696,679	16,200,527	
00236	00004	Nantucket Electric Company	DIST	0.157%	0.209%	0.053%	0.195%	-0.015%	Utility LG	Elec. Dist. & Trans.	O&M	102,900	51,401	
00236	00005	Massachusetts Electric	DIST	27.043%	26.457%	-0.585%	27.189%	0.731%				13,002,689	7,172,727	
00236	00010	New England Power Company	TRAN	3.611%	4.041%	0.430%	3.586%	-0.455%				1,986,163	946,156	
00236	00036	Niagara Mohawk Power Corp	DIST	39.185%	38.884%	-0.302%	37.743%	-1.141%				19,109,584	9,957,111	
00236	00036	Niagara Mohawk Power Corp	TRAN	5.368%	5.327%	-0.041%	5.170%	-0.156%				2,617,751	1,363,988	
00236	00036	Niagara Mohawk Power Corp	GAS	9.125%	9.055%	-0.070%	8.789%	-0.266%				4,450,177	2,318,779	
00236	00041	Granite State Electric Company	DIST	0.880%	0.760%	-0.120%	0.746%	-0.014%				373,569	196,886	
00236	00048	Narragansett Gas Company	GAS	5.285%	5.889%	0.604%	7.095%	1.205%				2,894,215	1,871,630	
00236	00049	Narragansett Electric Company	DIST	9.346%	9.377%	0.032%	9.487%	0.109%				4,608,532	2,502,738	
00236 Total				100.000%	100.000%	0.000%	100.000%	0.000%				49,145,580	26,381,415	
00237	00004	Nantucket Electric Company	DIST	0.382%	0.513%	0.130%	0.473%	-0.040%	Utility LG - New England	Elec. Dist. & Trans.	O&M	5,805	1,373	
00237	00005	Massachusetts Electric	DIST	65.899%	64.774%	-1.125%	65.987%	1.213%				733,557	191,541	
00237	00010	New England Power Company	TRAN	8.800%	9.894%	1.094%	8.704%	-1.190%				112,050	25,266	
00237	00041	Granite State Electric Company	DIST	2.144%	1.861%	-0.283%	1.811%	-0.050%				21,075	5,258	
00237	00049	Narragansett Electric Company	DIST	22.774%	22.958%	0.184%	23.024%	0.067%				259,994	66,833	
00237 Total				100.000%	100.000%	0.000%	100.000%	0.000%				1,132,482	290,271	
00238	00004	Nantucket Electric Company	DIST	0.174%	0.232%	0.058%	0.219%	-0.014%	Utility LG	Elec. Dist. & Trans.	O&M	9,116	12,234	
00238	00005	Massachusetts Electric	DIST	30.034%	29.356%	-0.678%	30.523%	1.166%				1,151,875	1,707,189	
00238	00010	New England Power Company	TRAN	4.011%	4.484%	0.473%	4.026%	-0.458%				175,948	225,196	
00238	00036	Niagara Mohawk Power Corp	DIST	47.893%	48.118%	0.225%	47.295%	-0.823%				1,888,023	2,645,283	
00238	00036	Niagara Mohawk Power Corp	TRAN	6.531%	6.561%	0.031%	6.449%	-0.112%				257,458	360,720	
00238	00041	Granite State Electric Company	DIST	0.977%	0.843%	-0.134%	0.838%	-0.006%				33,094	46,861	
00238	00049	Narragansett Electric Company	DIST	10.379%	10.405%	0.025%	10.650%	0.245%				408,258	595,680	
00238 Total				100.000%	100.000%	0.000%	100.000%	0.000%				3,923,771	5,593,163	
00239	00004	Nantucket Electric	DIST	0.089%	0.125%	0.036%	0.116%	-0.009%	Utility LG & LK	Elec. Dist & Trans. Gas Dist	O&M	14,964	4,765	
00239	00005	Massachusetts Electric	D / T	15.340%	15.755%	0.416%	16.339%	0.584%				1,880,859	671,638	
00239	00010	New England Power	TRAN	2.065%	2.415%	0.349%	2.165%	-0.250%				288,277	88,980	
00239	00036	Niagara Mohawk Power	DIST	22.840%	24.086%	1.246%	23.591%	-0.494%				2,875,310	969,740	
00239	00036	Niagara Mohawk Power	GAS	4.652%	4.594%	-0.058%	4.642%	0.048%				548,441	190,818	
00239	00036	Niagara Mohawk Power	TRAN	3.089%	3.220%	0.131%	3.098%	-0.121%				384,358	127,353	
00239	00041	Granite State Electric	D / T	0.497%	0.449%	-0.047%	0.444%	-0.005%				53,631	18,268	
00239	00048	Narragansett Gas	GAS	3.011%	3.527%	0.516%	4.299%	0.772%				421,029	176,724	
00239	00049	Narragansett Electric	D / T	5.072%	5.379%	0.307%	5.414%	0.035%				642,112	222,547	
00239	01401	Boston Gas Company	GAS	7.825%	7.459%	-0.367%	7.867%	0.409%				890,417	323,398	
00239	01402	Essex County Gas Company	GAS	0.000%	0.283%	0.283%	0.310%	0.028%				33,746	12,753	
00239	01403	Colonial Lowell Division	GAS	1.427%	1.273%	-0.154%	0.989%	-0.284%				151,919	40,638	
00239	01406	EnergyNorth Company	GAS	0.941%	0.684%	-0.257%	0.843%	0.159%				81,667	34,642	
00239	01434	Keyspan Electric Services LLC	DIST	8.346%	8.123%	-0.223%	7.602%	-0.521%				969,728	312,489	
00239	01435	Keyspan Generation Services LLC	GEN	5.119%	5.069%	-0.050%	5.570%	0.501%				605,087	228,941	
00239	01437	Keyspan Energy Delivery LI	GAS	5.671%	5.878%	0.207%	5.626%	-0.252%				701,730	231,256	
00239	01438	Keyspan Energy Delivery NY	GAS	11.208%	11.464%	0.256%	10.880%	-0.583%				1,368,505	447,233	
00239	01442	Keyspan Ravenswood Services, LLC	GEN	2.552%	0.000%	-2.552%	0.000%	0.000%				-	-	
00239	01446	Keyspan Glenwood Energy Center LLC	GEN	0.145%	0.107%	-0.038%	0.097%	-0.010%				12,813	3,999	
00239	01448	Keyspan Port Jefferson Energy Center L	GEN	0.111%	0.111%	0.000%	0.107%	-0.004%				13,293	4,395	
00239	01458	Keyspan Energy Supply Inc	GEN	0.000%	0.000%	0.000%	0.000%	0.000%				-	-	
00239 Total				100.000%	100.000%	0.000%	100.000%	0.000%				11,937,887	4,110,576	
00240	00004	Nantucket Electric	DIST	0.136%	0.193%	0.057%	0.180%	-0.014%	Utility LG & LK	Elec. Dist. & Trans.	O&M	2,519	4,366	
00240	00005	Massachusetts Electric	D / T	23.504%	24.299%	0.796%	25.315%	1.016%				316,642	615,461	
00240	00010	New England Power	TRAN	3.165%	3.724%	0.560%	3.354%	-0.371%				48,531	81,537	
00240	00036	Niagara Mohawk Power	DIST	34.996%	37.147%	2.151%	36.551%	-0.596%				484,057	888,629	
00240	00036	Niagara Mohawk Power	TRAN	4.733%	4.966%	0.233%	4.800%	-0.165%				64,706	116,701	
00240	00041	Granite State Electric	D / T	0.761%	0.693%	-0.068%	0.689%	-0.004%				9,029	16,740	
00240	00049	Narragansett Electric	D / T	7.771%	8.296%	0.524%	8.388%	0.093%				108,099	203,932	
00240	01434	Keyspan Electric Services LLC	DIST	12.789%	12.528%	-0.261%	11.778%	-0.750%				163,253	286,352	
00240	01435	Keyspan Generation Services LLC	GEN	7.843%	7.817%	-0.026%	8.629%	0.812%				101,866	209,792	
00240	01442	Keyspan Ravenswood Services, LLC	GEN	3.910%	0.000%	-3.910%	0.000%	0.000%				-	-	
00240	01446	Keyspan Glenwood Energy Center LLC	GEN	0.222%	0.166%	-0.057%	0.151%	-0.015%				2,157	3,665	
00240	01448	Keyspan Port Jefferson Energy Center L	GEN	0.170%	0.172%	0.002%	0.166%	-0.006%				2,238	4,028	
00240	01458	Keyspan Energy Supply Inc	GEN	0.000%	0.000%	0.000%	0.000%	0.000%				-	-	
00240 Total				100.000%	100.000%	0.000%	100.000%	0.000%				1,303,098	2,431,202	
00247	00004	Nantucket Electric Company	DIST	0.678%	0.699%	0.021%	0.697%	-0.002%	Utility LG - New England	Elec. Dist.	Customers	344,758	266,814	
00247	00005	Massachusetts Electric	DIST	70.105%	70.172%	0.067%	70.224%	0.052%				34,609,919	26,882,141	
00247	00041	Granite State Electric Company	DIST	2.296%	2.344%	0.048%	2.343%	-0.001%				1,156,097	896,914	
00247	00049	Narragansett Electric Company	DIST	26.921%	26.785%	-0.136%	26.737%	-0.048%				13,210,777	10,235,074	
00247 Total				100.000%	100.000%	0.000%	100.001%	0.001%				49,321,551	38,280,561	

Legacy National Grid (National Grid USA Service Company)													
Bill Pools and Allocation Factors for Fiscal Years 2009 through 2011 (April 2008 through March 2011)													
Bill Pool	Bus Unit	BU Description	Segment	FY 2009	FY 2010	Diff (10-09)	FY 2011	Diff (11-10)	Cost Objectives		Allocation Basis	Allocated Costs	
									Entity Scope	Segment Scope		CY 2009	CY 2010
00253	00004	Nantucket Electric Company	DIST	0.729%	0.780%	0.051%	0.780%	0.000%	Utility LG - New England	Elec. Dist.	Budgeted Elec. Dist. Engineering Costs	40,128	35,772
00253	00005	Massachusetts Electric	DIST	70.995%	72.410%	1.415%	72.410%	0.000%				3,725,258	3,320,845
00253	00041	Granite State Electric Company	DIST	3.576%	2.550%	-1.026%	2.550%	0.000%				131,189	116,947
00253	00049	Narragansett Electric Company	DIST	24.700%	24.260%	-0.440%	24.260%	0.000%				1,248,098	1,112,605
00253 Total				100.000%	100.000%	0.000%	100.000%	0.000%				5,144,674	4,586,169
00256	00004	Nantucket Electric Company	DIST	0.672%	0.650%	-0.022%	0.650%	0.000%	Utility LG - New England	Electric Dist. & Trans.	"Suggested" by Fran LaRiviere & Joanne Dufresne	5,437	2,964
00256	00005	Massachusetts Electric	DIST	58.655%	55.790%	-2.865%	55.790%	0.000%				466,648	254,392
00256	00010	New England Power Company	TRAN	18.675%	21.380%	2.705%	21.380%	0.000%				178,830	97,489
00256	00041	Granite State Electric Company	DIST	2.199%	2.150%	-0.049%	2.150%	0.000%				17,983	9,804
00256	00049	Narragansett Electric Company	DIST	19.799%	20.030%	0.231%	20.030%	0.000%				167,538	91,333
00256 Total				100.000%	100.000%	0.000%	100.000%	0.000%				836,436	455,982
00272	00001	National Grid USA	OTH	1.707%	1.233%	-0.474%	1.233%	0.000%	All Cos. LG	Elec. Dist., Trans, Gen. Gas Dist. Other	Affiliated Company Charges	2,926	1,060
00272	00004	Nantucket Electric Company	DIST	0.341%	0.281%	-0.060%	0.281%	0.000%				667	242
00272	00005	Massachusetts Electric	DIST	33.106%	33.813%	0.707%	33.813%	0.000%				80,229	29,079
00272	00006	NE Hydro - Trans Electric Co	INTE	0.642%	0.566%	-0.076%	0.566%	0.000%				1,343	487
00272	00008	New England Hydro - Trans Corp	INTE	0.206%	0.139%	-0.067%	0.139%	0.000%				330	120
00272	00010	New England Power Company	TRAN	12.148%	11.126%	-1.022%	11.126%	0.000%				26,399	9,568
00272	00020	New England Electric Trans Co	INTE	0.125%	0.081%	-0.044%	0.081%	0.000%				192	70
00272	00021	National Grid Trans Services	OTH	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00272	00036	Niagara Mohawk Power Corp	DIST	24.045%	23.895%	-0.150%	23.895%	0.000%				56,697	20,550
00272	00036	Niagara Mohawk Power Corp	TRAN	3.294%	3.273%	-0.021%	3.273%	0.000%				7,767	2,815
00272	00036	Niagara Mohawk Power Corp	GAS	5.600%	5.565%	-0.035%	5.565%	0.000%				13,203	4,786
00272	00037	Opinac	OTH	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00272	00041	Granite State Electric Company	DIST	1.234%	1.232%	-0.002%	1.232%	0.000%				2,923	1,060
00272	00048	Narragansett Gas Company	GAS	4.251%	4.862%	0.611%	4.862%	0.000%				11,536	4,181
00272	00049	Narragansett Electric Company	DIST	13.227%	13.929%	0.702%	13.929%	0.000%				33,050	11,979
00272	00070	Wayfinder Group Inc.	OTH	0.065%	0.000%	-0.065%	0.000%	0.000%				-	-
00272	00071	Valley Appliance & Merchandise	OTH	0.005%	0.002%	-0.003%	0.002%	0.000%				5	2
00272	00082	Grid America Holdings	OTH	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00272	00085	NEES Energy, Inc.	OTH	0.002%	0.001%	-0.001%	0.001%	0.000%				2	1
00272	00086	EUA Energy Investment	OTH	0.001%	0.001%	0.000%	0.001%	0.000%				2	1
00272	00095	Metrowest Realty LLC	OTH	0.001%	0.001%	0.000%	0.001%	0.000%				2	1
00272 Total				100.000%	100.000%	0.000%	100.000%	0.000%				237,274	85,999
00282	00001	National Grid USA	OTH	25.000%	25.000%	0.000%	25.000%	0.000%	Utility LG	Elec. Dist. & Trans. Gas Dist.	O&M + "Special" 25% Distribution to NG USA	1,755	7,288
00282	00004	Nantucket Electric Company	DIST	0.118%	0.157%	0.039%	0.146%	-0.011%				11	43
00282	00005	Massachusetts Electric	DIST	20.282%	19.843%	-0.439%	20.391%	0.548%				1,393	5,944
00282	00010	New England Power Company	TRAN	2.709%	3.031%	0.322%	2.690%	-0.341%				213	784
00282	00036	Niagara Mohawk Power Corp	DIST	29.389%	29.163%	-0.226%	28.307%	-0.856%				2,048	8,252
00282	00036	Niagara Mohawk Power Corp	TRAN	4.026%	3.995%	-0.031%	3.878%	-0.117%				280	1,130
00282	00036	Niagara Mohawk Power Corp	GAS	6.844%	6.791%	-0.053%	6.592%	-0.199%				477	1,922
00282	00041	Granite State Electric Company	DIST	0.660%	0.570%	-0.090%	0.560%	-0.010%				40	163
00282	00048	Narragansett Gas Company	GAS	3.963%	4.417%	0.454%	5.321%	0.904%				310	1,551
00282	00049	Narragansett Electric Company	DIST	7.009%	7.033%	0.024%	7.115%	0.082%				494	2,074
00282 Total				100.000%	100.000%	0.000%	100.000%	0.000%				7,021	29,151
00297	00005	Massachusetts Electric	DIST	24.161%	26.139%	1.978%	26.049%	-0.090%	Utility LG - New England	Elec. Dist. & Trans.	Shared Telecom Expenses	201,295	179,706
00297	00010	New England Power Company	TRAN	62.058%	60.477%	-1.581%	60.908%	0.431%				465,730	420,191
00297	00041	Granite State Electric Company	DIST	8.319%	7.991%	-0.328%	7.864%	-0.127%				61,538	54,252
00297	00049	Narragansett Electric Company	DIST	5.462%	5.393%	-0.069%	5.180%	-0.213%				41,531	35,736
00297 Total				100.000%	100.000%	0.000%	100.001%	0.001%				770,095	689,878
00352	00001	National Grid USA	OTH	0.700%	0.869%	0.169%	0.269%	-0.600%	All Cos. LG - New England	Elec. Dist. & Trans. Gas Dist. Other	Employees	14,191	4,081
00352	00004	Nantucket Electric Company	DIST	0.457%	0.471%	0.014%	0.438%	-0.033%				7,692	6,645
00352	00005	Massachusetts Electric	DIST	44.293%	44.278%	-0.015%	41.901%	-2.377%				723,080	635,678
00352	00006	NE Hydro - Trans Electric Co	INTE	0.400%	0.420%	0.020%	0.420%	0.000%				6,859	6,372
00352	00008	New England Hydro - Trans Corp	INTE	0.100%	0.045%	-0.055%	0.145%	0.100%				735	2,200
00352	00010	New England Power Company	TRAN	7.900%	7.040%	-0.860%	9.740%	2.700%				114,966	147,765
00352	00020	New England Electric Trans Co	INTE	0.100%	0.035%	-0.065%	0.035%	0.000%				572	531
00352	00036	Niagara Mohawk Power Corp	DIST	11.826%	12.497%	0.671%	14.030%	1.533%				204,082	212,849
00352	00036	Niagara Mohawk Power Corp	TRAN	1.620%	1.712%	0.092%	1.922%	0.210%				27,958	29,159
00352	00036	Niagara Mohawk Power Corp	GAS	2.754%	2.910%	0.156%	3.267%	0.357%				47,522	49,564
00352	00041	Granite State Electric Company	DIST	1.593%	1.552%	-0.041%	1.412%	-0.140%				25,345	21,421
00352	00048	Narragansett Gas Company	GAS	11.260%	10.974%	-0.286%	10.226%	-0.748%				179,210	155,138
00352	00049	Narragansett Electric Company	DIST	16.997%	17.197%	0.200%	16.192%	-1.005%				280,835	245,648
00352	00070	Wayfinder Group Inc.	OTH	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00352 Total				100.000%	100.000%	0.000%	99.997%	-0.003%				1,633,045	1,517,096
00353	00001	National Grid USA	OTH	0.380%	0.470%	0.090%	0.190%	-0.280%	All Cos. LG	Elec. Dist. & Trans. Gas Dist. Other	Employees	54,569	15,581
00353	00004	Nantucket Electric Company	DIST	0.260%	0.250%	-0.010%	0.250%	0.000%				29,026	20,501
00353	00005	Massachusetts Electric	DIST	23.930%	23.870%	-0.060%	23.580%	-0.290%				2,771,402	1,933,655
00353	00006	NE Hydro - Trans Electric Co	INTE	0.240%	0.230%	-0.010%	0.240%	0.010%				26,704	19,681
00353	00008	New England Hydro - Trans Corp	INTE	0.040%	0.020%	-0.020%	0.040%	0.020%				2,322	3,280
00353	00010	New England Power Company	TRAN	4.270%	3.790%	-0.480%	5.480%	1.690%				440,034	449,382
00353	00020	New England Electric Trans Co	INTE	0.030%	0.020%	-0.010%	0.030%	0.010%				2,322	2,460
00353	00036	Niagara Mohawk Power Corp	DIST	39.967%	40.398%	0.431%	39.858%	-0.540%				4,690,368	3,268,517
00353	00036	Niagara Mohawk Power Corp	TRAN	5.475%	5.534%	0.059%	5.460%	-0.074%				642,519	447,742
00353	00036	Niagara Mohawk Power Corp	GAS	9.308%	9.408%	0.100%	9.282%	-0.126%				1,092,306	761,161
00353	00041	Granite State Electric Company	DIST	0.850%	0.830%	-0.020%	0.800%	-0.030%				96,366	65,603
00353	00048	Narragansett Gas Company	GAS	6.090%	5.910%	-0.180%	5.730%	-0.180%				686,174	469,883
00353	00049	Narragansett Electric Company	DIST	9.160%	9.270%	0.110%	9.090%	-0.180%				1,076,284	745,417
00353	00070	Wayfinder Group Inc.	OTH	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00353 Total				100.000%	100.000%	0.000%	100.030%	0.030%				11,610,396	8,200,403

Legacy National Grid (National Grid USA Service Company) Bill Pools and Allocation Factors for Fiscal Years 2009 through 2011 (April 2008 through March 2011)													
Bill Pool	Bus Unit	BU Description	Segment	FY 2009	FY 2010	Diff (10-09)	FY 2011	Diff (11-10)	Cost Objectives			Allocated Costs	
									Entity Scope	Segment Scope	Allocation Basis	CY 2009	CY 2010
00354	00004	Nantucket Electric	DIST	0.154%	0.158%	0.004%	0.159%	0.001%	All Cos. LG All Cos. LK	Elec. Dist. Elec. Trans. Elec. Gen. Gas Dist. Other	Employees	21,901	32,332
00354	00005	Massachusetts Electric	D / T	12.214%	12.502%	0.288%	11.889%	-0.613%				1,734,251	2,424,878
00354	00036	Niagara Mohawk	DIST	26.876%	27.784%	0.908%	28.020%	0.236%				3,853,966	5,714,670
00354	00036	Niagara Mohawk	GAS	6.259%	6.470%	0.211%	6.525%	0.055%				897,499	1,330,814
00354	00036	Niagara Mohawk	TRAN	3.682%	3.806%	0.124%	3.838%	0.032%				527,941	782,832
00354	00041	Granite State Electric	D / T	0.386%	0.375%	-0.011%	0.347%	-0.028%				52,014	70,726
00354	00048	Narragansett Gas	GAS	3.914%	3.750%	-0.164%	3.884%	0.134%				520,138	792,127
00354	00049	Narragansett Electric	D / T	4.415%	4.302%	-0.113%	4.320%	0.017%				596,790	881,039
00354	01401	Boston Gas Company	GAS	7.712%	8.328%	0.616%	8.362%	0.034%				1,155,255	1,705,498
00354	01403	Colonial Gas Company	GAS	1.485%	1.579%	0.094%	1.585%	0.006%				219,006	323,317
00354	01406	EnergyNorth Natural Gas Inc.	GAS	0.791%	0.809%	0.019%	0.812%	0.003%				112,240	165,700
00354	01434	KeySpan Electric Services, LLC	DIST	8.966%	8.733%	-0.233%	8.768%	0.035%				1,211,375	1,788,348
00354	01435	KeySpan Generation LLC	GEN	3.162%	3.237%	0.075%	3.250%	0.013%				448,962	662,800
00354	01436	KeySpan Energy Development Corp.	OTH	0.048%	0.030%	-0.019%	0.030%	0.000%				4,106	6,062
00354	01437	Keyspan Energy Delivery LI	GAS	6.073%	5.940%	-0.133%	5.965%	0.024%				824,009	1,216,481
00354	01438	Keyspan Energy Delivery NY	GAS	11.617%	11.772%	0.156%	11.820%	0.048%				1,632,961	2,410,733
00354	01442	KeySpan Ravenswood Services Corp.	GEN	1.774%	0.000%	-1.774%	0.000%	0.000%				-	-
00354	01444	KeySpan Energy Trading Services, LLC	OTH	0.096%	0.069%	-0.027%	0.069%	0.000%				9,581	14,145
00354	01458	KeySpan Energy Supply LLC	GEN	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00354	01459	KeySpan Services Inc.	OTH	0.058%	0.020%	-0.038%	0.020%	0.000%				2,738	4,041
00354	01471	Seneca Upshur Petroleum	OTH	0.318%	0.336%	0.017%	0.337%	0.001%				46,539	68,705
00354 Total				100.000%	100.000%	0.000%	100.000%	0.000%				13,871,271	20,395,247
00355	01401	Boston Gas Company	GAS		20.386%	20.386%	20.708%	0.321%	All Cos. LK	Elec. Dist. Elec. Gen. Gas Dist. Other	Employees	55,150	60,700
00355	01403	Colonial Gas Company	GAS		3.865%	3.865%	4.110%	0.245%				10,455	12,046
00355	01406	EnergyNorth Natural Gas Inc.	GAS		1.981%	1.981%	1.941%	-0.040%				5,358	5,689
00355	01434	KeySpan Electric Services, LLC	DIST		21.377%	21.377%	20.685%	-0.692%				57,829	60,634
00355	01435	KeySpan Generation LLC	GEN		7.923%	7.923%	7.466%	-0.457%				21,433	21,884
00355	01436	KeySpan Energy Development Corp.	OTH		0.072%	0.072%	0.434%	0.361%				196	1,272
00355	01437	KeySpan Gas East Corporation	GAS		14.541%	14.541%	13.562%	-0.979%				39,337	39,753
00355	01438	Brooklyn Union Gas Company	GAS		28.816%	28.816%	28.744%	-0.072%				77,955	84,258
00355	01442	KeySpan Ravenswood Services Corp.	GEN		0.000%	0.000%	0.000%	0.000%				-	-
00355	01444	KeySpan Energy Trading Services, LLC	OTH		0.169%	0.169%	0.160%	-0.009%				457	468
00355	01458	KeySpan Energy Supply LLC	GEN		0.000%	0.000%	0.000%	0.000%				-	-
00355	01459	KeySpan Services Inc.	OTH		0.048%	0.048%	1.142%	1.093%				131	3,346
00355	01471	Seneca Upshur Petroleum	OTH		0.821%	0.821%	1.050%	0.229%				2,222	3,079
00355 Total				100.000%	100.000%	0.000%	100.000%	0.000%				270,524	293,129
00356	00004	Nantucket Electric	DIST		0.722%	0.722%	0.873%	0.151%	Utility LG - New England	Elec. Dist.	Employees	7,131	18,546
00356	00005	Massachusetts Electric	DIST		69.723%	69.723%	69.688%	-0.035%				688,558	1,481,079
00356	00041	Granite State Electric	DIST		2.479%	2.479%	2.352%	-0.127%				24,481	49,981
00356	00049	Narragansett Electric	DIST		27.076%	27.076%	27.088%	0.011%				267,399	575,696
00356 Total				100.000%	100.000%	0.000%	100.000%	0.000%				987,569	2,125,303
00357	00048	Narragansett Gas	GAS		25.921%	25.921%	26.522%	0.601%	Utility LG & LK - New England	Gas Dist.	Employees	53,951	177,978
00357	01401	Boston Gas Company	GAS		57.572%	57.572%	57.104%	-0.467%				119,828	383,197
00357	01403	Colonial Gas Company	GAS		10.914%	10.914%	10.825%	-0.089%				22,716	72,644
00357	01406	EnergyNorth Natural Gas Inc.	GAS		5.593%	5.593%	5.548%	-0.045%				11,642	37,230
00357 Total				100.000%	100.000%	0.000%	100.000%	0.000%				208,138	671,048
00358	00001	National Grid USA	OTH		0.000%	0.000%	0.000%	0.000%	Utility LG	Elec. Dist. & Trans.	Aerial Devices	-	-
00358	00004	Nantucket Electric Company	DIST		0.711%	0.578%	-0.133%	0.578%				1,015	424
00358	00005	Massachusetts Electric	DIST		30.014%	30.491%	0.477%	30.491%				53,531	22,353
00358	00036	Niagara Mohawk Power Corp	DIST		50.072%	50.231%	0.159%	50.231%				88,187	36,825
00358	00036	Niagara Mohawk Power Corp	TRAN		6.828%	6.850%	0.022%	6.850%				12,026	5,022
00358	00041	Granite State Electric Company	DIST		1.422%	1.445%	0.023%	1.445%				2,537	1,059
00358	00049	Narragansett Electric Company	DIST		10.953%	10.405%	-0.548%	10.405%				18,267	7,628
00358 Total				100.000%	100.000%	0.000%	100.000%	0.000%				175,562	73,311
00375	00001	National Grid USA	OTH		0.205%	0.237%	0.032%	0.237%	All Cos. LG	Elec. Dist & Trans. Gas Dist. Other	Composite of Invoices, POs & Inventory Balances	20,657	5,149
00375	00004	Nantucket Electric Company	DIST		0.673%	0.682%	0.009%	0.682%				59,443	14,816
00375	00005	Massachusetts Electric	DIST		24.313%	24.575%	0.262%	24.575%				2,141,964	533,879
00375	00006	NE Hydro - Trans Electric Co	INTE		3.052%	2.876%	-0.176%	2.876%				250,673	62,480
00375	00008	New England Hydro - Trans Corp	INTE		0.243%	0.240%	-0.003%	0.240%				20,918	5,214
00375	00010	New England Power Company	TRAN		4.313%	3.990%	-0.323%	3.990%				347,769	86,681
00375	00020	New England Electric Trans Co	INTE		0.732%	0.690%	-0.042%	0.690%				60,141	14,990
00375	00021	National Grid Trans Services	TRAN		0.033%	0.018%	-0.015%	0.018%				1,569	391
00375	00036	Niagara Mohawk Power Corp	DIST		36.721%	37.171%	0.450%	37.171%				3,239,823	807,518
00375	00036	Niagara Mohawk Power Corp	TRAN		5.030%	5.092%	0.062%	5.092%				443,811	110,619
00375	00036	Niagara Mohawk Power Corp	GAS		8.552%	8.656%	0.105%	8.656%				754,479	188,052
00375	00041	Granite State Electric Company	DIST		1.351%	1.189%	-0.162%	1.189%				103,634	25,830
00375	00048	Narragansett Gas Company	GAS		4.531%	4.632%	0.101%	4.632%				403,726	100,628
00375	00049	Narragansett Electric Company	DIST		10.146%	9.907%	-0.239%	9.907%				863,497	215,225
00375	00070	Wayfinder Group Inc.	OTH		0.024%	0.030%	0.006%	0.030%				2,615	652
00375	00085	NEES Energy, Inc.	OTH		0.009%	0.007%	-0.002%	0.007%				610	152
00375	00086	EUA Energy Investment	OTH		0.004%	0.004%	0.000%	0.004%				349	87
00375	00095	Metrowest Realty LLC	OTH		0.068%	0.004%	-0.064%	0.004%				349	87
00375 Total				100.000%	100.000%	0.000%	100.000%	0.000%				8,716,027	2,172,449

Legacy National Grid (National Grid USA Service Company) Bill Pools and Allocation Factors for Fiscal Years 2009 through 2011 (April 2008 through March 2011)													
Bill Pool	Bus Unit	BU Description	Segment	FY 2009	FY 2010	Diff (10-09)	FY 2011	Diff (11-10)	Cost Objectives		Allocation Basis	Allocated Costs	
									Entity Scope	Segment Scope		CY 2009	CY 2010
00380	00004	Nantucket Electric Company	DIST	0.155%	0.207%	0.052%	0.194%	-0.013%	All Cos. LG	Elec. Dist. & Trans. Gas Dist.	O&M	90,311	71,491
00380	00005	Massachusetts Electric	DIST	26.715%	26.183%	-0.532%	27.046%	0.863%				11,423,226	9,966,750
00380	00006	NE Hydro - Trans Electric Co	INTE	0.291%	0.270%	-0.021%	0.178%	-0.092%				117,797	65,595
00380	00008	New England Hydro - Trans Corp	INTE	0.850%	0.713%	-0.137%	0.319%	-0.394%				311,071	117,555
00380	00010	New England Power Company	TRAN	3.568%	3.999%	0.431%	3.568%	-0.431%				1,744,700	1,314,847
00380	00020	New England Electric Trans Co	INTE	0.042%	0.025%	-0.017%	0.026%	0.001%				10,907	9,581
00380	00021	NGUSA Transmission	TRAN	0.010%	0.002%	-0.008%	0.003%	0.001%				873	1,106
00380	00036	Niagara Mohawk Power Corp	DIST	38.713%	38.478%	-0.234%	37.544%	-0.934%				16,787,469	13,835,343
00380	00036	Niagara Mohawk Power Corp	TRAN	5.303%	5.271%	-0.032%	5.143%	-0.128%				2,299,653	1,895,252
00380	00036	Niagara Mohawk Power Corp	GAS	9.015%	8.961%	-0.055%	8.743%	-0.218%				3,909,411	3,221,929
00380	00041	Granite State Electric Company	DIST	0.869%	0.752%	-0.117%	0.742%	-0.010%				328,086	273,435
00380	00048	Narragansett Gas Company	GAS	5.221%	5.828%	0.607%	7.057%	1.229%				2,542,664	2,600,583
00380	00049	Narragansett Electric Company	DIST	9.233%	9.280%	0.047%	9.437%	0.157%				4,048,716	3,477,639
00380	00070	Wayfinder Group Inc.	OTH	0.001%	0.002%	0.001%	0.002%	0.000%				873	737
00380	00071	Valley Appliance & Merchandise	OTH	0.014%	0.029%	0.015%	0.000%	-0.029%				12,652	-
00380 Total				100.000%	100.000%	0.000%	100.002%	0.002%				43,628,406	36,851,107
00381	00004	Nantucket Electric Company	DIST	0.330%	0.438%	0.108%	0.399%	-0.039%	All Cos. LG New England	Elec. Dist. Elec. Trans. Gas Dist. Other	O&M	1,700	379
00381	00005	Massachusetts Electric	DIST	56.882%	55.363%	-1.519%	55.682%	0.319%				214,875	52,952
00381	00006	NE Hydro - Trans Electric Co	INTE	0.619%	0.572%	-0.047%	0.366%	-0.206%				2,220	348
00381	00008	New England Hydro - Trans Corp	INTE	1.810%	1.509%	-0.301%	0.656%	-0.853%				5,857	624
00381	00010	New England Power Company	TRAN	7.596%	8.457%	0.861%	7.345%	-1.112%				32,823	6,985
00381	00020	New England Electric Trans Co	INTE	0.089%	0.054%	-0.035%	0.053%	-0.001%				210	50
00381	00021	NGUSA Transmission	TRAN	0.021%	0.005%	-0.016%	0.006%	0.001%				19	6
00381	00041	Granite State Electric Company	DIST	1.851%	1.591%	-0.260%	1.528%	-0.063%				6,175	1,453
00381	00048	Narragansett Gas Company	GAS	11.115%	12.323%	1.208%	14.530%	2.207%				47,828	13,818
00381	00049	Narragansett Electric Company	DIST	19.657%	19.623%	-0.034%	19.429%	-0.194%				76,161	18,476
00381	00070	Wayfinder Group Inc.	OTH	0.001%	0.004%	0.003%	0.004%	0.000%				16	4
00381	00071	Valley Appliance & Merchandise	OTH	0.029%	0.061%	0.032%	0.000%	-0.061%				237	-
00381 Total				100.000%	100.000%	0.000%	99.998%	-0.002%				388,120	95,097
00382	00004	Nantucket Electric	DIST	0.089%	0.124%	0.035%	0.115%	-0.009%	All Cos. LG All Cos. LK	Elec. Dist. Elec. Trans. Elec. Gen. Gas Dist. Other	O&M	78,321	59,400
00382	00005	Massachusetts Electric	D / T	15.264%	15.585%	0.321%	16.262%	0.677%				9,844,335	8,372,867
00382	00006	NEHTEC-MA Hydro	INTE	0.000%	0.162%	0.162%	0.108%	-0.054%				102,224	55,546
00382	00008	NEHTC-NH Hydro	INTE	0.000%	0.427%	0.427%	0.193%	-0.234%				269,794	99,500
00382	00010	New England Power	TRAN	2.055%	2.389%	0.333%	2.154%	-0.234%				1,508,831	1,109,251
00382	00020	NEET	INTE	0.000%	0.015%	0.015%	0.015%	0.000%				9,624	7,972
00382	00021	NGUSA Transmission	BDEV	0.000%	0.001%	0.001%	0.002%	0.000%				926	983
00382	00036	Niagara Mohawk Power	DIST	22.727%	23.825%	1.098%	23.480%	-0.345%				15,049,249	12,089,105
00382	00036	Niagara Mohawk Power	GAS	4.629%	4.544%	-0.085%	4.620%	0.076%				2,870,516	2,378,802
00382	00036	Niagara Mohawk Power	TRAN	3.074%	3.185%	0.111%	3.084%	-0.101%				2,011,711	1,587,623
00382	00041	Granite State Electric	D / T	0.494%	0.444%	-0.050%	0.442%	-0.002%				280,701	227,729
00382	00048	Narragansett Gas	GAS	2.996%	3.489%	0.493%	4.279%	0.790%				2,203,646	2,203,100
00382	00049	Narragansett Electric	D / T	5.047%	5.321%	0.274%	5.388%	0.068%				3,360,785	2,774,341
00382	00070	Wayfinder	OTH	0.000%	0.001%	0.001%	0.001%	0.000%				677	655
00382	00071	VAMCO	OTH	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00382	01401	Boston Gas Company	GAS	7.787%	7.378%	-0.409%	7.830%	0.452%				4,660,403	4,031,592
00382	01402	Essex County Gas Company	GAS	0.000%	0.280%	0.280%	0.309%	0.029%				176,625	158,977
00382	01403	Colonial Lowell Division	GAS	1.420%	1.259%	-0.161%	0.984%	-0.275%				795,137	506,602
00382	01406	EnergyNorth Company	GAS	0.936%	0.677%	-0.259%	0.839%	0.162%				427,444	431,856
00382	01434	Keyspan Electric Services LLC	DIST	8.305%	8.035%	-0.270%	7.566%	-0.469%				5,075,516	3,895,594
00382	01435	Keyspan Generation Services LLC	GEN	5.094%	5.014%	-0.080%	5.543%	0.529%				3,167,001	2,854,050
00382	01436	Keyspan Energy Development	OTH	0.071%	0.078%	0.007%	-0.001%	-0.079%				49,280	(415)
00382	01437	Keyspan Energy Delivery LI	GAS	5.643%	5.815%	0.171%	5.599%	-0.215%				3,672,823	2,882,916
00382	01438	Keyspan Energy Delivery NY	GAS	11.153%	11.340%	0.187%	10.829%	-0.511%				7,162,697	5,575,361
00382	01442	Keyspan Ravenswood Services, LLC	GEN	2.540%	0.000%	-2.540%	0.000%	0.000%				-	-
00382	01446	Keyspan Glenwood Energy Center LLC	GEN	0.144%	0.106%	-0.038%	0.097%	-0.009%				67,062	49,853
00382	01448	Keyspan Port Jefferson Energy Center L	GEN	0.110%	0.110%	0.000%	0.106%	-0.004%				69,576	54,794
00382	01458	Keyspan Energy Supply Inc	GEN	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00382	01459	Keyspan Services Inc	OTH	0.000%	0.006%	0.006%	0.002%	-0.005%				4,105	937
00382	01471	Seneca Upshur Petroleum	OTH	0.382%	0.351%	-0.032%	0.152%	-0.198%				221,499	78,432
00382	01563	Keyspan E&P Joint Venture 50%	OTH	0.039%	0.040%	0.001%	0.000%	-0.040%				25,277	-
00382 Total				100.000%	100.000%	0.000%	100.000%	0.000%				63,165,787	51,487,422
00383	01401	Boston Gas Company	GAS	17.849%	18.223%	0.373%	19.647%	1.424%	All Cos. LK	Elec. Dist. Elec. Gen. Gas Dist. Other	O&M	436,079	1,513,035
00383	01402	Essex County Gas Company	GAS	0.000%	0.691%	0.691%	0.775%	0.084%				16,527	59,663
00383	01403	Colonial Lowell Division	GAS	3.255%	3.109%	-0.146%	2.469%	-0.640%				74,402	190,125
00383	01406	EnergyNorth Company	GAS	2.146%	1.671%	-0.475%	2.105%	0.433%				39,996	162,073
00383	01434	Keyspan Electric Services LLC	DIST	19.038%	19.846%	0.808%	18.984%	-0.862%				474,922	1,461,996
00383	01435	Keyspan Generation Services LLC	GEN	11.676%	12.383%	0.707%	13.908%	1.525%				296,340	1,071,110
00383	01436	Keyspan Energy Development	OTH	0.163%	0.193%	0.030%	-0.002%	-0.195%				4,611	(156)
00383	01437	Keyspan Energy Delivery LI	GAS	12.936%	14.361%	1.425%	14.049%	-0.312%				343,670	1,081,943
00383	01438	Keyspan Energy Delivery NY	GAS	25.565%	28.007%	2.442%	27.170%	-0.838%				670,222	2,092,404
00383	01442	Keyspan Ravenswood Services, LLC	GEN	5.821%	0.000%	-5.821%	0.000%	0.000%				-	-
00383	01446	Keyspan Glenwood Energy Center LLC	GEN	0.331%	0.262%	-0.069%	0.243%	-0.019%				6,275	18,709
00383	01448	Keyspan Port Jefferson Energy Center L	GEN	0.253%	0.272%	0.019%	0.267%	-0.005%				6,510	20,564
00383	01458	Keyspan Energy Supply Inc	GEN	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00383	01459	Keyspan Services Inc	OTH	0.000%	0.016%	0.016%	0.005%	-0.011%				384	352
00383	01471	Seneca Upshur Petroleum	OTH	0.876%	0.866%	-0.010%	0.382%	-0.484%				20,726	29,435
00383	01563	Keyspan E&P Joint Venture 50%	OTH	0.089%	0.099%	0.010%	0.000%	-0.099%				2,365	-
00383 Total				100.000%	100.000%	0.000%	100.000%	0.000%				2,393,030	7,701,254
00384	01434	Keyspan Electric Services LLC	DIST		58.017%	58.017%	57.470%	-0.547%	Utility LK	Elec. Dist. Gas Dist.	O&M	53,097	232,440
00384	01437	Keyspan Energy Delivery LI	GAS		41.983%	41.983%	42.530%	0.547%				126,472	546,528
00384 Total					100.000%	100.000%	100.000%	0.000%				301,246	1,285,034

Legacy National Grid (National Grid USA Service Company)													
Bill Pools and Allocation Factors for Fiscal Years 2009 through 2011 (April 2008 through March 2011)													
Bill Pool	Bus Unit	BU Description	Segment	FY 2009	FY 2010	Diff (10-09)	FY 2011	Diff (11-10)	Cost Objectives			Allocated Costs	
									Entity Scope	Segment Scope	Allocation Basis	CY 2009	CY 2010
00385	01401	Boston Gas Company	GAS		35.247%	35.247%	37.663%	2.416%	Utility LK Except KEDLI	Gas Dist.	O&M	219,589	1,229,006
00385	01402	Essex County Gas Company	GAS		1.336%	1.336%	1.485%	0.149%				8,322	48,463
00385	01403	Colonial Lowell Division	GAS		6.014%	6.014%	4.733%	-1.281%				37,465	154,435
00385	01406	EnergyNorth Company	GAS		3.233%	3.233%	4.034%	0.802%				20,140	131,649
00385	01438	Keyspan Energy Delivery NY	GAS		54.171%	54.171%	52.085%	-2.086%				337,493	1,699,614
00385 Total					100.000%	100.000%	100.000%	0.000%				623,010	3,263,167
00386	01434	Keyspan Electric Services LLC	DIST		31.899%	31.899%	31.533%	-0.366%	Utility LK - New York	Elec. Dist. Gas Dist.	O&M	-	42,739
00386	01437	Keyspan Energy Delivery LI	GAS		23.083%	23.083%	23.336%	0.253%				-	31,629
00386	01438	Keyspan Energy Delivery NY	GAS		45.017%	45.017%	45.130%	0.113%				-	61,168
00386 Total					100.000%	100.000%	100.000%	0.000%				-	135,537
00387	01401	Boston Gas Company	GAS		21.212%	21.212%	23.060%	1.848%	Utility LK	Elec. Dist. Gas Dist.	O&M	19,580	68,401
00387	01402	Essex County Gas Company	GAS		0.804%	0.804%	0.909%	0.105%				742	2,697
00387	01403	Colonial Lowell Division	GAS		3.619%	3.619%	2.898%	-0.721%				3,341	8,595
00387	01406	EnergyNorth Company	GAS		1.946%	1.946%	2.470%	0.525%				1,796	7,327
00387	01434	Keyspan Electric Services LLC	DIST		23.101%	23.101%	22.282%	-0.819%				21,324	66,094
00387	01437	Keyspan Energy Delivery LI	GAS		16.717%	16.717%	16.490%	-0.227%				15,431	48,912
00387	01438	Keyspan Energy Delivery NY	GAS		32.601%	32.601%	31.890%	-0.711%				30,093	94,593
00387 Total					100.000%	100.000%	100.000%	0.000%				92,306	296,619
00388	00004	Nantucket Electric	DIST		0.136%	0.136%	0.126%	-0.010%	Utility LG Utility LK	Elec. Dist. Gas Dist.	O&M	11,543	27,267
00388	00005	Massachusetts Electric	DIST		17.070%	17.070%	17.748%	0.678%				1,450,817	3,843,522
00388	00036	Niagara Mohawk Power	DIST		28.686%	28.686%	28.248%	-0.438%				2,438,057	6,117,274
00388	00036	Niagara Mohawk Power	GAS		5.875%	5.875%	5.786%	-0.090%				499,361	1,252,936
00388	00041	Granite State Electric	DIST		0.487%	0.487%	0.483%	-0.004%				41,369	104,538
00388	00048	Narragansett Gas	GAS		3.821%	3.821%	4.670%	0.849%				324,764	1,011,322
00388	00049	Narragansett Electric	DIST		5.828%	5.828%	5.881%	0.053%				495,299	1,273,547
00388	01401	Boston Gas Company	GAS		8.081%	8.081%	8.546%	0.465%				686,831	1,850,682
00388	01402	Essex County Gas Company	GAS		0.306%	0.306%	0.337%	0.031%				26,030	72,978
00388	01403	Colonial Lowell Division	GAS		1.379%	1.379%	1.074%	-0.305%				117,184	232,553
00388	01406	EnergyNorth Company	GAS		0.741%	0.741%	0.915%	0.174%				62,995	198,241
00388	01434	Keyspan Electric Services LLC	DIST		8.801%	8.801%	8.258%	-0.543%				748,009	1,788,253
00388	01437	Keyspan Energy Delivery LI	GAS		6.369%	6.369%	6.111%	-0.258%				541,286	1,323,388
00388	01438	Keyspan Energy Delivery NY	GAS		12.420%	12.420%	11.818%	-0.602%				1,055,609	2,559,341
00388 Total					100.000%	100.000%	100.000%	0.000%				8,499,153	21,655,840
00389	00004	Nantucket Electric	DIST		0.359%	0.359%	0.317%	-0.042%	Utility LG - New England	Elec. Dist. Gas Dist.	O&M	1,302	3,567
00389	00005	Massachusetts Electric	DIST		45.101%	45.101%	44.616%	-0.485%				163,656	502,794
00389	00041	Granite State Electric	DIST		1.286%	1.286%	1.213%	-0.073%				4,666	13,675
00389	00048	Narragansett Gas	GAS		10.096%	10.096%	11.740%	1.644%				36,634	132,297
00389	00049	Narragansett Electric	DIST		15.397%	15.397%	14.784%	-0.614%	Utility LK - New England	Elec. Dist. Gas Dist.	O&M	55,871	166,600
00389	01401	Boston Gas Company	GAS		21.351%	21.351%	21.483%	0.132%				77,476	242,099
00389	01402	Essex County Gas Company	GAS		0.809%	0.809%	0.847%	0.038%				2,936	9,547
00389	01403	Colonial Lowell Division	GAS		3.643%	3.643%	2.700%	-0.943%				13,219	30,422
00389	01406	EnergyNorth Company	GAS		1.958%	1.958%	2.301%	0.343%				7,106	25,933
00389 Total					100.000%	100.000%	100.000%	0.000%				362,866	1,126,933
00390	00048	Narragansett Gas	GAS		26.668%	26.668%	30.047%	3.379%	Utility LG - New England Utility LK - New England	Gas Dist.	O&M	10,966	526,818
00390	01401	Boston Gas Company	GAS		56.399%	56.399%	54.985%	-1.414%				23,192	964,058
00390	01402	Essex County Gas Company	GAS		2.137%	2.137%	2.168%	0.031%				879	38,016
00390	01403	Colonial Lowell Division	GAS		9.623%	9.623%	6.909%	-2.713%				3,957	121,142
00390	01406	EnergyNorth Company	GAS		5.173%	5.173%	5.890%	0.717%				2,127	103,268
00390 Total					100.000%	100.000%	100.000%	0.000%				41,121	1,753,302
00391	00041	Granite State Electric	DIST		39.639%	39.639%	34.526%	-5.113%	Utility LG & LK - New Hampshire	Elec. Dist. Gas Dist.	O&M	199	266,421
00391	01406	EnergyNorth Company	GAS		60.361%	60.361%	65.474%	5.113%				302	505,228
00391 Total					100.000%	100.000%	100.000%	0.000%				501	771,649
00392	00004	Nantucket Electric	DIST		0.504%	0.504%	0.452%	-0.051%	Utility LG & LK - Massachusetts	Elec. Dist. Gas Dist.	O&M	8	689
00392	00005	Massachusetts Electric	DIST		63.288%	63.288%	63.772%	0.484%				1,015	97,165
00392	01401	Boston Gas Company	GAS		29.961%	29.961%	30.707%	0.745%				481	46,786
00392	01402	Essex County Gas Company	GAS		1.136%	1.136%	1.211%	0.075%				18	1,845
00392	01403	Colonial Lowell Division	GAS		5.112%	5.112%	3.859%	-1.253%				82	5,879
00392 Total					100.000%	100.000%	100.000%	0.000%				1,604	152,364
00393	01401	Boston Gas Company	GAS		82.746%	82.746%	85.830%	3.084%	Utility LK - Massachusetts	Gas Dist.	O&M	254,037	1,167,652
00393	01402	Essex County Gas Company	GAS		3.136%	3.136%	3.385%	0.249%				9,628	46,044
00393	01403	Colonial Lowell Division	GAS		14.118%	14.118%	10.785%	-3.333%				43,343	146,725
00393 Total					100.000%	100.000%	100.000%	0.000%				307,008	1,360,421
00394	00048	Narragansett Gas	GAS		38.575%	38.575%	42.786%	4.211%	Utility LG - Rhode Island	Elec. Dist. Gas Dist.	O&M	-	64,042
00394	00049	Narragansett Electric	TRAN		2.593%	2.593%	3.333%	0.740%				-	4,989
00394	00049	Narragansett Electric	DIST		58.831%	58.831%	53.880%	-4.951%				-	80,647
00394 Total					100.000%	100.000%	100.000%	0.000%				-	149,678
00395	00036	Niagara Mohawk Power	GAS		20.943%	20.943%	21.951%	1.007%	Utility LG - NY LK - NY	Gas Dist.	O&M	-	23,808
00395	01437	Keyspan Energy Delivery LI	GAS		26.797%	26.797%	26.602%	-0.195%				-	28,854
00395	01438	Keyspan Energy Delivery NY	GAS		52.259%	52.259%	51.447%	-0.812%				-	55,802
00395 Total					100.000%	100.000%	100.000%	0.000%				-	108,464
00396	00036	Niagara Mohawk Power	DIST		48.914%	48.914%	49.315%	0.402%	Utility LG - New York Utility LK - New York	Elec. Dist & Trans Gas Dist.	O&M	38,329	252,681
00396	00036	Niagara Mohawk Power	GAS		9.330%	9.330%	9.704%	0.374%				7,311	49,721
00396	00036	Niagara Mohawk Power	TRAN		6.539%	6.539%	6.476%	-0.062%				5,124	33,184
00396	01437	Keyspan Energy Delivery LI	GAS		11.938%	11.938%	11.760%	-0.177%				9,354	60,257
00396	01438	Keyspan Energy Delivery NY	GAS		23.280%	23.280%	22.744%	-0.537%				18,243	116,534
00396 Total					100.000%	100.000%	100.000%	0.000%				78,360	512,376

Legacy National Grid (National Grid USA Service Company)													
Bill Pools and Allocation Factors for Fiscal Years 2009 through 2011 (April 2008 through March 2011)													
Bill Pool	Bus Unit	BU Description	Segment	FY 2009	FY 2010	Diff (10-09)	FY 2011	Diff (11-10)	Cost Objectives			Allocated Costs	
									Entity Scope	Segment Scope	Allocation Basis	CY 2009	CY 2010
00397	01401	Boston Gas Company	GAS		76.909%	76.909%	78.603%	1.694%	Utility LK - New England	Gas Dist.	O&M	-	164
00397	01402	Essex County Gas Company	GAS		2.915%	2.915%	3.100%	0.185%				-	6
00397	01403	Colonial Lowell Division	GAS		13.122%	13.122%	9.877%	-3.245%				-	21
00397	01406	EnergyNorth Company	GAS		7.054%	7.054%	8.420%	1.366%				-	18
00397 Total					100.000%	100.000%	100.000%	0.000%				-	209
00542	00004	Nantucket Electric Company	DIST	0.980%	0.930%	-0.050%	0.850%	-0.080%	Utility LG - New England	Elec. Dist. & Trans.	Rubber Gloves	3,058	3,306
00542	00005	Massachusetts Electric	DIST	67.570%	66.350%	-1.220%	63.660%	-2.690%				218,161	247,617
00542	00008	New England Hydro - Trans Corp	INTE	0.510%	0.560%	0.050%	0.580%	0.020%				1,841	2,256
00542	00010	New England Power Company	TRAN	4.070%	4.100%	0.030%	4.320%	0.220%				13,481	16,803
00542	00041	Granite State Electric Company	DIST	3.090%	3.070%	-0.020%	2.830%	-0.240%				10,094	11,008
00542	00049	Narragansett Electric Company	DIST	23.780%	24.990%	1.210%	27.760%	2.770%				82,168	107,978
00542 Total				100.000%	100.000%	0.000%	100.000%	0.000%				328,804	388,968
00601	00001	National Grid USA	OTH	0.045%	0.045%	0.000%	0.045%	0.000%	All Cos. LG	Elec. Dist. & Trans. Gas Dist. Other	"Data Center" - Basis not Specified	5,688	3,335
00601	00004	Nantucket Electric Company	DIST	0.329%	0.329%	0.000%	0.329%	0.000%				41,731	24,471
00601	00005	Massachusetts Electric	DIST	34.425%	34.425%	0.000%	34.425%	0.000%				4,370,911	2,563,126
00601	00006	NE Hydro - Trans Electric Co	INTE	0.038%	0.038%	0.000%	0.038%	0.000%				4,794	2,811
00601	00008	New England Hydro - Trans Corp	INTE	0.032%	0.032%	0.000%	0.032%	0.000%				4,110	2,410
00601	00010	New England Power Company	TRAN	0.767%	0.767%	0.000%	0.767%	0.000%				97,345	57,083
00601	00020	New England Electric Trans Co	INTE	0.005%	0.005%	0.000%	0.005%	0.000%				622	365
00601	00021	NG Transmission Services	TRAN	0.000%	0.000%	0.000%	0.000%	0.000%				37	22
00601	00021	NG Transmission Services	INTE	0.000%	0.000%	0.000%	0.000%	0.000%				4	3
00601	00036	Niagara Mohawk Power Corp	DIST	40.143%	40.143%	0.000%	40.143%	0.000%				5,097,028	2,988,925
00601	00036	Niagara Mohawk Power Corp	TRAN	1.058%	1.058%	0.000%	1.058%	0.000%				134,358	78,788
00601	00036	Niagara Mohawk Power Corp	GAS	7.995%	7.995%	0.000%	7.995%	0.000%				1,015,169	595,301
00601	00041	Granite State Electric Company	DIST	1.135%	1.135%	0.000%	1.135%	0.000%				144,089	84,495
00601	00048	Narragansett Gas Company	GAS	0.888%	0.888%	0.000%	0.888%	0.000%				112,719	66,099
00601	00049	Narragansett Electric Company	DIST	13.140%	13.140%	0.000%	13.140%	0.000%				1,668,416	978,368
00601	00070	Wayfinder Group Inc.	OTH	0.000%	0.000%	0.000%	0.000%	0.000%				4	2
00601	00071	Valley Appliance & Merchandise	OTH	0.000%	0.000%	0.000%	0.000%	0.000%				58	34
00601	00085	NEES Energy, Inc.	OTH	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00601	00095	Metrowest	OTH	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00601 Total				100.000%	100.000%	0.000%	100.000%	0.000%				12,697,081	7,445,638
00603	00001	National Grid USA	GAS		0.220%	0.220%	0.220%	0.000%	All Cos. LG	Elec. Dist. Elec. Trans. Elec. Gen. Gas Dist. Other	Unknown	20,802	40,980
00603	00001	National Grid USA	BDEV		0.390%	0.390%	0.390%	0.000%				36,876	72,647
00603	00001	National Grid USA	OTH		0.224%	0.224%	0.224%	0.000%				21,180	41,725
00603	00004	Nantucket Electric	DIST		0.130%	0.130%	0.130%	0.000%				12,292	24,216
00603	00005	Massachusetts Electric	DIST		16.003%	16.003%	16.003%	0.000%				1,513,161	2,980,933
00603	00005	Massachusetts Electric	TRAN		0.158%	0.158%	0.158%	0.000%				14,940	29,431
00603	00006	NE Hydro - Trans Electric Co	INTE		0.024%	0.024%	0.024%	0.000%				2,269	4,471
00603	00008	New England Hydro - Trans Corp	INTE		0.064%	0.064%	0.064%	0.000%				6,052	11,921
00603	00010	New England Power Company	TRAN		4.809%	4.809%	4.809%	0.000%				454,714	895,789
00603	00020	New England Electric Trans Co	INTE		0.002%	0.002%	0.002%	0.000%				189	373
00603	00036	Niagara Mohawk Power Corp	DIST		25.254%	25.254%	25.254%	0.000%				2,387,888	4,704,147
00603	00036	Niagara Mohawk Power Corp	TRAN		6.762%	6.762%	6.762%	0.000%				639,380	1,259,580
00603	00036	Niagara Mohawk Power Corp	GAS		3.993%	3.993%	3.993%	0.000%				377,557	743,790
00603	00041	Granite State Electric Company	DIST		0.454%	0.454%	0.454%	0.000%				42,928	84,568
00603	00048	Narragansett Gas Company	GAS		2.951%	2.951%	2.951%	0.000%				279,031	549,693
00603	00049	Narragansett Electric Company	DIST		5.466%	5.466%	5.466%	0.000%				516,837	1,018,170
00603	00049	Narragansett Electric Company	TRAN		0.418%	0.418%	0.418%	0.000%				39,524	77,862
00603	01401	Boston Gas Company	GAS		6.488%	6.488%	6.488%	0.000%				613,472	1,208,542
00603	01403	Colonial Lowell Division	GAS		1.088%	1.088%	1.088%	0.000%				102,876	202,665
00603	01406	EnergyNorth Company	GAS		0.582%	0.582%	0.582%	0.000%				55,031	108,411
00603	01434	Keyspan Electric Services LLC	DIST		8.456%	8.456%	8.456%	0.000%				799,556	1,575,128
00603	01435	Keyspan Generation Services LLC	GEN		1.451%	1.451%	1.451%	0.000%				137,199	270,283
00603	01436	Keyspan Energy Development	OTH		0.014%	0.014%	0.014%	0.000%				1,324	2,608
00603	01437	Keyspan Energy Delivery LI	GAS		4.895%	4.895%	4.895%	0.000%				462,846	911,808
00603	01438	Keyspan Energy Delivery NY	GAS		9.563%	9.563%	9.563%	0.000%				904,228	1,781,332
00603	01444	KeySpan Energy Trading Services, LLC	OTH		0.006%	0.006%	0.006%	0.000%				567	1,118
00603	01446	Keyspan Glenwood Energy Center LLC	GEN		0.024%	0.024%	0.024%	0.000%				2,269	4,471
00603	01448	Keyspan Port Jefferson Energy Center L	GEN		0.024%	0.024%	0.024%	0.000%				2,269	4,471
00603	01459	Keyspan Services Inc	OTH		0.003%	0.003%	0.003%	0.000%				284	559
00603	01471	Seneca Upshur Petroleum	OTH		0.084%	0.084%	0.084%	0.000%				7,943	15,647
00603 Total					100.000%	100.000%	100.000%	0.000%				9,455,484	18,627,336
00604	00001	National Grid USA	OTH	1.179%	1.179%	0.000%	1.179%	0.000%	All Cos. LG	Elec. Dist. & Trans. Gas Dist. Other	"Facilities - Buildings & Grounds" - Basis not specified	62,454	42,100
00604	00004	Nantucket Electric Company	DIST	0.410%	0.410%	0.000%	0.410%	0.000%				21,718	14,640
00604	00005	Massachusetts Electric	DIST	27.879%	27.879%	0.000%	27.879%	0.000%				1,476,803	995,507
00604	00006	NE Hydro - Trans Electric Co	INTE	0.846%	0.846%	0.000%	0.846%	0.000%				44,814	30,209
00604	00008	New England Hydro - Trans Corp	INTE	0.182%	0.182%	0.000%	0.182%	0.000%				9,641	6,499
00604	00010	New England Power Company	TRAN	24.697%	24.697%	0.000%	24.697%	0.000%				1,308,246	881,884
00604	00020	New England Electric Trans Co	INTE	0.211%	0.211%	0.000%	0.211%	0.000%				11,177	7,534
00604	00036	Niagara Mohawk Power Corp	DIST	20.720%	20.720%	0.000%	20.720%	0.000%				1,097,594	739,884
00604	00036	Niagara Mohawk Power Corp	TRAN	2.838%	2.838%	0.000%	2.838%	0.000%				150,355	101,354
00604	00036	Niagara Mohawk Power Corp	GAS	4.825%	4.825%	0.000%	4.825%	0.000%				255,604	172,302
00604	00041	Granite State Electric Company	DIST	1.311%	1.311%	0.000%	1.311%	0.000%				69,446	46,813
00604	00048	Narragansett Gas Company	GAS	3.606%	3.606%	0.000%	3.606%	0.000%				191,017	128,764
00604	00049	Narragansett Electric Company	DIST	11.271%	11.271%	0.000%	11.271%	0.000%				597,046	402,466
00604	00070	Wayfinder Group Inc.	OTH	0.024%	0.024%	0.000%	0.024%	0.000%				1,271	857
00604 Total				100.000%	100.000%	0.000%	100.000%	0.000%				5,297,187	3,570,814

Legacy National Grid (National Grid USA Service Company)													
Bill Pools and Allocation Factors for Fiscal Years 2009 through 2011 (April 2008 through March 2011)													
Bill Pool	Bus Unit	BU Description	Segment	FY 2009	FY 2010	Diff (10-09)	FY 2011	Diff (11-10)	Cost Objectives			Allocated Costs	
									Entity Scope	Segment Scope	Allocation Basis	CY 2009	CY 2010
00605	00001	National Grid USA	OTH	0.033%	0.033%	0.000%	0.033%	0.000%	All Cos. LG	Elec. Dist. & Trans. Gas Dist. Other	"Mid-Range Services" - Basis not specified	1,540	1,828
00605	00004	Nantucket Electric Company	DIST	0.283%	0.283%	0.000%	0.283%	0.000%				13,210	15,676
00605	00004	Nantucket Electric Company	TRAN	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00605	00005	Massachusetts Electric	DIST	30.939%	30.939%	0.000%	30.939%	0.000%				1,444,217	1,713,795
00605	00005	Massachusetts Electric	TRAN	0.023%	0.023%	0.000%	0.023%	0.000%				1,074	1,274
00605	00006	NE Hydro - Trans Electric Co	INTE	0.492%	0.492%	0.000%	0.492%	0.000%				22,966	27,253
00605	00008	New England Hydro - Trans Corp	INTE	0.411%	0.411%	0.000%	0.411%	0.000%				19,185	22,766
00605	00010	New England Power Company	TRAN	3.900%	3.900%	0.000%	3.900%	0.000%				182,050	216,032
00605	00020	New England Electric Trans Co	INTE	0.126%	0.126%	0.000%	0.126%	0.000%				5,882	6,979
00605	00021	National Grid Trans Services	TRAN	0.005%	0.005%	0.000%	0.005%	0.000%				233	277
00605	00036	Niagara Mohawk Power Corp	DIST	35.075%	35.075%	0.000%	35.075%	0.000%				1,637,283	1,942,900
00605	00036	Niagara Mohawk Power Corp	TRAN	4.805%	4.805%	0.000%	4.805%	0.000%				224,295	266,162
00605	00036	Niagara Mohawk Power Corp	GAS	8.168%	8.168%	0.000%	8.168%	0.000%				381,278	452,448
00605	00041	Granite State Electric Company	DIST	0.927%	0.927%	0.000%	0.927%	0.000%				43,272	51,349
00605	00041	Granite State Electric Company	TRAN	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00605	00048	Narragansett Gas Company	GAS	3.735%	3.735%	0.000%	3.735%	0.000%				174,348	206,892
00605	00049	Narragansett Electric Company	DIST	10.982%	10.982%	0.000%	10.982%	0.000%				512,634	608,323
00605	00049	Narragansett Electric Company	TRAN	0.087%	0.087%	0.000%	0.087%	0.000%				4,061	4,819
00605	00070	Wayfinder Group Inc.	OTH	0.004%	0.004%	0.000%	0.004%	0.000%				187	222
00605	00071	Valley Appliance & Merchandise	OTH	0.000%	0.000%	0.000%	0.000%	0.000%				-	-
00605	00085	NEES Energy, Inc.	OTH	0.001%	0.001%	0.000%	0.001%	0.000%				47	55
00605	00095	Metrowest Realty LLC	OTH	0.004%	0.004%	0.000%	0.004%	0.000%				187	222
00605 Total				100.000%	100.000%	0.000%	100.000%	0.000%				4,667,949	5,539,272
		Unknown				0.000%			Unknown	Unknown	Not Specified		
00620 Total					100.000%	100.000%	100.000%	0.000%				157,596	110,535
00628	00004	Nantucket Electric Company	DIST	0.730%	0.703%	-0.027%	0.703%	0.000%	Utility LG - New England	Elec. Dist. Elec. Trans. Gas Dist.	Budgeted Transport - ation Costs	1,440	1,285
00628	00005	Massachusetts Electric	DIST	57.170%	55.923%	-1.247%	55.874%	-0.049%				114,521	102,141
00628	00010	New England Power Company	TRAN	1.860%	1.657%	-0.203%	1.598%	-0.059%				3,393	2,921
00628	00041	Granite State Electric Company	DIST	2.640%	2.610%	-0.030%	2.664%	0.054%				5,345	4,870
00628	00048	Narragansett Gas Company	GAS	17.400%	19.227%	1.827%	19.712%	0.485%				39,374	36,035
00628	00049	Narragansett Electric Company	DIST	20.200%	19.880%	-0.320%	19.446%	-0.434%				40,711	35,548
00628 Total				100.000%	100.000%	0.000%	99.997%	-0.003%				204,783	182,806
00629	00004	Nantucket Electric Company	DIST	0.270%	0.270%	0.000%	0.289%	0.019%	Utility LG	Elec. Dist. Elec. Trans. Gas Dist.	Budgeted Transport - ation Costs	9,366	1,219
00629	00005	Massachusetts Electric	DIST	21.790%	21.660%	-0.130%	21.666%	0.006%				751,381	91,381
00629	00010	New England Power Company	TRAN	0.710%	0.640%	-0.070%	0.620%	-0.020%				22,201	2,615
00629	00036	Niagara Mohawk Power Corp	DIST	45.180%	44.720%	-0.460%	44.673%	-0.047%				1,551,320	188,418
00629	00036	Niagara Mohawk Power Corp	TRAN	6.189%	6.126%	-0.063%	6.120%	-0.006%				212,510	25,811
00629	00036	Niagara Mohawk Power Corp	GAS	10.521%	10.414%	-0.107%	10.403%	-0.011%				361,266	43,878
00629	00041	Granite State Electric Company	DIST	1.010%	1.010%	0.000%	1.034%	0.024%				35,037	4,361
00629	00048	Narragansett Gas Company	GAS	6.630%	7.460%	0.830%	7.649%	0.189%				258,786	32,261
00629	00049	Narragansett Electric Company	DIST	7.700%	7.700%	0.000%	7.546%	-0.154%				267,111	31,827
00629 Total				100.000%	100.000%	0.000%	100.000%	0.000%				3,468,979	421,770
		Unknown				0.000%			Unknown	Unknown	Not Specified		
00694 Total				100.000%	100.000%	0.000%	100.000%	0.000%				(4,986,470)	5,793,054
Grand Total												479,439,740	417,087,445

Source: OC-143 (Factors); OC-1 (Allocated Costs)

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)															
Bill Pools and Allocation Factors for September 2008 through June 2010														Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010	
A6500	Directly Charged	Direct - ServCo (NK)											(1,146,863)	11,967,088	
A6600	Directly Charged	Direct - NANT (NB)											121,986	94,644	
A6700	Directly Charged	Direct - MECO (NC)											1,804,620	3,058,412	
A6800	Directly Charged	Direct - NEP (ND)											954,532	1,076,263	
A6900	Directly Charged	Direct - Granite State (NF)											292,683	239,286	
A7000	Directly Charged	Direct - KS Energy Svcs (59 or KT)											20,846	-	
A7300	Directly Charged	Direct - Essex Gas (02)											206,105	664,153	
A7400	Directly Charged	Direct - Colonial Cape (04)											1,047,351	1,216,368	
A7500	Directly Charged	Direct - KS Glenwood EC (46)											1,822,957	1,973,095	
A7600	Directly Charged	Direct - KS Spagnoli EC (47)											-	22	
A7700	Directly Charged	Direct - KS Port Jeff EC (48)											1,997,749	2,028,134	
A7800	Directly Charged	Direct - Narragansett Gas (NG)											1,010,530	1,671,076	
A7900	Directly Charged	Direct - Narragansett Electric (NH)											689,751	1,028,524	
A8000	Directly Charged	Direct - NIMO - Electric Distr. (NE)											2,098,605	5,085,455	
A8100	Directly Charged	Direct - NIMO - Gas (NP)											2,752,331	874,116	
A8200	Directly Charged	Direct - NIMO - Trans (NQ)											74,091	1,629,110	
A8300	Directly Charged	Direct - Boston Gas (01)											17,507,332	14,964,942	
A8400	Directly Charged	Direct - Colonial Lowell (03)											1,351,599	1,519,528	
A8500	Directly Charged	Direct - KS NE LLC (07)											269,643	269,186	
A8600	Directly Charged	Direct - EnergyNorth (06)											1,599,393	3,285,107	
A8700	Directly Charged	Direct - KS Elec Svcs (34)											76,923,668	97,836,193	
A8800	Directly Charged	Direct - KS GENCO (PSA) (35)											68,734,044	86,838,654	
A8900	Directly Charged	Direct - KEDC (36)											4,662,374	5,932,331	
A9000	Directly Charged	Direct - KEDLI (37)											102,327,757	68,840,921	
A9100	Directly Charged	Direct - KEDNY (38)											88,564,766	58,321,843	
A9300	Directly Charged	Direct - KS Holdco (60)											2,983,860	1,621,976	
A9400	Directly Charged	Direct - KSI (59)											4,437,809	4,084,454	
A9500	Directly Charged	Direct - Seneca (71)											(7)	1,376	
A9700	Directly Charged	Direct - Ravenswood (82)											173,979	-	
A9900	Directly Charged	Direct - KETS (44)											3,155,821	2,208,542	
Total Directly Charged													386,439,311	378,330,801	
B0200	Meters	Deliver Energy - All	01	Boston Gas	16.9%	16.9%	16.9%	17.1%	17.1%	15.8%	15.8%	16.0%	(15,186)	-	
B0200	Meters	Deliver Energy - All	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	1.3%	1.3%	(295)	-	
B0200	Meters	Deliver Energy - All	03	Colonial Lowell	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	(4,540)	-	
B0200	Meters	Deliver Energy - All	06	EnergyNorth	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	(1,998)	-	
B0200	Meters	Deliver Energy - All	34	KS Elec Svcs	29.8%	29.8%	29.8%	29.7%	29.7%	29.7%	29.7%	28.7%	(26,989)	-	
B0200	Meters	Deliver Energy - All	37	KEDLI	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.0%	(13,075)	-	
B0200	Meters	Deliver Energy - All	38	KEDNY	31.7%	31.7%	31.7%	31.6%	31.6%	31.6%	31.6%	32.8%	(28,714)	-	
B0200	Meters				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	(90,796)	-	
B0300	Meters	Delivery Energy - NE	01	Boston Gas	70.1%	70.1%	70.1%	70.2%	70.2%	64.8%	64.8%	65.1%	2,245,768	845,050	
B0300	Meters	Delivery Energy - NE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	5.4%	5.4%	5.4%	44,051	70,177	
B0300	Meters	Delivery Energy - NE	03	Colonial Lowell	20.7%	20.7%	20.7%	20.6%	20.6%	20.6%	20.6%	20.4%	672,996	265,764	
B0300	Meters	Delivery Energy - NE	06	EnergyNorth	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.1%	300,197	118,586	
B0300	Meters				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	3,263,011	1,299,577	
B0500	Meters	Customer - All	01	Boston Gas	16.9%	16.9%	16.9%	17.1%	17.1%	15.8%	15.8%	16.0%	653,412	330,792	
B0500	Meters	Customer - All	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	1.3%	1.3%	12,697	26,961	
B0500	Meters	Customer - All	03	Colonial Lowell	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	195,340	103,696	
B0500	Meters	Customer - All	06	EnergyNorth	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	85,949	45,626	
B0500	Meters	Customer - All	34	KS Elec Svcs	29.8%	29.8%	29.8%	29.7%	29.7%	29.7%	29.7%	28.7%	1,161,295	600,402	
B0500	Meters	Customer - All	37	KEDLI	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.0%	562,579	292,424	
B0500	Meters	Customer - All	38	KEDNY	31.7%	31.7%	31.7%	31.6%	31.6%	31.6%	31.6%	32.8%	1,235,524	674,027	
B0500	Meters				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	3,906,795	2,073,928	
B0600	Meters	Customer - LI	34	KS Elec Svcs	67.5%	67.5%	67.5%	67.3%	67.3%	67.3%	67.3%	67.2%	27,848,405	29,578,089	
B0600	Meters	Customer - LI	37	KEDLI	32.5%	32.5%	32.5%	32.7%	32.7%	32.7%	32.7%	32.8%	13,500,378	14,420,556	
B0600	Meters				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	41,348,783	43,998,644	
B0700	Meters	Customer - NY	34	KS Elec Svcs	39.3%	39.3%	39.3%	39.2%	39.2%	39.2%	39.2%	38.0%	-	33,780	
B0700	Meters	Customer - NY	37	KEDLI	18.9%	18.9%	18.9%	19.0%	19.0%	19.0%	19.0%	18.6%	-	16,493	
B0700	Meters	Customer - NY	38	KEDNY	41.8%	41.8%	41.8%	41.8%	41.8%	41.8%	41.8%	43.4%	-	37,925	
B0700	Meters				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	88,197	
B0900	Meters	Gas - NY	37	KEDLI	31.2%	31.2%	31.2%	31.3%	31.3%	31.3%	31.3%	29.9%	4,400,658	4,274,593	
B0900	Meters	Gas - NY	38	KEDNY	68.8%	68.8%	68.8%	68.7%	68.7%	68.7%	68.7%	70.1%	9,670,192	9,856,293	
B0900	Meters				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	14,070,850	14,130,886	
B1000	Meters	Electric - All	34	KS Elec Svcs	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	32,599	1,035	
B1000	Meters				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	32,599	1,035	
B1030	Meters	NIMO-ELECTRIC & GAS DISTRIBUTION	NE	NMPC - Distr.	0.0%	0.0%	0.0%	0.0%	73.7%	73.7%	73.7%	73.6%	48,291	112,378	
B1030	Meters	NIMO-ELECTRIC & GAS DISTRIBUTION	NP	NIMO - Gas	0.0%	0.0%	0.0%	0.0%	26.3%	26.3%	26.3%	26.4%	17,242	40,294	
B1030	Meters				0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%	98,298	152,673	

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
													Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
B1040	Meters	NE ELECTRIC RETAIL	NB	NANT	0.0%	0.0%	0.0%	0.0%	0.7%	0.7%	0.7%	0.7%	741	1,902
B1040	Meters	NE ELECTRIC RETAIL	NC	MECO	0.0%	0.0%	0.0%	0.0%	71.4%	71.4%	71.4%	71.4%	74,488	191,322
B1040	Meters	NE ELECTRIC RETAIL	NF	Granite State	0.0%	0.0%	0.0%	0.0%	0.6%	0.6%	0.6%	0.6%	668	1,714
B1040	Meters	NE ELECTRIC RETAIL	NH	Narragansett Electric	0.0%	0.0%	0.0%	0.0%	27.3%	27.3%	27.3%	27.2%	28,429	72,908
B1040	Meters				0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%	156,488	267,846
B1500	Meters	All LI	34	KS Elec Svc	67.5%	67.5%	67.5%	67.3%	67.3%	67.3%	67.3%	67.2%	1,403,896	1,645,467
B1500	Meters	All LI	37	KEDLI	32.5%	32.5%	32.5%	32.7%	32.7%	32.7%	32.7%	32.8%	680,582	802,234
B1500	Meters				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	2,084,478	2,447,701
B1600	Meters	All NE	01	Boston Gas	70.1%	70.1%	70.1%	70.2%	70.2%	64.8%	64.8%	65.1%	324,559	(183,311)
B1600	Meters	All NE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	5.4%	5.4%	5.4%	6,366	(15,223)
B1600	Meters	All NE	03	Colonial Lowell	20.7%	20.7%	20.7%	20.6%	20.6%	20.6%	20.6%	20.4%	97,262	(57,650)
B1600	Meters	All NE	06	EnergyNorth	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.1%	43,385	(25,724)
B1600	Meters				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	471,572	(281,908)
B2000	Meters	Gas - Mass.	01	Boston Gas	77.2%	77.2%	77.2%	77.3%	77.3%	71.3%	71.3%	71.6%	414,770	655,624
B2000	Meters	Gas - Mass.	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	6.0%	6.0%	5.9%	8,211	54,311
B2000	Meters	Gas - Mass.	03	Colonial Lowell	22.8%	22.8%	22.8%	22.7%	22.7%	22.7%	22.7%	22.5%	124,390	206,701
B2000	Meters				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	547,370	916,636
B2200	Meters	LI excl. ETC	34	KS Elec Svc	67.5%	67.5%	67.5%	67.3%	67.3%	67.3%	67.3%	67.2%	-	12,638
B2200	Meters	LI excl. ETC	37	KEDLI	32.5%	32.5%	32.5%	32.7%	32.7%	32.7%	32.7%	32.8%	-	6,162
B2200	Meters				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	18800
B2400	Meters	All Gas	01	Boston Gas	24.1%	24.1%	24.1%	24.2%	24.2%	22.3%	22.3%	22.4%	1,909,560	391,785
B2400	Meters	All Gas	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	1.9%	1.9%	38,272	33,269
B2400	Meters	All Gas	03	Colonial Lowell	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.0%	572,062	123,007
B2400	Meters	All Gas	06	EnergyNorth	3.1%	3.1%	3.1%	3.2%	3.2%	3.2%	3.2%	3.1%	255,817	54,719
B2400	Meters	All Gas	37	KEDLI	20.5%	20.5%	20.5%	20.5%	20.5%	20.5%	20.5%	19.6%	1,651,729	347,135
B2400	Meters	All Gas	38	KEDNY	45.2%	45.2%	45.2%	45.0%	45.0%	45.0%	45.0%	46.0%	3,629,775	801,081
B2400	Meters				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	8,057,213	1,750,996
B3400	Meters	Gas-NE and KNC	01	Boston Gas	30.3%	30.3%	30.3%	30.5%	30.5%	28.1%	28.1%	27.8%	1,646,567	1,830,745
B3400	Meters	Gas-NE and KNC	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%	2.4%	2.3%	33,097	152,699
B3400	Meters	Gas-NE and KNC	03	Colonial Lowell	8.9%	8.9%	8.9%	9.0%	9.0%	9.0%	9.0%	8.7%	495,073	576,315
B3400	Meters	Gas-NE and KNC	06	EnergyNorth	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	3.9%	220,646	257,782
B3400	Meters	Gas-NE and KNC	38	KEDNY	56.8%	56.8%	56.8%	56.5%	56.5%	56.5%	56.5%	57.3%	3,120,755	3,750,154
B3400	Meters				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	5,516,138	6,567,696
Total Meters													79,462,800	73,432,708
	Telephone Calls	KS Customer - All	01	Boston Gas	13.7%	13.7%	13.7%	10.4%	10.4%	9.8%	9.8%	12.9%	155,320	-
	Telephone Calls	KS Customer - All	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.6%	0.8%	2,104	-
	Telephone Calls	KS Customer - All	03	Colonial Lowell	2.9%	2.9%	2.9%	3.1%	3.1%	3.1%	3.1%	3.4%	42,774	-
	Telephone Calls	KS Customer - All	06	EnergyNorth	1.7%	1.7%	1.7%	2.0%	2.0%	2.0%	2.0%	1.8%	26,997	-
	Telephone Calls	KS Customer - All	34	KS Elec Svc	29.9%	29.9%	29.9%	30.6%	30.6%	30.6%	30.6%	29.0%	426,690	-
	Telephone Calls	KS Customer - All	37	KEDLI	13.4%	13.4%	13.4%	14.8%	14.8%	14.8%	14.8%	14.5%	202,652	-
	Telephone Calls	KS Customer - All	38	KEDNY	38.4%	38.4%	38.4%	39.1%	39.1%	39.1%	39.1%	37.6%	545,897	-
D0500	Telephone Calls						100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	1,402,433	-
	Telephone Calls	Customer - LI	34	KS Elec Svc	69.1%	69.1%	69.1%	67.4%	67.4%	67.4%	67.4%	66.7%	13,411,422	12,226,313
	Telephone Calls	Customer - LI	37	KEDLI	30.9%	30.9%	30.9%	32.6%	32.6%	32.6%	32.6%	33.3%	6,362,145	6,056,024
D0600	Telephone Calls						100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	19,773,567	18,282,337
	Telephone Calls	All NE	01	Boston Gas	74.7%	74.7%	74.7%	67.1%	67.1%	63.3%	63.3%	68.2%	4,308,771	3,949,629
	Telephone Calls	All NE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	3.8%	3.8%	4.1%	60,152	237,361
	Telephone Calls	All NE	03	Colonial Lowell	15.8%	15.8%	15.8%	20.2%	20.2%	20.2%	20.2%	18.0%	1,209,368	1,093,925
	Telephone Calls	All NE	06	EnergyNorth	9.5%	9.5%	9.5%	12.7%	12.7%	12.7%	12.7%	9.7%	753,481	616,254
D1600	Telephone Calls						100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	6,331,772	5,897,170
	Telephone Calls	Gas-NE and KNC	01	Boston Gas	24.2%	24.2%	24.2%	19.0%	19.0%	17.9%	17.9%	22.8%	4,600,315	4,684,409
	Telephone Calls	Gas-NE and KNC	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	1.1%	1.4%	63,175	287,687
	Telephone Calls	Gas-NE and KNC	03	Colonial Lowell	5.1%	5.1%	5.1%	5.7%	5.7%	5.7%	5.7%	6.0%	1,274,994	1,286,448
	Telephone Calls	Gas-NE and KNC	06	EnergyNorth	3.1%	3.1%	3.1%	3.6%	3.6%	3.6%	3.6%	3.2%	798,307	716,503
	Telephone Calls	Gas-NE and KNC	38	KEDNY	67.6%	67.6%	67.6%	71.7%	71.7%	71.7%	71.7%	66.6%	16,236,066	14,737,161
D3400	Telephone Calls						100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	22,972,857	21,712,208
Total Telephone Calls													50,480,629	45,891,714

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)															
Bill Pools and Allocation Factors for September 2008 through June 2010														Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010	
	Assets, Revenue, O&M	All Companies excl. KSE	01	Boston Gas	13.2%	13.2%	13.2%	14.7%	14.8%	14.0%	14.0%	14.8%	659,743	959,282	
	Assets, Revenue, O&M	All Companies excl. KSE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	0.8%	0.9%	9,298	57,491	
	Assets, Revenue, O&M	All Companies excl. KSE	03	Colonial Lowell	3.0%	3.0%	3.0%	3.2%	3.2%	3.2%	3.2%	3.3%	146,437	215,182	
	Assets, Revenue, O&M	All Companies excl. KSE	06	EnergyNorth	1.8%	1.8%	1.8%	1.9%	1.9%	1.9%	1.9%	2.1%	87,165	134,694	
	Assets, Revenue, O&M	All Companies excl. KSE	34	KS Elec Svc	21.7%	21.7%	21.7%	23.4%	23.5%	23.5%	23.5%	25.0%	1,071,163	1,617,968	
	Assets, Revenue, O&M	All Companies excl. KSE	35	KS GENCO (PSA)	6.3%	6.3%	6.3%	7.3%	6.9%	6.9%	6.9%	8.0%	315,344	507,566	
	Assets, Revenue, O&M	All Companies excl. KSE	36	KEDC	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	41,839	64,062	
	Assets, Revenue, O&M	All Companies excl. KSE	37	KEDLI	13.9%	13.9%	13.9%	16.0%	16.1%	16.1%	16.1%	17.3%	722,502	1,116,973	
	Assets, Revenue, O&M	All Companies excl. KSE	38	KEDNY	21.3%	21.3%	21.3%	25.5%	25.6%	25.6%	25.6%	24.6%	1,139,733	1,632,751	
	Assets, Revenue, O&M	All Companies excl. KSE	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	9,298	18,069	
	Assets, Revenue, O&M	All Companies excl. KSE	46	KS Glenwood EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	13,946	19,711	
	Assets, Revenue, O&M	All Companies excl. KSE	48	KS Port Jeff EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	13,946	19,711	
	Assets, Revenue, O&M	All Companies excl. KSE	57	KeySpan Energy Service Inc.	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	
	Assets, Revenue, O&M	All Companies excl. KSE	59	KSI	7.7%	7.7%	7.9%	5.7%	5.7%	5.7%	5.7%	1.4%	290,550	162,618	
	Assets, Revenue, O&M	All Companies excl. KSE	71	Seneca	1.7%	1.7%	1.7%	0.6%	0.6%	0.6%	0.6%	0.7%	40,677	44,350	
	Assets, Revenue, O&M	All Companies excl. KSE	82	NG RAVENSWOOD SERV (post Sale)	7.5%	7.5%	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	87,165	-	
G0100					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	4,648,808	6,570,428	
	Assets, Revenue, O&M	Deliver Energy - All	01	Boston Gas	15.0%	15.0%	15.0%	16.1%	16.1%	15.2%	15.2%	15.4%	1,641,407	1,317,134	
	Assets, Revenue, O&M	Deliver Energy - All	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.9%	0.9%	23,674	77,226	
	Assets, Revenue, O&M	Deliver Energy - All	03	Colonial Lowell	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	357,743	291,743	
	Assets, Revenue, O&M	Deliver Energy - All	06	EnergyNorth	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.2%	210,437	184,485	
	Assets, Revenue, O&M	Deliver Energy - All	34	KS Elec Svc	23.6%	23.6%	23.6%	24.9%	25.0%	25.0%	25.0%	25.6%	2,592,757	2,183,782	
	Assets, Revenue, O&M	Deliver Energy - All	35	KS GENCO (PSA)	7.7%	7.7%	7.7%	8.2%	7.8%	7.8%	7.8%	8.3%	821,580	701,470	
	Assets, Revenue, O&M	Deliver Energy - All	37	KEDLI	15.2%	15.2%	15.2%	17.1%	17.2%	17.2%	17.2%	17.8%	1,756,271	1,514,489	
	Assets, Revenue, O&M	Deliver Energy - All	38	KEDNY	23.8%	23.8%	23.8%	27.5%	27.6%	27.6%	27.6%	25.5%	2,803,194	2,233,121	
	Assets, Revenue, O&M	Deliver Energy - All	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	21,044	23,597	
	Assets, Revenue, O&M	Deliver Energy - All	46	KS Glenwood EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	31,566	25,742	
	Assets, Revenue, O&M	Deliver Energy - All	48	KS Port Jeff EC	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.3%	38,580	27,887	
	Assets, Revenue, O&M	Deliver Energy - All	82	NG RAVENSWOOD SERV (post Sale)	8.5%	8.5%	8.5%	0.0%	0.0%	0.0%	0.0%	0.0%	223,589	-	
G0200					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	10,521,841	8,580,675	
	Assets, Revenue, O&M	Delivery Energy - NE	01	Boston Gas	73.3%	73.3%	73.3%	74.4%	74.4%	70.2%	70.2%	69.7%	44,853,334	39,714,409	
	Assets, Revenue, O&M	Delivery Energy - NE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%	4.2%	4.1%	644,489	2,346,179	
	Assets, Revenue, O&M	Delivery Energy - NE	03	Colonial Lowell	16.8%	16.8%	16.8%	16.1%	16.1%	16.1%	16.1%	15.9%	9,989,572	9,071,891	
	Assets, Revenue, O&M	Delivery Energy - NE	06	EnergyNorth	9.9%	9.9%	9.9%	9.5%	9.5%	9.5%	9.5%	10.3%	5,892,467	5,744,583	
G0300					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	61,379,861	56,877,062	
	Assets, Revenue, O&M	Deliver Energy - NY	34	KS Elec Svc	29.4%	29.4%	29.4%	31.6%	31.8%	31.8%	31.8%	32.4%	657,790	200,267	
	Assets, Revenue, O&M	Deliver Energy - NY	35	KS GENCO (PSA)	9.8%	9.8%	9.8%	10.6%	10.1%	10.1%	10.1%	11.0%	212,349	66,911	
	Assets, Revenue, O&M	Deliver Energy - NY	37	KEDLI	18.9%	18.9%	18.9%	21.6%	21.8%	21.8%	21.8%	22.6%	444,211	139,100	
	Assets, Revenue, O&M	Deliver Energy - NY	38	KEDNY	29.9%	29.9%	29.9%	35.1%	35.2%	35.2%	35.2%	32.8%	714,393	207,408	
	Assets, Revenue, O&M	Deliver Energy - NY	44	KETS	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	6,328	2,329	
	Assets, Revenue, O&M	Deliver Energy - NY	46	KS Glenwood EC	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	8,438	2,484	
	Assets, Revenue, O&M	Deliver Energy - NY	48	KS Port Jeff EC	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	8,438	2,484	
	Assets, Revenue, O&M	Deliver Energy - NY	82	NG RAVENSWOOD SERV (post Sale)	10.9%	10.9%	10.9%	0.0%	0.0%	0.0%	0.0%	0.0%	57,482	-	
G0400					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	2,109,429	620,981	
	Assets, Revenue, O&M	Customer - All	01	Boston Gas	18.5%	18.5%	18.5%	17.8%	17.8%	16.8%	16.8%	17.2%	103,983	105,184	
	Assets, Revenue, O&M	Customer - All	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1,467	6,151	
	Assets, Revenue, O&M	Customer - All	03	Colonial Lowell	4.1%	4.1%	4.1%	3.8%	3.8%	3.8%	3.8%	3.8%	22,733	23,374	
	Assets, Revenue, O&M	Customer - All	06	EnergyNorth	2.4%	2.4%	2.4%	2.2%	2.2%	2.2%	2.2%	2.4%	13,200	14,455	
	Assets, Revenue, O&M	Customer - All	34	KS Elec Svc	28.0%	28.0%	28.0%	27.1%	27.1%	27.1%	27.1%	27.9%	160,301	170,386	
	Assets, Revenue, O&M	Customer - All	37	KEDLI	18.1%	18.1%	18.1%	18.7%	18.7%	18.7%	18.7%	19.5%	108,823	118,716	
	Assets, Revenue, O&M	Customer - All	38	KEDNY	28.9%	28.9%	28.9%	30.4%	30.4%	30.4%	30.4%	28.2%	176,140	176,844	
G0500					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	586,646	615,110	
	Assets, Revenue, O&M	Customer - LI	34	KS Elec Svc	60.8%	60.8%	60.8%	59.4%	59.4%	59.4%	59.4%	58.4%	6,900,079	7,061,259	
	Assets, Revenue, O&M	Customer - LI	37	KEDLI	39.2%	39.2%	39.2%	40.6%	40.6%	40.6%	40.6%	41.6%	4,648,171	4,978,398	
G0600					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	11,548,250	12,039,657	
	Assets, Revenue, O&M	Customer - NY	34	KS Elec Svc	37.1%	37.1%	37.1%	35.5%	35.5%	35.5%	35.5%	36.6%	1,519,780	2,116,450	
	Assets, Revenue, O&M	Customer - NY	37	KEDLI	23.9%	23.9%	23.9%	24.4%	24.4%	24.4%	24.4%	25.7%	1,027,651	1,478,456	
	Assets, Revenue, O&M	Customer - NY	38	KEDNY	39.0%	39.0%	39.0%	40.1%	40.1%	40.1%	40.1%	37.7%	1,685,940	2,231,522	
G0700					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	4,233,370	5,826,428	

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
													Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
	Assets, Revenue, O&M	All Companies incl. KSE	01	Boston Gas	12.9%	12.9%	12.9%	14.3%	14.4%	13.6%	13.6%	14.2%	2,068,870	596,603
	Assets, Revenue, O&M	All Companies incl. KSE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	0.8%	0.8%	29,947	33,970
	Assets, Revenue, O&M	All Companies incl. KSE	03	Colonial Lowell	3.0%	3.0%	3.0%	3.1%	3.1%	3.1%	3.1%	3.2%	460,442	134,820
	Assets, Revenue, O&M	All Companies incl. KSE	06	EnergyNorth	1.7%	1.7%	1.7%	1.8%	1.8%	1.8%	1.8%	2.0%	265,784	82,803
	Assets, Revenue, O&M	All Companies incl. KSE	34	KS Elec Svc	21.1%	21.1%	21.1%	22.6%	22.8%	22.8%	22.8%	24.0%	3,347,876	1,006,370
	Assets, Revenue, O&M	All Companies incl. KSE	35	KS GENCO (PSA)	6.2%	6.2%	6.2%	7.1%	6.6%	6.6%	6.6%	7.6%	979,531	312,102
	Assets, Revenue, O&M	All Companies incl. KSE	36	KEDC	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	1.0%	131,020	41,401
	Assets, Revenue, O&M	All Companies incl. KSE	37	KEDLI	13.5%	13.5%	13.5%	15.5%	15.6%	15.6%	15.6%	16.5%	2,256,042	691,083
	Assets, Revenue, O&M	All Companies incl. KSE	38	KEDNY	20.8%	20.8%	20.8%	24.7%	24.8%	24.8%	24.8%	23.7%	3,562,499	1,018,047
	Assets, Revenue, O&M	All Companies incl. KSE	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	29,947	11,677
	Assets, Revenue, O&M	All Companies incl. KSE	46	KS Glenwood EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	44,921	12,739
	Assets, Revenue, O&M	All Companies incl. KSE	48	KS Port Jeff EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	44,921	12,739
	Assets, Revenue, O&M	All Companies incl. KSE	57	KeySpan Energy Service Inc.	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
	Assets, Revenue, O&M	All Companies incl. KSE	59	KSI	7.6%	7.6%	7.8%	5.6%	5.6%	5.6%	5.6%	1.3%	920,884	100,849
	Assets, Revenue, O&M	All Companies incl. KSE	60	KS Holdco	2.4%	2.4%	2.4%	3.0%	3.0%	3.0%	3.0%	4.2%	426,751	165,605
	Assets, Revenue, O&M	All Companies incl. KSE	71	Seneca	1.7%	1.7%	1.7%	0.6%	0.6%	0.6%	0.6%	0.6%	131,020	25,478
	Assets, Revenue, O&M	All Companies incl. KSE	82	NG RAVENSWOOD SERV (post Sale)	7.3%	7.3%	7.3%	0.0%	0.0%	0.0%	0.0%	0.0%	273,271	-
G0800					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	14,973,728	4,246,286
	Assets, Revenue, O&M	Gas - NY	37	KEDLI	38.2%	38.2%	38.2%	37.9%	37.9%	37.9%	37.9%	40.6%	6,974,842	10,607,782
	Assets, Revenue, O&M	Gas - NY	38	KEDNY	61.8%	61.8%	61.8%	62.1%	62.1%	62.1%	62.1%	59.4%	11,392,090	15,961,491
G0900					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	18,366,932	26,569,273
	Assets, Revenue, O&M	Electric - All	34	KS Elec Svc	58.7%	58.7%	58.7%	73.7%	74.9%	74.9%	74.9%	73.2%	1,046,514	1,155,688
	Assets, Revenue, O&M	Electric - All	35	KS GENCO (PSA)	18.7%	18.7%	18.7%	24.4%	23.2%	23.2%	23.2%	24.9%	328,006	384,183
	Assets, Revenue, O&M	Electric - All	46	KS Glenwood EC	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%	12,943	14,127
	Assets, Revenue, O&M	Electric - All	48	KS Port Jeff EC	0.8%	0.8%	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%	14,052	15,697
	Assets, Revenue, O&M	Electric - All	82	NG RAVENSWOOD SERV (post Sale)	21.0%	21.0%	21.0%	0.0%	0.0%	0.0%	0.0%	0.0%	77,657	-
G1000					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	1,479,171	1,569,695
	Assets, Revenue, O&M	NIMO-ALL SEGMENTS	NE	NMPC - Distr.	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%	26,542	74,740
	Assets, Revenue, O&M	NIMO-ALL SEGMENTS	NP	NIMO - Gas	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	6,181	17,405
	Assets, Revenue, O&M	NIMO-ALL SEGMENTS	NQ	NMPC - Trans	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	3,636	10,238
G1010					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	36,359	102,383
	Assets, Revenue, O&M	NIMO-ALL ELECTRIC	NE	NMPC - Distr.	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	801,414	715,708
	Assets, Revenue, O&M	NIMO-ALL ELECTRIC	NQ	NMPC - Trans	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	109,284	97,597
G1020					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	910,697	813,305
	Assets, Revenue, O&M	NIMO-ELECTRIC & GAS DISTRIBUTION	NE	NMPC - Distr.	83.0%	83.0%	83.0%	83.0%	83.0%	83.0%	83.0%	83.0%	22,140	11,064
	Assets, Revenue, O&M	NIMO-ELECTRIC & GAS DISTRIBUTION	NP	NIMO - Gas	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	4,535	2,266
G1030					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	26,675	13,330
	Assets, Revenue, O&M	NE ELECTRIC RETAIL	NB	NANT	0.0%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	7,595	7,264
	Assets, Revenue, O&M	NE ELECTRIC RETAIL	NC	MECO	0.0%	67.4%	67.4%	66.3%	66.3%	66.3%	66.3%	67.3%	420,427	419,146
	Assets, Revenue, O&M	NE ELECTRIC RETAIL	NF	Granite State	0.0%	2.6%	2.6%	2.5%	2.5%	2.5%	2.5%	2.4%	15,680	15,231
	Assets, Revenue, O&M	NE ELECTRIC RETAIL	NH	Narragansett Electric	0.0%	28.9%	28.9%	30.1%	30.1%	30.1%	30.1%	29.1%	187,925	183,227
G1040					0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	631,628	624,868
	Assets, Revenue, O&M	NG Electric and Gas Distribution	NB	NANT	0.0%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	743	1,300
	Assets, Revenue, O&M	NG Electric and Gas Distribution	NC	MECO	0.0%	26.1%	26.1%	26.0%	26.0%	26.0%	26.0%	26.4%	44,974	82,459
	Assets, Revenue, O&M	NG Electric and Gas Distribution	NE	NMPC - Distr.	0.0%	43.7%	43.7%	42.7%	42.7%	42.7%	42.7%	42.6%	74,194	133,358
	Assets, Revenue, O&M	NG Electric and Gas Distribution	NF	Granite State	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1,698	3,022
	Assets, Revenue, O&M	NG Electric and Gas Distribution	NG	Narragansett Gas	0.0%	5.9%	5.9%	6.1%	6.1%	6.1%	6.1%	6.5%	10,435	20,106
	Assets, Revenue, O&M	NG Electric and Gas Distribution	NH	Narragansett Electric	0.0%	10.5%	10.5%	11.2%	11.2%	11.2%	11.2%	10.6%	19,030	33,635
	Assets, Revenue, O&M	NG Electric and Gas Distribution	NP	NIMO - Gas	0.0%	12.5%	12.5%	12.6%	12.6%	12.6%	12.6%	12.5%	21,770	39,296
G1050					0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	172,845	313,175

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
													Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
	Assets, Revenue, O&M	NG Electric Distribution	NB	NANT	0.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	5,144	7,046
	Assets, Revenue, O&M	NG Electric Distribution	NC	MECO	0.0%	31.9%	31.9%	31.9%	31.9%	31.9%	31.9%	32.6%	303,476	434,655
	Assets, Revenue, O&M	NG Electric Distribution	NE	NMPC - Distr.	0.0%	53.6%	53.6%	52.7%	52.7%	52.7%	52.7%	52.7%	503,927	707,112
	Assets, Revenue, O&M	NG Electric Distribution	NF	Granite State	0.0%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	11,455	15,904
	Assets, Revenue, O&M	NG Electric Distribution	NH	Narragansett Electric	0.0%	12.8%	12.8%	13.7%	13.7%	13.7%	13.7%	13.1%	128,601	177,432
G1060					0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	952,603	1,342,151
	Assets, Revenue, O&M	NEW ENGLAND POWER	ND	NEP	0.0%	0.0%	0.0%	86.0%	86.0%	86.0%	86.0%	88.0%	41,108	85,195
	Assets, Revenue, O&M	NEW ENGLAND POWER	NL	NE Hydro - Trans Electric	0.0%	0.0%	0.0%	7.6%	7.6%	7.6%	7.6%	6.4%	3,615	6,501
	Assets, Revenue, O&M	NEW ENGLAND POWER	NN	NE Hydro - Trans Corp.	0.0%	0.0%	0.0%	6.0%	6.0%	6.0%	6.0%	5.5%	2,859	5,488
	Assets, Revenue, O&M	NEW ENGLAND POWER	NO	NE Electric Trans	0.0%	0.0%	0.0%	0.5%	0.5%	0.5%	0.5%	0.1%	229	212
G1070					0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	63,748	97,396
	Assets, Revenue, O&M	Electric excl. KSC, GEC & SEC	34	KS Elec Svc	74.9%	74.9%	74.9%	75.1%	76.4%	76.4%	76.4%	74.7%	2,659,105	5,967,034
	Assets, Revenue, O&M	Electric excl. KSC, GEC & SEC	35	KS GENCO (PSA)	25.1%	25.1%	25.1%	24.9%	23.6%	23.6%	23.6%	25.3%	843,558	1,975,773
G1100					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	3,502,662	7,942,807
	Assets, Revenue, O&M	All KS and Narragansett Gas	01	Boston Gas	0.0%	0.0%	0.0%	0.0%	13.4%	12.7%	12.7%	13.1%	5,646	15,204
	Assets, Revenue, O&M	All KS and Narragansett Gas	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	0.8%	0.8%	124	903
	Assets, Revenue, O&M	All KS and Narragansett Gas	03	Colonial Lowell	0.0%	0.0%	0.0%	0.0%	2.9%	2.9%	2.9%	3.0%	1,250	3,449
	Assets, Revenue, O&M	All KS and Narragansett Gas	06	EnergyNorth	0.0%	0.0%	0.0%	0.0%	1.7%	1.7%	1.7%	1.9%	726	2,132
	Assets, Revenue, O&M	All KS and Narragansett Gas	34	KS Elec Svc	0.0%	0.0%	0.0%	0.0%	21.4%	21.4%	21.4%	22.4%	9,211	26,032
	Assets, Revenue, O&M	All KS and Narragansett Gas	35	KS GENCO (PSA)	0.0%	0.0%	0.0%	0.0%	6.2%	6.2%	6.2%	6.9%	2,655	7,919
	Assets, Revenue, O&M	All KS and Narragansett Gas	36	KEDC	0.0%	0.0%	0.0%	0.0%	0.8%	0.8%	0.9%	0.9%	361	1,038
	Assets, Revenue, O&M	All KS and Narragansett Gas	37	KEDLI	0.0%	0.0%	0.0%	0.0%	14.7%	14.7%	14.7%	15.4%	6,298	17,849
	Assets, Revenue, O&M	All KS and Narragansett Gas	38	KEDNY	0.0%	0.0%	0.0%	0.0%	23.2%	23.2%	23.2%	21.9%	9,975	26,096
	Assets, Revenue, O&M	All KS and Narragansett Gas	44	KETS	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.2%	0.3%	90	282
	Assets, Revenue, O&M	All KS and Narragansett Gas	46	KS Glenwood EC	0.0%	0.0%	0.0%	0.0%	0.3%	0.3%	0.3%	0.3%	107	293
	Assets, Revenue, O&M	All KS and Narragansett Gas	48	KS Port Jeff EC	0.0%	0.0%	0.0%	0.0%	0.3%	0.3%	0.3%	0.3%	120	320
	Assets, Revenue, O&M	All KS and Narragansett Gas	59	KSI	0.0%	0.0%	0.0%	0.0%	5.1%	5.1%	5.1%	1.1%	2,178	2,490
	Assets, Revenue, O&M	All KS and Narragansett Gas	60	KS Holdco	0.0%	0.0%	0.0%	0.0%	2.8%	2.8%	2.8%	3.9%	1,220	4,247
	Assets, Revenue, O&M	All KS and Narragansett Gas	71	Seneca	0.0%	0.0%	0.0%	0.0%	0.6%	0.6%	0.6%	0.6%	245	695
	Assets, Revenue, O&M	All KS and Narragansett Gas	F1	KS E&P JOINT VENTURE 50%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	13	-
	Assets, Revenue, O&M	All KS and Narragansett Gas	NG	Narragansett Gas	0.0%	0.0%	0.0%	0.0%	6.4%	6.4%	6.4%	7.4%	2,741	8,364
G1110					0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%	64,441	117,312
	Assets, Revenue, O&M	All KS and Mass. Electric	01	Boston Gas	0.0%	0.0%	0.0%	0.0%	11.1%	10.5%	10.5%	10.6%	4,561	11,669
	Assets, Revenue, O&M	All KS and Mass. Electric	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.6%	0.6%	101	699
	Assets, Revenue, O&M	All KS and Mass. Electric	03	Colonial Lowell	0.0%	0.0%	0.0%	0.0%	2.4%	2.4%	2.4%	2.4%	1,019	2,670
	Assets, Revenue, O&M	All KS and Mass. Electric	06	EnergyNorth	0.0%	0.0%	0.0%	0.0%	1.4%	1.4%	1.4%	1.5%	599	1,672
	Assets, Revenue, O&M	All KS and Mass. Electric	34	KS Elec Svc	0.0%	0.0%	0.0%	0.0%	18.1%	18.1%	18.1%	18.8%	7,579	20,585
	Assets, Revenue, O&M	All KS and Mass. Electric	35	KS GENCO (PSA)	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%	5.5%	2,083	5,901
	Assets, Revenue, O&M	All KS and Mass. Electric	36	KEDC	0.0%	0.0%	0.0%	0.0%	0.7%	0.7%	0.7%	0.7%	293	799
	Assets, Revenue, O&M	All KS and Mass. Electric	37	KEDLI	0.0%	0.0%	0.0%	0.0%	12.4%	12.4%	12.4%	12.9%	5,215	14,143
	Assets, Revenue, O&M	All KS and Mass. Electric	38	KEDNY	0.0%	0.0%	0.0%	0.0%	19.4%	19.4%	19.4%	18.1%	8,132	20,353
	Assets, Revenue, O&M	All KS and Mass. Electric	44	KETS	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%	71	221
	Assets, Revenue, O&M	All KS and Mass. Electric	46	KS Glenwood EC	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%	92	235
	Assets, Revenue, O&M	All KS and Mass. Electric	48	KS Port Jeff EC	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%	101	257
	Assets, Revenue, O&M	All KS and Mass. Electric	59	KSI	0.0%	0.0%	0.0%	0.0%	3.9%	3.9%	3.9%	0.9%	1,635	1,783
	Assets, Revenue, O&M	All KS and Mass. Electric	60	KS Holdco	0.0%	0.0%	0.0%	0.0%	2.5%	2.5%	2.5%	3.2%	1,035	3,344
	Assets, Revenue, O&M	All KS and Mass. Electric	71	Seneca	0.0%	0.0%	0.0%	0.0%	0.5%	0.5%	0.5%	0.5%	197	528
	Assets, Revenue, O&M	All KS and Mass. Electric	F1	KS E&P JOINT VENTURE 50%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	13	-
	Assets, Revenue, O&M	All KS and Mass. Electric	NC	MECO	0.0%	0.0%	0.0%	0.0%	21.9%	21.9%	21.9%	23.7%	9,193	25,695
G1120					0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%	62,880	110,554
	Assets, Revenue, O&M	KOC and NG USA	34	KS Elec Svc	0.0%	0.0%	0.0%	0.0%	96.2%	96.2%	96.2%	97.8%	39,032	98,288
	Assets, Revenue, O&M	KOC and NG USA	NA	NG USA	0.0%	0.0%	0.0%	0.0%	3.8%	3.8%	3.8%	2.2%	1,550	2,660
G1130					0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%	60,874	100,948

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	Allocated Costs	
													CY 2009	CY 2010
	Assets, Revenue, O&M	KEDNY, Nantucket Elec. & Granite Elec.	38	KEDNY	0.0%	0.0%	0.0%	0.0%	94.4%	94.4%	94.4%	93.8%	21,786	52,508
	Assets, Revenue, O&M	KEDNY, Nantucket Elec. & Granite Elec.	NB	NANT	0.0%	0.0%	0.0%	0.0%	1.6%	1.6%	1.6%	1.7%	376	953
	Assets, Revenue, O&M	KEDNY, Nantucket Elec. & Granite Elec.	NF	Granite State	0.0%	0.0%	0.0%	0.0%	4.0%	4.0%	4.0%	4.5%	923	2,437
G1140					0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%	34,628	55,898
	Assets, Revenue, O&M	Massachusetts Electric and Gas Distribution Companies	01	Boston Gas	0.0%	0.0%	0.0%	0.0%	32.1%	30.3%	30.3%	29.4%	-	18,749
	Assets, Revenue, O&M	Massachusetts Electric and Gas Distribution Companies	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	1.9%	1.8%	-	1,144
	Assets, Revenue, O&M	Massachusetts Electric and Gas Distribution Companies	03	Colonial Lowell	0.0%	0.0%	0.0%	0.0%	7.2%	7.2%	7.2%	6.9%	-	4,397
	Assets, Revenue, O&M	Massachusetts Electric and Gas Distribution Companies	NB	NANT	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	-	637
	Assets, Revenue, O&M	Massachusetts Electric and Gas Distribution Companies	NC	MECO	0.0%	0.0%	0.0%	0.0%	59.6%	59.6%	59.6%	61.0%	-	38,431
G1190					0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%	-	63,357
	Assets, Revenue, O&M	Generation	35	KS GENCO (PSA)	41.8%	41.8%	41.8%	91.5%	90.2%	90.2%	90.2%	91.0%	914,975	1,148,146
	Assets, Revenue, O&M	Generation	46	KS Glenwood EC	2.2%	2.2%	2.2%	4.1%	4.7%	4.7%	4.7%	4.3%	47,089	55,637
	Assets, Revenue, O&M	Generation	48	KS Port Jeff EC	2.3%	2.3%	2.3%	4.4%	5.1%	5.1%	5.1%	4.7%	50,794	60,695
	Assets, Revenue, O&M	Generation	82	NG RAVENSWOOD SERV (post Sale)	53.7%	53.7%	53.7%	0.0%	0.0%	0.0%	0.0%	0.0%	157,062	-
G1200					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	1,169,920	1,264,478
	Assets, Revenue, O&M	All NG Companies	NA	NG USA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	unknown
	Assets, Revenue, O&M	All NG Companies	NB	NANT	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	unknown
	Assets, Revenue, O&M	All NG Companies	NC	MECO	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	unknown
	Assets, Revenue, O&M	All NG Companies	ND	NEP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	unknown
	Assets, Revenue, O&M	All NG Companies	NE	NMPC - Distr.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	unknown
	Assets, Revenue, O&M	All NG Companies	NF	Granite State	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	unknown
	Assets, Revenue, O&M	All NG Companies	NG	Narragansett Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	unknown
	Assets, Revenue, O&M	All NG Companies	NH	esv	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	unknown
	Assets, Revenue, O&M	All NG Companies	NL	NE Hydro - Trans Electric	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	unknown
	Assets, Revenue, O&M	All NG Companies	NN	NE Hydro - Trans Corp.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	unknown
	Assets, Revenue, O&M	All NG Companies	NP	NIMO - Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	unknown
	Assets, Revenue, O&M	All NG Companies	NQ	NMPC - Trans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	unknown
G1230					0	0	0	0	0	0	0	0	-	297,975
	Assets, Revenues, O&M	Regulated - NY	34	KS Elec Svc	33.2%	33.2%	33.2%	31.9%	32.1%	32.1%	32.1%	32.8%	314,837	394,350
	Assets, Revenues, O&M	Regulated - NY	35	KS GENCO (PSA)	11.4%	11.4%	11.4%	10.8%	10.3%	10.3%	10.3%	11.2%	103,297	132,659
	Assets, Revenues, O&M	Regulated - NY	37	KEDLI	21.3%	21.3%	21.3%	21.8%	22.0%	22.0%	22.0%	22.9%	212,189	274,081
	Assets, Revenues, O&M	Regulated - NY	38	KEDNY	34.1%	34.1%	34.1%	35.5%	35.6%	35.6%	35.6%	33.1%	342,648	407,646
G1300					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	972,972	1,208,735
	Assets, Revenue, O&M	All excl. EDC, KEP, THEC & KSE	01	Boston Gas	13.6%	13.6%	13.6%	15.0%	15.1%	14.2%	14.2%	15.1%	409,474	190,990
	Assets, Revenue, O&M	All excl. EDC, KEP, THEC & KSE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.9%	0.9%	6,358	11,556
	Assets, Revenue, O&M	All excl. EDC, KEP, THEC & KSE	03	Colonial Lowell	3.1%	3.1%	3.1%	3.2%	3.2%	3.2%	3.2%	3.4%	89,712	43,013
	Assets, Revenue, O&M	All excl. EDC, KEP, THEC & KSE	06	EnergyNorth	1.8%	1.8%	1.8%	1.9%	1.9%	1.9%	1.9%	2.1%	52,980	26,321
	Assets, Revenue, O&M	All excl. EDC, KEP, THEC & KSE	34	KS Elec Svc	22.1%	22.1%	22.1%	23.7%	23.8%	23.8%	23.8%	25.2%	660,244	319,065
	Assets, Revenue, O&M	All excl. EDC, KEP, THEC & KSE	35	KS GENCO (PSA)	6.6%	6.6%	6.6%	7.4%	7.0%	7.0%	7.0%	8.2%	195,907	101,433
	Assets, Revenue, O&M	All excl. EDC, KEP, THEC & KSE	37	KEDLI	14.3%	14.3%	14.3%	16.3%	16.4%	16.4%	16.4%	17.6%	448,326	222,126
	Assets, Revenue, O&M	All excl. EDC, KEP, THEC & KSE	38	KEDNY	21.9%	21.9%	21.9%	25.9%	26.0%	26.0%	26.0%	25.2%	705,453	326,127
	Assets, Revenue, O&M	All excl. EDC, KEP, THEC & KSE	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	5,651	3,531
	Assets, Revenue, O&M	All excl. EDC, KEP, THEC & KSE	46	KS Glenwood EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	8,477	3,852
	Assets, Revenue, O&M	All excl. EDC, KEP, THEC & KSE	48	KS Port Jeff EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	8,477	3,852
	Assets, Revenue, O&M	All excl. EDC, KEP, THEC & KSE	59	KSI	8.1%	8.1%	8.1%	5.8%	5.8%	5.8%	5.8%	1.4%	180,131	32,099
	Assets, Revenue, O&M	All excl. EDC, KEP, THEC & KSE	82	NG RAVENSWOOD SERV (post Sale)	7.7%	7.7%	7.7%	0.0%	0.0%	0.0%	0.0%	0.0%	54,392	-
G1400					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	2,825,581	1,283,964
	Assets, Revenue, O&M	All LI	34	KS Elec Svc	49.9%	49.9%	49.9%	49.1%	49.5%	49.5%	49.5%	48.4%	991,955	728,778
	Assets, Revenue, O&M	All LI	35	KS GENCO (PSA)	17.6%	17.6%	17.6%	16.9%	16.1%	16.1%	16.1%	17.0%	331,041	251,161
	Assets, Revenue, O&M	All LI	37	KEDLI	32.0%	32.0%	32.0%	33.5%	33.9%	33.9%	33.9%	34.0%	668,252	508,685
	Assets, Revenue, O&M	All LI	44	KETS	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%	10,006	8,609
G1500					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	2,001,254	1,497,233

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
													Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
	Assets, Revenue, O&M	All NE	01	Boston Gas	73.3%	73.3%	73.3%	74.4%	74.4%	70.2%	70.2%	69.7%	457,559	419,638
	Assets, Revenue, O&M	All NE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%	4.2%	4.1%	6,575	24,791
	Assets, Revenue, O&M	All NE	03	Colonial Lowell	16.8%	16.8%	16.8%	16.1%	16.1%	16.1%	16.1%	15.9%	101,906	95,857
	Assets, Revenue, O&M	All NE	06	EnergyNorth	9.9%	9.9%	9.9%	9.5%	9.5%	9.5%	9.5%	10.3%	60,110	60,700
G1600					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	626,150	600,986
	Assets, Revenue, O&M	All NY	34	KS Elec Srvc	26.9%	26.9%	26.9%	29.3%	29.5%	29.5%	29.5%	31.6%	143,486	203,982
	Assets, Revenue, O&M	All NY	35	KS GENCO (PSA)	8.0%	8.0%	8.0%	9.2%	8.7%	8.7%	8.7%	10.5%	42,631	65,970
	Assets, Revenue, O&M	All NY	36	KEDC	1.0%	1.0%	1.0%	1.1%	1.2%	1.2%	1.2%	1.3%	5,681	8,369
	Assets, Revenue, O&M	All NY	37	KEDLI	17.3%	17.3%	17.3%	20.1%	20.2%	20.2%	20.2%	21.9%	96,874	140,966
	Assets, Revenue, O&M	All NY	38	KEDNY	26.6%	26.6%	26.6%	32.0%	32.1%	32.1%	32.1%	31.7%	152,858	208,741
	Assets, Revenue, O&M	All NY	44	KETS	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	1,493	2,462
	Assets, Revenue, O&M	All NY	46	KS Glenwood EC	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	1,991	2,626
	Assets, Revenue, O&M	All NY	48	KS Port Jeff EC	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	1,991	2,626
	Assets, Revenue, O&M	All NY	59	KSI	9.8%	9.8%	9.8%	7.2%	7.2%	7.2%	7.2%	1.8%	39,065	20,677
	Assets, Revenue, O&M	All NY	82	NG RAVENSWOOD SERV (post Sale)	9.3%	9.3%	9.3%	0.0%	0.0%	0.0%	0.0%	0.0%	11,570	-
G1700					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	497,639	656,417
	Assets, Revenue, O&M	Gas LI and KOC	34	KS Elec Srvc	60.8%	60.8%	60.8%	59.4%	59.4%	59.4%	59.4%	58.4%	-	(164,381)
	Assets, Revenue, O&M	Gas LI and KOC	37	KEDLI	39.2%	39.2%	39.2%	40.6%	40.6%	40.6%	40.6%	41.6%	-	(115,894)
G1900					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	(280,275)
	Assets, Revenue, O&M	Gas - Mass.	01	Boston Gas	81.3%	81.3%	81.3%	82.2%	82.2%	77.5%	77.5%	77.6%	1,806,693	1,175,676
	Assets, Revenue, O&M	Gas - Mass.	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	4.7%	4.7%	4.6%	26,273	70,093
	Assets, Revenue, O&M	Gas - Mass.	03	Colonial Lowell	18.7%	18.7%	18.7%	17.8%	17.8%	17.8%	17.8%	17.8%	403,040	269,765
G2000					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	2,236,006	1,515,535
	Assets, Revenue, O&M	LI excl. ETC	34	KS Elec Srvc	50.1%	50.1%	50.1%	49.3%	49.7%	49.7%	49.7%	48.7%	354,885	142,022
	Assets, Revenue, O&M	LI excl. ETC	35	KS GENCO (PSA)	17.7%	17.7%	17.7%	17.0%	16.2%	16.2%	16.2%	17.1%	118,672	48,961
	Assets, Revenue, O&M	LI excl. ETC	37	KEDLI	32.2%	32.2%	32.2%	33.7%	34.1%	34.1%	34.1%	34.2%	239,542	99,154
G2200					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	713,099	290,137
	Assets, Revenue, O&M	All Gas	01	Boston Gas	25.5%	25.5%	25.5%	24.4%	24.4%	23.0%	23.0%	23.6%	4,492,560	3,204,849
	Assets, Revenue, O&M	All Gas	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	1.4%	1.4%	64,641	191,334
	Assets, Revenue, O&M	All Gas	03	Colonial Lowell	5.7%	5.7%	5.7%	5.2%	5.2%	5.2%	5.2%	5.3%	983,469	720,920
	Assets, Revenue, O&M	All Gas	06	EnergyNorth	3.3%	3.3%	3.3%	3.0%	3.0%	3.0%	3.0%	3.3%	567,919	440,752
	Assets, Revenue, O&M	All Gas	37	KEDLI	25.4%	25.4%	25.4%	25.7%	25.7%	25.7%	25.7%	27.3%	4,732,656	3,676,352
	Assets, Revenue, O&M	All Gas	38	KEDNY	40.1%	40.1%	40.1%	41.7%	41.7%	41.7%	41.7%	39.1%	7,627,656	5,432,527
G2400					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	18,468,900	13,666,735
	Assets, Revenue, O&M	All Gas, KSI and KSE	01	Boston Gas	20.9%	20.9%	20.9%	21.1%	21.1%	19.9%	19.9%	21.6%	188,739	50,265
	Assets, Revenue, O&M	All Gas, KSI and KSE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	1.2%	1.3%	2,729	3,027
	Assets, Revenue, O&M	All Gas, KSI and KSE	03	Colonial Lowell	4.8%	4.8%	4.8%	4.6%	4.6%	4.6%	4.6%	4.9%	42,296	11,453
	Assets, Revenue, O&M	All Gas, KSI and KSE	06	EnergyNorth	2.8%	2.8%	2.8%	2.6%	2.6%	2.6%	2.6%	3.0%	24,104	6,884
	Assets, Revenue, O&M	All Gas, KSI and KSE	37	KEDLI	21.9%	21.9%	21.9%	22.8%	22.8%	22.8%	22.8%	25.1%	205,339	58,217
	Assets, Revenue, O&M	All Gas, KSI and KSE	38	KEDNY	33.7%	33.7%	33.7%	36.4%	36.4%	36.4%	36.4%	36.0%	324,949	85,693
	Assets, Revenue, O&M	All Gas, KSI and KSE	59	KSI	12.2%	12.2%	12.2%	8.1%	8.1%	8.1%	8.1%	1.9%	83,000	8,190
	Assets, Revenue, O&M	All Gas, KSI and KSE	60	KS Holdco	3.7%	3.7%	3.7%	4.4%	4.4%	4.4%	4.4%	6.2%	38,430	13,649
G2700					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	909,586	237,377

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
													Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
	Assets, Revenue, O&M	Deliver Energy - All and KSE	01	Boston Gas	14.7%	14.7%	14.7%	15.6%	15.7%	14.8%	14.8%	14.7%	299,520	93,671
	Assets, Revenue, O&M	Deliver Energy - All and KSE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.9%	0.9%	4,429	5,725
	Assets, Revenue, O&M	Deliver Energy - All and KSE	03	Colonial Lowell	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	64,956	20,992
	Assets, Revenue, O&M	Deliver Energy - All and KSE	06	EnergyNorth	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	2.1%	37,399	13,041
	Assets, Revenue, O&M	Deliver Energy - All and KSE	34	KS Elec Srvc	22.9%	22.9%	22.9%	24.1%	24.2%	24.2%	24.2%	24.4%	469,784	154,899
	Assets, Revenue, O&M	Deliver Energy - All and KSE	35	KS GENCO (PSA)	7.5%	7.5%	7.5%	8.0%	7.6%	7.6%	7.6%	8.0%	149,760	50,255
	Assets, Revenue, O&M	Deliver Energy - All and KSE	37	KEDLI	14.7%	14.7%	14.7%	16.5%	16.5%	16.5%	16.5%	17.0%	315,923	107,348
	Assets, Revenue, O&M	Deliver Energy - All and KSE	38	KEDNY	23.3%	23.3%	23.3%	26.7%	26.8%	26.8%	26.8%	24.4%	510,136	159,034
	Assets, Revenue, O&M	Deliver Energy - All and KSE	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	3,937	1,749
	Assets, Revenue, O&M	Deliver Energy - All and KSE	46	KS Glenwood EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	5,905	1,908
	Assets, Revenue, O&M	Deliver Energy - All and KSE	48	KS Port Jeff EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	5,905	1,908
	Assets, Revenue, O&M	Deliver Energy - All and KSE	60	KS Holdco	2.5%	2.5%	2.5%	3.1%	3.2%	3.2%	3.2%	4.3%	59,379	25,604
	Assets, Revenue, O&M	Deliver Energy - All and KSE	82	NG RAVENSWOOD SERV (post Sale)	8.4%	8.4%	8.4%	0.0%	0.0%	0.0%	0.0%	0.0%	41,336	-
G3000					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	1,968,369	636,135
	Assets, Revenue, O&M	All incl. KSE but excl. EDC, KEP & THEC	01	Boston Gas	13.3%	13.3%	13.3%	14.5%	14.6%	13.8%	13.8%	14.4%	41,086	8,410
	Assets, Revenue, O&M	All incl. KSE but excl. EDC, KEP & THEC	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	0.8%	0.8%	584	472
	Assets, Revenue, O&M	All incl. KSE but excl. EDC, KEP & THEC	03	Colonial Lowell	3.0%	3.0%	3.0%	3.1%	3.1%	3.1%	3.1%	3.2%	8,981	1,874
	Assets, Revenue, O&M	All incl. KSE but excl. EDC, KEP & THEC	06	EnergyNorth	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	2.0%	5,257	1,151
	Assets, Revenue, O&M	All incl. KSE but excl. EDC, KEP & THEC	34	KS Elec Srvc	21.6%	21.6%	21.6%	23.0%	23.1%	23.1%	23.1%	24.3%	66,350	14,164
	Assets, Revenue, O&M	All incl. KSE but excl. EDC, KEP & THEC	35	KS GENCO (PSA)	6.5%	6.5%	6.5%	7.2%	6.8%	6.8%	6.8%	7.8%	19,740	4,456
	Assets, Revenue, O&M	All incl. KSE but excl. EDC, KEP & THEC	37	KEDLI	13.8%	13.8%	13.8%	15.7%	15.8%	15.8%	15.8%	16.8%	44,664	9,768
	Assets, Revenue, O&M	All incl. KSE but excl. EDC, KEP & THEC	38	KEDNY	21.3%	21.3%	21.3%	25.1%	25.2%	25.2%	25.2%	24.1%	70,732	14,386
	Assets, Revenue, O&M	All incl. KSE but excl. EDC, KEP & THEC	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	584	162
	Assets, Revenue, O&M	All incl. KSE but excl. EDC, KEP & THEC	46	KS Glenwood EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	876	177
	Assets, Revenue, O&M	All incl. KSE but excl. EDC, KEP & THEC	48	KS Port Jeff EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	876	177
	Assets, Revenue, O&M	All incl. KSE but excl. EDC, KEP & THEC	59	KSI	8.0%	8.0%	8.0%	5.7%	5.7%	5.7%	5.7%	1.3%	18,328	1,416
	Assets, Revenue, O&M	All incl. KSE but excl. EDC, KEP & THEC	60	KS Holdco	2.4%	2.4%	2.4%	3.1%	3.1%	3.1%	3.1%	4.4%	8,543	2,405
	Assets, Revenue, O&M	All incl. KSE but excl. EDC, KEP & THEC	82	NG RAVENSWOOD SERV (post Sale)	7.5%	7.5%	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	5,476	-
G3300					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	292,078	59,018
	Assets, Revenue, O&M	KS Gas-NE and KNC	01	Boston Gas	33.8%	33.8%	33.8%	32.6%	32.6%	30.7%	30.7%	32.1%	-	120,398
	Assets, Revenue, O&M	KS Gas-NE and KNC	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	1.9%	1.9%	-	7,205
	Assets, Revenue, O&M	KS Gas-NE and KNC	03	Colonial Lowell	7.7%	7.7%	7.7%	7.0%	7.0%	7.0%	7.0%	7.3%	-	27,398
	Assets, Revenue, O&M	KS Gas-NE and KNC	06	EnergyNorth	4.5%	4.5%	4.5%	4.1%	4.1%	4.1%	4.1%	4.6%	-	16,969
	Assets, Revenue, O&M	KS Gas-NE and KNC	38	KEDNY	54.0%	54.0%	54.0%	56.3%	56.3%	56.3%	56.3%	54.1%	-	207,236
G3400					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	379,206

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
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Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC, SEC and KSE	01	Boston Gas	13.3%	13.3%	13.3%	14.8%	14.9%	14.1%	14.1%	14.9%	1,722	1,220
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC, SEC and KSE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	0.8%	0.9%	24	73
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC, SEC and KSE	03	Colonial Lowell	3.0%	3.0%	3.0%	3.2%	3.2%	3.2%	3.2%	3.4%	380	278
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC, SEC and KSE	06	EnergyNorth	1.8%	1.8%	1.8%	1.9%	1.9%	1.9%	1.9%	2.1%	226	170
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC, SEC and KSE	34	KS Elec Srvc	21.9%	21.9%	21.9%	23.5%	23.6%	23.6%	23.6%	25.1%	2,791	2,052
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC, SEC and KSE	35	KS GENCO (PSA)	6.4%	6.4%	6.4%	7.3%	7.0%	7.0%	7.0%	8.0%	828	643
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC, SEC and KSE	36	KEDC	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%	116	83
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC, SEC and KSE	37	KEDLI	14.1%	14.1%	14.1%	16.1%	16.2%	16.2%	16.2%	17.4%	1,888	1,419
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC, SEC and KSE	38	KEDNY	21.5%	21.5%	21.5%	25.7%	25.7%	25.7%	25.7%	24.8%	2,970	2,077
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC, SEC and KSE	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	24	23
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC, SEC and KSE	59	KSI	7.7%	7.7%	7.7%	5.7%	5.7%	5.7%	5.7%	1.4%	747	205
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC, SEC and KSE	71	Seneca	1.7%	1.7%	1.7%	0.7%	0.6%	0.6%	0.6%	0.7%	106	56
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC, SEC and KSE	82	NG RAVENSWOOD SERV (post Sale)	7.5%	7.5%	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	226	-
G3500					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	12,049	8,301
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC & SEC	01	Boston Gas	13.3%	13.3%	13.3%	14.5%	14.5%	13.7%	13.7%	14.4%	174,187	57,764
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC & SEC	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	0.8%	0.8%	2,488	3,249
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC & SEC	03	Colonial Lowell	3.0%	3.0%	3.0%	3.1%	3.1%	3.1%	3.1%	3.2%	38,259	12,893
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC & SEC	06	EnergyNorth	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	2.0%	22,395	7,919
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC & SEC	34	KS Elec Srvc	21.5%	21.5%	21.5%	22.9%	23.0%	23.0%	23.0%	24.3%	281,395	97,357
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC & SEC	35	KS GENCO (PSA)	6.4%	6.4%	6.4%	7.2%	6.8%	6.8%	6.8%	7.7%	83,776	30,354
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC & SEC	36	KEDC	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	1.0%	10,887	3,959
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC & SEC	37	KEDLI	13.8%	13.8%	13.8%	15.7%	15.8%	15.8%	15.8%	16.7%	190,258	66,901
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC & SEC	38	KEDNY	21.3%	21.3%	21.3%	25.0%	25.2%	25.2%	25.2%	24.0%	301,198	98,677
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC & SEC	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	2,488	1,117
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC & SEC	59	KSI	8.0%	8.0%	8.0%	5.7%	5.7%	5.7%	5.7%	1.3%	78,073	9,746
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC & SEC	60	KS Holdco	2.4%	2.4%	2.4%	3.0%	3.0%	3.0%	3.0%	4.3%	35,459	16,142
	Assets, Revenue, O&M	All excl. KEP, THEC, GEC & SEC	82	NG RAVENSWOOD SERV (post Sale)	7.5%	7.5%	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	23,329	-
G3600					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	1,244,193	406,077
	Assets, Revenue, O&M	All Gas, KOC and KSI	01	Boston Gas	16.1%	16.1%	16.1%	16.4%	16.4%	15.5%	15.5%	16.8%	6,950	2,682
	Assets, Revenue, O&M	All Gas, KOC and KSI	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.9%	1.0%	97	159
	Assets, Revenue, O&M	All Gas, KOC and KSI	03	Colonial Lowell	3.6%	3.6%	3.6%	3.5%	3.5%	3.5%	3.5%	3.8%	1,522	607
	Assets, Revenue, O&M	All Gas, KOC and KSI	06	EnergyNorth	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.3%	906	366
	Assets, Revenue, O&M	All Gas, KOC and KSI	34	KS Elec Srvc	25.7%	25.7%	25.7%	25.6%	25.6%	25.6%	25.6%	27.6%	11,061	4,412
	Assets, Revenue, O&M	All Gas, KOC and KSI	37	KEDLI	16.6%	16.6%	16.6%	17.6%	17.6%	17.6%	17.6%	19.2%	7,489	3,061
	Assets, Revenue, O&M	All Gas, KOC and KSI	38	KEDNY	25.7%	25.7%	25.7%	28.2%	28.2%	28.2%	28.2%	27.7%	11,903	4,530
	Assets, Revenue, O&M	All Gas, KOC and KSI	59	KSI	10.2%	10.2%	10.2%	6.6%	6.6%	6.6%	6.6%	1.6%	3,237	464
G3700					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	43,165	16,282
	Assets, Revenue, O&M	Deliver Energy - NY excl. KSC, GEC & SEC	34	KS Elec Srvc	33.1%	33.1%	33.1%	31.8%	32.0%	32.0%	32.0%	32.7%	1,907,833	1,654,284
	Assets, Revenue, O&M	Deliver Energy - NY excl. KSC, GEC & SEC	35	KS GENCO (PSA)	11.3%	11.3%	11.3%	10.7%	10.2%	10.2%	10.2%	11.1%	621,980	553,123
	Assets, Revenue, O&M	Deliver Energy - NY excl. KSC, GEC & SEC	37	KEDLI	21.3%	21.3%	21.3%	21.8%	22.0%	22.0%	22.0%	22.8%	1,289,796	1,149,479
	Assets, Revenue, O&M	Deliver Energy - NY excl. KSC, GEC & SEC	38	KEDNY	34.0%	34.0%	34.0%	35.4%	35.5%	35.5%	35.5%	33.0%	2,076,881	1,710,232
	Assets, Revenue, O&M	Deliver Energy - NY excl. KSC, GEC & SEC	44	KETS	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	17,743	19,073
G3800					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	5,914,233	5,086,191
	Assets, Revenue, O&M	All NY incl. KSE	34	KS Elec Srvc	26.1%	26.1%	26.1%	28.2%	28.4%	28.4%	28.4%	30.2%	437,906	379,867
	Assets, Revenue, O&M	All NY incl. KSE	35	KS GENCO (PSA)	7.8%	7.8%	7.8%	8.9%	8.4%	8.4%	8.4%	9.9%	130,571	121,621
	Assets, Revenue, O&M	All NY incl. KSE	36	KEDC	1.0%	1.0%	1.0%	1.1%	1.1%	1.1%	1.1%	1.2%	16,928	15,003
	Assets, Revenue, O&M	All NY incl. KSE	37	KEDLI	16.7%	16.7%	16.7%	19.2%	19.4%	19.4%	19.4%	20.7%	294,606	260,161
	Assets, Revenue, O&M	All NY incl. KSE	38	KEDNY	25.8%	25.8%	25.8%	30.8%	30.9%	30.9%	30.9%	30.0%	466,383	385,933
	Assets, Revenue, O&M	All NY incl. KSE	44	KETS	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	4,331	3,831
	Assets, Revenue, O&M	All NY incl. KSE	46	KS Glenwood EC	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	5,118	3,831
	Assets, Revenue, O&M	All NY incl. KSE	48	KS Port Jeff EC	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	5,905	5,107
	Assets, Revenue, O&M	All NY incl. KSE	59	KSI	9.7%	9.7%	9.7%	7.1%	7.1%	7.1%	7.1%	1.7%	122,042	38,944
	Assets, Revenue, O&M	All NY incl. KSE	60	KS Holdco	2.9%	2.9%	2.9%	3.7%	3.7%	3.7%	3.7%	5.3%	55,116	62,566
	Assets, Revenue, O&M	All NY incl. KSE	82	NG RAVENSWOOD SERV (post Sale)	9.1%	9.1%	9.1%	0.0%	0.0%	0.0%	0.0%	0.0%	35,825	-
G3900					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	1,574,730	1,276,865

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
													Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
	Assets, Revenue, O&M	All NY excl. KOC	35	KS GENCO (PSA)	10.1%	10.1%	10.1%	12.0%	11.3%	11.3%	11.3%	13.6%	94,189	94,866
	Assets, Revenue, O&M	All NY excl. KOC	36	KEDC	1.3%	1.3%	1.3%	1.5%	1.5%	1.5%	1.5%	1.7%	12,350	12,018
	Assets, Revenue, O&M	All NY excl. KOC	37	KEDLI	23.4%	23.4%	23.4%	27.4%	27.7%	27.7%	27.7%	30.3%	226,563	215,951
	Assets, Revenue, O&M	All NY excl. KOC	38	KEDNY	35.8%	35.8%	35.8%	43.6%	43.9%	43.9%	43.9%	43.4%	356,454	317,007
	Assets, Revenue, O&M	All NY excl. KOC	44	KETS	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.5%	3,194	3,460
	Assets, Revenue, O&M	All NY excl. KOC	46	KS Glenwood EC	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	4,259	3,642
	Assets, Revenue, O&M	All NY excl. KOC	48	KS Port Jeff EC	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	4,259	3,642
	Assets, Revenue, O&M	All NY excl. KOC	59	KSI	11.8%	11.8%	11.8%	9.0%	9.0%	9.0%	9.0%	2.2%	82,619	28,405
	Assets, Revenue, O&M	All NY excl. KOC	60	KS Holdco	3.9%	3.9%	3.9%	5.1%	5.2%	5.2%	5.2%	7.3%	41,451	49,345
	Assets, Revenue, O&M	All NY excl. KOC	82	NG RAVENSWOOD SERV (post Sale)	12.4%	12.4%	12.4%	0.0%	0.0%	0.0%	0.0%	0.0%	26,404	-
G4000					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	851,742	728,334
	Assets, Revenue, O&M	All excl. KOC, KEP, THEC, GEC & SEC	01	Boston Gas	17.0%	17.0%	17.0%	18.9%	19.0%	17.9%	17.9%	18.9%	10,730	28,150
	Assets, Revenue, O&M	All excl. KOC, KEP, THEC, GEC & SEC	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	1.1%	1.1%	162	1,660
	Assets, Revenue, O&M	All excl. KOC, KEP, THEC, GEC & SEC	03	Colonial Lowell	3.9%	3.9%	3.9%	4.1%	4.1%	4.1%	4.1%	4.3%	2,386	6,415
	Assets, Revenue, O&M	All excl. KOC, KEP, THEC, GEC & SEC	06	EnergyNorth	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%	2.4%	2.7%	1,399	3,962
	Assets, Revenue, O&M	All excl. KOC, KEP, THEC, GEC & SEC	35	KS GENCO (PSA)	7.9%	7.9%	7.9%	9.1%	8.5%	8.5%	8.5%	9.9%	4,948	14,415
	Assets, Revenue, O&M	All excl. KOC, KEP, THEC, GEC & SEC	36	KEDC	1.0%	1.0%	1.0%	1.2%	1.2%	1.2%	1.2%	1.2%	677	1,811
	Assets, Revenue, O&M	All excl. KOC, KEP, THEC, GEC & SEC	37	KEDLI	18.1%	18.1%	18.1%	20.6%	20.8%	20.8%	20.8%	22.5%	11,844	33,320
	Assets, Revenue, O&M	All excl. KOC, KEP, THEC, GEC & SEC	38	KEDNY	27.6%	27.6%	27.6%	32.7%	32.9%	32.9%	32.9%	31.9%	18,588	48,527
	Assets, Revenue, O&M	All excl. KOC, KEP, THEC, GEC & SEC	44	KETS	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	177	566
	Assets, Revenue, O&M	All excl. KOC, KEP, THEC, GEC & SEC	59	KSI	9.3%	9.3%	9.3%	6.8%	6.8%	6.8%	6.8%	1.6%	4,373	4,377
	Assets, Revenue, O&M	All excl. KOC, KEP, THEC, GEC & SEC	60	KS Holdco	3.0%	3.0%	3.0%	3.9%	4.0%	4.0%	4.0%	5.5%	2,204	7,736
	Assets, Revenue, O&M	All excl. KOC, KEP, THEC, GEC & SEC	82	NG RAVENSWOOD SERV (post Sale)	9.6%	9.6%	9.6%	0.0%	0.0%	0.0%	0.0%	0.0%	1,414	-
G4100					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	58,902	150,939
	Assets, Revenue, O&M	Electric Excluding GEC & SEC	34	KS Elec Svc	59.6%	59.6%	59.6%	75.1%	76.4%	76.4%	76.4%	74.7%	2,803,073	-
	Assets, Revenue, O&M	Electric Excluding GEC & SEC	35	KS GENCO (PSA)	19.0%	19.0%	19.0%	24.9%	23.6%	23.6%	23.6%	25.3%	877,115	-
	Assets, Revenue, O&M	Electric Excluding GEC & SEC	82	NG RAVENSWOOD SERV (post Sale)	21.4%	21.4%	21.4%	0.0%	0.0%	0.0%	0.0%	0.0%	208,019	-
G4300					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	3,888,206	-
	Assets, Revenue, O&M	Generation excl. GEC & SEC	35	KS GENCO (PSA)	43.8%	43.8%	43.8%	100.0%	100.0%	100.0%	100.0%	100.0%	6,448,678	-
	Assets, Revenue, O&M	Generation excl. GEC & SEC	82	NG RAVENSWOOD SERV (post Sale)	56.2%	56.2%	56.2%	0.0%	0.0%	0.0%	0.0%	0.0%	1,054,147	-
G4500					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	7,502,825	-

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
													Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	01	Boston Gas	14.5%	14.5%	14.5%	15.8%	15.8%	14.9%	14.9%	15.1%	21,905	2,669
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.9%	0.9%	323	160
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	03	Colonial Lowell	3.3%	3.3%	3.3%	3.4%	3.4%	3.4%	3.4%	3.4%	4,848	603
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	06	EnergyNorth	1.9%	1.9%	1.9%	1.9%	2.0%	2.0%	2.0%	2.1%	2,825	368
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	34	KS Elec Srvc	22.9%	22.9%	22.9%	24.5%	24.6%	24.6%	24.6%	25.2%	34,712	4,442
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	35	KS GENCO (PSA)	7.3%	7.3%	7.3%	8.0%	7.7%	7.7%	7.7%	8.2%	10,952	1,432
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	36	KEDC	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1,436	177
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	37	KEDLI	14.8%	14.8%	14.8%	16.8%	16.9%	16.9%	16.9%	17.5%	23,508	3,077
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	38	KEDNY	23.0%	23.0%	23.0%	27.1%	27.1%	27.1%	27.1%	25.1%	37,453	4,540
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	287	35
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	46	KS Glenwood EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	431	53
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	48	KS Port Jeff EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	431	53
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	57	KeySpan Energy Service Inc.	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	59	KSI	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	72	-
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	71	Seneca	2.0%	2.0%	2.0%	0.7%	0.7%	0.7%	0.7%	0.7%	1,472	124
	Assets, Revenue, O&M	All Companies excl. KSI & KSE	82	NG RAVENSWOOD SERV (post Sale)	8.3%	8.3%	8.3%	0.0%	0.0%	0.0%	0.0%	0.0%	2,980	-
G4900					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	143,636	17,734
	Assets, Revenue, O&M	All Gas and KSI	01	Boston Gas	21.7%	21.7%	21.7%	22.0%	22.0%	20.7%	20.7%	23.0%	(17)	-
	Assets, Revenue, O&M	All Gas and KSI	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	1.3%	1.3%	(0)	-
	Assets, Revenue, O&M	All Gas and KSI	03	Colonial Lowell	5.0%	5.0%	5.0%	4.8%	4.8%	4.8%	4.8%	5.2%	(4)	-
	Assets, Revenue, O&M	All Gas and KSI	06	EnergyNorth	2.9%	2.9%	2.9%	2.8%	2.8%	2.8%	2.8%	3.2%	(2)	-
	Assets, Revenue, O&M	All Gas and KSI	37	KEDLI	23.0%	23.0%	23.0%	24.1%	24.1%	24.1%	24.1%	26.8%	(19)	-
	Assets, Revenue, O&M	All Gas and KSI	38	KEDNY	35.1%	35.1%	35.1%	38.1%	38.1%	38.1%	38.1%	38.4%	(30)	-
	Assets, Revenue, O&M	All Gas and KSI	59	KSI	12.3%	12.3%	12.3%	8.2%	8.2%	8.2%	8.2%	2.1%	(7)	-
G5000					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	(81)	-

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
												Allocated Costs		
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
	Assets, Revenue, O&M	All KS and NG Companies	01	Boston Gas	6.3%	6.3%	6.3%	6.5%	6.6%	6.2%	6.2%	6.0%	3,616,851	4,791,323
	Assets, Revenue, O&M	All KS and NG Companies	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.4%	53,695	294,273
	Assets, Revenue, O&M	All KS and NG Companies	03	Colonial Lowell	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.4%	828,970	1,117,844
	Assets, Revenue, O&M	All KS and NG Companies	06	EnergyNorth	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	481,839	695,196
	Assets, Revenue, O&M	All KS and NG Companies	34	KS Elec Svc	10.9%	10.9%	10.9%	10.9%	11.0%	11.0%	11.0%	11.3%	6,177,708	8,859,800
	Assets, Revenue, O&M	All KS and NG Companies	35	KS GENCO (PSA)	2.9%	2.9%	2.9%	3.0%	2.8%	2.8%	2.8%	3.0%	1,591,998	2,326,537
	Assets, Revenue, O&M	All KS and NG Companies	36	KEDC	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	219,018	312,048
	Assets, Revenue, O&M	All KS and NG Companies	37	KEDLI	6.9%	6.9%	6.9%	7.4%	7.4%	7.4%	7.4%	7.5%	4,119,414	5,934,841
	Assets, Revenue, O&M	All KS and NG Companies	38	KEDNY	10.4%	10.4%	10.4%	11.5%	11.5%	11.5%	11.5%	10.5%	6,344,915	8,482,577
	Assets, Revenue, O&M	All KS and NG Companies	44	KETS	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	56,521	90,849
	Assets, Revenue, O&M	All KS and NG Companies	46	KS Glenwood EC	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	74,419	96,774
	Assets, Revenue, O&M	All KS and NG Companies	48	KS Port Jeff EC	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	79,129	104,674
	Assets, Revenue, O&M	All KS and NG Companies	57	KeySpan Energy Service Inc.	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
	Assets, Revenue, O&M	All KS and NG Companies	59	KSI	3.2%	3.2%	3.3%	2.0%	2.0%	2.0%	2.0%	0.4%	1,333,887	657,671
	Assets, Revenue, O&M	All KS and NG Companies	60	KS Holdco	1.2%	1.2%	1.2%	1.4%	1.5%	1.5%	1.5%	1.8%	779,514	1,341,017
	Assets, Revenue, O&M	All KS and NG Companies	71	Seneca	0.7%	0.7%	0.7%	0.3%	0.3%	0.3%	0.3%	0.3%	209,126	211,324
	Assets, Revenue, O&M	All KS and NG Companies	82	NG RAVENSWOOD SERV (post Sale)	3.6%	3.6%	3.6%	0.0%	0.0%	0.0%	0.0%	0.0%	501,621	-
	Assets, Revenue, O&M	All KS and NG Companies	F1	KS E&P JOINT VENTURE 50%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8,949	-
	Assets, Revenue, O&M	All KS and NG Companies	NA	NG USA	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.1%	151,193	128,374
	Assets, Revenue, O&M	All KS and NG Companies	NB	NANT	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	107,389	150,099
	Assets, Revenue, O&M	All KS and NG Companies	NC	MECO	11.8%	11.8%	11.8%	12.5%	12.5%	12.5%	12.5%	13.1%	6,977,946	10,242,292
	Assets, Revenue, O&M	All KS and NG Companies	ND	NEP	2.2%	2.2%	2.2%	2.3%	2.3%	2.3%	2.3%	2.6%	1,291,497	2,022,389
	Assets, Revenue, O&M	All KS and NG Companies	NE	NMPC - Distr.	19.5%	19.5%	19.5%	20.3%	20.3%	20.3%	20.3%	20.8%	11,376,666	16,346,982
	Assets, Revenue, O&M	All KS and NG Companies	NF	Granite State	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	257,169	363,398
	Assets, Revenue, O&M	All KS and NG Companies	NG	Narragansett Gas	2.7%	2.7%	2.7%	2.9%	2.9%	2.9%	2.9%	3.2%	1,614,136	2,484,536
	Assets, Revenue, O&M	All KS and NG Companies	NH	Narragansett Electric Company	4.9%	4.9%	4.9%	5.6%	5.6%	5.6%	5.6%	5.5%	3,058,710	4,370,650
	Assets, Revenue, O&M	All KS and NG Companies	NL	NE Hydro - Trans Electric	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	114,454	146,149
	Assets, Revenue, O&M	All KS and NG Companies	NN	NE Hydro - Trans Corp.	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	89,020	118,499
	Assets, Revenue, O&M	All KS and NG Companies	NO	NE Electric Trans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6,594	1,975
	Assets, Revenue, O&M	All KS and NG Companies	NP	NIMO - Gas	5.4%	5.4%	5.4%	5.8%	5.8%	5.8%	5.8%	5.9%	3,211,315	4,641,224
	Assets, Revenue, O&M	All KS and NG Companies	NQ	NMPC - Trans	3.0%	3.0%	3.0%	3.2%	3.2%	3.2%	3.2%	3.4%	1,785,582	2,666,235
G5100					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	56,520,656	78,999,551
	Assets, Revenue, O&M	All Gas - KS and NG	01	Boston Gas	19.0%	19.0%	19.0%	18.1%	18.1%	17.1%	17.1%	17.1%	5,194,505	7,974,211
	Assets, Revenue, O&M	All Gas - KS and NG	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	74,689	475,114
	Assets, Revenue, O&M	All Gas - KS and NG	03	Colonial Lowell	4.3%	4.3%	4.3%	3.9%	3.9%	3.9%	3.9%	3.9%	1,149,786	1,818,741
	Assets, Revenue, O&M	All Gas - KS and NG	06	EnergyNorth	2.5%	2.5%	2.5%	2.3%	2.3%	2.3%	2.3%	2.5%	668,614	1,122,997
	Assets, Revenue, O&M	All Gas - KS and NG	37	KEDLI	19.3%	19.3%	19.3%	19.6%	19.6%	19.6%	19.6%	20.4%	5,605,297	9,411,227
	Assets, Revenue, O&M	All Gas - KS and NG	38	KEDNY	30.2%	30.2%	30.2%	31.3%	31.3%	31.3%	31.3%	28.9%	8,902,404	13,756,127
	Assets, Revenue, O&M	All Gas - KS and NG	NG	Narragansett Gas	8.5%	8.5%	8.5%	8.7%	8.7%	8.7%	8.7%	9.5%	2,480,550	4,340,231
	Assets, Revenue, O&M	All Gas - KS and NG	NP	NIMO - Gas	16.3%	16.3%	16.3%	16.2%	16.2%	16.2%	16.2%	16.9%	4,650,852	7,795,605
G5200					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	28,726,698	46,694,253
	Assets, Revenue, O&M	All Electric Transmission	NB	NANT	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	10
	Assets, Revenue, O&M	All Electric Transmission	NC	MECO	0.0%	0.0%	0.0%	0.9%	0.9%	0.9%	0.9%	0.7%	856	1,076
	Assets, Revenue, O&M	All Electric Transmission	ND	NEP	39.9%	39.9%	39.9%	39.9%	39.9%	39.9%	39.9%	41.2%	48,429	56,755
	Assets, Revenue, O&M	All Electric Transmission	NH	Narragansett Electric	3.4%	3.4%	3.4%	3.7%	3.7%	3.7%	3.7%	4.2%	4,406	5,670
	Assets, Revenue, O&M	All Electric Transmission	NQ	NMPC - Trans	56.7%	56.7%	56.7%	55.5%	55.5%	55.5%	55.5%	53.9%	67,768	75,380
G5300					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	121,459	138,893
	Assets, Revenue, O&M	All Electric Distribution	34	KS Elec Svc	23.0%	23.0%	23.0%	22.5%	22.5%	22.5%	22.5%	22.7%	735,144	537,877
	Assets, Revenue, O&M	All Electric Distribution	57	KeySpan Energy Service Inc.	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
	Assets, Revenue, O&M	All Electric Distribution	59	KSI	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	1,624	-
	Assets, Revenue, O&M	All Electric Distribution	NB	NANT	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	13,233	9,390
	Assets, Revenue, O&M	All Electric Distribution	NC	MECO	24.5%	24.5%	24.5%	24.7%	24.7%	24.7%	24.7%	25.1%	799,768	594,630
	Assets, Revenue, O&M	All Electric Distribution	NE	NMPC - Distr.	41.3%	41.3%	41.3%	41.0%	41.0%	41.0%	41.0%	40.9%	1,333,244	973,480
	Assets, Revenue, O&M	All Electric Distribution	NF	Granite State	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	29,633	21,453
	Assets, Revenue, O&M	All Electric Distribution	NH	Narragansett Electric	9.8%	9.8%	9.8%	10.5%	10.5%	10.5%	10.5%	10.0%	334,813	240,265
G5400					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	3,247,459	2,377,095

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
													Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
	Assets, Revenue, O&M	All Electric Distribution and Generation	34	KS Elec Svc	20.2%	20.2%	20.2%	21.2%	21.3%	21.3%	21.3%	21.3%	88,928	161,457
	Assets, Revenue, O&M	All Electric Distribution and Generation	35	KS GENCO (PSA)	5.2%	5.2%	5.2%	5.6%	5.2%	5.2%	5.2%	5.4%	22,039	40,530
	Assets, Revenue, O&M	All Electric Distribution and Generation	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	825	1,684
	Assets, Revenue, O&M	All Electric Distribution and Generation	46	KS Glenwood EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	1,079	1,835
	Assets, Revenue, O&M	All Electric Distribution and Generation	48	KS Port Jeff EC	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	1,170	2,006
	Assets, Revenue, O&M	All Electric Distribution and Generation	57	KeySpan Energy Service Inc.	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
	Assets, Revenue, O&M	All Electric Distribution and Generation	59	KSI	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	190	-
	Assets, Revenue, O&M	All Electric Distribution and Generation	82	NG RAVENSWOOD SERV (post Sale)	6.5%	6.5%	6.5%	0.0%	0.0%	0.0%	0.0%	0.0%	6,883	-
	Assets, Revenue, O&M	All Electric Distribution and Generation	NB	NANT	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	1,604	2,838
	Assets, Revenue, O&M	All Electric Distribution and Generation	NC	MECO	21.4%	21.4%	21.4%	23.1%	23.2%	23.2%	23.2%	23.6%	96,132	177,540
	Assets, Revenue, O&M	All Electric Distribution and Generation	NE	NMPC - Distr.	36.1%	36.1%	36.1%	38.3%	38.5%	38.5%	38.5%	38.4%	160,167	290,748
	Assets, Revenue, O&M	All Electric Distribution and Generation	NF	Granite State	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.8%	3,574	6,395
	Assets, Revenue, O&M	All Electric Distribution and Generation	NH	Narragansett Electric	8.5%	8.5%	8.5%	9.8%	9.9%	9.9%	9.9%	9.4%	40,356	71,826
G5500					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	422,947	756,859
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	34	KS Elec Svc	18.4%	18.4%	18.4%	19.2%	19.2%	19.2%	19.2%	19.2%	148,235	493,665
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	35	KS GENCO (PSA)	4.7%	4.7%	4.7%	5.0%	4.6%	4.6%	4.6%	4.9%	36,546	123,545
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	1,364	5,022
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	46	KS Glenwood EC	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	1,734	5,279
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	48	KS Port Jeff EC	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	1,870	5,987
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	57	KeySpan Energy Service Inc.	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	59	KSI	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	331	-
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	82	NG RAVENSWOOD SERV (post Sale)	6.0%	6.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%	11,591	-
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	NB	NANT	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	2,591	8,369
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	NC	MECO	19.6%	19.6%	19.6%	21.0%	21.1%	21.1%	21.1%	21.2%	161,358	545,620
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	ND	NEP	3.7%	3.7%	3.7%	4.0%	4.0%	4.0%	4.0%	4.4%	30,377	110,605
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	NE	NMPC - Distr.	32.5%	32.5%	32.5%	34.2%	34.4%	34.4%	34.4%	34.0%	264,028	877,241
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	NF	Granite State	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	6,000	19,700
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	NH	Narragansett Electric	8.2%	8.2%	8.2%	9.4%	9.5%	9.5%	9.5%	9.0%	71,299	234,922
	Assets, Revenue, O&M	All Electric Distribution, Transmission and Generation	NQ	NMPC - Trans	5.1%	5.1%	5.1%	5.5%	5.5%	5.5%	5.5%	5.7%	41,903	145,241
G5600					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	779,225	2,575,196

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Bill Pools and Allocation Factors for September 2008 through June 2010														
													Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
	Assets, Revenue, O&M	All Electric Generation	35	KS GENCO (PSA)	41.2%	41.2%	41.2%	88.5%	87.0%	87.0%	87.0%	87.5%	550,697	71,608
	Assets, Revenue, O&M	All Electric Generation	44	KETS	1.5%	1.5%	1.5%	3.4%	3.6%	3.6%	3.6%	4.0%	22,430	3,180
	Assets, Revenue, O&M	All Electric Generation	46	KS Glenwood EC	2.2%	2.2%	2.2%	3.9%	4.5%	4.5%	4.5%	4.1%	28,120	3,413
	Assets, Revenue, O&M	All Electric Generation	48	KS Port Jeff EC	2.3%	2.3%	2.3%	4.3%	4.9%	4.9%	4.9%	4.5%	30,413	3,747
	Assets, Revenue, O&M	All Electric Generation	82	NG RAVENSWOOD SERV (post Sale)	52.9%	52.9%	52.9%	0.0%	0.0%	0.0%	0.0%	0.0%	96,206	-
G5700					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	727,866	81,948
	Assets, Revenue, O&M	All Gas and Electric Distribution	01	Boston Gas	7.7%	7.7%	7.7%	7.6%	7.6%	7.1%	7.1%	6.9%	1,416,908	1,352,640
	Assets, Revenue, O&M	All Gas and Electric Distribution	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.4%	20,823	82,419
	Assets, Revenue, O&M	All Gas and Electric Distribution	03	Colonial Lowell	1.8%	1.8%	1.8%	1.7%	1.7%	1.7%	1.7%	1.6%	322,283	313,677
	Assets, Revenue, O&M	All Gas and Electric Distribution	06	EnergyNorth	1.1%	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%	188,826	195,866
	Assets, Revenue, O&M	All Gas and Electric Distribution	34	KS Elec Srvc	13.0%	13.0%	13.0%	12.5%	12.5%	12.5%	12.5%	12.8%	2,388,014	2,473,538
	Assets, Revenue, O&M	All Gas and Electric Distribution	37	KEDLI	8.3%	8.3%	8.3%	8.6%	8.6%	8.6%	8.6%	8.7%	1,609,520	1,679,407
	Assets, Revenue, O&M	All Gas and Electric Distribution	38	KEDNY	12.6%	12.6%	12.6%	13.3%	13.3%	13.3%	13.3%	12.0%	2,477,459	2,394,028
	Assets, Revenue, O&M	All Gas and Electric Distribution	57	KeySpan Energy Service Inc.	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
	Assets, Revenue, O&M	All Gas and Electric Distribution	59	KSI	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	5,206	-
	Assets, Revenue, O&M	All Gas and Electric Distribution	NB	NANT	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	43,539	43,149
	Assets, Revenue, O&M	All Gas and Electric Distribution	NC	MECO	14.6%	14.6%	14.6%	14.5%	14.5%	14.5%	14.5%	15.0%	2,750,523	2,888,057
	Assets, Revenue, O&M	All Gas and Electric Distribution	NE	NMPC - Distr.	24.4%	24.4%	24.4%	23.9%	23.9%	23.9%	23.9%	24.2%	4,549,816	4,678,487
	Assets, Revenue, O&M	All Gas and Electric Distribution	NF	Granite State	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	100,802	102,781
	Assets, Revenue, O&M	All Gas and Electric Distribution	NG	Narragansett Gas	3.3%	3.3%	3.3%	3.4%	3.4%	3.4%	3.4%	3.7%	642,199	705,409
	Assets, Revenue, O&M	All Gas and Electric Distribution	NH	Narragansett Electric	5.8%	5.8%	5.8%	6.1%	6.1%	6.1%	6.1%	5.9%	1,141,003	1,158,713
	Assets, Revenue, O&M	All Gas and Electric Distribution	NP	NIMO - Gas	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.9%	1,273,040	1,324,521
G5800					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	18,929,960	19,392,692
	Assets, Revenue, O&M	All Gas NE	01	Boston Gas	55.7%	55.7%	55.7%	55.3%	55.3%	52.1%	52.1%	50.7%	2,314,056	2,519,389
	Assets, Revenue, O&M	All Gas NE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%	3.2%	3.0%	33,912	152,077
	Assets, Revenue, O&M	All Gas NE	03	Colonial Lowell	13.0%	13.0%	13.0%	12.2%	12.2%	12.2%	12.2%	11.7%	524,573	583,496
	Assets, Revenue, O&M	All Gas NE	06	EnergyNorth	7.6%	7.6%	7.6%	7.2%	7.2%	7.2%	7.2%	7.6%	309,657	368,836
	Assets, Revenue, O&M	All Gas NE	NG	Narragansett Gas	23.7%	23.7%	23.7%	25.3%	25.3%	25.3%	25.3%	27.0%	1,056,776	1,313,761
G5900					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	4,238,974	4,937,558
	Assets, Revenue, O&M	All NE Companies	01	Boston Gas	22.4%	22.4%	22.4%	21.8%	21.8%	20.6%	20.6%	19.9%	371,997	328,538
	Assets, Revenue, O&M	All NE Companies	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	1.3%	1.2%	5,499	20,008
	Assets, Revenue, O&M	All NE Companies	03	Colonial Lowell	5.4%	5.4%	5.4%	4.9%	4.9%	4.9%	4.9%	4.6%	86,136	77,163
	Assets, Revenue, O&M	All NE Companies	06	EnergyNorth	3.1%	3.1%	3.1%	3.0%	3.0%	3.0%	3.0%	3.1%	51,467	49,611
	Assets, Revenue, O&M	All NE Companies	NB	NANT	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	11,900	11,070
	Assets, Revenue, O&M	All NE Companies	NC	MECO	40.6%	40.6%	40.6%	40.4%	40.4%	40.4%	40.4%	41.2%	695,148	672,739
	Assets, Revenue, O&M	All NE Companies	NF	Granite State	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	25,734	24,313
	Assets, Revenue, O&M	All NE Companies	NG	Narragansett Gas	9.1%	9.1%	9.1%	9.6%	9.6%	9.6%	9.6%	10.2%	162,564	164,946
	Assets, Revenue, O&M	All NE Companies	NH	Narragansett Electric	17.2%	17.2%	17.2%	18.2%	18.2%	18.2%	18.2%	17.7%	307,986	291,638
G6000					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	1,718,431	1,640,026
	Assets, Revenue, O&M	NYS Gas Companies	37	KEDLI	28.9%	28.9%	28.9%	28.8%	28.8%	28.8%	28.8%	30.3%	203,179	414,134
	Assets, Revenue, O&M	NYS Gas Companies	38	KEDNY	46.2%	46.2%	46.2%	46.8%	46.8%	46.8%	46.8%	43.7%	328,904	615,359
	Assets, Revenue, O&M	NYS Gas Companies	NP	NIMO - Gas	25.0%	25.0%	25.0%	24.4%	24.4%	24.4%	24.4%	25.9%	172,849	353,258
G6100					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	704,932	1,382,752
Total 3-Factor Composite													306,421,839	325,194,282
	Customer Bills	Delivery Energy - NE	01	Boston Gas	70.4%	70.4%	70.4%	70.3%	70.3%	64.9%	64.9%	64.9%	3,365,608	2,986,743
	Customer Bills	Delivery Energy - NE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	5.4%	5.4%	5.4%	65,873	248,512
	Customer Bills	Delivery Energy - NE	03	Colonial Lowell	20.4%	20.4%	20.4%	20.5%	20.5%	20.5%	20.5%	20.5%	999,069	943,424
	Customer Bills	Delivery Energy - NE	06	EnergyNorth	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	448,910	423,390
H0300					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	4,879,460	4,602,069
	Customer Bills	Customer - LI	34	KS Elec Srvc	66.1%	66.1%	66.1%	65.7%	65.7%	65.7%	65.7%	65.5%	-	93,082
	Customer Bills	Customer - LI	37	KEDLI	33.9%	33.9%	33.9%	34.3%	34.3%	34.3%	34.3%	34.5%	-	48,920
H0600					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	142,002
Total Customer Bills													4,879,460	4,744,071

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	Allocated Costs	
													CY 2009	CY 2010
	Property	All Companies excl. KSE	01	Boston Gas	10.7%	10.7%	10.7%	11.6%	11.7%	10.8%	10.8%	11.2%	5,105	-
	Property	All Companies excl. KSE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.9%	0.9%	102	-
	Property	All Companies excl. KSE	03	Colonial Lowell	3.2%	3.2%	3.2%	3.3%	3.3%	3.3%	3.3%	3.3%	1,491	-
	Property	All Companies excl. KSE	06	EnergyNorth	1.9%	1.9%	1.9%	2.1%	2.1%	2.1%	2.1%	2.1%	933	-
	Property	All Companies excl. KSE	34	KS Elec Svc	31.0%	31.0%	31.0%	33.2%	33.5%	33.5%	33.5%	33.1%	14,951	-
	Property	All Companies excl. KSE	35	KS GENCO (PSA)	5.0%	5.0%	5.0%	6.1%	5.4%	5.4%	5.4%	5.3%	2,439	-
	Property	All Companies excl. KSE	36	KEDC	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.8%	398	-
	Property	All Companies excl. KSE	37	KEDLI	18.1%	18.1%	18.1%	19.5%	19.6%	19.6%	19.6%	19.9%	8,746	-
	Property	All Companies excl. KSE	38	KEDNY	19.5%	19.5%	19.5%	21.0%	21.2%	21.2%	21.2%	21.4%	9,448	-
	Property	All Companies excl. KSE	46	KS Glenwood EC	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.6%	319	-
	Property	All Companies excl. KSE	48	KS Port Jeff EC	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.7%	364	-
	Property	All Companies excl. KSE	59	KSI	0.6%	0.6%	0.6%	0.2%	0.2%	0.2%	0.2%	0.1%	137	-
	Property	All Companies excl. KSE	71	Seneca	0.9%	0.9%	0.9%	0.6%	0.6%	0.6%	0.6%	0.6%	307	-
	Property	All Companies excl. KSE	82	NG RAVENSWOOD SERV (post Sale)	6.8%	6.8%	6.8%	0.0%	0.0%	0.0%	0.0%	0.0%	774	-
I0100					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	45,513	-
	Property	Deliver Energy - All	01	Boston Gas	10.9%	10.9%	10.9%	11.8%	11.9%	11.0%	11.0%	11.4%	550,282	273,532
	Property	Deliver Energy - All	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.9%	0.9%	10,845	21,786
	Property	Deliver Energy - All	03	Colonial Lowell	3.3%	3.3%	3.3%	3.4%	3.4%	3.4%	3.4%	3.3%	162,675	80,486
	Property	Deliver Energy - All	06	EnergyNorth	2.0%	2.0%	2.0%	2.1%	2.1%	2.1%	2.1%	2.1%	100,015	50,833
	Property	Deliver Energy - All	34	KS Elec Svc	31.7%	31.7%	31.7%	33.8%	34.0%	34.0%	34.0%	33.6%	1,610,278	815,756
	Property	Deliver Energy - All	35	KS GENCO (PSA)	5.1%	5.1%	5.1%	6.2%	5.5%	5.5%	5.5%	5.4%	263,091	131,320
	Property	Deliver Energy - All	37	KEDLI	18.5%	18.5%	18.5%	19.8%	20.0%	20.0%	20.0%	20.2%	945,119	487,759
	Property	Deliver Energy - All	38	KEDNY	20.0%	20.0%	20.0%	21.4%	21.6%	21.6%	21.6%	21.7%	1,021,034	524,674
	Property	Deliver Energy - All	46	KS Glenwood EC	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	0.6%	34,945	15,129
	Property	Deliver Energy - All	48	KS Port Jeff EC	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	38,560	19,365
	Property	Deliver Energy - All	82	NG RAVENSWOOD SERV (post Sale)	6.9%	6.9%	6.9%	0.0%	0.0%	0.0%	0.0%	0.0%	83,145	-
I0200					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	4,819,988	2,420,641
	Property	Delivery Energy - NE	01	Boston Gas	67.5%	67.5%	67.5%	68.4%	68.4%	63.0%	63.0%	64.1%	17,032	160,187
	Property	Delivery Energy - NE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	5.4%	5.4%	5.2%	344	13,176
	Property	Delivery Energy - NE	03	Colonial Lowell	20.3%	20.3%	20.3%	19.5%	19.5%	19.5%	19.5%	18.7%	5,021	47,435
	Property	Delivery Energy - NE	06	EnergyNorth	12.2%	12.2%	12.2%	12.1%	12.1%	12.1%	12.1%	12.0%	3,090	30,180
I0300					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	25,487	250,979
	Property	Deliver Energy - NY	34	KS Elec Svc	37.9%	37.9%	37.9%	40.8%	41.2%	41.2%	41.2%	40.9%	1,184,406	667,324
	Property	Deliver Energy - NY	35	KS GENCO (PSA)	6.1%	6.1%	6.1%	7.5%	6.6%	6.6%	6.6%	6.5%	192,304	106,267
	Property	Deliver Energy - NY	37	KEDLI	22.1%	22.1%	22.1%	23.9%	24.2%	24.2%	24.2%	24.5%	694,349	397,789
	Property	Deliver Energy - NY	38	KEDNY	23.8%	23.8%	23.8%	25.9%	26.1%	26.1%	26.1%	26.4%	748,909	428,732
	Property	Deliver Energy - NY	46	KS Glenwood EC	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.8%	26,423	13,436
	Property	Deliver Energy - NY	48	KS Port Jeff EC	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	0.9%	29,359	15,065
	Property	Deliver Energy - NY	82	NG RAVENSWOOD SERV (post Sale)	8.2%	8.2%	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	60,187	-
I0400					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	2,935,938	1,628,613
	Property	Gas - NY	37	KEDLI	48.1%	48.1%	48.1%	48.1%	48.1%	48.1%	48.1%	48.1%	24,966	31,593
	Property	Gas - NY	38	KEDNY	51.9%	51.9%	51.9%	51.9%	51.9%	51.9%	51.9%	51.9%	26,939	34,089
I0900					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	51,905	65,683
	Property	Generation	35	KS GENCO (PSA)	37.8%	37.8%	37.8%	80.8%	78.4%	78.4%	78.4%	79.7%	1,048,491	1,014,052
	Property	Generation	46	KS Glenwood EC	5.4%	5.4%	5.4%	9.1%	10.2%	10.2%	10.2%	9.6%	136,455	124,561
	Property	Generation	48	KS Port Jeff EC	6.0%	6.0%	6.0%	10.1%	11.4%	11.4%	11.4%	10.7%	152,283	138,933
	Property	Generation	82	NG RAVENSWOOD SERV (post Sale)	50.8%	50.8%	50.8%	0.0%	0.0%	0.0%	0.0%	0.0%	194,534	-
I1200					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	1,531,763	1,277,546
	Property	Regulated - NY	34	KS Elec Svc	42.1%	42.1%	42.1%	41.6%	42.0%	42.0%	42.0%	41.6%	57,725	62,965
	Property	Regulated - NY	35	KS GENCO (PSA)	6.8%	6.8%	6.8%	7.7%	6.8%	6.8%	6.8%	6.6%	9,451	10,041
	Property	Regulated - NY	37	KEDLI	24.6%	24.6%	24.6%	24.4%	24.6%	24.6%	24.6%	24.9%	33,794	37,485
	Property	Regulated - NY	38	KEDNY	26.5%	26.5%	26.5%	26.3%	26.6%	26.6%	26.6%	26.9%	36,497	40,504
I1300					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	137,467	150,995
	Property	All Gas	01	Boston Gas	20.0%	20.0%	20.0%	20.1%	20.1%	18.5%	18.5%	19.0%	7,378	9,060
	Property	All Gas	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	1.6%	1.6%	150	768
	Property	All Gas	03	Colonial Lowell	6.0%	6.0%	6.0%	5.8%	5.8%	5.8%	5.8%	5.6%	2,194	2,712
	Property	All Gas	06	EnergyNorth	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.5%	1,350	1,692
	Property	All Gas	37	KEDLI	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.8%	12,713	16,236
	Property	All Gas	38	KEDNY	36.5%	36.5%	36.5%	36.6%	36.6%	36.6%	36.6%	36.5%	13,716	17,532
I2400					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	37,500	48,000
	Property	All Gas, KOC and KSI	01	Boston Gas	12.6%	12.6%	12.6%	12.8%	12.8%	11.8%	11.8%	12.2%	31,523	-
	Property	All Gas, KOC and KSI	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	630	-
	Property	All Gas, KOC and KSI	03	Colonial Lowell	3.8%	3.8%	3.8%	3.6%	3.6%	3.6%	3.6%	3.5%	9,205	-
	Property	All Gas, KOC and KSI	06	EnergyNorth	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	5,800	-
	Property	All Gas, KOC and KSI	34	KS Elec Svc	36.3%	36.3%	36.3%	36.5%	36.5%	36.5%	36.5%	36.0%	91,922	-
	Property	All Gas, KOC and KSI	37	KEDLI	21.3%	21.3%	21.3%	21.4%	21.4%	21.4%	21.4%	21.6%	53,905	-
	Property	All Gas, KOC and KSI	38	KEDNY	23.0%	23.0%	23.0%	23.2%	23.2%	23.2%	23.2%	23.3%	58,381	-
	Property	All Gas, KOC and KSI	59	KSI	0.7%	0.7%	0.7%	0.2%	0.2%	0.2%	0.2%	0.1%	820	-
I3700					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	252,187	-

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
													Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
Total Property													9,837,748	5,842,457
	Revenue	All Companies excl. KSE	01	Boston Gas	13.6%	13.6%	13.6%	15.1%	15.1%	14.1%	14.1%	13.3%	(99,529)	63,769
	Revenue	All Companies excl. KSE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	(1,719)	4,724
	Revenue	All Companies excl. KSE	03	Colonial Lowell	3.5%	3.5%	3.5%	3.8%	3.8%	3.8%	3.8%	3.5%	(25,613)	16,887
	Revenue	All Companies excl. KSE	06	EnergyNorth	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	2.0%	(13,064)	9,329
	Revenue	All Companies excl. KSE	34	KS Elec Svc	28.6%	28.6%	28.6%	30.0%	30.0%	30.0%	30.0%	33.7%	(203,871)	154,816
	Revenue	All Companies excl. KSE	35	KS GENCO (PSA)	3.7%	3.7%	3.7%	4.1%	4.1%	4.1%	4.1%	5.4%	(27,504)	23,972
	Revenue	All Companies excl. KSE	36	KEDC	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	(1,375)	945
	Revenue	All Companies excl. KSE	37	KEDLI	14.2%	14.2%	14.2%	16.0%	16.0%	16.0%	16.0%	16.3%	(106,921)	76,640
	Revenue	All Companies excl. KSE	38	KEDNY	23.5%	23.5%	23.5%	27.0%	27.0%	27.0%	27.0%	23.5%	(179,634)	115,138
	Revenue	All Companies excl. KSE	44	KETS	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	(1,203)	945
	Revenue	All Companies excl. KSE	46	KS Glenwood EC	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	(688)	827
	Revenue	All Companies excl. KSE	48	KS Port Jeff EC	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	(688)	827
	Revenue	All Companies excl. KSE	57	KeySpan Energy Service Inc.	0.5%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
	Revenue	All Companies excl. KSE	59	KSI	2.0%	2.0%	2.5%	1.3%	1.3%	1.3%	1.3%	0.3%	(11,001)	2,598
	Revenue	All Companies excl. KSE	71	Seneca	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	(1,375)	945
	Revenue	All Companies excl. KSE	82	NG RAVENSWOOD SERV (post Sale)	7.8%	7.8%	7.8%	0.0%	0.0%	0.0%	0.0%	0.0%	(13,408)	-
K0100					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	(687,592)	472,360
	Revenue	Deliver Energy - All	01	Boston Gas	14.0%	14.0%	14.0%	15.3%	15.3%	14.3%	14.3%	13.4%	1,358,098	582,231
	Revenue	Deliver Energy - All	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	23,058	42,733
	Revenue	Deliver Energy - All	03	Colonial Lowell	3.6%	3.6%	3.6%	3.8%	3.8%	3.8%	3.8%	3.5%	345,865	152,769
	Revenue	Deliver Energy - All	06	EnergyNorth	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	2.0%	175,238	84,397
	Revenue	Deliver Energy - All	34	KS Elec Svc	29.5%	29.5%	29.5%	30.6%	30.6%	30.6%	30.6%	33.9%	2,796,897	1,413,380
	Revenue	Deliver Energy - All	35	KS GENCO (PSA)	3.8%	3.8%	3.8%	4.2%	4.2%	4.2%	4.2%	5.4%	378,146	217,936
	Revenue	Deliver Energy - All	37	KEDLI	14.7%	14.7%	14.7%	16.3%	16.3%	16.3%	16.3%	16.4%	1,466,469	699,746
	Revenue	Deliver Energy - All	38	KEDNY	24.2%	24.2%	24.2%	27.4%	27.4%	27.4%	27.4%	23.8%	2,453,338	1,055,494
	Revenue	Deliver Energy - All	44	KETS	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	16,140	8,547
	Revenue	Deliver Energy - All	46	KS Glenwood EC	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	9,223	7,478
	Revenue	Deliver Energy - All	48	KS Port Jeff EC	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	16,140	8,547
	Revenue	Deliver Energy - All	82	NG RAVENSWOOD SERV (post Sale)	8.0%	8.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	184,461	-
K0200					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	9,223,073	4,273,257
	Revenue	Delivery Energy - NE	01	Boston Gas	71.8%	71.8%	71.8%	73.0%	73.0%	68.1%	68.1%	67.4%	109,343	-
	Revenue	Delivery Energy - NE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	4.9%	4.9%	4.9%	1,874	-
	Revenue	Delivery Energy - NE	03	Colonial Lowell	18.4%	18.4%	18.4%	18.1%	18.1%	18.1%	18.1%	17.7%	27,804	-
	Revenue	Delivery Energy - NE	06	EnergyNorth	9.8%	9.8%	9.8%	8.9%	8.9%	8.9%	8.9%	10.0%	13,959	-
K0300					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	152,980	-
	Revenue	Gas - NY	37	KEDLI	37.7%	37.7%	37.7%	37.3%	37.3%	37.3%	37.3%	40.9%	246,639	239,731
	Revenue	Gas - NY	38	KEDNY	62.3%	62.3%	62.3%	62.7%	62.7%	62.7%	62.7%	59.1%	412,824	359,597
K0900					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	659,464	599,328
	Revenue	NE Gas and NIMO Gas	01	Boston Gas	0.0%	0.0%	0.0%	0.0%	43.0%	40.1%	40.1%	37.9%	45,965	70,757
	Revenue	NE Gas and NIMO Gas	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	2.9%	2.9%	2.8%	1,189	5,191
	Revenue	NE Gas and NIMO Gas	03	Colonial Lowell	0.0%	0.0%	0.0%	0.0%	10.7%	10.7%	10.7%	10.0%	11,714	18,635
	Revenue	NE Gas and NIMO Gas	06	EnergyNorth	0.0%	0.0%	0.0%	0.0%	5.3%	5.3%	5.3%	5.6%	5,769	10,184
	Revenue	NE Gas and NIMO Gas	NG	Narragansett Gas	0.0%	0.0%	0.0%	0.0%	13.7%	13.7%	13.7%	16.5%	15,049	29,068
	Revenue	NE Gas and NIMO Gas	NP	NIMO - Gas	0.0%	0.0%	0.0%	0.0%	27.4%	27.4%	27.4%	27.2%	29,999	50,080
K1080					0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%	164,526	183,917
	Revenue	Energy North and NIMO Gas	06	EnergyNorth	0.0%	0.0%	0.0%	0.0%	16.1%	16.1%	16.1%	17.2%	9,387	23,918
	Revenue	Energy North and NIMO Gas	NP	NIMO - Gas	0.0%	0.0%	0.0%	0.0%	83.9%	83.9%	83.9%	82.9%	48,844	117,673
K1090					0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%	87,346	141,591
	Revenue	Gas - Mass.	01	Boston Gas	79.6%	79.6%	79.6%	80.1%	80.1%	74.7%	74.7%	74.8%	67,322	108,539
	Revenue	Gas - Mass.	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	5.4%	5.4%	5.5%	1,156	7,947
	Revenue	Gas - Mass.	03	Colonial Lowell	20.4%	20.4%	20.4%	19.9%	19.9%	19.9%	19.9%	19.7%	17,146	28,668
K2000					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	85,624	145,154

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
													Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
	Revenue	All Gas	01	Boston Gas	24.0%	24.0%	24.0%	23.7%	23.7%	22.1%	22.1%	22.3%	45,435	2
	Revenue	All Gas	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	1.6%	1.6%	777	0
	Revenue	All Gas	03	Colonial Lowell	6.2%	6.2%	6.2%	5.9%	5.9%	5.9%	5.9%	5.8%	11,614	1
	Revenue	All Gas	06	EnergyNorth	3.3%	3.3%	3.3%	2.9%	2.9%	2.9%	2.9%	3.3%	5,831	0
	Revenue	All Gas	37	KEDLI	25.1%	25.1%	25.1%	25.2%	25.2%	25.2%	25.2%	27.4%	48,934	3
	Revenue	All Gas	38	KEDNY	41.4%	41.4%	41.4%	42.3%	42.3%	42.3%	42.3%	39.6%	81,783	4
K2400					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	194,373	10
	Revenue	All Gas, KSI and KSE	01	Boston Gas	23.2%	23.2%	23.2%	22.7%	22.7%	21.2%	21.2%	21.6%	5,296	63,660
	Revenue	All Gas, KSI and KSE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	1.5%	1.6%	88	4,663
	Revenue	All Gas, KSI and KSE	03	Colonial Lowell	5.9%	5.9%	5.9%	5.6%	5.6%	5.6%	5.6%	5.7%	1,339	16,803
	Revenue	All Gas, KSI and KSE	06	EnergyNorth	3.1%	3.1%	3.1%	2.8%	2.8%	2.8%	2.8%	3.2%	678	9,179
	Revenue	All Gas, KSI and KSE	37	KEDLI	24.2%	24.2%	24.2%	24.1%	24.1%	24.1%	24.1%	26.6%	5,691	76,910
	Revenue	All Gas, KSI and KSE	38	KEDNY	40.0%	40.0%	40.0%	40.5%	40.5%	40.5%	40.5%	38.4%	9,524	115,254
	Revenue	All Gas, KSI and KSE	59	KSI	3.5%	3.5%	3.5%	1.9%	1.9%	1.9%	1.9%	0.4%	543	2,295
	Revenue	All Gas, KSI and KSE	60	KS Holdco	0.1%	0.1%	0.1%	2.4%	2.4%	2.4%	2.4%	2.5%	430	7,328
K2700					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	23,589	296,092
	Revenue	All Gas - KS and NG	01	Boston Gas	0.0%	0.0%	0.0%	0.0%	19.3%	18.0%	18.0%	17.7%	29,957	67,097
	Revenue	All Gas - KS and NG	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	1.3%	1.3%	775	4,926
	Revenue	All Gas - KS and NG	03	Colonial Lowell	0.0%	0.0%	0.0%	0.0%	4.8%	4.8%	4.8%	4.7%	7,635	17,659
	Revenue	All Gas - KS and NG	06	EnergyNorth	0.0%	0.0%	0.0%	0.0%	2.4%	2.4%	2.4%	2.6%	3,754	9,654
	Revenue	All Gas - KS and NG	37	KEDLI	0.0%	0.0%	0.0%	0.0%	20.5%	20.5%	20.5%	21.8%	32,673	80,857
	Revenue	All Gas - KS and NG	38	KEDNY	0.0%	0.0%	0.0%	0.0%	34.5%	34.5%	34.5%	31.5%	54,911	121,460
	Revenue	All Gas - KS and NG	NG	Narragansett Gas	0.0%	0.0%	0.0%	0.0%	6.2%	6.2%	6.2%	7.7%	9,815	27,596
	Revenue	All Gas - KS and NG	NP	NIMO - Gas	0.0%	0.0%	0.0%	0.0%	12.3%	12.3%	12.3%	12.7%	19,550	47,488
K5200					0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%	238,604	376,736
Total Revenue													10,141,987	6,488,445
	Gas Sendout	Delivery Energy - NE	01	Boston Gas	77.6%	77.6%	77.6%	77.2%	77.2%	73.3%	73.3%	73.2%	113,715	-
	Gas Sendout	Delivery Energy - NE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%	3.9%	3.8%	1,453	-
	Gas Sendout	Delivery Energy - NE	03	Colonial Lowell	13.9%	13.9%	13.9%	14.3%	14.3%	14.3%	14.3%	14.5%	21,156	-
	Gas Sendout	Delivery Energy - NE	06	EnergyNorth	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	12,664	-
M0300					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	148,988	-
	Gas Sendout	Customer - LI	34	KS Elec Svc	24.4%	24.4%	24.4%	24.3%	24.3%	24.3%	24.3%	5.8%	118,135	63,451
	Gas Sendout	Customer - LI	37	KEDLI	75.6%	75.6%	75.6%	75.7%	75.7%	75.7%	75.7%	94.2%	367,516	545,191
M0600					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	485,651	608,642
	Gas Sendout	Customer - NY	34	KS Elec Svc	11.9%	11.9%	11.9%	11.6%	11.6%	11.6%	11.6%	2.5%	40,515	18,521
	Gas Sendout	Customer - NY	37	KEDLI	36.7%	36.7%	36.7%	36.1%	36.1%	36.1%	36.1%	40.8%	125,795	153,697
	Gas Sendout	Customer - NY	38	KEDNY	51.4%	51.4%	51.4%	52.3%	52.3%	52.3%	52.3%	56.7%	180,711	215,661
M0700					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	347,021	387,879
	Gas Sendout	Gas - NY	37	KEDLI	41.7%	41.7%	41.7%	40.9%	40.9%	40.9%	40.9%	41.8%	523,202	509,854
	Gas Sendout	Gas - NY	38	KEDNY	58.3%	58.3%	58.3%	59.1%	59.1%	59.1%	59.1%	58.2%	749,796	716,493
M0900					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	1,272,998	1,226,347
	Gas Sendout	All Gas	01	Boston Gas	24.2%	24.2%	24.2%	24.0%	24.0%	22.8%	22.8%	23.8%	110,173	114,963
	Gas Sendout	All Gas	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	1.2%	1.2%	1,392	5,858
	Gas Sendout	All Gas	03	Colonial Lowell	4.3%	4.3%	4.3%	4.5%	4.5%	4.5%	4.5%	4.7%	20,643	22,700
	Gas Sendout	All Gas	06	EnergyNorth	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.8%	12,525	13,547
	Gas Sendout	All Gas	37	KEDLI	28.7%	28.7%	28.7%	28.1%	28.1%	28.1%	28.1%	28.2%	131,048	137,540
	Gas Sendout	All Gas	38	KEDNY	40.1%	40.1%	40.1%	40.7%	40.7%	40.7%	40.7%	39.3%	188,107	193,557
M2400					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	463,888	488,164
Total Gas Sendout													2,718,546	2,711,032
	Employees	All Companies excl. KSE	01	Boston Gas	17.2%	17.2%	17.2%	19.0%	19.0%	17.9%	17.9%	20.9%	2,012,767	580,666
	Employees	All Companies excl. KSE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	1.1%	1.0%	30,288	29,538
	Employees	All Companies excl. KSE	03	Colonial Lowell	3.3%	3.3%	3.3%	3.8%	3.8%	3.8%	3.8%	4.1%	404,756	115,989
	Employees	All Companies excl. KSE	06	EnergyNorth	1.7%	1.7%	1.7%	1.9%	1.9%	1.9%	1.9%	2.0%	203,755	56,914
	Employees	All Companies excl. KSE	34	KS Elec Svc	18.0%	18.0%	18.0%	18.4%	18.4%	18.4%	18.4%	19.7%	2,015,521	558,333
	Employees	All Companies excl. KSE	35	KS GENCO (PSA)	12.1%	12.1%	12.1%	13.8%	13.8%	13.8%	13.8%	14.5%	1,473,092	412,806
	Employees	All Companies excl. KSE	36	KEDC	0.1%	0.1%	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%	27,534	8,645
	Employees	All Companies excl. KSE	37	KEDLI	11.7%	11.7%	11.7%	11.1%	11.1%	11.1%	11.1%	11.7%	1,239,050	332,838
	Employees	All Companies excl. KSE	38	KEDNY	21.1%	21.1%	21.1%	21.4%	21.4%	21.4%	21.4%	24.0%	2,348,687	672,881
	Employees	All Companies excl. KSE	44	KETS	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	13,767	2,882
	Employees	All Companies excl. KSE	59	KSI	8.8%	8.8%	8.8%	9.4%	9.4%	9.4%	9.4%	0.9%	1,018,774	87,172
	Employees	All Companies excl. KSE	71	Seneca	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	85,357	23,054
	Employees	All Companies excl. KSE	82	NG RAVENSWOOD SERV (post Sale)	5.1%	5.1%	5.1%	0.0%	0.0%	0.0%	0.0%	0.0%	140,426	-
N0100					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	11,013,774	2,881,718

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
													Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
	Employees	Deliver Energy - All	01	Boston Gas	19.0%	19.0%	19.0%	21.3%	21.3%	20.1%	20.1%	21.3%	4,983,199	4,123,365
	Employees	Deliver Energy - All	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	1.2%	1.0%	73,193	206,168
	Employees	Deliver Energy - All	03	Colonial Lowell	3.6%	3.6%	3.6%	4.2%	4.2%	4.2%	4.2%	4.2%	988,101	824,673
	Employees	Deliver Energy - All	06	EnergyNorth	1.9%	1.9%	1.9%	2.2%	2.2%	2.2%	2.2%	2.0%	518,448	402,519
	Employees	Deliver Energy - All	34	KS Elec Svc	19.9%	19.9%	19.9%	20.5%	20.5%	20.5%	20.5%	20.1%	4,964,901	3,966,285
	Employees	Deliver Energy - All	35	KS GENCO (PSA)	13.4%	13.4%	13.4%	15.4%	15.4%	15.4%	15.4%	14.8%	3,635,234	2,935,443
	Employees	Deliver Energy - All	37	KEDLI	12.9%	12.9%	12.9%	12.4%	12.4%	12.4%	12.4%	11.9%	3,055,793	2,361,117
	Employees	Deliver Energy - All	38	KEDNY	23.4%	23.4%	23.4%	23.9%	23.9%	23.9%	23.9%	24.6%	5,800,517	4,795,866
	Employees	Deliver Energy - All	44	KETS	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	30,497	19,635
	Employees	Deliver Energy - All	82	NG RAVENSWOOD SERV (post Sale)	5.7%	5.7%	5.7%	0.0%	0.0%	0.0%	0.0%	0.0%	347,665	-
N0200					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	24,397,546	19,635,072
	Employees	Delivery Energy - NE	01	Boston Gas	77.5%	77.5%	77.5%	76.9%	76.9%	72.6%	72.6%	74.6%	2,448,294	2,162,268
	Employees	Delivery Energy - NE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%	4.3%	3.7%	34,642	112,345
	Employees	Delivery Energy - NE	03	Colonial Lowell	14.7%	14.7%	14.7%	15.3%	15.3%	15.3%	15.3%	14.7%	488,209	433,329
	Employees	Delivery Energy - NE	06	EnergyNorth	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.0%	251,355	210,099
N0300					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	3,222,500	2,918,041
	Employees	Deliver Energy - NY	34	KS Elec Svc	26.4%	26.4%	26.4%	28.4%	28.4%	28.4%	28.4%	28.1%	646,451	612,716
	Employees	Deliver Energy - NY	35	KS GENCO (PSA)	17.7%	17.7%	17.7%	21.2%	21.2%	21.2%	21.2%	20.7%	470,936	452,877
	Employees	Deliver Energy - NY	37	KEDLI	17.2%	17.2%	17.2%	17.1%	17.1%	17.1%	17.1%	16.7%	396,791	365,346
	Employees	Deliver Energy - NY	38	KEDNY	31.0%	31.0%	31.0%	33.1%	33.1%	33.1%	33.1%	34.3%	754,772	739,391
	Employees	Deliver Energy - NY	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	4,634	4,349
	Employees	Deliver Energy - NY	82	NG RAVENSWOOD SERV (post Sale)	7.5%	7.5%	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	43,444	-
N0400					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	2,317,030	2,174,681
	Employees	Customer - All	01	Boston Gas	23.5%	23.5%	23.5%	25.2%	25.2%	23.8%	23.8%	25.1%	69,092	4,488
	Employees	Customer - All	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	1.4%	1.2%	990	226
	Employees	Customer - All	03	Colonial Lowell	4.5%	4.5%	4.5%	5.0%	5.0%	5.0%	5.0%	4.9%	13,790	892
	Employees	Customer - All	06	EnergyNorth	2.4%	2.4%	2.4%	2.6%	2.6%	2.6%	2.6%	2.3%	7,213	430
	Employees	Customer - All	34	KS Elec Svc	24.7%	24.7%	24.7%	24.3%	24.3%	24.3%	24.3%	23.6%	69,021	4,307
	Employees	Customer - All	37	KEDLI	16.0%	16.0%	16.0%	14.6%	14.6%	14.6%	14.6%	14.0%	42,289	2,563
	Employees	Customer - All	38	KEDNY	28.9%	28.9%	28.9%	28.3%	28.3%	28.3%	28.3%	28.9%	80,477	5,208
N0500					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	282,872	18,116
	Employees	Customer - LI	34	KS Elec Svc	60.6%	60.6%	60.6%	62.5%	62.5%	62.5%	62.5%	62.8%	22,692	24,854
	Employees	Customer - LI	37	KEDLI	39.4%	39.4%	39.4%	37.5%	37.5%	37.5%	37.5%	37.2%	13,893	14,770
N0600					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	36,585	39,623
	Employees	Gas - NY	37	KEDLI	35.6%	35.6%	35.6%	34.0%	34.0%	34.0%	34.0%	32.7%	105,040	127,330
	Employees	Gas - NY	38	KEDNY	64.4%	64.4%	64.4%	66.0%	66.0%	66.0%	66.0%	67.3%	200,310	258,226
N0900					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	305,350	385,556
	Employees	Electric - All	34	KS Elec Svc	51.2%	51.2%	51.2%	57.2%	57.2%	57.2%	57.2%	57.6%	564,895	972,974
	Employees	Electric - All	35	KS GENCO (PSA)	34.3%	34.3%	34.3%	42.8%	42.8%	42.8%	42.8%	42.4%	412,516	719,155
	Employees	Electric - All	82	NG RAVENSWOOD SERV (post Sale)	14.5%	14.5%	14.5%	0.0%	0.0%	0.0%	0.0%	0.0%	36,764	-
N1000					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	1,014,175	1,692,129
	Employees	Electric excl. KSC, GEC & SEC	34	KS Elec Svc	59.8%	59.8%	59.8%	57.2%	57.2%	57.2%	57.2%	57.6%	46,232	138,188
	Employees	Electric excl. KSC, GEC & SEC	35	KS GENCO (PSA)	40.2%	40.2%	40.2%	42.8%	42.8%	42.8%	42.8%	42.4%	33,685	102,139
N1100					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	79,916	240,327
	Employees	Generation	35	KS GENCO (PSA)	70.3%	70.3%	70.3%	100.0%	100.0%	100.0%	100.0%	100.0%	287,181	265,502
	Employees	Generation	82	NG RAVENSWOOD SERV (post Sale)	29.7%	29.7%	29.7%	0.0%	0.0%	0.0%	0.0%	0.0%	23,033	-
N1200					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	310,215	265,502
	Employees	All excl. EDC, KEP, THEC & KSE	01	Boston Gas	17.3%	17.3%	17.3%	19.3%	19.3%	18.2%	18.2%	21.1%	57,467	54,096
	Employees	All excl. EDC, KEP, THEC & KSE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	1.1%	1.0%	853	2,721
	Employees	All excl. EDC, KEP, THEC & KSE	03	Colonial Lowell	3.3%	3.3%	3.3%	3.8%	3.8%	3.8%	3.8%	4.2%	11,400	10,886
	Employees	All excl. EDC, KEP, THEC & KSE	06	EnergyNorth	1.7%	1.7%	1.7%	2.0%	2.0%	2.0%	2.0%	2.0%	5,972	5,310
	Employees	All excl. EDC, KEP, THEC & KSE	34	KS Elec Svc	18.2%	18.2%	18.2%	18.6%	18.6%	18.6%	18.6%	19.9%	57,390	51,972
	Employees	All excl. EDC, KEP, THEC & KSE	35	KS GENCO (PSA)	12.2%	12.2%	12.2%	13.9%	13.9%	13.9%	13.9%	14.7%	41,801	38,498
	Employees	All excl. EDC, KEP, THEC & KSE	37	KEDLI	11.8%	11.8%	11.8%	11.2%	11.2%	11.2%	11.2%	11.8%	35,209	30,931
	Employees	All excl. EDC, KEP, THEC & KSE	38	KEDNY	21.3%	21.3%	21.3%	21.7%	21.7%	21.7%	21.7%	24.3%	67,006	62,791
	Employees	All excl. EDC, KEP, THEC & KSE	44	KETS	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	388	266
	Employees	All excl. EDC, KEP, THEC & KSE	59	KSI	8.9%	8.9%	8.9%	9.4%	9.4%	9.4%	9.4%	0.9%	28,772	8,031
	Employees	All excl. EDC, KEP, THEC & KSE	82	NG RAVENSWOOD SERV (post Sale)	5.1%	5.1%	5.1%	0.0%	0.0%	0.0%	0.0%	0.0%	98,797	-
N1400					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	7,748,759	5,918,662

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
													Allocated Costs	
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	CY 2009	CY 2010
	Employees	All NE	01	Boston Gas	77.5%	77.5%	77.5%	76.9%	76.9%	72.6%	72.6%	74.6%	73	48
	Employees	All NE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%	4.3%	3.7%	1	2
	Employees	All NE	03	Colonial Lowell	14.7%	14.7%	14.7%	15.3%	15.3%	15.3%	15.3%	14.7%	15	10
	Employees	All NE	06	EnergyNorth	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.0%	7	5
N1600					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	96	65
	Employees	All NY	34	KS Elec Srv	23.4%	23.4%	23.4%	24.7%	24.7%	24.7%	24.7%	27.5%	191,758	517,372
	Employees	All NY	35	KS GENCO (PSA)	15.7%	15.7%	15.7%	18.5%	18.5%	18.5%	18.5%	20.4%	140,033	384,650
	Employees	All NY	36	KEDC	0.1%	0.1%	0.1%	0.4%	0.4%	0.4%	0.4%	0.5%	2,557	9,170
	Employees	All NY	37	KEDLI	15.2%	15.2%	15.2%	14.9%	14.9%	14.9%	14.9%	16.4%	117,808	309,361
	Employees	All NY	38	KEDNY	27.4%	27.4%	27.4%	28.8%	28.8%	28.8%	28.8%	33.7%	223,816	626,927
	Employees	All NY	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	1,573	3,861
	Employees	All NY	59	KSI	11.4%	11.4%	11.4%	12.5%	12.5%	12.5%	12.5%	1.3%	96,174	79,150
	Employees	All NY	82	NG RAVENSWOOD SERV (post Sale)	6.6%	6.6%	6.6%	0.0%	0.0%	0.0%	0.0%	0.0%	12,981	
N1700					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	786,700	1,930,491
	Employees	LI excl. ETC	34	KS Elec Srv	43.1%	43.1%	43.1%	42.6%	42.6%	42.6%	42.6%	42.9%	-	18,143
	Employees	LI excl. ETC	35	KS GENCO (PSA)	28.9%	28.9%	28.9%	31.8%	31.8%	31.8%	31.8%	31.6%	-	13,409
	Employees	LI excl. ETC	37	KEDLI	28.0%	28.0%	28.0%	25.6%	25.6%	25.6%	25.6%	25.5%	-	10,814
N2200					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	42,365
	Employees	All Gas	01	Boston Gas	31.2%	31.2%	31.2%	33.3%	33.3%	31.4%	31.4%	32.8%	(31,776)	21,993
	Employees	All Gas	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	1.9%	1.6%	(467)	1,135
	Employees	All Gas	03	Colonial Lowell	5.9%	5.9%	5.9%	6.6%	6.6%	6.6%	6.6%	6.4%	(6,321)	4,371
	Employees	All Gas	06	EnergyNorth	3.2%	3.2%	3.2%	3.4%	3.4%	3.4%	3.4%	3.1%	(3,296)	2,152
	Employees	All Gas	37	KEDLI	21.3%	21.3%	21.3%	19.3%	19.3%	19.3%	19.3%	18.3%	(19,479)	12,572
	Employees	All Gas	38	KEDNY	38.4%	38.4%	38.4%	37.4%	37.4%	37.4%	37.4%	37.8%	(37,040)	25,551
N2400					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	(98,379)	67,774
	Employees	Deliver Energy - NY excl. KOC	35	KS GENCO (PSA)	24.1%	24.1%	24.1%	29.6%	29.6%	29.6%	29.6%	28.8%	543,526	-
	Employees	Deliver Energy - NY excl. KOC	37	KEDLI	23.3%	23.3%	23.3%	23.9%	23.9%	23.9%	23.9%	23.2%	457,351	-
	Employees	Deliver Energy - NY excl. KOC	38	KEDNY	42.1%	42.1%	42.1%	46.2%	46.2%	46.2%	46.2%	47.8%	869,930	-
	Employees	Deliver Energy - NY excl. KOC	44	KETS	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	5,777	-
	Employees	Deliver Energy - NY excl. KOC	82	NG RAVENSWOOD SERV (post Sale)	10.2%	10.2%	10.2%	0.0%	0.0%	0.0%	0.0%	0.0%	49,105	-
N2600					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	1,925,689	-
	Employees	All excl. KEP, THEC, GEC, SEC and KSE	01	Boston Gas	17.2%	17.2%	17.2%	19.1%	19.1%	18.0%	18.0%	20.9%	1,209,177	692,682
	Employees	All excl. KEP, THEC, GEC, SEC and KSE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	1.1%	1.0%	18,121	35,192
	Employees	All excl. KEP, THEC, GEC, SEC and KSE	03	Colonial Lowell	3.3%	3.3%	3.3%	3.8%	3.8%	3.8%	3.8%	4.1%	242,165	138,193
	Employees	All excl. KEP, THEC, GEC, SEC and KSE	06	EnergyNorth	1.7%	1.7%	1.7%	1.9%	1.9%	1.9%	1.9%	2.0%	121,906	67,809
	Employees	All excl. KEP, THEC, GEC, SEC and KSE	34	KS Elec Srv	18.0%	18.0%	18.0%	18.4%	18.4%	18.4%	18.4%	19.7%	1,205,882	665,215
	Employees	All excl. KEP, THEC, GEC, SEC and KSE	35	KS GENCO (PSA)	12.1%	12.1%	12.1%	13.8%	13.8%	13.8%	13.8%	14.5%	881,348	491,830
	Employees	All excl. KEP, THEC, GEC, SEC and KSE	36	KEDC	0.1%	0.1%	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%	16,474	10,300
	Employees	All excl. KEP, THEC, GEC, SEC and KSE	37	KEDLI	11.7%	11.7%	11.7%	11.1%	11.1%	11.1%	11.1%	11.7%	741,321	396,554
	Employees	All excl. KEP, THEC, GEC, SEC and KSE	38	KEDNY	21.1%	21.1%	21.1%	21.4%	21.4%	21.4%	21.4%	24.0%	1,405,215	801,692
	Employees	All excl. KEP, THEC, GEC, SEC and KSE	44	KETS	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	8,237	3,433
	Employees	All excl. KEP, THEC, GEC, SEC and KSE	59	KSI	8.8%	8.8%	8.8%	9.3%	9.3%	9.3%	9.3%	0.9%	604,588	103,001
	Employees	All excl. KEP, THEC, GEC, SEC and KSE	71	Seneca	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	51,069	27,467
	Employees	All excl. KEP, THEC, GEC, SEC and KSE	82	NG RAVENSWOOD SERV (post Sale)	5.1%	5.1%	5.1%	0.0%	0.0%	0.0%	0.0%	0.0%	84,016	-
N3500					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	6,589,518	3,433,370

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	Allocated Costs	
													CY 2009	CY 2010
	Employees	Deliver Energy - NY excl. GEC & SEC	34	KS Elec Svc	26.5%	26.5%	26.5%	28.4%	28.4%	28.4%	28.4%	28.1%	872,958	897,051
	Employees	Deliver Energy - NY excl. GEC & SEC	35	KS GENCO (PSA)	17.7%	17.7%	17.7%	21.2%	21.2%	21.2%	21.2%	20.7%	635,376	663,038
	Employees	Deliver Energy - NY excl. GEC & SEC	37	KEDLI	17.1%	17.1%	17.1%	17.1%	17.1%	17.1%	17.1%	16.7%	534,560	534,888
	Employees	Deliver Energy - NY excl. GEC & SEC	38	KEDNY	31.0%	31.0%	31.0%	33.1%	33.1%	33.1%	33.1%	34.3%	1,018,321	1,082,511
	Employees	Deliver Energy - NY excl. GEC & SEC	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	6,252	6,368
	Employees	Deliver Energy - NY excl. GEC & SEC	82	NG RAVENSWOOD SERV (post Sale)	7.5%	7.5%	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	58,614	-
N4400					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	3,126,080	3,183,855
	Employees	All NY excl. GEC & SEC	34	KS Elec Svc	23.4%	23.4%	23.4%	24.7%	24.7%	24.7%	24.7%	27.5%	406,572	601,396
	Employees	All NY excl. GEC & SEC	35	KS GENCO (PSA)	15.7%	15.7%	15.7%	18.5%	18.5%	18.5%	18.5%	20.4%	296,902	447,120
	Employees	All NY excl. GEC & SEC	36	KEDC	0.1%	0.1%	0.1%	0.4%	0.4%	0.4%	0.4%	0.5%	5,421	10,659
	Employees	All NY excl. GEC & SEC	37	KEDLI	15.2%	15.2%	15.2%	14.9%	14.9%	14.9%	14.9%	16.4%	249,781	359,603
	Employees	All NY excl. GEC & SEC	38	KEDNY	27.4%	27.4%	27.4%	28.8%	28.8%	28.8%	28.8%	33.7%	474,543	728,744
	Employees	All NY excl. GEC & SEC	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	3,336	4,488
	Employees	All NY excl. GEC & SEC	59	KSI	11.4%	11.4%	11.4%	12.5%	12.5%	12.5%	12.5%	1.3%	203,912	92,005
	Employees	All NY excl. GEC & SEC	82	NG RAVENSWOOD SERV (post Sale)	6.6%	6.6%	6.6%	0.0%	0.0%	0.0%	0.0%	0.0%	27,522	-
N4600					100.0%								1,667,989	2,244,014
	Employees	KSP, KSI & NY Deliver Energy Cos. excl. GEC & SEC	34	KS Elec Svc	23.4%	23.4%	23.4%	24.8%	24.8%	24.8%	24.8%	27.7%	181,776	6,498
	Employees	KSP, KSI & NY Deliver Energy Cos. excl. GEC & SEC	35	KS GENCO (PSA)	15.7%	15.7%	15.7%	18.6%	18.6%	18.6%	18.6%	20.4%	132,893	4,806
	Employees	KSP, KSI & NY Deliver Energy Cos. excl. GEC & SEC	37	KEDLI	15.2%	15.2%	15.2%	14.9%	14.9%	14.9%	14.9%	16.5%	111,333	3,878
	Employees	KSP, KSI & NY Deliver Energy Cos. excl. GEC & SEC	38	KEDNY	27.4%	27.4%	27.4%	28.9%	28.9%	28.9%	28.9%	33.9%	212,072	7,865
	Employees	KSP, KSI & NY Deliver Energy Cos. excl. GEC & SEC	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	1,487	48
	Employees	KSP, KSI & NY Deliver Energy Cos. excl. GEC & SEC	59	KSI	11.5%	11.5%	11.5%	12.6%	12.6%	12.6%	12.6%	1.3%	91,631	994
	Employees	KSP, KSI & NY Deliver Energy Cos. excl. GEC & SEC	82	NG RAVENSWOOD SERV (post Sale)	6.6%	6.6%	6.6%	0.0%	0.0%	0.0%	0.0%	0.0%	12,267	-
N4700					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	743,460	24,090
	Employees	EDC, KSP, KSI, SEN & NY Deliver Energy Cos. excl. GEC & SEC	34	KS Elec Svc	23.2%	23.2%	23.2%	24.5%	24.5%	24.5%	24.5%	27.3%	503,239	228,200
	Employees	EDC, KSP, KSI, SEN & NY Deliver Energy Cos. excl. GEC & SEC	35	KS GENCO (PSA)	15.5%	15.5%	15.5%	18.3%	18.3%	18.3%	18.3%	20.1%	366,370	168,576
	Employees	EDC, KSP, KSI, SEN & NY Deliver Energy Cos. excl. GEC & SEC	36	KEDC	0.1%	0.1%	0.1%	0.4%	0.4%	0.4%	0.4%	0.5%	6,765	4,075
	Employees	EDC, KSP, KSI, SEN & NY Deliver Energy Cos. excl. GEC & SEC	37	KEDLI	15.0%	15.0%	15.0%	14.7%	14.7%	14.7%	14.7%	16.2%	307,564	135,762
	Employees	EDC, KSP, KSI, SEN & NY Deliver Energy Cos. excl. GEC & SEC	38	KEDNY	27.1%	27.1%	27.1%	28.5%	28.5%	28.5%	28.5%	33.4%	585,984	276,028
	Employees	EDC, KSP, KSI, SEN & NY Deliver Energy Cos. excl. GEC & SEC	44	KETS	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	4,163	1,716
	Employees	EDC, KSP, KSI, SEN & NY Deliver Energy Cos. excl. GEC & SEC	59	KSI	11.3%	11.3%	11.3%	12.4%	12.4%	12.4%	12.4%	1.2%	252,400	34,316
	Employees	EDC, KSP, KSI, SEN & NY Deliver Energy Cos. excl. GEC & SEC	71	Seneca	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.1%	20,816	9,222
	Employees	EDC, KSP, KSI, SEN & NY Deliver Energy Cos. excl. GEC & SEC	82	NG RAVENSWOOD SERV (post Sale)	6.6%	6.6%	6.6%	0.0%	0.0%	0.0%	0.0%	0.0%	34,347	-
N4800					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	2,081,649	857,895

Legacy KeySpan (KeySpan Corporate Services, Engineering Services and Utility Services Companies)														
Bill Pools and Allocation Factors for September 2008 through June 2010														
Bill Pool	Allocation Basis	Bill Pool Descriptions	Bus Unit	BU Description	SEP-08 - OCT-08	NOV-08 - DEC-08	JAN-09 - MAR-09	APR-09	MAY-09 - SEP-09	OCT-09 - DEC-09	JAN-10 - MAR-10	APR-10 - JUN-10	Allocated Costs	
													CY 2009	CY 2010
	Employees	All Companies excl. KSI & KSE	01	Boston Gas	18.8%	18.8%	18.8%	21.0%	21.0%	19.8%	19.8%	21.1%	4,956	-
	Employees	All Companies excl. KSI & KSE	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	1.2%	1.0%	74	-
	Employees	All Companies excl. KSI & KSE	03	Colonial Lowell	3.6%	3.6%	3.6%	4.2%	4.2%	4.2%	4.2%	4.1%	996	-
	Employees	All Companies excl. KSI & KSE	06	EnergyNorth	1.9%	1.9%	1.9%	2.2%	2.2%	2.2%	2.2%	2.0%	523	-
	Employees	All Companies excl. KSI & KSE	34	KS Elec Srvc	19.7%	19.7%	19.7%	20.3%	20.3%	20.3%	20.3%	19.8%	4,956	-
	Employees	All Companies excl. KSI & KSE	35	KS GENCO (PSA)	13.3%	13.3%	13.3%	15.2%	15.2%	15.2%	15.2%	14.6%	3,622	-
	Employees	All Companies excl. KSI & KSE	36	KEDC	0.1%	0.1%	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%	61	-
	Employees	All Companies excl. KSI & KSE	37	KEDLI	12.8%	12.8%	12.8%	12.2%	12.2%	12.2%	12.2%	11.8%	3,038	-
	Employees	All Companies excl. KSI & KSE	38	KEDNY	23.2%	23.2%	23.2%	23.6%	23.6%	23.6%	23.6%	24.3%	5,780	-
	Employees	All Companies excl. KSI & KSE	44	KETS	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	31	-
	Employees	All Companies excl. KSI & KSE	71	Seneca	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%	215	-
	Employees	All Companies excl. KSI & KSE	82	NG RAVENSWOOD SERV (post Sale)	5.6%	5.6%	5.6%	0.0%	0.0%	0.0%	0.0%	0.0%	344	-
N4900					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	24,597	-
	Employees	All KS and NG Companies	01	Boston Gas	8.8%	8.8%	8.8%	9.5%	9.5%	8.9%	8.9%	10.1%	1,798,354	3,271,260
	Employees	All KS and NG Companies	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.5%	0.5%	26,020	166,646
	Employees	All KS and NG Companies	03	Colonial Lowell	1.7%	1.7%	1.7%	1.9%	1.9%	1.9%	1.9%	2.0%	359,867	654,919
	Employees	All KS and NG Companies	06	EnergyNorth	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	186,561	318,294
	Employees	All KS and NG Companies	34	KS Elec Srvc	9.2%	9.2%	9.2%	9.1%	9.1%	9.1%	9.1%	9.5%	1,797,863	3,138,776
	Employees	All KS and NG Companies	35	KS GENCO (PSA)	6.2%	6.2%	6.2%	6.8%	6.8%	6.8%	6.8%	7.0%	1,310,840	2,322,211
	Employees	All KS and NG Companies	36	KEDC	0.0%	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%	0.2%	24,057	54,993
	Employees	All KS and NG Companies	37	KEDLI	6.0%	6.0%	6.0%	5.5%	5.5%	5.5%	5.5%	5.6%	1,101,695	1,867,268
	Employees	All KS and NG Companies	38	KEDNY	10.8%	10.8%	10.8%	10.6%	10.6%	10.6%	10.6%	11.6%	2,096,362	3,796,195
	Employees	All KS and NG Companies	44	KETS	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	12,765	19,998
	Employees	All KS and NG Companies	59	KSI	4.5%	4.5%	4.5%	4.6%	4.6%	4.6%	4.6%	0.4%	904,332	494,105
	Employees	All KS and NG Companies	71	Seneca	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	76,097	132,484
	Employees	All KS and NG Companies	82	NG RAVENSWOOD SERV (post Sale)	2.6%	2.6%	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	128,138	-
	Employees	All KS and NG Companies	NB	NANT	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	25,529	45,828
	Employees	All KS and NG Companies	NC	MECO	10.3%	10.3%	10.3%	10.6%	10.6%	10.6%	10.6%	10.4%	2,070,341	3,486,233
	Employees	All KS and NG Companies	NE	NMPC - Distr.	22.6%	22.6%	22.6%	23.2%	23.2%	23.2%	23.2%	25.0%	4,531,480	8,182,316
	Employees	All KS and NG Companies	NF	Granite State	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	61,860	101,654
	Employees	All KS and NG Companies	NG	Narragansett Gas	3.7%	3.7%	3.7%	3.2%	3.2%	3.2%	3.2%	3.4%	651,001	1,115,695
	Employees	All KS and NG Companies	NH	Narragansett Electric Company	3.6%	3.6%	3.6%	3.7%	3.7%	3.7%	3.7%	3.8%	715,316	1,249,845
	Employees	All KS and NG Companies	NP	NiMO - Gas	5.3%	5.3%	5.3%	8.0%	8.0%	8.0%	8.0%	7.9%	1,442,415	2,642,171
	Employees	All KS and NG Companies	NQ	NMPC - Trans	3.1%	3.1%	3.1%	1.1%	1.1%	1.1%	1.1%	0.7%	317,154	268,300
N5100					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	19,638,049	33,329,189
	Employees	All NE Companies	01	Boston Gas	30.0%	30.0%	30.0%	31.3%	31.3%	29.5%	29.5%	32.0%	28,408	122,273
	Employees	All NE Companies	02	Essex Gas	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%	1.8%	1.6%	407	6,288
	Employees	All NE Companies	03	Colonial Lowell	5.7%	5.7%	5.7%	6.2%	6.2%	6.2%	6.2%	6.3%	5,680	24,443
	Employees	All NE Companies	06	EnergyNorth	3.0%	3.0%	3.0%	3.2%	3.2%	3.2%	3.2%	3.0%	2,936	11,837
	Employees	All NE Companies	NB	NANT	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	410	1,713
	Employees	All NE Companies	NC	MECO	35.0%	35.0%	35.0%	35.2%	35.2%	35.2%	35.2%	33.0%	32,700	130,509
	Employees	All NE Companies	NF	Granite State	1.0%	1.0%	1.0%	1.1%	1.1%	1.1%	1.1%	1.0%	980	3,835
	Employees	All NE Companies	NG	Narragansett Gas	12.6%	12.6%	12.6%	10.5%	10.5%	10.5%	10.5%	10.8%	10,292	41,712
	Employees	All NE Companies	NH	Narragansett Electric	12.3%	12.3%	12.3%	12.1%	12.1%	12.1%	12.1%	12.0%	11,304	46,764
N6000					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	93,117	389,375
Total Employees													87,307,287	81,671,910
Total All Bill Pools - Direct and Allocated													937,689,607	924,307,420
Sources: OC-79 (Bill Pool Factors) and OC-1 (Allocated Costs)														

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7. TRANSACTION TESTING

Introduction

This chapter documents the procedures and results of our detailed transaction testing. In this chapter, we first describe the testing procedures we employed and the process that we utilized for making our test selections. We then provide a summary of testing results from the two different accounting systems we tested, Oracle and PeopleSoft.¹ Finally, we provide our comprehensive targeted testing and sample results.

Summary of Findings²

1. Unsupported cost allocations represent a large percentage of the erroneous service company charges identified. In both the Oracle and PeopleSoft testing, many of the errors identified were because of a lack of sufficient support on which to base our conclusion, not a directly observable cost misallocation.
2. FERC account errors were primarily caused by misclassifications of donation and lobbying related activity. Donations and lobbying activities are non-operating expenses that should be charged using the FERC non-operating expense account, 426. However, through our review we identified a number of selections that charged non-operating related costs to operating expense accounts. Donations and lobbying activity were the primary activities associated with these test items. See our discussion of selections LKS-PR-097, LKS-AP-019, LKS-AP-025 and LNG-AP-181 below.³
3. High-dollar invoice payments were less prone to cost-direction error during the test period than lower dollar payments. As further discussed later in this chapter, we conducted targeted testing of 100% of the accounts payable transactions during our testing period that exceeded \$1 million. On both the Oracle and PeopleSoft accounting platforms, the testing of this subset yielded few cost direction errors, likely due to the multiple layers of review that are generally performed for these transactions.⁴

¹ The terms Legacy KeySpan (LKS) and Legacy National Grid (LNG) are sometimes used to refer to Overland's testing of the Oracle and PeopleSoft accounting systems, respectively. These terms refer to the pre-merger entities that utilized these accounting systems. The Oracle accounting system was utilized by the KeySpan companies pre-merger and the PeopleSoft accounting system was utilized by the National Grid companies pre-merger. The acronyms "LKS" and "LNG" were also employed as part of the naming convention for our audit identification numbers (e.g. LKS-AP-XXX would indicate a Legacy KeySpan accounts payable selection).

² A description of the findings we identified for each misallocated or unsupported selection is provided in the Legacy KeySpan and Legacy Grid testing results sections below.

³ In addition to these selections, there was also one FERC account error (LKS-AP-077) that was due to the misclassification of an advertising expense.

⁴ Although the testing of high-dollar invoices produced few cost direction errors, there were multiple examples of unsupported transactions. These are discussed later in the chapter.

4. Occurrence of errors on the Oracle and PeopleSoft accounting systems were remarkably similar. Overland tested 1,425 total transactions during this audit.⁵ Of these selections there were 677 Oracle transactions (47.5% of the total) and 748 PeopleSoft transactions (52.5% of the total). Overland identified 176 selections that were either misallocated or unsupported. These errors were comprised of 83 Oracle selections (47.2% of total) and 93 PeopleSoft selections (52.8% of total).
5. Based upon our testing results all New York utilities have been overcharged during the audit period. The estimated level of misallocated and/or unsupported service company costs to National Grid's New York utilities during the test period ranged from \$3.0 million (NIMO-Electric) to \$22.2 million (KEDNY). See below for a summary of our cost of service adjustment amounts for each entity.⁶

Table 7-1 – Cost of Service Adjustment⁷

Cost-of-Service Adjustment			
Selection	Lower Limit	Point Estimate	Higher Limit
NIMO-electric	(18,652,605)	(3,029,659)	12,593,286
NIMO-gas	(10,025,947)	(5,484,918)	(943,889)
KEDLI	(22,565,676)	(13,342,760)	(4,119,843)
KEDNY	(39,815,291)	(22,190,205)	(4,565,119)
Total	(69,745,853)	(44,047,542)	(18,349,230)

As seen in the table below, as a percent of total service company charges, the cost of service adjustment point estimates ranged between roughly 1% and 9% of total charges.

Table 7-2 – Service Company Errors as Percent of Service Company Charges

Service Company Transaction Testing Results By Utility				
Cost-of-Service Adjustment Point Estimates as a Percentage of Service Company Charges				
	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
Test Year - KS Serv Cos.	24,754,498	17,126,629	197,438,376	219,480,080
Test Year - NG Serv Cos.	390,678,204	52,203,002	9,957,194	21,483,672
Servco Cost Distributions	415,432,702	69,329,631	207,395,570	240,963,751
Error Point Estimate	(3,029,659)	(5,484,918)	(13,342,760)	(22,190,205)
Point-Estimated Error % of Total Cost Distributions	-0.73%	-7.91%	-6.43%	-9.21%
Sources: OC-1 Service Company Cost Allocation Databases and Testing Results, Oracle and PeopleSoft Database Extracts				
Note: Amounts in parentheses are negative values and indicate downward cost of service adjustments				

⁵ This includes 800 randomly sampled selections and 625 target tested selections.

⁶ We provide additional detail regarding the assumptions used to quantify errors and the methodology used to extrapolate these errors to the population in the "Consolidated Results and Extrapolation" Section.

⁷ Unless otherwise noted, all tables in this section were derived from our procedures performed on the PeopleSoft and Oracle testing databases.

Testing Procedures

Objectives of Detailed Testing

The purpose of our detailed testing was to determine whether and the extent to which errors in National Grid service company charges were reflected in the review periods of National Grid's New York utilities. Our testing mainly focused on determining whether National Grid appropriately allocated service company costs to the companies benefitting from these goods/services and whether the costs were correctly classified for regulatory purposes (particularly whether non-operating costs were appropriately recorded in non-operating, "below the line,"⁸ regulatory accounts). To perform this testing, Overland obtained all relevant general ledger and sub-ledger extracts for the Legacy Grid and Legacy KeySpan service companies for the periods from October 2008 through May 2010. These sub-ledgers included: accounts payable, payroll, and employee expense. Given the large number of items available to be tested, 100% of the invoices > \$1mm were tested and sampling was utilized for the invoices under \$1mm, for payroll and for employee expense reports. The table below provides a breakdown of the population and sample of service company charges. This table also provides the number and composition of errors we identified during our testing.

Table 7-3 - Population & Sample Figures of Service Company Charges⁹

Service Company Transaction Testing						
Transaction Population, Sample and Error Statistical Summary (20-months)						
Description	Population Figures		Sample Figures		Identification of Errors	
	Nbr of Items	\$ Value of Items	Nbr of Items	\$ Value of Items	Nbr of Items	\$ Value of Items
Legacy KeySpan:						
Accounts Payable - Target	319	901,875,997	319	901,875,997	20	(4,688,562)
Accounts Payable - Sample	123,995	879,115,425	166	38,783,729	28	(851,644)
Payroll - Sample	89,902	570,511,877	153	1,361,992	23	(59,922)
Employee Expense - Sample	14,157	11,217,241	39	150,377	12	(5,453)
Total Legacy KeySpan	228,373	2,362,720,540	677	942,172,095	83	(5,605,581)
Legacy National Grid:						
Accounts Payable - Target	306	777,369,124	306	777,369,124	16	(3,763,834)
Accounts Payable - Sample	233,547	1,294,400,126	244	40,996,380	35	(1,110,257)
Payroll - Sample	60,256	513,126,331	137	10,014,731	17	156,936
Employee Expense - Sample	14,402	17,702,050	61	335,350	25	(12,152)
Total Legacy National Grid	308,511	2,602,597,631	748	828,715,585	93	(4,729,308)
Total of LKS and LNG	536,884	4,965,318,171	1,425	1,770,887,680	176	(10,334,889)

Source: Testing Results, Oracle and PeopleSoft Database Extracts

⁸ "Below the line" for purposes of this analysis means below the O&M line on the income statement, which is not necessarily "below the line" for rate-making purposes.

⁹ The "Identification of Errors" column represents all errors identified by Overland during its testing. These figures differ from the "Cost of Service" adjustment amounts listed in Table 7-1 for the reasons described in the "Adjustment Figures Description" section.

Testing Databases

Prior to commencement of our detailed testing we performed validation procedures on the databases for the six populations: legacy National Grid accounts payable, payroll, employee expenses and Legacy KeySpan accounts payable, payroll and employee expenses. This process for both Legacy KeySpan and Legacy National Grid accounting systems is discussed in the following paragraphs.

Legacy KeySpan (Oracle)

In considering a reconciliation of all transactions from the sub-ledger extractions to the general ledger and service company billing, there are many difficulties inherent in the reconciliation process. To do a true and complete reconciliation, it would require manually simulating a re-execution of all the Oracle Mass Allocation processing that occurred in the 20 month historical test period. The Oracle Mass Allocation functionality that is used to allocate service company costs to the operating affiliates is a complex, rule-driven process that executes tens of thousands of allocation rules each month on hundreds of thousands of transactions. For processing efficiency, all source transactions on the books of the service companies that are subject to the same mass allocation rule are aggregated together for processing. The resulting allocated costs are then recorded on the books of the appropriate affiliates under a single mass allocation journal source. From a financial system stand point, it would neither be practical nor efficient to replicate all of the original source information on the post-allocated side (i.e. affiliate side) of the transaction. In addition, many of the database tables in Oracle that hold processing information and rules such as allocation code assignments, allocation percentages and general ledger account derivations are not permanently stored by the company. So, although the rules in effect at any historical point in time can be derived in the post-allocated view on an individual basis from the results of the mass allocation processing that generated the charges posted and “stored” permanently on the books and records of each affiliate, it would not be practical to exactly re-create the rules that were in effect in each of the historical periods and manually apply them to the pre-allocated service company costs on a global basis to yield the post-allocated view.

In summary, the company prepared both pre-allocated and post-allocated service company databases that have the following attributes:

- A pre-allocated view, showing source data and the impact on service company financials along with all of the relevant information in the accounting code block that was necessary to trace each specific allocation to the appropriate operating affiliate’s books, and
- A post-allocated view, showing the allocation of costs to each affiliate and the impact on the affiliate’s financials along with all of the relevant information in the accounting code block that was necessary to trace each specific allocation back to its original source on the Service Company’s books.

In any given month, the Legacy KeySpan service companies incur costs that are either charged to balance sheet accounts (assets and liabilities) or income statement accounts (e.g., expenses). Costs that are charged to service company expense are billed to customers on a one-month lag. However, costs

that are charged to balance sheet accounts are not. This could be due to any number of reasons. For instance, the costs might have been previously accrued in a prior period, or the costs are being “held” for future disposition in the form of depreciation expense or the relief of a clearing account.

Using the source ledger databases that the company has provided us, we have summarized the service company balance sheet and income statement effects in the following table for these particular transactions:

Table 7-4 – Accounts Payable, Payroll, and Employee Expense Reimbursements

Legacy Keyspan Service Companies Accounts Payable, Payroll and Employee Expense Reimbursements Charges to the Balance Sheet vs. Income Statement October 2008 - May 2010			
Type	Income Statement	Balance Sheet	Total
Accounts Payable	775,374,529	1,005,616,893	1,780,991,422
Payroll	495,054,290	76,282,794	571,337,084
Employee Expense Reimbursements	11,159,604	57,637	11,217,241
Sub-Total	1,281,588,423	1,081,957,324	2,363,545,747

Overland’s detail testing is drawn from the population above – charges to both service company balance sheet and income statement accounts. However, to understand how the costs flow from the service company to affiliates, like the New York utilities, the focus must turn to the costs charged to service company expense since these are the predominant costs that are promptly allocated.

In the following table, the KeySpan service companies identify the sources of all costs charged to their income statements for calendar year 2009 and the 20-month period subject to Overland’s detailed review.

Table 7-5 – Income Statement Charges

Legacy KeySpan Service Companies Income Statement Charges				
Type	Calendar Year 2009		Oct 2008 - May 2010	
	Amount	% of Total	Amount	% of Total
Accounts Payable	463,392,195	45.04%	775,209,832	44.90%
Payroll	294,191,500	28.60%	494,807,136	28.66%
Employee Expense Reimbursements	5,860,764	0.57%	11,159,823	0.65%
Sub-Total	763,444,459	74.21%	1,281,176,791	74.21%
Overhead Burdens	83,113,367	8.08%	142,592,877	8.26%
Other	182,165,679	17.71%	302,659,228	17.53%
Total	1,028,723,505	100.00%	1,726,428,896	100.00%

At first glance, it appears that only three-quarters of all costs originate from accounts payable, payroll, and employee expense reimbursements. However, the actual amount is much higher. Overhead burdens make up an additional 8% of all costs charged to the income statement by the service companies. These costs are classified separately due to the way they are applied to current period

affiliate bills, but largely originate as accounts payable payments. “Other” also includes mostly company-paid employee benefits and taxes, which also originate as accounts payable disbursements. In total, accounts payable, payroll, and employee expense reimbursements comprise at least 74% of all direct and indirect costs incurred by the Legacy KeySpan service companies.

The preceding table represents a pre-allocated view of the service company charges as it shows the sources of costs incurred. The following table provides a comparison these pre-allocated totals to post-allocated results for calendar year 2009.

Table 7-6 – Calendar Year 2009, Comparison of Pre-Allocated Databases to Post-Allocated Databases

Legacy KeySpan Service Companies Calendar Year 2009 Comparison of Pre-Allocated Databases to Post-Allocated Databases				
Type	KeySpan Corporate Services	KeySpan Utility Services	KeySpan Engineering & Survey	Total
Pre-Allocated Database	857,199,576	41,729,395	136,507,081	1,035,436,052
Post-Allocated Database	846,488,932	41,805,523	136,598,750	1,024,893,205
Differences (in dollars)	10,710,644	-76,128	-91,669	10,542,847
% Difference	1.25%	-0.18%	-0.07%	1.02%
(A) These figures are limited to those charged to income statement accounts only. Amounts charged to balance sheet accounts on the source ledgers have been excluded for purposes of this comparison. (B) The pre-allocated database amounts in this table are different from those listed in the prior table primarily for the following reasons – 1) income tax transactions of \$1,745,453 (which are retained at the service companies) have been excluded from the table above although they are included in the preceding table and 2) the service companies’ allowed return on equity (\$8,458,000), which does not originate from source transactions has been added to the table above since it has no corresponding amount in the preceding table. The combination of these two items accounts for the differences between the two tables (\$1,028,723,505 – 1,745,453 + 8,458,000 = \$1,035,436,052).				

The differences between the two databases can be attributed to several different types of transactions; including the timing effects resulting from amounts that remain temporarily un-cleared from the service company pools during a monthly closing cycle, and accounting adjustments to post retro-active allocation corrections directly to the books of an operating affiliate. This analysis assures that the vast majority of costs subject to mass allocations from the Legacy KeySpan service companies originate from one of the three databases that Overland is detail testing.

Legacy Grid (PeopleSoft)

Overland also worked in conjunction with National Grid personnel to perform reconciliation procedures on the data provided for the PeopleSoft (Legacy Grid) general ledger extracts. Overland worked with National Grid to obtain a reconciliation of service company billings to the general ledger extracts utilized in our testing procedures. This reconciliation was meant to provide assurance that the queries being performed were consistent with the PeopleSoft billings, which are system-generated. As the reconciliation of service company billings to the general ledger extracts is a labor- intensive task,¹⁰

¹⁰ The reconciliation for October 2008 took approximately twenty four work-hours to perform.

Overland and the company agreed to perform this reconciliation only for the first month of our testing period (October 2008).¹¹

To perform this reconciliation, the company first ran a query to obtain all general ledger PeopleSoft transactions for the month of October 2008. This query was then compared to the service company billings.¹² This tie-out provided reasonable assurance that the general ledger query was complete. Another query in PeopleSoft was generated to obtain the relevant sub-ledgers for our testing, including Accounts Payable, Payroll and Employee Expense sub-ledgers. These three sub-ledgers were then reconciled to the information obtained in the full general ledger query (i.e. the query previously agreed to the service company billings).

Once reasonable assurance over the completeness of the databases was attained, Overland then worked with the company to estimate the level of coverage Overland was obtaining from testing the accounts payable, payroll and employee expense sub-ledgers. Given the multiple ways that an operating company can receive charges from the service company, it was not immediately apparent how much coverage over the total testing population Overland was attaining through its procedures. The company performed an analysis to estimate the level of coverage using the following components: direct charges from the service company to NIMO, bill pool charges from the service company to NIMO, payroll burdens from NG USA Service Company employees and Inventory Charges.

Table 7-7 – Testing Percentage Coverage Calculation

Testing Percentage Coverage Calculation	
Direct Charges	24,315,120
Bill Pool Charges	6,958,650
Payroll Burdens	4,314,770
Inventory Charges	2,056,711
Total Charges Eligible for Testing	37,645,251
Total Service Company Billings	40,977,156
Percentage Coverage	92%
Source: PeopleSoft general ledger uploads; Discussion and email correspondence with National Grid.	

Based on this calculation, as well as additional discussions with the company representative, Overland concluded that the transactional testing encompassed the vast majority of relevant service-company related transactions that occurred on the PeopleSoft system. Per discussion with the company, the remaining 8% that appeared to be outside of our testing population were related to timing issues or

¹¹ This was acceptable to Overland, in part, because the filtering of this general ledger data is an automated task; once it is established that a certain query is sufficiently designed, it can be reasonably assumed that subsequent queries using the same criteria are also correct.

¹² These service company billings are generated by PeopleSoft every time one Grid company charges another Grid company.

miscellaneous journal entries related to transfers and adjustments, and not payments to outside vendors.¹³

*Choosing Our Test Selections*¹⁴

Because the accounting entries representing charges to the Operating Entities for Service Company services number in the hundreds of thousands over a 20 month period - beyond what can be comprehensively audited within the scope of this engagement - sampling was used to gain an understanding of the population as a whole. Overland decided that in the Accounts Payable category, the auditing units (AUs) were invoiced Transactions; and, in the Employee Payroll and Employee Expense Reimbursement categories, the AUs were Employee-Months (i.e., respectively, all payroll or expenses associated with a given employee for a given month). Using our professional judgment, we observed that there were a number of transactions in the accounts payable database that each contained a large dollar level. As a result, Overland chose to stratify the accounts payable transactions that were greater than \$1 million and test 100% of those transactions. After removing the accounts payable transactions greater than \$1 million, there were three remaining populations to be sampled:

1. Accounts Payable: transactions occurring within the timeframe with dollar amounts less than \$1,000,000;
2. Employee Payroll: Employee-Months occurring within the timeframe; and
3. Employee Expense reimbursements: Employee-Months occurring within the timeframe.

Overland also chose to stratify the transactions in the aforementioned populations into transactions from the Oracle accounting system and the PeopleSoft accounting system. Based on agreed upon sampling parameters, we determined that 800 transactions should be sampled across the three populations and the two strata, subject to the constraint that there be a minimum of 100 samples from each population.¹⁵

Overland then used dollar value sampling to obtain the sample selections within each population for each stratum. Using the dollar value sampling method, each dollar within a transaction has the same probability of being selected as a sample. For example, a transaction with one dollar in a population of three dollars has one half the chance of being selected as the transaction containing two dollars. To be able to do this type of sampling on the databases we were provided, accounts payable transactions in both the PeopleSoft and Oracle strata had to combine the fields containing vendor name and invoice number to ensure that each transaction contained a unique invoice. As previously addressed, Overland removed the accounts payable transactions that were greater than \$1 million, as 100% of these were being tested.

¹³ This analysis was obtained through email correspondence between Overland and National Grid on June 21, 2011.

¹⁴ Our "Sampling Methodology" provides a more detailed statistical discussion on how we selected our samples for transaction testing and extrapolated our results to the entire population. See Exhibit 7-1.

¹⁵ See the Sampling Methodology at Exhibit 7-1 for how the samples were distributed across the populations and strata.

Once Overland combined the vendor name and invoice for each stratum's population, a spreadsheet was created with the vendor name and invoice numbers in alphabetical order. The amounts were converted to absolute values to enable those transactions with negative amounts the opportunity to be selected. The amounts for each transaction in the ordered list for each stratum's population were converted into a sequential range¹⁶ of absolute dollar values using the following procedures:

- a. Two columns containing the beginning and ending of the range for each transaction were created. The first column contained the first absolute dollar in the sequential range for that invoice that was available to be selected by the random number generator. The first invoice in the list will start with the number 1 and every subsequent invoice in the list contained a formula that added 1 to the previous invoice's last number in its sequential range.
- b. The second column contained the last absolute dollar in the sequential range for that invoice that was available to be selected by the random number generator. Each invoice had a formula to compute this number - the absolute value of the invoice (rounded to a whole number) plus the number from the first column minus 1.

Overland used a random number generator within the software application called EZ Quant to produce a list of unique random numbers for each stratum's population. We set the random number generator to disallow repeated numbers in the generated list. Overland then took the list of randomly generated numbers and matched it to the invoice whose range contained the random number. We selected that invoice and subjected it to the testing procedures (as previously addressed). If a randomly generated number was matched with an invoice that has already been selected for testing, that randomly generated number was thrown out and the next randomly generated number was used to select an invoice. Invoices continued to be selected using this process until the predetermined number of samples had been obtained.

Developing and Analyzing the Questionnaires

We determined that the best method to obtain information that was consistent for all the testing selections was to create a standardized questionnaire that would be sent to National Grid, and, in turn, they would prepare responses to the standardized questionnaire for each of our audit selections. We found that the questionnaires had to be tailored to some extent for each of the populations (accounts payable both over and under \$1 million, payroll, and employee expense). We collaborated with National Grid and the NYDPS staff to create questionnaires that would not only address the two primary issues of proper cost direction and proper FERC account, but also address internal control deficiencies

¹⁶ The sequential range is defined as the numbering from 1 to the number representing the population total, where each number within the range is associated with a particular invoice and only that invoice. However, each invoice will contain multiple numbers in the sequential range that will equal the number of dollars that make up the amount of the invoice. (Absolute values are rounded to the nearest dollar during this sample selection exercise.)

and provide general and background knowledge of the tested transaction. Transmittal of these questionnaires allowed us to more easily track and compare responses across an entire population, thus improving the efficiency of our analysis.

Payroll and Employee Expenses

Upon receiving the initial response from National Grid for a payroll or employee expense questionnaire, we reviewed the questionnaire response to determine whether the employee selected provided the response. If the employee selected did not respond to the questionnaire, we then determined whether the company provided a description for how the respondent had knowledge of what activities the selected employee performed during the period in question, or what expenses were submitted for reimbursement by the employee.

If it was not clear how the respondent had knowledge of what activities the selected individual performed during the period in question, then a follow up request was sent to clarify this point with the company.

- If the respondent was the employee selected or was a direct supervisor to the employee, then Overland reviewed the additional support provided by the company (job descriptions, performance objectives, organizational analysis, etc.). If the support provided was consistent with the company's description of the activities of the selected individual, then reasonable assurance had been attained and no further review was deemed necessary.
- If the respondent was not the employee selected and/or was not a direct supervisor to the employee, then Overland deemed these responses as speculative. As a result, the accounting for these selections needed to be supported through other evidence provided by the company.

After we determined the validity of the response, we used supporting documentation to corroborate the written responses in the questionnaire, relating to the employee's tasks performed or expenses incurred during the period of the transaction. Most often, the supporting documentation included a job description, employee performance objectives, and timesheets. Other information that proved useful in analyzing these transactions included the organizational analysis performed for both Legacy KeySpan and Legacy National Grid.

Accounts Payable

Upon receiving the initial response from National Grid for an accounts payable questionnaire, we reviewed the questionnaire response and the supporting documentation. Overland reviewed supporting documentation provided by National Grid to determine whether the information in the documentation (invoice, purchase order, purchase requisition, payment information, etc.) agreed with the company response in the questionnaire.

After analyzing the background of the transaction (for accounts payable, payroll and employee expenses), we analyzed the cost direction and the FERC account to determine if National Grid was

recording the charge appropriately. For Legacy KeySpan transactions, we were provided with a spreadsheet showing the different allocation codes that were available for use from September 2008 to June 2010 to give us detailed information on how the costs for the payroll and employee expenses were allocated to various operating companies. For legacy National Grid transactions, a separate spreadsheet was provided showing the different bill pools that were available for use that detailed how costs were allocated among the operating companies.

Composition of Errors

The errors that we identified can be grouped into three categories: cost direction errors, FERC account errors, and unsupported items. These three error categories are described below.

Cost Direction Errors

This error occurred when Overland determined that the amount charged to one of the four National Grid New York utilities was incorrect. The recommended adjustment from Overland removes the misallocated amount and replaces it with what Overland believes is the correct allocation.

FERC Account

This error occurred when Overland determined that the FERC (regulatory) account to which a transaction was recorded was incorrect. Specifically, these errors occurred when an amount was charged to a utility operating (above-the-line) account but should have been charged to a non-operating (below-the-line) account.

Unsupported Transactions

The final error category was for “unsupported” items. When transactions were unsupported, the amounts recorded to regulated capital and O&M accounts were removed from those accounts.

There were many transactions that did not have sufficient supporting documentation for us to independently verify the proper cost allocation and FERC accounting. When determining whether an item was unsupported, we used our professional judgment as well as the guidelines for document retention that are found in the FERC Code of Federal Regulations. These standards generally state that expense vouchers (including invoices, payment authorization, payment documentation, etc.) should be retained for at least five years.¹⁷

Although payment detail such as an invoice was informative, it was generally not sufficient to make a conclusive judgment. Overland’s transaction testing was primarily designed to make a conclusion regarding the selection’s cost direction and regulatory accounting and we generally required additional support beyond the invoice to make this conclusion. For example, in some cases the invoice was provided, but it was too vague to provide meaningful detail regarding the services or goods that were being invoiced. In other cases, the invoiced costs were not allocated using a pre-approved allocation

¹⁷ 18 CFR 368.

code or bill pool. In these cases, the costs were allocated using an improvised allocation method developed by a Grid employee for purposes of recording the costs of that particular transaction (or the costs of multiple transactions if part of a larger project). If the company did not provide the underlying basis for this allocation, the selection was deemed unsupported.

A selection that was deemed unsupported meant that Overland could not determine a sufficient basis to make a conclusion about the correctness of the regulatory account and cost direction utilized by the company. Although deeming these unsupported selections as errors was necessary for purposes of calculating an error rate, Overland cannot definitively state that such charges were misallocated or improperly charged. Our findings are premised on the lack of sufficient documentation upon which to make an affirmative conclusion for these items.

As seen in the tables below, cost direction errors and unsupported items made up the vast majority of Overland's identified errors.

Table 7-8 –Composition of Transaction Testing Errors

Transaction Testing Composition of Transaction Testing Errors					
Error	Testing Population	No. of Errors	% of Error Total	\$ Value of Errors	% of Error Total (in \$'s)
Cost Direction	AP \$1 Million and Over	7	4.0%	41,872	-0.1%
	AP Under \$1 Million	31	17.6%	(5,247,740)	12.1%
	Payroll	35	19.9%	(5,851,945)	13.5%
	Employee Expenses	37	21.0%	-	0.0%
Subtotal Cost Direction Errors		110	62.5%	(11,057,813)	25.4%
FERC Account	AP Under \$1 Million	4	2.3%	(769,766)	1.8%
	Payroll	1	0.6%	(1,850,927)	4.3%
Subtotal FERC Account Errors		5	2.8%	(2,620,693)	6.0%
Unsupported Transactions	AP \$1 Million and Over	29	16.5%	(5,193,989)	11.9%
	AP Under \$1 Million	28	15.9%	(21,513,000)	49.4%
	Payroll	4	2.3%	(3,122,983)	7.2%
Subtotal Unsupported Transactions		61	34.7%	(29,829,972)	68.6%
Total Errors		176	100%	(43,508,478)	100%

Adjustment Figures Description

As previously discussed, we made our selections using a continuous 20-month timeframe that encompassed the review periods for the four New York utilities. Our review period for each of the individual New York utilities spanned 12-months of this 20-month period.¹⁸ In order to provide relevant information for all selections tested in this 20-month timeframe we have provided three different error

¹⁸ As discussed in our Sampling Methodology attached as Exhibit 7-1 a twenty month testing period was utilized to encompass all relevant testing periods: NIMO-Electric (October 2008 through September 2009); KEDNY and KEDLI (calendar year 2009); and NIMO-Gas (June 2009 through May 2010).

amounts for the four New York utilities under review: 20-month General Ledger (“GL”) Adjustment; 12-month GL Adjustment; and Cost of Service (“COS”) Adjustment.

The 20-month GL Adjustment figure represents all errors by entity that we identified during our testing. The 12-month GL Adjustment is the 20-month GL Adjustment figure revised to include only the relevant entity’s 12-month testing period. For example, KEDNY’s relevant period under review is calendar year 2009, so an October 2008 service company charge erroneously directed toward KEDNY would be included in KEDNY’s 20-month GL Adjustment. This error would not, however, be included in KEDNY’s 12-month GL Adjustment amount because it is outside of KEDNY’s review period.

The 12-month GL Adjustment then needed to be further refined to derive a cost of service adjustment. Since our testing selections were composed of both capital and expense items, we needed to make certain assumptions regarding the impact of capital charges on the company’s cost of service. These assumptions are described in the “Consolidated Results and Extrapolation” section later in this chapter.

Legacy KeySpan Testing Results

Results from Legacy KeySpan Accounts Payable Selection Testing (\$1 million and over)

We tested 319 accounts payable selections that contained invoices greater than \$1 million by going through the process described above. Overland discovered three errors in cost direction. The dollar amount in those three cost direction transactions that were in error was \$42,997.

Table 7-9 – LKS Testing - \$1MM and Over Accounts Payable Cost Direction Errors (20-Month GL Adjustment)

Legacy KeySpan						
AP \$1 Million and Over Selection - Cost Direction Errors						
20-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-MM-003	Bank of New York	-	-	589,285	(589,285)	-
LKS-MM-051	National Grid Insurance Co	-	-	589,285	(589,285)	-
LKS-MM-294	Gardner Nelson & Partners	-	(74,008)	117,005	-	42,997
TOTAL		-	(74,008)	1,295,575	(1,178,570)	42,997

The net error as a result of improper cost allocation to the New York utilities (KEDLI, KEDNY, and NIMO) is \$42,997 for the 20 month period in which we selected transactions, covering the test period of the three entities. There were no errors involving recording expenses to incorrect FERC accounts. In the 12-month test year that applied to the respective individual utilities, the net error as a result of improper cost allocation to the New York utilities was \$42,997.

Table 7-10 – LKS Testing - \$1MM and Over Accounts Payable Cost Direction Errors (12-Month GL Adjustment)

Legacy KeySpan AP \$1 Million and Over Selection - Cost Direction Errors 12-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-MM-003	Bank of New York	-	-	-	-	-
LKS-MM-051	National Grid Insurance Co	-	-	589,285	(589,285)	-
LKS-MM-294	Gardner Nelson & Partners	-	(74,008)	117,005	-	42,997
TOTAL		-	(74,008)	706,290	(589,285)	42,997

Finally, the table below shows the cost of service adjustment that is estimated based on the errors that were discovered throughout the testing process.¹⁹

Table 7-11 – LKS Testing - \$1MM and Over Accounts Payable Cost Direction (COS Adjustment)

Legacy KeySpan AP \$1 Million and Over Selection - Cost Direction Errors Cost-of-Service Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-MM-003	Bank of New York	-	-	-	-	-
LKS-MM-051	National Grid Insurance Co	-	-	88,393	(88,393)	-
LKS-MM-294	Gardner Nelson & Partners	-	(74,008)	117,005	-	42,997
TOTAL		-	(74,008)	205,397	(88,393)	42,997

Below is summarized the nature of the error for each of the three transactions. See the above tables for how each error affected the operating affiliates KEDLI, KEDNY, and NIMO.

AP Selection Cost Direction Errors

- LKS-MM-003 - The vendor in this transaction is Bank of New York. The time period of the transaction is October 2008. This transaction was the payment for the insurance premium for the Owner Controlled Insurance Program for Brooklyn Union Gas & Gas East Corp. The company stated that the manual allocation of the premium between KEDNY and KEDLI should have been made based on the projected contract value of the work that was awarded to the contractors who participated in the OCIP program. Based on actual contract spend, 62% of the premium should be charged to KEDNY and 38% to KEDLI. The original allocation distributed all of the cost directly to KEDNY. Overland calculated an estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.

¹⁹ The line items provided on this schedule represents the "COS Adjustment" for these individual selections. These adjustments were used as the basis for the extrapolated error amount provided in the "Consolidated Results and Extrapolation" section.

- LKS-MM-051 - The vendor in this transaction is National Grid Insurance Co.. The time period of the transaction is March 2009. This transaction was the payment for the insurance premium for the Owner Controlled Insurance Program for Brooklyn Union Gas & Gas East Corp. The company stated that the manual allocation of the premium between KEDNY and KEDLI should have been made based on the projected contract value of the work that was awarded to the contractors who participated in the OCIP program. Based on actual contract spend, 62% of the premium should be charged to KEDNY and 38% to KEDLI. The original allocation distributed all of the cost directly to KEDNY. Overland calculated an estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment describe above is reasonable.

- LKS-MM-294 - The vendor in this transaction is Gardner Nelson & Partners. The time period of the transaction is August 2009. This transaction was for the payment of the 2009 4th quarter media (advertising) purchases. The company performed a manual allocation based on the planned percentage of advertising for the particular period. However, it was noted by the company that the radio advertising for KEDLI was omitted in calculating the actual amount to be booked to the general ledger based on the planned percentage. National Grid calculated the error and Overland verified that the calculation was reasonable. Overland was also able to tie National Grid's calculation to an invoice from the vendor. As the amount was not previously corrected by National Grid, Overland calculated an estimated error to correct the original allocation recorded in the general ledger. National Grid agrees that an error was made and the adjustment described above is reasonable.

AP Selection Unsupported Transactions**Table 7-12 – LKS Testing - \$1MM and Over Accounts Payable Unsupported Items (20-Month GL Adjustment)**

Legacy KeySpan \$1MM and Over Accounts Payable Unsupported Items 20-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-MM-002	Bank of New York	(268,991)	(64,739)	(82,059)	(123,984)	(539,773)
LKS-MM-050	National Grid Insurance Co	-		(446,598)	(806,944)	(1,253,542)
LKS-MM-064	Marsh Usa Inc	-			(1,255,115)	(1,255,115)
LKS-MM-080	Cullen and Dykman	(261,474)	(50,939)	(137,258)	(297,088)	(746,759)
LKS-MM-109	Metlife	(305,109)	(74,755)	(96,261)	(149,121)	(625,246)
LKS-MM-260	Town of Huntington	-				-
LKS-MM-261	NYC Department of Finance	-	-	(8,596)	(13,173)	(21,769)
LKS-MM-262	Town of Babylon	-				-
LKS-MM-263	Town of Brookhaven	-				-
LKS-MM-264	Town of Huntington	-				-
LKS-MM-265	Town of Brookhaven	-				-
LKS-MM-266	Town of Babylon	-	-	(1,339)	(2,051)	(3,390)
LKS-MM-267	Town of Smithtown	-				-
LKS-MM-268	Town of Huntington	-	-	(52,515)	(80,473)	(132,988)
LKS-MM-269	Town of Brookhaven	-	-	(19,940)	(30,556)	(50,496)
LKS-MM-272	Town of Islip	-				-
LKS-MM-273	Town of Islip	-	-	(40,469)	(62,013)	(102,482)
TOTAL		(835,573)	(190,433)	(885,035)	(2,820,517)	(4,731,559)

There are 17 accounts payable selections greater than \$1 million that were classified as unsupported. For the twenty months encompassing our test period, the amount classified as unsupported for KEDLI and KEDNY is (\$885,035) and (\$2,820,517), respectively. The amount classified as unsupported for NIMO electric and gas utilities are (\$835,573) and (\$190,433), respectively.

Table 7-13 – LKS Testing - \$1MM and Over Accounts Payable Unsupported Items (12-Month GL Adjustment)

Legacy KeySpan \$1MM and Over Accounts Payable Unsupported Items 12-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-MM-002	Bank of New York	(268,991)	-	-	-	(268,991)
LKS-MM-050	National Grid Insurance Co	-	-	(446,598)	(806,944)	(1,253,542)
LKS-MM-064	Marsh Usa Inc	-	-	-	(1,255,115)	(1,255,115)
LKS-MM-080	Cullen and Dykman	(261,474)	(50,939)	(137,258)	(297,088)	(746,759)
LKS-MM-109	Metlife	-	(74,755)	(96,261)	(149,121)	(320,137)
LKS-MM-260	Town of Huntington	-	-	-	-	-
LKS-MM-261	NYC Department of Finance	-	-	-	-	-
LKS-MM-262	Town of Babylon	-	-	-	-	-
LKS-MM-263	Town of Brookhaven	-	-	-	-	-
LKS-MM-264	Town of Huntington	-	-	-	-	-
LKS-MM-265	Town of Brookhaven	-	-	-	-	-
LKS-MM-266	Town of Babylon	-	-	-	-	-
LKS-MM-267	Town of Smithtown	-	-	-	-	-
LKS-MM-268	Town of Huntington	-	-	-	-	-
LKS-MM-269	Town of Brookhaven	-	-	-	-	-
LKS-MM-272	Town of Islip	-	-	-	-	-
LKS-MM-273	Town of Islip	-	-	(40,469)	(62,013)	(102,482)
TOTAL		(530,465)	(125,694)	(720,586)	(2,570,281)	(3,947,025)

For the 12 month test period, the amount classified as unsupported for KEDLI and KEDNY is (\$720,586) and (\$2,570,281), respectively. The amount classified as unsupported for NIMO electric and gas utilities are (\$530,465) and (\$125,694), respectively.

Table 7-14 – LKS Testing - \$1MM and Over Accounts Payable Unsupported Items (COS Adjustment)

Legacy KeySpan \$1MM and Over Accounts Payable Unsupported Items Cost-of-Service Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-MM-002	Bank of New York	(201,743)	-	-	-	(201,743)
LKS-MM-050	National Grid Insurance Co	-	-	(446,598)	(806,944)	(1,253,542)
LKS-MM-064	Marsh USA Inc	-	-	-	(1,255,115)	(1,255,115)
LKS-MM-080	Cullen and Dykman	(261,474)	(50,939)	(137,258)	(297,088)	(746,759)
LKS-MM-109	Metlife	-	(56,066)	(72,196)	(111,841)	(240,103)
LKS-MM-260	Town of Huntington	-	-	-	-	-
LKS-MM-261	NYC Department Of Finance	-	-	-	-	-
LKS-MM-262	Town of Babylon	-	-	-	-	-
LKS-MM-263	Town of Brookhaven	-	-	-	-	-
LKS-MM-264	Town of Huntington	-	-	-	-	-
LKS-MM-265	Town of Brookhaven	-	-	-	-	-
LKS-MM-266	Town of Babylon	-	-	-	-	-
LKS-MM-267	Town of Smithtown	-	-	-	-	-
LKS-MM-268	Town of Huntington	-	-	-	-	-
LKS-MM-269	Town of Brookhaven	-	-	-	-	-
LKS-MM-272	Town of Islip	-	-	-	-	-
LKS-MM-273	Town of Islip	-	-	(40,469)	(62,013)	(102,482)
TOTAL		(463,217)	(107,005)	(696,521)	(2,533,000)	(3,799,743)

Finally, the above table shows the cost of service adjustment that is required to remove the cost of all unsupported transactions from the amount recoverable from ratepayers. Below is a brief summary of the transactions that were considered unsupported.

- LKS-MM-002 – The vendor in this transaction is Bank of New York. The time period of the transaction is October 2008. This transaction is a payment to the vendor for workers compensation insurance premiums. National Grid was unable to support the employee counts that were used to allocate the premiums to the operating affiliates. As such, Overland concluded that the transaction was unsupported.
- LKS-MM-050 – The vendor in this transaction is National Grid Insurance Co. The time period of the transaction is March 2009. This transaction is a payment to the vendor for general liability and auto liability. National Grid was unable to support the manual allocation of the charge between the New York utilities and the New England utilities. Therefore, Overland concluded that the transaction was unsupported.
- LKS-MM-064 – The vendor in this transaction is Marsh USA Inc. The time period of the transaction is May 2009. This transaction is a payment to the vendor for the owner controlled

insurance program for KEDNY and KEDLI. National Grid was unable to support the distribution of the transaction cost that distributed 85% to capital and 15% to O&M. Thus, Overland concluded that the transaction was unsupported.

- LKS-MM-080 – The vendor in this transaction is Cullen and Dykman. The time period of the transaction is May 2009. This transaction is a payment to the vendor for legal retainer for National Grid. The invoice and supporting documentation described the legal services that were provided for each project. National Grid proceeded to match each project’s legal services to its corresponding operating affiliate. Overland was unable to reconcile the amounts in the G/L database for each operating affiliate to the invoice and supporting documentation for this transaction.
- LKS-MM-109 – The vendor in this transaction is Met Life Insurance Company. The time period of the transaction is May 2009. This transaction is a payment to the vendor for premiums for employee benefits related to the Supplemental Death & Retirement Plan. National Grid was unable to provide supporting evidence of how the insurance premium was distributed to the operating affiliates (via the determination of which executive belonged to which operating company). As such, Overland concluded that the transaction was unsupported.
- LKS-MM-260 through 269, 272, and 273 – The vendors in these transactions are the NYC Department of Finance and the Towns of Babylon, Brookhaven, Huntington, Smithtown, and Islip. These transactions are payments to the vendors for property taxes due. As property tax payments represent nearly one-third of the amount of the over \$1 million transactions tested, and have a somewhat complex method of being accounted for in National Grid’s general ledger, Overland addresses these specific transactions in the following section.

Testing of P-Card Transactions²⁰

As a result of our testing of Accounts Payable invoices, Overland selected transactions that contained expenses that were incurred through the use of Purchasing Cards (P-Cards). For the legacy KeySpan P-Card transactions, the vendor is Bank One NA. For the legacy National Grid P-Card transactions, the vendor is HSBC Corporate Card Services. For both vendors, a single transaction represented the payment of hundreds of individual purchases from P-Cards held by various employees at National Grid.

In order to get a better understanding of the underlying purchases that make up the P-Card transactions, Overland performed a detailed test on a small sub-sample of the underlying purchases for each P-Card vendor. Overland judgmentally selected this sample of underlying purchases and requested the following documentation from National Grid for each purchase an explanation of the business purpose of the purchase and the operating companies that benefitted from the purchase. For the legacy National Grid sub-sample, the name of the employee making the purchase and the description of what good or service was purchased was also requested. For the legacy KeySpan sub-sample, the bank statement on which the charge appeared and the receipt from the purchase was requested. National Grid was not able to provide this information.

²⁰ This discussion is applicable to both legacy KeySpan and legacy National Grid testing.

In some cases the bank statement on which the charge of the purchase appeared and per discussion with the respondents for the P-Card transactions, National Grid was not able to provide any of information requested above for the underlying purchases that were a part of the transactions that were selected for our transaction testing. Despite the fact National Grid was not able to provide the aforementioned documentation, their US Purchasing Card Policy discloses that a monthly purchase log, complete with receipts and a valid business purpose for each transaction is required to be reviewed and approved by the P-Card holder's immediate supervisor.

Since National Grid was not able to provide Overland with the monthly purchase logs with their accompanying receipts and descriptions of the business purpose of the transactions, which were required according to its Purchasing Card Policy, we were not able to independently determine either the proper cost direction or the proper FERC accounting for the individual purchases that combine to create each P-Card transaction. Overland concluded that the P-Card transactions are unsupported.

Testing of Property Tax Transactions

As part of Overland's transaction testing, we selected 115 property tax payments paid by the Legacy KeySpan service companies which were individually in excess of \$1 million. Cumulatively, these payments totaled nearly \$294 million and represented payments made on behalf of three different groups of entities:

- LIPA (a third party),
- The Legacy KeySpan service companies, and
- Lightower (a third party).²¹

The Legacy KeySpan service companies' involvement with respect to the payment of LIPA and Lightower property taxes is pursuant to negotiated agreements between the parties. Payments made on behalf of LIPA and Lightower are reimbursed to the Legacy KeySpan service companies and are not allocated to the National Grid operating utilities. The remaining property taxes paid by the Legacy KeySpan service companies are for common facilities such as office buildings. These service company property taxes are subsequently allocated to KEDNY and KEDLI, as well as other entities by means of the Asset Recovery Charge using the three-factor formula for the "Delivery Energy New York" company mix.²²

²¹ Lightower is a fiber and bandwidth provider in the northeast United States. In 2008, Lightower purchased a portion of the assets and rights of KeySpan Communications. Per agreement, National Grid pays all property taxes on these assets to the applicable taxing jurisdiction and is reimbursed for Lightower's portion (response to Discovery, OC-153).

²² Response to Discovery, OC-151 and information provided with the questionnaire response to LKS-MM-330. The companies associated with "Delivery Energy New York" include KEDLI (Co. 37), KEDNY (Co. 38), KeySpan Electric Services (Co. 34), KeySpan Generation Services (Co. 35), KeySpan Glenwood Energy Center (Co. 46), KeySpan Port Jefferson Energy Center (Co. 48), and KeySpan Energy Trading Services (Co. 44).

None of the property taxes owed directly by Niagara Mohawk, KEDNY, or KEDLI were paid by the Legacy KeySpan service companies, or included in the sample of payments selected by us for review. The vast majority of all large property tax payments made by the Legacy KeySpan service companies was for the benefit of LIPA as demonstrated in the following table:

Table 7-15 – Legacy KeySpan Service Company Property Tax Payments in Excess of \$1 Million

Legacy KeySpan Service Company Property Tax Payments in Excess of \$1 Million		
Description	Amount	% of Total
Beneficiary:		
LIPA	282,658,420	96.24%
Legacy KeySpan Service Companies	10,520,593	3.58%
Lightower	534,333	0.18%
Total	293,713,346	100.00%
Source: Database of payments made by the legacy KeySpan service companies and information provided in response to questionnaires. When support was not provided or deficient, beneficiaries and associated amounts were derived from other payments made to the same vendor.		

Payments made to taxing jurisdictions frequently consisted of tens of if not a hundred or more property tax statements.²³ As a result, it was not feasible to trace every single property tax payment to the underlying support. Instead, we judgmentally selected 30 different property tax statements, representing a variety of taxing jurisdictions and allocations, for detailed testing. While this testing did not uncover any obvious errors in accounting or allocation of costs using the methodology applied by the company, the distribution of costs as summarized in the preceding table does warrant additional discussion.

Allocation of Property Tax Payments

The amount of property taxes attributed to the three different groups of entities – LIPA, the Legacy KeySpan service companies, and Lightower – was a function of the data available to the company. Some taxing jurisdictions sent out separate bills for taxes owed on gas utility property and electric utility property. In those cases, the Legacy KeySpan service companies would pay and attribute all taxes paid on electric utility property to LIPA, and the separate property tax bills associated with gas utility property would be forwarded to KEDNY or KEDLI for payment. In other cases (especially those associated with transmission and distribution equipment on private property in certain municipalities), property tax bills were not split between electric and gas by the taxing jurisdictions. According to the company, these property tax bills were allocated to various entities on the basis of the relative levels of historical plant balances.²⁴ The same was true for allocations to Lightower. Lightower's portion of the property taxes was calculated using the original cost of property previously assigned to KeySpan

²³ The company generally grouped tax statements by due date and then based on categorization of property, such as special franchise property in the public right of way, mass transmission and distribution equipment on private property, and property on specific parcels of land (see response to Discovery, OC-155).

²⁴ Allocations were based on either original cost or trended cost, usually going back to the year 2000 when LIPA was formed.

Communications. To the extent the property in question consisted of common facilities, it was assigned to the Legacy KeySpan service companies for payment.²⁵

The company estimates that nearly 56 percent of all property tax payments selected in our sample were assigned entirely to LIPA based on separate billings received from the taxing jurisdictions.²⁶ Another 12 percent of our sample consisted of property tax statements that were uniquely LIPA, but were grouped with other statements when paid by the service companies.²⁷ The service companies also received segregated statements for their property, which accounted for another 2 percent of the sample selected. The vast majority of the remaining property tax statement allocations were determined on the basis of the historical cost of property from the year 2000.²⁸

Assuming that billings from third party municipalities established a reasonable basis for assigning costs to various entities, over two-thirds of the property tax payments sampled by Overland, as paid by the Legacy KeySpan service companies, were allocated appropriately. According to the company, this includes \$5.4 million assigned to the Legacy KeySpan service companies from our sample.²⁹

The allocation of property taxes for the remaining items of our property tax payment sample is less straight forward. Allocations based on historical cost relationships (especially those established in the year 2000) may or may not be similar to amounts currently owed using assessed or fair values of property. Attempts by Overland to assess whether the historical cost relationships were still reasonable during our audit period proved unsuccessful when the company could not provide data for its service company plant balances prior to 2008, and was unable to obtain permission to release LIPA and Lighttower information to us.³⁰

Ignoring for a moment that the mix of property may have changed over time and rendered the previous agreed-upon allocations inequitable; we believe that having different, independent parties involved in reviewing the allocations of property taxes most likely led to reasonable distributions of costs pursuant to the terms of the agreements.³¹ In addition, the risk that the distribution of total property taxes deviated dramatically from what would be calculated using current assessed or fair values is relatively low. As categorized by the company, at most, only \$5.8 million of the \$297.9 million of property taxes sampled was attributed to the Legacy KeySpan service companies, and was based on allocation methodologies that were not a function of current assessed or fair values.³² Unless one or two of the

²⁵ Responses to Discovery, OC-157 and OC-153 and a working session with John Cooney and Paula Leaverton, Property Tax Department personnel, on December 12, 2011.

²⁶ In its calculations, the company included property tax payments included in our random sample of accounts payable items that are not included in the preceding table (see response to Discovery, OC-205).

²⁷ This ignores the immaterial allocations that were made for Lighttower.

²⁸ Derived from response to Discovery, OC-205.

²⁹ Derived from response to Discovery, OC-205.

³⁰ Response to Discovery, OC-183.

³¹ This assumes that LIPA and Lighttower took an active role in reviewing the costs that they were billed by National Grid and would object if their allocations were determined to be excessive.

³² The difference between the \$297.9 million and the \$293.7 million is the random accounts payable sample items.

three groups of entities (LIPA, Lighttower, or the Legacy KeySpan service companies) acquired or disposed of a significant amount of property in recent years, the relative levels of property in past years are probably a reasonable surrogate for current year assessed or fair values.

From an internal control perspective, National Grid was unable to locate the original summary of property tax bills supporting the payment for some of the property tax disbursements selected. The company attributed this lack of support partially to computer system issues and partially to departmental employee turnover.³³ Whatever the case, back-up for payments made in the last four years, especially for those that represent some of the largest disbursements paid by the service companies on an annual basis, should be maintained and be available for review on a timely basis.

Results from Legacy KeySpan Accounts Payable Sample Testing

We tested 166 accounts payable selections by going through the process previously described above. Overland discovered 10 errors in cost direction and three errors in recording the proper FERC account.

Table 7-16 – LKS Testing - Random Accounts Payable Cost Direction and FERC Account Errors (20-Month GL Adjustment)

Legacy KeySpan AP Under \$1 Million Sample - Cost Direction Errors 20-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-AP-019	Pro Unlimited	1,709	394	95	196	2,394
LKS-AP-034	Factory Mutual Insurance Company	-	-	25,173	27,187	52,360
LKS-AP-061	Fiserv	-	-	5,473	(6,358)	(885)
LKS-AP-066	American Red Cross Onondaga-oswego	163,488	30,883	(20,433)	(31,653)	142,285
LKS-AP-079	Venable LLP	-	1,623	(545)	(1,151)	(73)
LKS-AP-091	Lbi Us LLC	44,803	10,977	(16,494)	(26,806)	12,480
LKS-AP-094	Greater Boston Chamber of Commerce	-	-	(686)	(1,083)	(1,769)
LKS-AP-103	United Way of Long Island	(8,831)	(2,164)	34,714	(4,316)	19,403
LKS-AP-108	Foley & Lardner LLP	-	-	-	(25,399)	(25,399)
LKS-AP-161	Pro Unlimited	-	-	847	1,533	2,380
SubTotal Cost Direction Errors		201,168	41,713	28,143	(67,850)	203,175
Legacy KeySpan AP Under \$1 Million Sample - FERC Account Errors 20-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-AP-019	Pro Unlimited	(217)	(53)	(68)	(95)	(433)
LKS-AP-025	Brooklyn Center for the Urban Environment	-	-	(2,340)	(3,580)	(5,920)
LKS-AP-077	Boston Red Sox	(60,475)	(17,150)	(21,725)	(30,100)	(129,450)
SubTotal FERC Account Errors		(60,692)	(17,203)	(24,133)	(33,775)	(135,803)
Total AP Under \$1 Million Errors		140,476	24,510	4,011	(101,625)	67,372

³³ An example of missing support can be found in Questionnaire LKS-MM-262.

The net error as a result of improper cost allocation to the New York utilities (KEDLI, KEDNY, and NIMO) is \$203,175 and is (\$135,803) for improper FERC account recording for the 20 month period in which we sampled transactions, covering the test period of the three entities.

For the 12-month test period that applied to the respective individual utilities, the net error as a result of improper cost allocation to the New York utilities was (\$2,851).

Table 7-17 – LKS Testing - Random Accounts Payable Cost Direction and FERC Account Errors (12-Month GL Adjustment)

Legacy KeySpan AP Under \$1 Million Sample - Cost Direction Errors 12-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-AP-019	Pro Unlimited	-	394	-	-	394
LKS-AP-034	Factory Mutual Insurance Company	-	-	-	-	-
LKS-AP-061	Fiserv	-	-	-	-	-
LKS-AP-066	American Red Cross Onondaga-oswego	-	30,883	-	-	30,883
LKS-AP-079	Venable LLP	-	1,623	(545)	(1,151)	(73)
LKS-AP-091	Lbi Us Llc	44,803	10,977	(16,494)	(26,806)	12,480
LKS-AP-094	Greater Boston Chamber of Commerce	-	-	(686)	(1,083)	(1,769)
LKS-AP-103	United Way of Long Island	-	(2,164)	-	-	(2,164)
LKS-AP-108	Foley & Lardner LLP	-	-	-	(25,399)	(25,399)
LKS-AP-161	Pro Unlimited	-	-	-	-	-
SubTotal Cost Direction Errors		44,803	41,713	(17,726)	(54,439)	14,352
Legacy KeySpan AP Under \$1 Million Sample - FERC Account Errors 12-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-AP-019	Pro Unlimited	-	(53)	-	-	(53)
LKS-AP-025	Brooklyn Center for the Urban Environment	-	-	-	-	-
LKS-AP-077	Boston Red Sox	-	(17,150)	-	-	(17,150)
SubTotal FERC Account Errors		-	(17,203)	-	-	(17,203)
Total AP Under \$1 Million Errors		44,803	24,510	(17,726)	(54,439)	(2,851)

Finally, the impact of the estimated errors on the cost of service discovered through our testing procedures is shown in the table below.

Table 7-18 – LKS Testing - Random Accounts Payable Cost Direction and FERC Account Errors (COS Adjustment)

Legacy KeySpan AP Under \$1 Million Sample - Cost Direction Errors Cost-of-Service Adjustment to NY Utilities						
Selection	Vendor	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-AP-019	Pro Unlimited	-	295	-	-	295
LKS-AP-034	Factory Mutual Insurance Company	-	-	-	-	-
LKS-AP-061	Fiserv	-	-	-	-	-
LKS-AP-066	American Red Cross Onondaga-oswego	-	-	-	-	-
LKS-AP-079	Venable Llp	-	1,623	(545)	(1,151)	(73)
LKS-AP-091	Lbi Us Llc	44,803	10,977	(16,494)	(26,806)	12,480
LKS-AP-094	Greater Boston Chamber of Commerce	-	-	(686)	(1,083)	(1,769)
LKS-AP-103	United Way of Long Island	-	-	-	-	-
LKS-AP-108	Foley & Lardner Llp	-	-	-	(3,810)	(3,810)
LKS-AP-161	Pro Unlimited	-	-	-	-	-
SubTotal Cost Direction Errors		44,803	12,896	(17,726)	(32,849)	7,124
Legacy KeySpan AP Under \$1 Million Sample - FERC Account Errors Cost-of-Service Adjustment to NY Utilities						
Selection	Vendor	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-AP-019	Pro Unlimited	-	(53)	-	-	(53)
LKS-AP-025	Brooklyn Center for the Urban Environment	-	-	-	-	-
LKS-AP-077	Boston Red Sox	-	(17,150)	-	-	(17,150)
SubTotal FERC Account Errors		-	(17,203)	-	-	(17,203)
Total AP Under \$1 Million Errors		44,803	(4,307)	(17,726)	(32,849)	(10,079)

Below is a summary of the nature of the error for each of the 13 transactions.

AP Sample Cost Direction Errors

- LKS-AP-019³⁴ – The vendor in this transaction is PRO Unlimited. The time period of the transaction is April 2010. This transaction involves the electronically invoiced cost of many contractors that worked for the US National Grid companies. Overland randomly selected 14 individual contractors listed in the detail of this invoice; and determined if the cost to provide their services was properly allocated to the operating affiliates, and recorded in the proper FERC account. For the 14 contractors selected, three of them had their service costs misallocated based on the company response to Overland's inquiries. A contractor had her contractor cost allocated to all Legacy KeySpan and National Grid companies; while it should have been allocated 50% to all New York regulated companies, 40% to all New England companies, and

³⁴ LKS-AP-019 and LKS-AP-161 dealt with invoices for contractor services. Each invoice contained costs for dozens of contractors. Due to time constraints, Overland chose to test a subsample of 20 contractors between the two invoices for proper cost allocation and proper FERC account distribution. Overland pro-rated the quantity sampled between the two transactions based on the amount of the invoices.

10% to all New England Power affiliates. Another contractor had his contractor costs allocated directly to New England Power; when it should have been allocated to the Niagara Mohawk affiliates. Another contractor had her contractor costs allocated to the Legacy KeySpan Electric companies. Instead, those contractor costs should have been allocated to all Legacy KeySpan and National Grid companies. Overland aggregated the contractor cost errors for this transaction and recorded them in total for presentation purposes. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LKS-AP-034 – The vendor in this transaction is Factory Mutual Insurance Co. The time period of the transaction is December 2008. This transaction was to extend the Legacy KeySpan property insurance coverage for an additional month before syncing with National Grid’s global insurance. This transaction contained three different lines of accounting. All three had cost direction errors. The first line containing \$1,360 of the transaction cost was allocated to all KeySpan companies except KeySpan Electric (LIPA). The amount should have been allocated to KeySpan Services, Inc. The second line containing \$127,199 was not allocated from the service company. It should have been allocated to all Legacy KeySpan energy delivery companies. The third line containing \$42,753 of the transaction cost was not allocated from the service company. It should have been allocated to Ravenswood. Overland aggregated the line item costs errors for this transaction and recorded them in total for presentation purposes. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-AP-061 – The vendor in this transaction is FISERV. The time period of the transaction is May 2010. This transaction relates to the maintenance expense on the Checkfree system, which processes the cash payments for direct pay customers. The cost for this transaction was allocated to all Legacy KeySpan operating affiliates serving customers. However, as the system is used by KEDLI and KeySpan Electric, it should have been allocated only to those operating affiliates. Overland calculated an estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-AP-066 – The vendor in this transaction is the American Red Cross Onondaga-Oswego. The time period of the transaction is January 2010. This transaction is a charitable donation to the American Red Cross in upstate New York (Niagara Mohawk service territory). The cost for this transaction was originally allocated to all Legacy KeySpan and National Grid companies. The cost should have been allocated to the Niagara Mohawk affiliates as the donation was to the upstate New York branch of the American Red Cross. Overland calculated an estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-AP-079 – The vendor in this transaction is Venable LLP. The time period of the transaction is June 2009. This transaction is for a payment to the vendor for providing environmental counseling to National Grid. The cost of the transaction was directly allocated to KEDLI, KEDNY,

Colonial Lowell Gas, Colonial Cape Gas, Energy North, and Boston Gas. The National Grid legal department determined that a better allocation of the costs would have been to use an allocation code that would distribute the cost to all National Grid gas companies. Overland calculated an estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LKS-AP-091 – The vendor in this transaction is LBI US LLC. The time period of the transaction is June 2009. This transaction is for a payment to the vendor for assisting National Grid with the definition of a strategy for a global intranet. The cost of the transaction was allocated to all Legacy KeySpan companies. However, the global intranet was meant to be used by both KeySpan and National Grid affiliates and should have been allocated to them. Overland calculated an estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-AP-094 – The vendor in this transaction is the Greater Boston Chamber of Commerce. The time period of the transaction is January 2009. The transaction is a payment for annual dues and membership for a former employee. The costs were originally distributed to all KeySpan gas companies. However, the company stated (and Overland agrees) that this transaction has little benefit for the KeySpan New York gas utilities. Therefore, a more appropriate allocation would be to distribute the cost only to the Legacy KeySpan Massachusetts gas companies. Overland calculated an estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-AP-103 – The vendor in this transaction is the United Way of Long Island. The time period of the transaction is March 2010. This transaction is for a charitable donation to the Long Island Chapter of the United Way. The cost of the transaction was originally allocated to all Legacy KeySpan and National Grid companies. The company acknowledges that the original cost allocation was not correct and that it should have been directly allocated to KEDLI. Overland calculated an estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-AP-108 – The vendor in this transaction is Foley & Lardner LLP. The time period of the transaction is July 2009. This transaction is for payment of legal services from the vendor in connection with the Everett MGP site. The cost of the transaction was originally allocated directly to KEDNY. However, the Everett MGP site is located within the Boston Gas service territory. The company noted this and explained that the legal costs were not for the MGP site; it was for the Everett non-MGP site. As a result, the cost should have been directly allocated to KeySpan New England LLC. Overland calculated an estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LKS-AP-161 – The vendor in this transaction is PRO Unlimited. The time period of the transaction is October 2008. This transaction involves the invoiced cost of many contractors that worked for the US National Grid companies. Overland randomly selected six individual contractors listed in the detail of this invoice and determined if the cost to provide their services was properly allocated to the operating affiliates and recorded in the proper FERC account. For the six contractors selected, two of them had their service costs misallocated based on the company response to Overland’s inquiries. Contractor Richard James had his contractor cost allocated to all Legacy KeySpan companies when it should have been allocated to KEDLI and KEDNY. Contractor Christopher Kuhlmeier had his contractor cost allocated to all Legacy KeySpan companies when it should have been allocated to all Legacy KeySpan gas affiliates. Overland aggregated the contractor costs errors for this transaction and recorded them in total for presentation purposes. National Grid agrees that an error was made and the adjustment described above is reasonable.

AP Sample FERC Account Errors

- LKS-AP-19 - The vendor in this transaction is PRO Unlimited. The time period of the transaction is April 2010. This transaction involves the invoiced cost of many contractors that worked for the US National Grid companies. One such contractor that Overland tested in a subsample to determine whether the proper FERC account was used to record the cost was hired to support the Federal Affairs department and her contractor costs should have been recorded in FERC account 426.1 instead of 921 where office supplies and expenses are recorded or Account 923 where contractor services costs are recorded. Overland documented the error to remove her costs from the cost of service and place it below the line. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-AP-025 - The vendor in this transaction is the Brooklyn Center for the Urban Environment. The time period of the transaction is December 2008. This transaction was for the payment of a sponsorship of environmental educational programs at the Brooklyn Center for the Urban Environment. The FERC account that was charged for this transaction was 921, the Office Supplies and Expenses account. The appropriate FERC account to be charged would be 426.1, since it is intended to include all payments or donations for charitable, social or community welfare purposes. Overland documented the error to remove the amount from the cost of service and place it below the line. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-AP-077 – The vendor in this transaction is the receiver of a National Grid sponsorship. The time period of the transaction is April 2010. This transaction was for the 2010 National Grid sponsorship, which included advertising and other benefits. The cost of this sponsorship was recorded in FERC Account 921, Office Supplies and Expenses. The cost should have been recorded outside of the cost of service (below the line) in account 426.5, which is meant to include other miscellaneous expenses which are non-operating in nature, but which are properly

deductible before determining total income before interest charges.³⁵ National Grid agrees that an error was made and the adjustment described above is reasonable.

AP Sample Unsupported Transactions

Table 7-19 – LKS Testing - Random Accounts Payable Unsupported Items (20-Month GL Adjustment)

Legacy KeySpan AP Sample - Unsupported Transactions 20-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-AP-010	Tierney & Courtney	(163)	(40)	(51)	(70)	(323)
LKS-AP-029	Bank One Na	-		(30)		(30)
LKS-AP-033	Phh Vehicle Management Services	(97,622)	(23,918)	(30,800)	(47,712)	(200,052)
LKS-AP-059	Eastern Locating Services	-				-
LKS-AP-084	Securitron Systems Inc d/b/a S-tron Security Electronics	-		(1,162)		(1,162)
LKS-AP-093	Mullen Communications Inc	-	(173,500)			(173,500)
LKS-AP-102	Cablevision Lightpath Inc	-		(1,711)	(3,311)	(5,022)
LKS-AP-109	Pitney Bowes Global Financial Services Llc	-				-
LKS-AP-113	Marsh Usa Inc	(118,560)	(28,535)	(36,168)	(54,647)	(237,910)
LKS-AP-118	Integralis Inc	(15,028)	(3,682)	(4,741)	(7,345)	(30,796)
LKS-AP-133	A F Supply	-			(3,466)	(3,466)
LKS-AP-150	Bank One Na	(48,131)	(11,793)	(15,185)	(23,524)	(98,632)
LKS-AP-163	Nec Corporation Of America	(78,350)	(19,197)	(24,719)	(38,294)	(160,560)
LKS-AP-165	Mcs Calibration Inc	-		(738)	(1,619)	(2,357)
LKS-AP-171	Microstrategy	(780)	(735)	(1,428)	(2,263)	(5,205)
TOTAL		(358,634)	(261,399)	(116,733)	(182,251)	(919,017)

There are 15 accounts payable transactions that were classified as unsupported. They totaled (\$919,017). For the twenty months encompassing our test period, the amount classified as unsupported for KEDLI and KEDNY is (\$116,733) and (\$182,251), respectively. The amount classified as unsupported for NIMO electric and gas utilities are (\$358,634) and (\$261,399), respectively.

³⁵ Overland notes that this transaction contained a cost direction error as well. It was allocated to all gas and electric distribution companies for legacy Keyspan and National Grid. Alternatively, we could allocate the amount to the legacy Keyspan New England companies. Correcting this error would have also completely removed all amounts from the cost of service for the New York utilities, which had the same result as correcting the FERC account error. To avoid removing twice this amount from the New York utilities cost of service, Overland did not to document the cost direction error for this transaction.

Table 7-20 – LKS Testing - Random Accounts Payable Unsupported Items (12-Month GL Adjustment)

Legacy KeySpan AP Sample - Unsupported Transactions 12-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-AP-010	Tierney & Courtney	-	(40)	-	-	(40)
LKS-AP-029	Bank One Na	-	-	-	-	-
LKS-AP-033	Phh Vehicle Management Services	-	(23,918)	-	-	(23,918)
LKS-AP-059	Eastern Locating Services	-	-	-	-	-
LKS-AP-084	Securiton Systems Inc d/b/a S-tron Security Electronics	-	-	(1,162)	-	(1,162)
LKS-AP-093	Mullen Communications Inc	-	-	-	-	-
LKS-AP-102	Cablevision Lightpath Inc	-	-	(1,711)	(3,311)	(5,022)
LKS-AP-109	Pitney Bowes Global Financial Services Llc	-	-	-	-	-
LKS-AP-113	Marsh Usa Inc	(118,560)	-	-	-	(118,560)
LKS-AP-118	Integralis Inc	-	(3,682)	-	-	(3,682)
LKS-AP-133	A F Supply	-	-	-	(3,466)	(3,466)
LKS-AP-150	Bank One Na	(48,131)	(11,793)	(15,185)	(23,524)	(98,632)
LKS-AP-163	Nec Corporation Of America	-	(19,197)	-	-	(19,197)
LKS-AP-165	Mcs Calibration Inc	-	-	-	-	-
LKS-AP-171	Microstrategy	(780)	(735)	(1,428)	(2,263)	(5,205)
TOTAL		(167,471)	(59,364)	(19,486)	(32,563)	(278,884)

During the KEDLI and KEDNY test year, calendar year 2009, the amount of the adjustments for KEDLI and KEDNY are (\$19,486), and (\$32,563), respectively. The amount classified as unsupported for NIMO electric and gas utilities during their respective test years are (\$167,471) and (\$59,364), respectively.

Table 7-21 – LKS Testing - Random Accounts Payable Unsupported Items (COS Adjustment)

Legacy KeySpan AP Sample - Unsupported Transactions Cost-of-Service Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-AP-010	Tierney & Courtney	-	(30)	-	-	(30)
LKS-AP-029	Bank One Na	-	-	-	-	-
LKS-AP-033	Phh Vehicle Management Services	-	(17,939)	-	-	(17,939)
LKS-AP-059	Eastern Locating Services	-	-	-	-	-
LKS-AP-084	Securitron Systems Inc d/b/a S-tron Security Electronics	-	-	(174)	-	(174)
LKS-AP-093	Mullen Communications Inc	-	-	-	-	-
LKS-AP-102	Cablevision Lightpath Inc	-	-	(1,710)	(3,311)	(5,021)
LKS-AP-109	Pitney Bowes Global Financial Services Llc	-	-	-	-	-
LKS-AP-113	Marsh Usa Inc	(88,920)	-	-	-	(88,920)
LKS-AP-118	Integralis Inc	-	(552)	-	-	(552)
LKS-AP-133	A F Supply	-	-	-	(3,466)	(3,466)
LKS-AP-150	Bank One Na	(36,098)	(8,844)	(11,389)	(17,643)	(73,974)
LKS-AP-163	Nec Corporation Of America	-	(2,880)	-	-	(2,880)
LKS-AP-165	Mcs Calibration Inc	-	-	-	-	-
LKS-AP-171	Microstrategy	(585)	(551)	(1,071)	(1,697)	(3,904)
TOTAL		(125,603)	(30,796)	(14,344)	(26,116)	(196,860)

Finally, the adjustment for the cost of service for the test years of each of the respective operating entities is shown above. Below is a description of the Accounts Payable transactions that we sampled that we considered unsupported.

- LKS-AP-010 – The vendor in this transaction is Tierney & Courtney. The time period of the transaction is April 2010. This transaction is for payment to the vendor for repair and replacement of overhead doors. National Grid did not provide an invoice or any other supporting documentation for this transaction to determine whether the cost direction was appropriate or whether the proper FERC account was used to record the charge.
- LKS-AP-029 – The vendor in this transaction is Bank One NA. The time period of the transaction is February 2010. This transaction contains a month of Purchasing Card (P-Card) expense activity from all National Grid P-Card holders. In order to get a better understanding of the underlying transactions that make up this P-Card payment, Overland performed a detailed test on a small sub-sample (10) of the underlying transactions that make up this entire transaction. Overland found that National Grid was not able to trace individual charges associated with one line in the accounting string back to a P-Card statement. As such, Overland cannot verify the proper cost direction or FERC account for this transaction.
- LKS-AP-033 – The vendor in this transaction is PHH Vehicle Management Services. The time period of the transaction is January 2010. This transaction is for the payment to the vendor for

leased service company vehicles. In order to get a better understanding of the underlying vehicle leases, Overland performed a detailed test on a small sub-sample (10) of the underlying leases that make up this entire transaction. Overland reviewed several of the lease agreements that the Company provided. The Company was unable to provide documentation showing which service company department(s) used the vehicles in our sub-sample. As a result, Overland could not determine whether the lease expense was properly distributed to the operating companies that were to receive the benefit of using the vehicles. Furthermore, the amount for the transaction in the general ledger did not reconcile to the invoice that was provided as supporting documentation. As such, Overland concluded that the transaction is unsupported.

- LKS-AP-059 – The vendor in this transaction is Eastern Locating Services. The time period of the transaction is January 2010. This transaction involves a payment to the vendor for mark out services for underground facilities. National Grid stated that there is no invoice documentation associated with this transaction, as it could not be retrieved by the business and one was not readily available in the Accounts Payable Imaging system. Since there is no external evidence of where the charge should be allocated, Overland could not determine whether the cost was allocated correctly or whether the FERC account used to record the transaction was correct.
- LKS-AP-084 – The vendor in this transaction is Securitron System Inc. The time period of the transaction is July 2009. This transaction involves a payment to the vendor for the installation of access control at the DSNY Roslyn facility. No supporting documentation was provided for this transaction. As such, Overland could not determine whether the cost was allocated correctly or whether the FERC account used to record the transaction was correct.
- LKS-AP-093 – The vendor in this transaction is Mullen. The time period of the transaction is July 2009. This transaction involves a payment to the vendor for a self-mailer to persuade low use gas customers to convert to gas heating. The company could not verify the proper cost allocation for this transaction because the individual that did the allocation was no longer with the company at the time the transaction was tested by Overland. National Grid did note that the original allocation used to record this transaction was likely not appropriate.
- LKS-AP-102 – The vendor in this transaction is Cablevision Lightpath Inc. The time period of the transaction is August 2009. This transaction involves a payment to the vendor for services on the computer network for National Grid. National Grid provided as supporting documentation a screenshot of the invoice and payment information from Oracle. Although an Information Services Manager provided Overland with an explanation for the cost direction applied to this transaction, National Grid could not provide any support to verify his explanation.
- LKS-AP-109 – The vendor in this transaction is Pitney Bowes Global Financial Services LLC. The time period of the transaction is June 2009. This transaction involves a payment for a National

Grid initiated deposit for postage for outbound retail customer bills/letters made in June 2009. National Grid states that the postage deposit was for KeySpan New England gas mailings. However, National Grid also stated that there is no specific documentation used by either the Company or Pitney Bowes that states the specific amounts that should be charged to each project and corresponding affiliates. Therefore, Overland cannot independently verify that the proper cost allocation was used.

- LKS-AP-113 – The vendor in this transaction is Marsh USA Inc. The time period of the transaction is October 2008. This transaction involves excess workers' compensation insurance for legacy KeySpan companies. National Grid stated that the insurance premium amount was based on a manual allocation of premium based on the number of employees a specific point in time. National Grid could not identify the date of the employee counts used to allocate the insurance premium. Therefore, Overland could not verify that the allocation of the premium to the operating affiliates was appropriate.
- LKS-AP-118 – The vendor in this transaction is Integralis. The time period of the transaction is March 2010. This transaction involves a payment to the vendor for information services hardware, which included blade servers to support the Northboro renovation project. National Grid explained that the costs were originally recorded to Massachusetts Electric Company, where it is depreciated. However, that depreciation expense is billed back to the legacy National Grid Service Company, where the expense is distributed based on a historical designation of the entities receiving the underlying benefit. Overland requested to see the historical designation and National Grid was unable to provide it. Therefore, Overland could not verify that the depreciation expense was being allocated appropriately to the operating affiliates.
- LKS-AP-133 – The vendor in this transaction is A F Supply. The time period of the transaction is November 2009. This transaction was a payment to the vendor for the purchase of a boiler. National Grid provided some documentation for the transaction. However, there was nothing on the invoice or brochure to disclose who the marketing campaign is for or where the boiler was shipped to determine who will use it. Thus, Overland cannot independently verify the proper cost allocation for this charge.
- LKS-AP-150 – The vendor in this transaction is Bank One NA. The time period of the transaction is July 2009. This transaction contains a month of P-Card expenses from all National Grid P card holders. In order to get a better understanding of the underlying transactions that make up this P-Card payment, Overland performed a detailed test on a small sub-sample (10) of the underlying transactions that make up this entire transaction. Overland found that National Grid was not able to trace individual charges associated with one line in the accounting string back to a P-Card statement. As such, Overland cannot verify the proper cost direction or FERC account for this transaction.

- LKS-AP-163 – The vendor in this transaction is NEC Unified Solutions Inc. The time period of the transaction is February 2010. This transaction was for payment of network switches and related hardware for the Northboro Project. National Grid explained that the costs were originally recorded to Massachusetts Electric Company where it was depreciated. However, that depreciation expense is billed back to the legacy National Grid Service Company where the expense is distributed based on a historical designation of the entities receiving the underlying benefit. Overland requested to see the historical designation, which National Grid was unable to provide. As such, Overland could not verify that the depreciation expense was being allocated appropriately to the operating affiliates.
- LKS-AP-165 – The vendor in this transaction is MCS Calibration Inc. The time period of the transaction is February 2010. This transaction was a payment to the vendor for calibration and repair services of pressure gauges for KEDNY and KEDLI. National Grid did not provide Overland any supporting documentation for this transaction. The company stated that an invoice could not be retrieved by the vendor, nor was one readily available in the Accounts Payable system. As such, Overland was not able to independently verify the company's allocation of costs in this transaction.
- LKS-AP-171 – The vendor in this transaction is Microstrategy. The time period of the transaction is September 2009. This transaction is a payment to the vendor for three user licenses for three different groups that use the Microstrategy software. The company did not provide an invoice or any other supporting documentation for this transaction. Therefore, Overland could not independently verify that the transaction was allocated appropriately and recorded to the proper FERC account.

Results from Legacy KeySpan Payroll Testing

We tested 153 payroll selections by going through the process described above. Overland discovered 19 errors in cost direction and one error in recording to the proper FERC account.

Table 7-22 – LKS Testing - Payroll Cost Direction and FERC Account Errors (20 Month GL Adjustment)

Legacy KeySpan Payroll Sample - Cost Direction Errors 20-Month GL Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-PR-001	2,150	710	(520)	(1,007)	1,334
LKS-PR-011	(3,672)	(1,034)	2,629	4,364	2,286
LKS-PR-013	-	3,100	(1,156)	(1,892)	51
LKS-PR-025	-	3,805	(1,419)	(2,323)	63
LKS-PR-063	7,803	1,912	(1,647)	(4,105)	3,963
LKS-PR-072	-	-	(1,901)	(3,434)	(5,336)
LKS-PR-081	822	271	(1,465)	(618)	(990)
LKS-PR-084	-	-	-	(13,288)	(13,288)
LKS-PR-094	-	-	-	(7,711)	(7,711)
LKS-PR-101	-	-	(2,641)	(4,170)	(6,811)
LKS-PR-104	-	-	(1,732)	(2,766)	(4,498)
LKS-PR-107	4,337	1,057	(1,836)	(2,687)	871
LKS-PR-111	-	-	(4,002)	-	(4,002)
LKS-PR-114	6,439	-	(2,604)	(4,078)	(243)
LKS-PR-118	3,571	859	1,089	(14,212)	(8,692)
LKS-PR-120	2,309	563	(844)	(1,269)	759
LKS-PR-123	-	(1,665)	(2,015)	(3,218)	(6,898)
LKS-PR-140	1,370	849	(254)	(380)	1,584
LKS-PR-146	4,263	872	(1,497)	(2,706)	932
SubTotal Cost Direction Errors	29,392	11,300	(21,815)	(65,501)	(46,623)
Legacy KeySpan Payroll Sample - FERC Account Errors 20-Month GL Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-PR-097	-	-	(1,522)	(2,424)	(3,947)
SubTotal FERC Account Errors	-	-	(1,522)	(2,424)	(3,947)
Total Payroll Sample Errors	29,392	11,300	(23,337)	(67,925)	(50,570)

The net error as a result of improper cost allocation to the New York utilities (KEDLI, KEDNY, and NIMO) is (\$46,623) and is (\$3,947) for improper FERC account recording for the 20 month period in which we sampled transactions, covering the test period of the three entities.

In the 12-month test period that applied to the respective individual utilities, the net error as a result of improper cost allocation to the New York utilities is (\$24,371) and is (\$3,947) for improper FERC account recording . See table below.

Table 7-23 – LKS Testing - Payroll Cost Direction and FERC Account Errors (12-Month GL Adjustment)

Legacy KeySpan Payroll Sample - Cost Direction Errors 12-Month GL Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-PR-001	2,150	710	(520)	(1,007)	1,334
LKS-PR-011	-	(1,034)	-	-	(1,034)
LKS-PR-013	-	-	-	-	-
LKS-PR-025	-	3,805	(1,419)	(2,323)	63
LKS-PR-063	-	1,912	-	-	1,912
LKS-PR-072	-	-	(1,901)	(3,434)	(5,336)
LKS-PR-081	822	-	(1,465)	(618)	(1,262)
LKS-PR-084	-	-	-	(13,288)	(13,288)
LKS-PR-094	-	-	-	-	-
LKS-PR-101	-	-	(2,641)	(4,170)	(6,811)
LKS-PR-104	-	-	(1,732)	(2,766)	(4,498)
LKS-PR-107	-	1,057	-	-	1,057
LKS-PR-111	-	-	(4,002)	-	(4,002)
LKS-PR-114	6,439	-	(2,604)	(4,078)	(243)
LKS-PR-118	3,571	-	-	-	3,571
LKS-PR-120	2,309	-	(844)	(1,269)	196
LKS-PR-123	-	(1,665)	-	-	(1,665)
LKS-PR-140	1,370	-	-	-	1,370
LKS-PR-146	4,263	-	-	-	4,263
SubTotal Cost Direction Errors	20,924	4,786	(17,128)	(32,953)	(24,371)
Legacy KeySpan Payroll Sample - FERC Account Errors 12-Month GL Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-PR-097	-	-	(1,522)	(2,424)	(3,947)
SubTotal FERC Account Errors	-	-	(1,522)	(2,424)	(3,947)
Total Payroll Sample Errors	20,924	4,786	(18,651)	(35,377)	(28,318)

Finally, in the table below, the cost of service adjustment is shown for each of the operating entities for each of their respective test year periods.

Table 7-24 – LKS Testing - Payroll Cost Direction and FERC Account Errors (COS Adjustment)

Legacy KeySpan Payroll Sample - Cost Direction Errors Cost-of-Service Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-PR-001	2,150	710	(520)	(1,007)	1,334
LKS-PR-011	-	(1,034)	-	-	(1,034)
LKS-PR-013	-	-	-	-	-
LKS-PR-025	-	3,805	(1,419)	(2,323)	63
LKS-PR-063	-	1,912	-	-	1,912
LKS-PR-072	-	-	(1,901)	(3,434)	(5,336)
LKS-PR-081	822	-	(1,465)	(618)	(1,262)
LKS-PR-084	-	-	-	(13,288)	(13,288)
LKS-PR-094	-	-	-	-	-
LKS-PR-101	-	-	(2,641)	(4,170)	(6,811)
LKS-PR-104	-	-	(1,732)	(2,766)	(4,498)
LKS-PR-107	-	1,057	-	-	1,057
LKS-PR-111	-	-	(4,002)	-	(4,002)
LKS-PR-114	6,439	-	(2,604)	(4,078)	(243)
LKS-PR-118	3,571	-	-	-	3,571
LKS-PR-120	2,309	-	(844)	(1,269)	196
LKS-PR-123	-	(1,249)	-	-	(1,249)
LKS-PR-140	1,370	-	-	-	1,370
LKS-PR-146	4,263	-	-	-	4,263
SubTotal Cost Direction Errors	20,924	5,202	(17,128)	(32,953)	(23,955)
Legacy KeySpan Payroll Sample - FERC Account Errors Cost-of-Service Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-PR-097	-	-	(1,522)	(2,424)	(3,947)
SubTotal FERC Account Errors	-	-	(1,522)	(2,424)	(3,947)
Total Payroll Sample Errors	20,924	5,202	(18,651)	(35,377)	(27,902)

Below is a summary of the nature of the error for each of the 20 transactions.

Payroll Cost Direction Errors³⁶

- LKS-PR-001 – This transaction covered the payroll costs for a certain employee for the month of July 2009. His job responsibilities were to support the Midrange Unix and Storage business units, which benefitted all operating affiliates of both Legacy KeySpan and legacy National Grid. His payroll costs were allocated based on number of employees, some to all Legacy KeySpan

³⁶ Overland calculated the amount of payroll burdens (payroll taxes, health care premiums, retirement fund costs, etc.) and added it to the cost of direct employee standard and overtime pay to reach the “loaded” payroll cost that would be in error in a given transaction.

companies, and the rest to only KeySpan Delivery companies. Based on the his job responsibilities, his payroll costs should have been allocated to all Legacy KeySpan and legacy National Grid operating affiliates. Overland calculated an estimated error to correct the allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LKS-PR-011 - This transaction covered the payroll costs for a certain employee for the month of March 2010. Her job responsibilities were invoicing for Customer & Markets as a backup to an absent co-worker. Her current supervisor stated that during this period her work benefitted KEDLI, KEDNY, and the KeySpan New England gas companies. However, her payroll costs were distributed to all gas and electric companies using allocation code G5800. The proper allocation was to all Legacy KeySpan gas companies. Overland calculated an estimated error to correct the allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-PR-013 - This transaction covered the payroll costs for a certain employee for the month of October 2008. His primary responsibility was to oversee the management of National Grid's energy portfolio. The company reported that his time was close to equally split between the National Grid gas companies and electric generation serving Long Island. The work that he did for the gas companies was erroneously charged to only the KeySpan gas companies. The more appropriate allocation was all KeySpan and National Grid gas companies. Overland calculated an estimated error to correct the allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-PR-025 - This transaction covered the payroll costs for a certain employee for the month of June 2009. His payroll costs were misallocated here in the same manner as they were for transaction LKS-PR-013. See the description of the allocation error for the above transaction. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-PR-063 - This transaction covered the payroll costs for a certain employee for the month of March 2010. He worked on the IS Transformation Project, specifically concentrating on the Enterprise Services work stream. His normal work duties included working for Data Center Operations. His work for the IS Transformation Project was erroneously allocated to only the energy delivery companies for both KeySpan and National Grid. His payroll costs should have been allocated to all KeySpan and National Grid operating affiliates. Overland calculated an estimated error to correct the allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-PR-072 - This transaction covered the payroll costs for a certain employee for the month of February 2009. Her responsibilities during this period were involvement in the discipline, grievance and arbitration process and negotiated special agreements with IBEW Local 1049 on

behalf of the Electric T&D organization. Her payroll costs were erroneously allocated to a mixture of Legacy KeySpan companies. Her payroll costs should have been allocated directly to KeySpan Electric Services (LIPA). Overland calculated an estimated error to correct the allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LKS-PR-081 - This transaction covered the payroll costs for a certain employee for the month of May 2009. She had administrative responsibilities in Integrated Health Management that reached across all US National Grid companies. Her payroll costs were only allocated partially to the Legacy KeySpan companies and partially to the Long Island companies. All of her payroll costs should have been allocated to all Legacy KeySpan and National Grid affiliates. Overland calculated an estimated error to correct the allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-PR-084 - This transaction covered the payroll costs for a certain employee for the month of April 2009. Her responsibilities for this period were handling multi-channel customer contacts. A portion of her payroll costs for this period were allocated to KEDNY and the KeySpan northeast gas companies, and the rest went to only the KeySpan northeast gas companies. The company stated that based on her work for this period all of her payroll costs should have been allocated to only the KeySpan northeast companies. Overland calculated an estimated error to correct the allocation of the payroll costs that were originally allocated to KEDNY and the KeySpan northeast gas companies. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-PR-094 - This transaction covered the payroll costs for a certain employee for the month of October 2008. Her responsibilities were providing guidance, development and coaching of the call center representatives for the KeySpan New England gas companies. Her payroll costs were originally allocated to KEDNY and the KeySpan New England companies. Since she worked at the Waltham Call Center, which did not support KEDNY customers, her payroll costs should have been allocated to the KeySpan northeast gas companies. Overland calculated an estimated error to correct the allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-PR-101 - This transaction covered the payroll costs for a certain employee for the month of March 2009. Her supervisor states that her responsibilities for this period were providing support for the Massachusetts Electric rate case. However, her payroll costs were mostly allocated to the KeySpan gas companies, with a small portion going directly to Granite State Electric Company. The payroll costs that were allocated to the KeySpan gas companies should have been allocated to Massachusetts Electric Company. Overland calculated an estimated error to correct the allocation for the portion of payroll costs that were allocated to the KeySpan

gas companies. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LKS-PR-104 - This transaction covered the payroll costs for a certain employee for the month of July 2009. He was responsible for retail gas operations in the Rhode Island territory. His payroll costs were erroneously allocated to all Legacy KeySpan and National Grid gas companies. His payroll costs should have been allocated directly to Narragansett Gas, as it serves the Rhode Island territory. Overland calculated an estimated error to correct the allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-PR-107 - This transaction covered the payroll costs for a certain employee for the month of April 2010. She has responsibility as a tactical buyer for the Transaction Delivery Center. Her job duties benefit all US operating affiliates of National Grid. However, her payroll costs were only allocated to the Legacy KeySpan companies. Her payroll costs should have been allocated to all Legacy KeySpan and legacy National Grid operating affiliates. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-PR-111 - This transaction covered the payroll costs for a certain employee for the month of October 2009. She provided major account support for Electric Sales and was a customer energy solutions services employee for both LIPA and KEDLI during this time period. Her payroll costs for both of these activities were misallocated by distributing the costs directly to KEDLI. Her time spent doing work for Electric Sales should have been allocated to KeySpan Electric services, while the time spent doing customer energy solutions tasks should have been allocated to KEDLI and KeySpan Electric Services. Overland calculated an estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-PR-114 - This transaction covered the payroll costs for a certain employee for the month of March 2009. His responsibilities were procuring electrical equipment and material. His job benefitted all US National Grid electric transmission and distribution, LIPA, and National Grid generation facilities. His payroll costs were allocated to all KeySpan energy delivery companies. The company stated that the more appropriate allocation code would have allocated his costs to US National Grid electric distribution, transmission, and generation affiliates. Overland calculated an estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-PR-118 - This transaction covered the payroll costs for a certain employee for the month of November 2008. She was involved with process review with various Customer Financial Services functions. Her responsibilities benefitted all US National Grid operating affiliates. Her payroll costs were allocated directly to KEDNY. Her payroll costs should have been allocated to all Legacy KeySpan and National Grid companies based on her job duties. Overland calculated an

estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LKS-PR-120 - This transaction covered the payroll costs for a certain employee for the month of January 2009. She was a project manager for US and Global Shared Services. Her job duties benefitted all US National Grid companies. Her payroll costs were allocated to all of the KeySpan energy delivery companies. Given her job duties, her payroll costs should have been allocated to all Legacy KeySpan and National Grid companies. Overland calculated an estimated error to correct the original allocation. Overland also notes that some of her payroll costs probably should have been charged to the United Kingdom. Overland chose not to calculate an error for this, as it would have an immaterial effect on the New York utilities. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-PR-123 - This transaction covered the payroll costs for a certain employee for the month of May 2010. Her responsibilities involved rate case support for the KeySpan New England utilities. Her payroll costs were allocated to all Legacy KeySpan and National Grid gas companies. However, her payroll costs should have been allocated based on her job duties to only the Massachusetts and New Hampshire gas utilities. Overland calculated an estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-PR-140 - This transaction covered the payroll costs for a certain employee for the month of November 2008. Her role in the company was as a senior auditor, performing work for all Legacy KeySpan companies. Her payroll costs were allocated to all Legacy KeySpan companies. However, it was noted by the company that she worked 99 hours on tasks benefitting all Legacy KeySpan and National Grid companies and 52 hours on tasks benefitting all gas companies. Overland calculated an estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-PR-146 - This transaction covered the payroll costs for a certain employee for the month of November 2008. His responsibilities included managing the benefit plan designs for all active and retired employees in the United States. His payroll costs were allocated to Legacy KeySpan companies only, as it had not been updated subsequent to the National Grid merger. His payroll costs should have been distributed to all Legacy KeySpan and National Grid operating affiliates. Overland calculated an estimated error to correct the original allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.

Payroll FERC Account Errors

LKS-PR-097 - This transaction covered the payroll costs for a certain employee for the month of July 2009. His responsibilities included managing his team of government relations representatives for New York City and Long Island, as well as interacting with public officials and members of community and

political organizations. His payroll costs were recorded in FERC account 920, where administrative and general salaries are recorded. The expenses in this account are recovered from ratepayers by utilities through their cost of service. As his job duties are civic and political in nature, his payroll costs should not be recovered from ratepayers, but recorded in the 426.4 FERC account for Civic, Political & Related activities. Overland documented this error and included it in the transaction error analysis. National Grid agrees that an error was made and the adjustment described above is reasonable.

Payroll Unsupported Transactions

Table 7-25 – LKS Testing - Payroll Unsupported Items (20 Month GL Adjustment)

Legacy KeySpan Payroll Sample - Unsupported Transactions 20-Month GL Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-PR-024	-	-	(1,962)	(2,118)	(4,080)
LKS-PR-045	-	-	(1,611)	(1,741)	(3,352)
LKS-PR-078	-	-	(923)	(997)	(1,920)
TOTAL	-	-	(4,495)	(4,857)	(9,352)

There are three payroll transactions that were classified as unsupported. They are LKS-PR-024, LKS-PR-045, and LKS-PR-078. For the twenty months encompassing our test period, the amount classified as unsupported for KEDLI and KEDNY is (\$4,495) and (\$4,857), respectively.

Table 7-26 – LKS Testing - Payroll Unsupported Items (12-Month GL Adjustment)

Legacy KeySpan Payroll Sample - Unsupported Transactions 12-Month GL Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-PR-024	-	-	-	-	-
LKS-PR-045	-	-	(1,611)	(1,741)	(3,352)
LKS-PR-078	-	-	(923)	(997)	(1,920)
TOTAL	-	-	(2,534)	(2,738)	(5,272)

However, during the KEDLI and KEDNY test year, calendar year 2009, the amount of the adjustments for KEDLI and KEDNY were (\$2,534), and (\$2,738), respectively.

Table 7-27 – LKS Testing - Payroll Unsupported Items (COS Adjustment)

Legacy KeySpan Payroll Unsupported Transactions Cost-of-Service Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-PR-024	-	-	-	-	-
LKS-PR-045	-	-	(242)	(261)	(503)
LKS-PR-078	-	-	(138)	(150)	(288)
TOTAL	-	-	(380)	(411)	(791)

Finally, the above table shows the estimated adjustment for each operating entity's cost of service within the 12 month test period.

Each of the three unsupported transactions contains payroll costs of an employee working in Plant Accounting. National Grid did a study covering fiscal year 2010 in March 2010 to determine whether Plant Accounting costs were being allocated correctly. The study updated the allocation percentages of each employee that worked in Plant Accounting. These new individual allocation percentages were aggregated to determine the company-wide allocation of Plant Accounting payroll costs. It also found that the Plant Accounting costs were being allocated only to Legacy KeySpan companies, and not to legacy National Grid companies. A correcting journal entry was made in March 2010 that reallocated some of the Plant Accounting cost to legacy National Grid companies. However, in the documentation that was provided as support for that journal entry, it was unclear how the individuals in the Plant Accounting Study developed their percentage allocations. It was also unclear whether the aggregated percentages received by Overland were even used to distribute Plant Accounting cost at any point in time.³⁷ Therefore, based on the responses and documentation received for the Plant Accounting employees tested in these transactions, Overland concluded that the distribution of the costs were unsupported.

Results from Legacy KeySpan Employee Expense Testing

We tested 39 employee expense selections by following the process described above. Overland discovered 12 errors in cost direction, including one involving expatriate expenses.

³⁷ Overland received an email on April 9, 2012 with an Excel spreadsheet attachment containing the individual allocation percentages of the Plant Accounting employees aggregated to an overall allocation percentage distributing the Plant Accounting cost to the benefitting operating affiliates. In this Excel attachment, Cathleen Kabak, Analyst, Decision Support responded as follows: "These [percentages] represent upcoming year recommendation of how to allocate time based on the Memo Tab in the I Codes folder. I'm not sure that these new allocations were ever used since I left the department - I think a new property code may have been developed by this time and was used as an alternative. Why these are different than the prior year's time study I don't know, but the notes on the file say it was adjusted to reflect how time was expected to flow in FY 2011."

Table 7-28 - LKS Testing - Employee Expense Cost Direction Errors (20 Month GL Adjustment)

Legacy KeySpan EE Expense - Cost Direction Errors 20-Month GL Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum of Adjustment Amounts
LKS-EE-001	450	110	(619)	(852)	(911)
LKS-EE-010	-	(140)	(167)	(261)	(568)
LKS-EE-016	172	-	(23)	(36)	113
LKS-EE-021	-	25	30	47	103
LKS-EE-022	-	-	(3)	(50)	(52)
LKS-EE-023	1,811	444	(752)	(1,238)	266
LKS-EE-026	-	295	(110)	(180)	5
LKS-EE-035	-	1,250	(6,204)	2,321	(2,633)
LKS-EE-036	322	66	(0)	(45)	342
LKS-EE-037	-	-	(1,316)	(1,902)	(3,219)
LKS-EE-039	-	-	(1,196)	1,196	-
LKS-EE-040	516	142	176	266	1,100
Total	3,272	2,192	(10,184)	(732)	(5,453)

The net error as a result of improper cost allocation to the New York utilities (KEDLI, KEDNY, and NIMO) is (\$5,453) for employee expenses for the 20 month period in which we sampled transactions, covering the test period of the three entities.

For the 12-month test period that applied to the respective individual utilities, the net error as a result of improper cost allocation to the New York utilities was (\$2,186). See table below.

Table 7-29 – LKS Testing - Employee Expense Cost Direction Errors (12 Month GL Adjustment)

Legacy KeySpan EE Expense - Cost Direction Errors 12-Month GL Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO -gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-EE-001	-	110	-	-	110
LKS-EE-010	-	-	(167)	(261)	(428)
LKS-EE-016	172	-	(23)	(36)	113
LKS-EE-021	-	-	30	47	77
LKS-EE-022	-	-	(3)	(50)	(52)
LKS-EE-023	1,811	444	(752)	(1,238)	266
LKS-EE-026	-	-	(110)	(180)	(290)
LKS-EE-035	-	-	-	-	-
LKS-EE-036	322	-	(0)	(45)	276
LKS-EE-037	-	-	(1,316)	(1,902)	(3,219)
LKS-EE-039	-	-	(1,196)	1,196	-
LKS-EE-040	516	-	176	266	958
Total	2,822	554	(3,361)	(2,202)	(2,186)

Finally, Overland calculated the cost of service adjustment that would be estimated to impact the operating entities during their respective test years. See the table below for the estimates.

Table 7-30 – LKS Testing - Employee Expense Cost Direction Errors (COS Adjustment)

Legacy KeySpan EE Expense - Cost Direction Errors Cost-of-Service Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LKS-EE-001	-	110	-	-	110
LKS-EE-010	-	-	(167)	(261)	(428)
LKS-EE-016	172	-	(23)	(36)	113
LKS-EE-021	-	-	30	47	77
LKS-EE-022	-	-	(3)	(50)	(52)
LKS-EE-023	1,811	444	(752)	(1,238)	266
LKS-EE-026	-	-	(110)	(180)	(290)
LKS-EE-035	-	-	-	-	-
LKS-EE-036	322	-	(0)	(45)	276
LKS-EE-037	-	-	(1,316)	(1,902)	(3,219)
LKS-EE-039	-	-	(179)	179	-
LKS-EE-040	516	-	176	266	958
Total	2,822	554	(2,344)	(3,218)	(2,186)

Below is summarized the nature of the error for each of the 12 transactions.

Non Expat EE Exp Cost Direction Errors

- LKS-EE-001 – This employee incurred expenses during the month of March 2010. The company responded to this employee's expenses in the questionnaire saying that it erroneously allocated the employee's United Kingdom related expenses to the Legacy KeySpan and legacy National Grid companies in the United States. Since this employee charges her time 50% to the United Kingdom and 50% to the United States, her expenses should have been allocated the same way. Instead, the company initially recorded all of the expenses to the United States operating affiliates. National Grid agrees that an error was made and the adjustment described above is reasonable.

In addition, the allocation code used to distribute the United States portion of the employee's expenses was incorrect. The company used an allocation code that distributes the cost to all Legacy KeySpan operating affiliates except, KS Energy Development, KS E&P Joint Venture, THEC and KSE. However, the more appropriate allocation code that should have been used was one that distributes costs to all Legacy KeySpan and legacy National Grid affiliates using the three factor formula.

- LKS-EE-010 – This employee incurred expenses during the month of February 2009. The employee's expenses were for transportation, lodging, and meals related to training on balancing Rhode Island suppliers' gas deliveries. These expenses were distributed to all KeySpan and National Grid gas affiliates. The expenses should have been distributed directly to KeySpan's gas affiliate in Rhode Island, Narragansett Gas. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-EE-016 – This employee incurred expenses during the month of January 2009. This employee's expenses were travel to Albany to meet with the New York Public Service Commission regarding an Article VII transmission siting project for Niagara Mohawk Power Corporation and for a train ticket to a training workshop. These expenses were allocated to all legacy KeySpan companies. The expenses surrounding the transmission siting project for Niagara Mohawk Power Corporation should have been charged to Niagara Mohawk-Transmission. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-EE-021 – This employee incurred expenses during the month of March 2009. The employee's expenses were for various travel expenses for attending National Grid sponsored events and meetings. The employee is part of the Channel Management Group and attends meetings and events on the group's behalf. The Channel Management Group is an enterprise-wide group. The employee changed departments in June 2008 from Community Relations to Channel Management. However, the employee's expenses in March 2009 were still being allocated based on how her payroll costs were distributed prior to June 2008 (to the KeySpan northeast gas companies). The expenses should have been allocated in accordance with the employee's payroll cost subsequent to June 2008: 70% to the KeySpan northeast gas companies; 20% to Narragansett Gas; and 10% to all KeySpan and National Grid gas companies. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-EE-022 – This employee incurred expenses during the month of March 2010. The employee had two separate events where expenses were incurred. The first event involved the employee going to Waltham, MA for a meeting with Corporate Audit. This expense was properly distributed to all KeySpan and National Grid companies, except KeySpan Electric. The second event involved the employee's attendance of a Market Participant Audit Advisory Subcommittee (MPAAS) meeting for the New York State Independent System Operator (NYISO). The employee attended the event as a representative of LIPA. His time should have been allocated directly to LIPA. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-EE-023 – This employee incurred expenses during the month of September 2009. The employee, as the Vice President of Procurement, regularly attended business meetings where

travel to the United Kingdom and China were required. As the most senior corporate official from his department in many of these meetings, his expenses were intended to benefit all KeySpan and National Grid affiliates. However, the employee's expenses were allocated to the KeySpan Energy Delivery companies only. It should have been allocated to all KeySpan and National Grid affiliates as this was the method used to distribute the employee's time (payroll costs). National Grid agrees that an error was made and the adjustment described above is reasonable.

- LKS-EE-026 – This employee incurred expenses during the month of January 2009. The employee incurred expenses by attending various American Gas Association (AGA) and pipeline meetings. The company noted that the expenses for these meetings should be allocated to all National Grid and KeySpan gas affiliates, instead of only the KeySpan gas affiliates. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-EE-035 – This employee incurred expenses during the month of October 2008. The employee incurred expenses while traveling to various meetings related to the gas affiliates. His expenses were originally charged directly to KEDLI, because his former position was the Senior Vice President of LI Gas. His position at the time of incurring the expense was Senior Vice President Maintenance and Construction for all gas affiliates. Thus, his expenses should have been distributed in the same manner as his time (payroll costs). National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-EE-036 – This employee incurred expenses during the month of March 2009. Only a portion of the employee's expense report was misallocated. The employee attended the Buffalo Ethnic Extravaganza. The employee, who was the respondent to the questionnaire, mentioned that the event was "local to employees in the NIMO territory". That statement led Overland to conclude that the expense should be allocated to the NIMO affiliates only, instead of all KeySpan affiliates. Overland identified the error and there was no indication from National Grid whether it agreed or disagreed with Overland's conclusion.
- LKS-EE-037 – This employee incurred expenses during the month of May 2009. The employee incurred expenses while traveling to meetings involving the Massachusetts rate case filing. Her expenses were originally allocated to KEDLI and KEDNY. The company noted that this was an incorrect allocation and that the proper allocation would be to use code G2000, which allocates the expense to Boston and Colonial Gas (both utilities having territory in Massachusetts). National Grid agrees that an error was made and the adjustment described above is reasonable.
- LKS-EE-039 – This employee incurred expenses during the month of February 2009. The employee incurred expenses while traveling to a conference to represent National Grid and participate in educational and training workshops to develop energy efficiency programs to

better serve New York City and Long Island. Her expenses were originally distributed to KEDLI only. It was clear in the questionnaire that the expenses benefitted both KEDLI and KEDNY. Overland redistributed the expenses using the allocation code G0900, which distributes the costs to KEDLI and KEDNY based on the three factor formula. Overland identified the error and National Grid agreed with Overland's conclusion.

- LKS-EE-040 – This employee incurred expenses during the month of February 2009. The employee incurred expenses that related to travel for Human Resources staff meetings. According to the respondent of the questionnaire, the human resources meetings benefitted all of the electric and gas companies. The employee's travel expenses were originally distributed to only the KeySpan Generation companies. The company indicated that the correct allocation should distribute the costs to all gas and electric distribution for both KeySpan and National Grid companies based on number of employees. However, that allocation code did not exist at the time of the transaction, which took place in February 2009. Therefore, Overland chose an alternative allocation code, which also allocates to all gas and electric distribution affiliates for both KeySpan and National Grid, but uses the three point formula as its basis for allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.

Legacy Grid Testing Results

Results from Legacy Grid Accounts Payable Selection Testing (\$1 million and over)

Overland tested 306 high dollar (\$1 million and over) invoice selections. Overland discovered four errors in cost direction.

Table 7-31 - LNG Testing - \$1MM and Over Accounts Payable Cost Direction Errors (20-Month GL Adjustment)

Legacy Grid \$1MM and Over Accounts Payable - Cost Direction Errors 20-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LNG-MM-050	Champion Solutions Group Inc	(\$205,001)	(\$44,805)	\$75,114	\$148,443	(\$26,249)
LNG-MM-181	Midwest Powerline Inc	\$0	\$0	\$0	\$0	\$0
LNG-MM-182	Miller Insurance Services Limited	\$53,478	\$500	(\$15,508)	\$15,317	\$53,787
LNG-MM-241	SAP America Inc	\$0	(\$21,016)	(\$26,894)	(\$52,448)	(\$100,358)
TOTAL OF COST DIRECTION ERRORS		(\$151,524)	(\$65,320)	\$32,711	\$111,312	(\$72,820)

The net error as a result of improper cost allocation to the New York utilities (KEDLI, KEDNY and NIMO) is (\$72,820) for the 20-month period in which we sampled transactions, covering the test period of the entities.

In the 12-month test period that applied to the respective individual utilities, the net error as a result of improper cost allocation to the New York utilities was (\$7,500).³⁸

Table 7-32 - LNG Testing - \$1MM and Over Accounts Payable Cost Direction Errors (12-Month GL Adjustment)

Legacy Grid \$1MM and Over Accounts Payable - Cost Direction Errors 12-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LNG-MM-050	Champion Solutions Group Inc	(205,001)	n/a	75,114	148,443	18,555
LNG-MM-181	Midwest Powerline Inc	-	n/a	-	-	-
LNG-MM-182	Miller Insurance Services Limited	53,478	n/a	(15,508)	15,317	53,286
LNG-MM-241	SAP America Inc	-	n/a	(26,894)	(52,448)	(79,342)
TOTAL OF COST DIRECTION ERRORS		(151,524)	-	32,711	111,312	(7,500)

Finally, Overland calculated the cost of service adjustment that would be estimated to impact the operating entities during their respective test years. See the table below for the estimates.

Table 7-33 - LNG Testing - \$1MM and Over Accounts Payable Cost Direction Errors (COS Adjustment)

Legacy Grid \$1MM and Over Accounts Payable - Cost Direction Errors Cost-of-Service Adjustment to NY Utilities						
Selection	Vendor	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LNG-MM-050	Champion Solutions Group Inc	(\$30,750)	n/a	\$11,267	\$22,267	\$2,783
LNG-MM-181	Midwest Powerline Inc	-	n/a	-	-	\$0
LNG-MM-182	Miller Insurance Services Limited	8,022	n/a	(2,326)	2,297	\$7,993
LNG-MM-241	SAP America Inc	-	n/a	(4,034)	(7,867)	(\$11,901)
TOTAL OF COST DIRECTION ERRORS		(22,729)	-	4,907	16,697	(1,125)

\$1 Million and Over Accounts Payable Cost Direction Errors

- LNG-MM-050 – The vendor in this transaction is Champion Solutions Group. The time period of the transaction is January 2009. Per review of the companies' responses and the support provided, this charge was for project INVP 1389 and the objective of this project was to "to refresh the aged UNIX infrastructure." The company used bill pool 601, which allocates costs to only Legacy Grid companies based on a survey of data center usage. Per review of the "Investment Proposal" paper developed by the company, the cost apportioning was intended to be split between legacy National Grid and legacy KeySpan. Further, it was noted that two of these servers were sent to KeySpan Data Centers. When asked to confirm that KeySpan companies have not benefitted from these servers, the Company stated that "we can give no such assurance." As such, a cost direction error was noted and all-company bill pool 382 was

³⁸ Selections that were outside of the respective New York utilities review period were marked as "n/a."

used as the revised bill pool. The company has admitted that it erred and that the adjustment described above is reasonable.

- LNG-MM-181 – The vendor in this transaction is Midwest Powerline Inc. The time period of the transaction is February 2009. This invoice was a payment to "Midwest Powerline" for distribution line maintenance resulting from an ice storm. This entire invoice amount was directly charged to NIMO-electric distribution even though the work crew had been released from New York and sent to Massachusetts during part of this time period. As such, a cost direction error was noted for the costs not related to NIMO-electric storm restoration activity. This misdirection of costs was also identified in prior audits of National Grid. The company has admitted that it erred and that the adjustment described above is reasonable.
- LNG-MM-182 – The vendor in this transaction is Miller Insurance Services Limited. The time period of the transaction is January 2009 to January 2010. This selection was for the annual insurance premium for Grid's Directors and Officers insurance policy. These costs were split between a PeopleSoft bill pool 380, which allocated costs amongst all Legacy Grid companies based on O&M expense; and Oracle allocation code G0800, which allocates costs amongst all Legacy KeySpan companies based on the 3-factor formula. In order to make the allocation bases between all companies consistent, the company should have utilized bill pool 382, which allocates costs to all Grid companies, both Legacy Grid and Legacy KeySpan, based on O&M expense to distribute these costs. Overland identified the error and developed the revised cost direction. National Grid did not state whether it agreed or disagreed with Overland's conclusion.
- LNG-MM-241 - The vendor in this transaction is SAP America Inc. This payment was to prepay SAP training related to the "Global Transformation Program." This project was ultimately disbanded. A cost direction error was noted, because the costs were entirely written off through bill pool 382, which allocates to only Grid US companies. Instead, the company should have written off a portion of these costs to Grid UK companies. National Grid did not state whether it agreed or disagreed with Overland's conclusion.³⁹

³⁹ Selections LNG-MM-241, LNG-AP-017, LNG-AP-094, and LNG-AP-219 are all charges incurred under project B07030 – *Global EAM/ERP System*. Overland has removed the impact of any errors from this project on the NIMO-electric segment because, per correspondence with the company, the costs of this project were removed from the NIMO-electric cost of service calculation.

\$1 Million and Over Accounts Payable Sample Unsupported Transactions**Table 7-34 - LNG Testing - \$1MM and Over Accounts Payable Unsupported Items (20-Month GL Adjustment)**

Legacy Grid \$1MM and Over Accounts Payable - Unsupported Items 20-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LNG-MM-006	ABB Incorporated	(1,752,300)	-	-	-	(1,752,300)
LNG-MM-019	Bankers Leasing Corporation	(60,038)	(5,517)	-	-	(65,555)
LNG-MM-021	Bankers Leasing Corporation	(76,014)	(6,723)	-	-	(82,737)
LNG-MM-022	Bankers Leasing Corporation	(67,187)	(6,057)	-	-	(73,243)
LNG-MM-023	Bankers Leasing Corporation	(64,164)	(5,828)	-	-	(69,992)
LNG-MM-024	Bankers Leasing Corporation	(60,817)	(5,576)	-	-	(66,393)
LNG-MM-025	Bankers Leasing Corporation	(60,234)	(5,532)	-	-	(65,766)
LNG-MM-026	Bankers Leasing Corporation	(61,837)	(5,653)	-	-	(67,490)
LNG-MM-027	Bankers Leasing Corporation	(60,672)	(5,565)	-	-	(66,237)
LNG-MM-028	Bankers Leasing Corporation	(59,408)	(5,469)	-	-	(64,877)
LNG-MM-110	HSBC Corporate Card Services	(278,516)	(48,439)	(58,704)	(113,539)	(499,198)
LNG-MM-111	HSBC Corporate Card Services	(383,891)	(64,586)	(82,651)	(161,180)	(692,308)
TOTAL OF UNSUPPORTED		(2,985,078)	(164,945)	(141,355)	(274,719)	(3,566,097)

There are 12 accounts payable selections greater than \$1 million that were classified as unsupported. For the 20 months encompassing our test period, the amount classified as unsupported is shown in the table above. These selections were adjusted to include only adjustments within the NY utilities test periods, as shown in the table below.

Table 7-35 - LNG Testing - \$1MM Accounts Payable Unsupported Items (12-Month GL Adjustment)

Legacy Grid \$1MM and Over Accounts Payable - Unsupported Items 12-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LNG-MM-006	ABB Incorporated	(1,752,300)	-	-	-	(1,752,300)
LNG-MM-019	Bankers Leasing Corporation	(60,038)	n/a	-	-	(60,038)
LNG-MM-021	Bankers Leasing Corporation	(76,014)	n/a	n/a	n/a	(76,014)
LNG-MM-022	Bankers Leasing Corporation	(67,187)	n/a	n/a	n/a	(67,187)
LNG-MM-023	Bankers Leasing Corporation	(64,164)	n/a	n/a	n/a	(64,164)
LNG-MM-024	Bankers Leasing Corporation	(60,817)	n/a	-	-	(60,817)
LNG-MM-025	Bankers Leasing Corporation	(60,234)	n/a	-	-	(60,234)
LNG-MM-026	Bankers Leasing Corporation	(61,837)	n/a	-	-	(61,837)
LNG-MM-027	Bankers Leasing Corporation	(60,672)	n/a	-	-	(60,672)
LNG-MM-028	Bankers Leasing Corporation	(59,408)	(5,469)	-	-	(64,877)
LNG-MM-110	HSBC Corporate Card Services	n/a	(48,439)	n/a	n/a	(48,439)
LNG-MM-111	HSBC Corporate Card Services	(383,891)	(64,586)	(82,651)	(161,180)	(692,308)
TOTAL OF UNSUPPORTED		(2,706,562)	(118,495)	(82,651)	(161,180)	(3,068,888)

Finally, Overland calculated the cost of service adjustment that would be estimated to impact the operating entities during their respective test years. See the table below for these estimates.

Table 7-36 - LNG Testing - \$1MM Accounts Payable Unsupported Items (COS Adjustment)

Legacy Grid \$1MM and Over Accounts Payable - Unsupported Items Cost-of-Service Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LNG-MM-006	ABB Incorporated	(262,845)	-	-	-	(262,845)
LNG-MM-019	Bankers Leasing Corporation	(60,038)	n/a	-	-	(60,038)
LNG-MM-021	Bankers Leasing Corporation	(76,014)	n/a	n/a	n/a	(76,014)
LNG-MM-022	Bankers Leasing Corporation	(67,187)	n/a	n/a	n/a	(67,187)
LNG-MM-023	Bankers Leasing Corporation	(64,164)	n/a	n/a	n/a	(64,164)
LNG-MM-024	Bankers Leasing Corporation	(60,817)	n/a	-	-	(60,817)
LNG-MM-025	Bankers Leasing Corporation	(60,234)	n/a	-	-	(60,234)
LNG-MM-026	Bankers Leasing Corporation	(61,837)	n/a	-	-	(61,837)
LNG-MM-027	Bankers Leasing Corporation	(60,672)	n/a	-	-	(60,672)
LNG-MM-028	Bankers Leasing Corporation	(59,408)	(5,469)	-	-	(64,877)
LNG-MM-110	HSBC Corporate Card Services	n/a	(36,330)	n/a	n/a	(36,330)
LNG-MM-111	HSBC Corporate Card Services	(287,918)	(48,439)	(61,988)	(120,885)	(519,231)
TOTAL OF UNSUPPORTED		(1,121,134)	(90,238)	(61,988)	(120,885)	(1,394,246)

\$1 Million and Over Accounts Payable Unsupported Items

- LNG-MM-006 – The vendor in this transaction is ABB, Incorporated. The time period of the transaction is July 2009. This invoice was for "software and consulting services" provided by ABB Inc. Per review of the support provided, it was noted that this invoice was manually split between two different bill pools: 59% was allocated using bill pool 101, which allocates to the distribution and transmission segments of NIMO; and 41% was allocated using bill pool 231, which allocates to all New England distribution and transmission companies. When asked to provide support for the split of these invoices, the company referred Overland to the ABB invoice that did not provide a basis for this cost split.
- LNG-MM-019; 021 through 028 – The vendor in these transactions is Bankers Leasing Corporation. These Bankers Leasing payments were for eight different projects that all required different cost directions. The time periods for these transactions spanned from October 2008 to June 2009. See LNG-AP-111 for a detailed discussion of the support provided by the company and Overland's rationale for why this group of selections is unsupported.
- LNG-MM-110 and LNG-MM-111– The vendor in this transaction is HSBC Corporate Card Services. These transactions occurred in April 2010 and June 2009, respectively. These selections were related to P-Card transactions that have hundreds, if not thousands, of different lines of accounting. A selected number of transactions were identified and the company was asked to

provide support for these selections, including the name of the employee that made the purchase, the business purpose of the purchase, etc. The company did not provide this information, thus these selections were deemed unsupported.

Results from Legacy Grid Accounts Payable Sample Testing

Overland tested 244 accounts payable selections in its sample testing. Overland discovered 21 errors in cost direction and one error in FERC account.

Table 7-37 – LNG Testing - Random Accounts Payable Cost Direction and FERC Account Errors (20-Month GL Adjustment)

Legacy Grid AP Under \$1 Million Sample - Cost Direction Errors 20-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum of GL Adjustment Amounts
LNG-AP-003	Mullen	2,112	-	-	-	2,112
LNG-AP-017	SAP America Inc	-	(2,440)	(2,975)	(5,879)	(11,295)
LNG-AP-061	Corporation Service Company (CSC)	(37)	(6)	(8)	(15)	(66)
LNG-AP-066	Moody's Analytics Inc	(9,193)	1,336	7,857	-	0
LNG-AP-068	Boston Properties Limited Partnership	(2,176)	(524)	674	1,332	(694)
LNG-AP-079	Experian	-	-	-	29,252	29,252
LNG-AP-081	Experian	(3,595)	(736)	(778)	5,125	16
LNG-AP-091	Dell Computer Corporation	(2,356)	2,356	-	-	(0)
LNG-AP-094	Westernacher And Partner Consulting Inc	-	(1,679)	(2,148)	(4,190)	(8,017)
LNG-AP-115	Bowe Bell & Howell Company	(156,176)	(31,988)	24,461	59,272	(104,431)
LNG-AP-116	United Parcel Service	1,506	506	-	-	2,012
LNG-AP-119	Marsh USA Inc - New York City	33,127	(5,377)	-	-	27,750
LNG-AP-126	Microsoft Leasing GP	(12,249)	(2,509)	-	-	(14,757)
LNG-AP-135	ABB Incorporated	-	-	-	-	-
LNG-AP-138	Nationwide Credit Inc	(70,349)	70,349	-	-	0
LNG-AP-139	Marsh USA Inc - New York City	35,391	(5,449)	-	-	29,942
LNG-AP-145	Russell Reynolds Associates Inc	(8,778)	(1,477)	(1,890)	(3,686)	(15,830)
LNG-AP-153	Dell Computer Corporation	2,201	1,793	(324)	(640)	3,030
LNG-AP-171	Pro Unlimited Inc	(738)	(178)	229	452	(235)
LNG-AP-219	Mercier Electric Co Inc	-	(4,690)	(5,718)	(11,300)	(21,708)
LNG-AP-233	Par Electrical Contractors Inc	1,656	(1,433)	-	-	224
SubTotal Cost Direction Errors		(189,653)	17,855	19,380	69,723	(82,695)
Legacy Grid AP Under \$1 Million Sample - FERC Account Errors 20-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO- gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LNG-AP-181	United Way Of Rhode Island	(696)	(117)	(150)	(292)	(1,255)
SubTotal FERC Account Errors		(696)	(117)	(150)	(292)	(1,255)
Total AP Under \$1 Million Errors		(190,349)	17,737	19,231	69,431	(83,950)

The net error as a result of improper cost direction or FERC account to the New York utilities (KEDLI, KEDNY and NIMO) is (\$83,950) for the 20-month period in which we sampled transactions, covering the test period of the three entities.

In the 12-month test period that applied to the respective individual utilities, the net error as a result of improper cost allocation to the New York utilities was (\$126,931), as shown below.

Table 7-38 – LNG Testing - Random Accounts Payable Cost Direction and FERC Account Errors (12-Month GL Adjustment)

Legacy Grid						
AP Under \$1 Million Sample - Cost Direction Errors						
12-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum of GL Adjustment Amounts
LNG-AP-003	Mullen	n/a	-	-	-	-
LNG-AP-017	SAP America Inc	-	n/a	n/a	n/a	-
LNG-AP-061	Corporation Service Company (CSC)	n/a	(6)	n/a	n/a	(6)
LNG-AP-066	Moody's Analytics Inc	(9,193)	n/a	n/a	n/a	(9,193)
LNG-AP-068	Boston Properties Limited Partnership	(2,176)	n/a	674	1,332	(170)
LNG-AP-079	Experian	n/a	-	-	29,252	29,252
LNG-AP-081	Experian	n/a	(736)	n/a	n/a	(736)
LNG-AP-091	Dell Computer Corporation	(2,356)	n/a	-	-	(2,356)
LNG-AP-094	Westernacher And Partner Consulting Inc	-	(1,679)	(2,148)	(4,190)	(8,017)
LNG-AP-115	Bowe Bell & Howell Company	(156,176)	n/a	24,461	59,272	(72,443)
LNG-AP-116	United Parcel Service	n/a	506	n/a	n/a	506
LNG-AP-119	Marsh Usa Inc - New York City	33,127	n/a	-	-	33,127
LNG-AP-126	Microsoft Leasing GP	(12,249)	(2,509)	-	-	(14,757)
LNG-AP-135	ABB Incorporated	n/a	-	n/a	n/a	-
LNG-AP-138	Nationwide Credit Inc	(70,349)	n/a	-	-	(70,349)
LNG-AP-139	Marsh USA Inc - New York City	n/a	(5,449)	n/a	n/a	(5,449)
LNG-AP-145	Russell Reynolds Associates Inc	n/a	(1,477)	(1,890)	(3,686)	(7,052)
LNG-AP-153	Dell Computer Corporation	2,201	n/a	n/a	n/a	2,201
LNG-AP-171	Pro Unlimited Inc	n/a	(178)	229	452	503
LNG-AP-219	Mercier Electric Co Inc	-	n/a	n/a	n/a	-
LNG-AP-233	Par Electrical Contractors Inc	n/a	(1,433)	n/a	n/a	(1,433)
TOTAL COST DIRECTION ERRORS		(217,171)	(12,960)	21,326	82,433	(126,372)
Legacy Grid						
AP Under \$1 Million Sample - FERC Account Errors						
12-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LNG-AP-181	United Way Of Rhode Island	n/a	(117)	(150)	(292)	(559)
TOTAL FERC ACCOUNT ERRORS		-	(117)	(150)	(292)	(559)
TOTAL OF COST DIRECTION AND FERC ACCOUNT ERRORS		(217,171)	(13,077)	21,176	82,140	(126,931)

Finally, Overland calculated the cost of service adjustment that would be estimated to impact the operating entities during their respective test years. See the table below for the estimates.

Table 7-39 – LNG Testing - Random Accounts Payable Cost Direction and FERC Account Errors (COS Adjustment)

Legacy Grid						
AP Under \$1 Million Sample - Cost Direction Errors						
Cost-of-Service Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum of GL Adjustment Amounts
LNG-AP-003	Mullen	n/a	-	-	-	-
LNG-AP-017	SAP America Inc	-	n/a	n/a	n/a	-
LNG-AP-061	Corporation Service Company (CSC)	n/a	(6)	n/a	n/a	(6)
LNG-AP-066	Moody's Analytics Inc	(9,193)	n/a	n/a	n/a	(9,193)
LNG-AP-068	Boston Properties Limited Partnership	(2,176)	n/a	674	1,332	(170)
LNG-AP-079	Experian	n/a	-	-	29,252	29,252
LNG-AP-081	Experian	n/a	(736)	n/a	n/a	(736)
LNG-AP-091	Dell Computer Corporation	(2,356)	n/a	-	-	(2,356)
LNG-AP-094	Westernacher And Partner Consulting Inc	-	(252)	(322)	(628)	(1,203)
LNG-AP-115	Bowe Bell & Howell Company	(156,176)	n/a	24,461	59,272	(72,443)
LNG-AP-116	United Parcel Service	n/a	506	n/a	n/a	506
LNG-AP-119	Marsh Usa Inc - New York City	33,127	n/a	-	-	33,127
LNG-AP-126	Microsoft Leasing GP	(1,837)	(376)	-	-	(2,214)
LNG-AP-135	ABB Incorporated	n/a	-	n/a	n/a	-
LNG-AP-138	Nationwide Credit Inc	(70,349)	n/a	-	-	(70,349)
LNG-AP-139	Marsh USA Inc - New York City	n/a	(5,449)	n/a	n/a	(5,449)
LNG-AP-145	Russell Reynolds Associates Inc	n/a	(1,477)	(1,890)	(3,686)	(7,052)
LNG-AP-153	Dell Computer Corporation	330	n/a	n/a	n/a	330
LNG-AP-171	Pro Unlimited Inc	n/a	(178)	229	452	503
LNG-AP-219	Mercier Electric Co Inc	-	n/a	n/a	n/a	-
LNG-AP-233	Par Electrical Contractors Inc	n/a	(1,433)	n/a	n/a	(1,433)
TOTAL COST DIRECTION ERRORS		(208,630)	(9,400)	23,152	85,994	(108,885)
Legacy Grid						
AP Under \$1 Million Sample - FERC Account Errors						
Cost-of-Service Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum Of Adjustment Amounts
LNG-AP-181	United Way Of Rhode Island	n/a	(88)	(112)	(219)	(419)
TOTAL FERC ACCOUNT ERRORS		-	(88)	(112)	(219)	(419)
TOTAL OF COST DIRECTION AND FERC ACCOUNT ERRORS		(208,630)	(9,488)	23,039	85,775	(109,304)

Accounts Payable Cost Direction Errors

- LNG-AP-003 – The vendor in this transaction is Mullen Communications. The time period of the transaction is November 2009. These costs were for radio ads related to electric line safety, but

the cost allocation did not coincide with the areas where these radio ads were broadcast. A cost direction error was noted because these charges should have been allocated based on the location of the radio ads. National Grid agrees that there was an error in cost direction and it proposed an alternative cost direction. Upon review, we did not agree with the company's proposed cost direction revision and developed our own alternative cost direction.

- LNG-AP-017 – The vendor in this transaction is SAP America Inc. The time period of the transaction is December 2008. These costs were related to consulting services for a project that would have benefitted all Grid companies (US and UK). When this project was ultimately disbanded, the company used a bill pool for only US companies. A cost direction error was noted because Grid-UK should have received some of the charges due to this project. Overland identified the error and National Grid did not state whether it agreed or disagreed with Overland's conclusion.
- LNG-AP-061 – The vendor in this transaction is Corporation Service Company. The time period of the transaction is January 2010. The company admitted that it used an incorrect cost direction for this invoice. Specifically, the invoice was charged to a bill pool that allocates to all Grid companies, but this invoice should have been charged directly to KeySpan Energy Development Corporation. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-AP-066 – The vendor in this transaction is Moody's Analytics Inc. The time period of the transaction is November 2008. This was a Moody's invoice for Grid's credit ratings. A cost direction error was noted, as not all companies that received these services were initially charged. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-AP-068 – The vendor in this transaction is Boston Properties Limited Partnership. The time period of the transaction is March 2009. This invoice was split between two bill pools: one bill pool charged only Legacy Grid companies, and another bill pool charged all Grid USA companies. This invoice was for the lease of a building utilized by NG USA service company that housed employees who provided benefits to all of National Grid's subsidiaries. As such, a cost direction error was noted because this entire invoice should have been allocated across all Grid USA companies. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-AP-079 – The vendor in this transaction is Experian. The time period of the transaction is December 2009. This invoice was originally charged using a bill pool that allocates to New England electric distribution companies. However, these charges were for software related to a billing system that was used by New England gas companies, as well as by KEDNY. National Grid

agrees that an error was made and the adjustment described above is reasonable.

- LNG-AP-081 – The vendor in this transaction is Experian. The time period of the transaction is May 2010. This invoice was for customer service software, specifically the Customer Relations Information System (CRIS). These costs were originally allocated using a bill pool which distributes costs to all Grid electric and gas distribution companies. A more appropriate bill pool selection would have been bill pool 385, which allocates costs to only those companies that utilize the CRIS. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-AP-091 - The vendor in this transaction is Dell Computer Corporation. The time period of the transaction is March 2009. The costs of this invoice were initially directly charged to NIMO-electric. The company stated in its response that the original plan for these laptops "appears to have been to use the laptops for Electric Distribution training." Given that these computers were subsequently used for both electric and gas distribution training, a cost direction error was noted. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-AP-094 – The vendor in this transaction is Westernacher And Partner Consulting Inc. The time period of the transaction is August 2009. These costs were related to consulting services for a project that would have benefitted all Grid companies (US and UK). When this project was ultimately disbanded, the company used a bill pool for only US companies. A cost direction error was noted because Grid-UK should have received some of the charges due to this project. Overland identified the error and National Grid did not state whether it agreed or disagreed with Overland's conclusion.
- LNG-AP-115 – The vendor in this transaction is Bowe Bell & Howell Company. The time period of the transaction is May 2009. This item was for equipment and software to be used in the processing of customer billings. These charges were initially charged using a bill pool which allocates to NIMO's electric distribution and gas segments. Upon further review and follow-up with the company, it was noted that these charges were actually benefitting Grid's gas companies and LIPA, but not NIMO-electric distribution. A cost-direction error was noted because these charges should have been allocated to those companies benefitted and should not have been allocated using bill pool 102. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-AP-116 – The vendor in this transaction is the United Parcel Service. The time period of the transaction is February 2010. This selection was for the package pickup/delivery services provided by UPS to National Grid. The charges from this invoice were originally allocated using a facilities bill pool that was developed to allocate costs for the company's Westborough, MA service company location. Since these costs were facilities costs were not related to the

company's Westborough, MA location, a cost direction error was noted. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LNG-AP-119 – The vendor in this transaction is Marsh USA Inc. - New York City. The time period of the transaction is May 2009. This invoice was for aviation insurance costs for a company owned aircraft and helicopter. These costs were originally allocated using a bill pool that allocates costs to all Legacy Grid utility companies. However, a cost direction error was noted because a portion of this in invoice was for a helicopter that was used exclusively for NIMO-Transmission. Therefore, this cost should have been directly charged to NIMO-Transmission. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-AP-126 - The vendor in this transaction is Microsoft Leasing GP. The time period of the transaction is September 2009. Based on the response and review of the support provided, it was noted that these costs were for software license agreements entered into with Microsoft. Per review of the invoice support, the locations were split between the "United States" and the "United Kingdom." However, the support provided does not show any costs being allocated to the UK. When asked to provide this support in follow-up the company respondent stated, "I am unable to find the charge to UK from US." As such, a cost direction error was noted because some of the costs of this invoice should have been charged to Grid-UK. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-AP-135 – The vendor in this transaction is ABB Incorporated. The time period of the transaction is March 2010. This invoice was for circuit breakers for an electric transmission substation in Albany, NY. This invoice was originally directly charged to NIMO-distribution instead of NIMO-transmission. Although Overland noted this as an error for purposes of compiling a comprehensive list of errors, no adjustment was necessary because this error were between the two segments comprising NIMO-electric.
- LNG-AP-138 – The vendor in this transaction is Nationwide Credit Inc. The time period of the transaction is January 2009. This invoice was a payment to NCI, an outsourced call center that provides support to National Grid companies. This invoice was originally directly charged to NIMO-distribution even though NCI performed services for both NIMO-distribution and NIMO-gas during this period. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-AP-139 – The vendor in this transaction is Marsh USA Inc. - New York City. The time period of the transaction is April 2010. Similar to LNG-AP-119, this invoice was for aviation insurance costs for a company owned aircraft and helicopter. These costs were originally allocated using a bill pool that allocates to all Legacy Grid utility companies. However, per review of the support provided, the helicopter insurance only benefited NIMO-transmission. This portion of the

invoice should have been charged directly to NIMO-transmission. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LNG-AP-145 – The vendor in this transaction is Russell Reynolds Associates Inc. The time period of the transaction is November 2009. The charges from this invoice were allocated using an all company bill pool. The invoice was for services related to the search of a Massachusetts Electric executive. These costs should have been directly charged to Massachusetts Electric, not all Grid US companies. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-AP-153 - The vendor in this transaction is Dell Computer Corporation. The time period of the transaction is December 2008. This invoice was for company laptops. These charges were originally allocated using a bill pool that allocates charges to all companies. However, a portion of these laptops went directly to NIMO employees and should have been charged to NIMO. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-AP-171 – The vendor in this transaction is Pro Unlimited Inc. The time period of the transaction is October 2009. This cost was for temporary contractor services, and the costs of this invoice were originally allocated using a bill pool that only allocated costs to Legacy Grid companies. This contractor's work benefitted all companies, and his costs should have been distributed using an all company bill pool. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-AP-219 – The vendor in this transaction is Mercier Electric Co Inc. The time period of the transaction is November 2008. These costs were for consulting services for a project that would have benefitted all Grid companies, including the Grid UK companies. When the company expensed these costs it used a bill pool that only allocated costs to Grid US companies. Grid UK companies should have been allocated a portion of these costs. Overland identified the error and National Grid did not state whether it agreed or disagreed with Overland's conclusion.
- LNG-AP-233 – The vendor in this transaction is Par Electrical Contractors Inc. The time period of the transaction is March 2010. These costs were related to a software application that was intended to be used by all Grid distribution and transmission companies for storm restoration. These costs were originally charged out using a bill pool that allocates costs to all Grid utility operating companies, both electric and gas segments. A cost direction error was noted because gas segments received charges, but would not have benefitted from this system. National Grid agrees that an error was made and the adjustment described above is reasonable.

Accounts Payable Sample FERC Account Errors

- LNG-AP-181 - The vendor in this transaction is the United Way of Rhode Island. The time period of the transaction is December 2009. Half the amount of this selection represented a company

donation. The company's donation was charged out as a labor burden on all service company employee's payroll charges. This expense was ultimately charged to the National Grid operating companies through payroll. The FERC coding used for these payroll charges followed the FERC accounting of the labor charged with the burden. A FERC account error was noted because these were charitable donations and, as such, should not have been charged out to above-the-line accounts as service company payroll. Overland identified the error and National Grid did not state whether it agreed or disagreed with Overland's conclusion.

Accounts Payable Sample Unsupported Transactions

Table 7-40 – LNG Testing - Random Accounts Payable Unsupported Items (20-Month GL Adjustment)

Legacy Grid AP Under \$1 Million Sample Sample - Unsupported Transactions 20-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum of GL Adjustment Amounts
LNG-AP-013	Ernst & Young LLP	(41,493)	(8,498)	(9,212)	(17,965)	(77,168)
LNG-AP-019	BT Counterpane Internet Security Inc	(13,917)	-	-	-	(13,917)
LNG-AP-024	Vitec Solutions Llc	(28,844)	(5,908)	-	-	(34,752)
LNG-AP-037	Mead Westvaco Corporation	(8,023)	(1,643)	-	-	(9,666)
LNG-AP-088	Dell Computer Corporation	(15,152)	(3,104)	-	-	(18,256)
LNG-AP-111	Bankers Leasing Corporation	(60,457)	(5,549)	-	-	(66,005)
LNG-AP-154	Bankers Leasing Corporation	(92,623)	(18,970)	-	-	(111,593)
LNG-AP-157	Bankers Leasing Corporation	(62,922)	(5,735)	-	-	(68,657)
LNG-AP-158	HSBC Corporate Card Services	(210,519)	(35,418)	(45,325)	(88,389)	(379,650)
LNG-AP-170	Bankers Leasing Corporation	(60,222)	(5,531)	-	-	(65,753)
LNG-AP-218	Verizon	(3,902)	(799)	-	-	(4,701)
LNG-AP-223	Bankers Leasing Corporation	(61,198)	(5,605)	-	-	(66,802)
LNG-AP-235	Verizon	(90,791)	(18,595)	-	-	(109,386)
TOTAL OF UNSUPPORTED ITEMS		(750,063)	(115,353)	(54,537)	(106,353)	(1,026,307)

There are 13 accounts payable transactions that were classified as unsupported. For the 20- months encompassing our test period, the amount classified as unsupported for the New York utilities is seen above.

Table 7-41 – LNG Testing - Random Accounts Payable Unsupported Items (12-Month GL Adjustment)

Legacy Grid						
AP Under \$1 Million Sample Sample - Unsupported Transactions						
12-Month GL Adjustment to NY Utilities						
Selection	Vendor	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum of GL Adjustment Amounts
LNG-AP-013	Ernst & Young LLP	n/a	(8,498)	n/a	n/a	(8,498)
LNG-AP-019	BT Counterpane Internet Security Inc	n/a	-	n/a	n/a	-
LNG-AP-024	Vitec Solutions Llc	n/a	(5,908)	-	-	(5,908)
LNG-AP-037	Mead Westvaco Corporation	(8,023)	n/a	-	-	(8,023)
LNG-AP-088	Dell Computer Corporation	(15,152)	n/a	n/a	n/a	(15,152)
LNG-AP-111	Bankers Leasing Corporation	n/a	(5,549)	n/a	n/a	(5,549)
LNG-AP-154	Bankers Leasing Corporation	(92,623)	(18,970)	-	-	(111,593)
LNG-AP-157	Bankers Leasing Corporation	(62,922)	(5,735)	-	-	(68,657)
LNG-AP-158	HSBC Corporate Card Services	n/a	(35,418)	(45,325)	(88,389)	(169,131)
LNG-AP-170	Bankers Leasing Corporation	n/a	(5,531)	n/a	n/a	(5,531)
LNG-AP-218	Verizon	n/a	(799)	n/a	n/a	(799)
LNG-AP-223	Bankers Leasing Corporation	n/a	(5,605)	n/a	n/a	(5,605)
LNG-AP-235	Verizon	(90,791)	n/a	-	-	(90,791)
TOTAL OF UNSUPPORTED ITEMS		(269,511)	(92,011)	(45,325)	(88,389)	(495,236)

Overland calculated the cost of service adjustment that would be estimated to impact the operating entities during their respective test years. See the table below for these estimates.

Table 7-42 – LNG Testing - Random Accounts Payable Unsupported Items (COS Adjustment)

Legacy Grid						
AP Under \$1 Million Sample Sample - Unsupported Transactions						
Cost-of-Service Adjustment to NY Utilities						
Selection	Vendor	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum of GL Adjustment Amounts
LNG-AP-013	Ernst & Young LLP	n/a	(8,498)	n/a	n/a	(8,498)
LNG-AP-019	BT Counterpane Internet Security Inc	n/a	-	n/a	n/a	-
LNG-AP-024	Vitec Solutions Llc	n/a	(5,908)	-	-	(5,908)
LNG-AP-037	Mead Westvaco Corporation	(8,023)	n/a	-	-	(8,023)
LNG-AP-088	Dell Computer Corporation	(2,273)	n/a	n/a	n/a	(2,273)
LNG-AP-111	Bankers Leasing Corporation	n/a	(5,549)	n/a	n/a	(5,549)
LNG-AP-154	Bankers Leasing Corporation	(69,467)	(14,227)	-	-	(83,695)
LNG-AP-157	Bankers Leasing Corporation	(62,922)	(5,735)	-	-	(68,657)
LNG-AP-158	HSBC Corporate Card Services	n/a	(26,563)	(33,993)	(66,292)	(126,848)
LNG-AP-170	Bankers Leasing Corporation	n/a	(5,531)	n/a	n/a	(5,531)
LNG-AP-218	Verizon	n/a	(799)	n/a	n/a	(799)
LNG-AP-223	Bankers Leasing Corporation	n/a	(5,605)	n/a	n/a	(5,605)
LNG-AP-235	Verizon	(90,791)	n/a	-	-	(90,791)
TOTAL OF UNSUPPORTED ITEMS		(233,476)	(78,415)	(33,993)	(66,292)	(412,175)

During the New York utilities testing period the amount of the adjustments are shown in the table above.

- LNG-AP-013 - The vendor in this transaction is Ernst & Young LLP. The time period of the transaction is February 2010. This selection was unsupported because the company stated that these services were for "business case studies to calculate the feasibility of business savings." However, the support provided is a non-descriptive invoice stating that the services were for "Project Alpha." The bill pool used by the company to allocate these costs charged only regulated companies. This selection was deemed unsupported because there was not sufficient description of this project's objectives to determine what entities benefited from this project.
- LNG-AP-019 - The vendor in this transaction is BT Counterpane Internet Security Inc. The time period of the transaction is March 2010. These costs were for the monitoring services of certain hardware components of National Grid's Emergency Management System. The charges from this invoice were split evenly between NIMO's transmission and distribution companies and

Grid's New England companies. This selection was deemed unsupported because the basis of this split was not sufficiently supported.

- LNG-AP-024 - The vendor in this transaction is Vitec Solutions LLC. The time period of the transaction is October 2009. This invoice was for mobile computer service for company field trucks. The company stated that the costs were based on the project rather than the particular invoice. This selection was deemed unsupported because the company did not provide sufficient information regarding this project, and also did not provide the underlying calculation for how this allocation was made.
- LNG-AP-037 - The vendor in this transaction is Mead Westvaco Corporation. The time period of the transaction is March 2009. It was noted that the company was not able to state specifically how the costs were split. Rather, the company stated that the split was "most likely based on an estimate of customers." Based on this statement, and that the company did not provide any support for this assertion, it is evident that the company did not know how these charges were allocated.
- LNG-AP-088 - The vendor in this transaction is Dell Computer Corporation. The time period of the transaction is November 2008. In the follow-up request, Overland asked for the company to state how the charges related to this invoice were allocated. The company stated that the "individual asset tags would need to be traced to confirm the specific NIMO segment charged based on the cost center." The company did not provide this information, nor did it offer any additional explanation regarding what operating company was ultimately charged these expenses.
- LNG-AP-111 - The vendor in this transaction is Bankers Leasing Corporation. The time period of the transaction is March 2010. These Bankers Leasing payments were for eight different projects that all required different cost directions. Specifically, these projects were as follows: ACIS Phase I; Control Center Radio Dispatch; OMS - NY; GIS; AIMMS Release 1; TGM Project; NY-NE Fiber Optic; and Field Force Automation (MWork). Per review of the support provided, the cost direction for three of the projects lacked the necessary support. Specifically, the projects ACIS Phase I, AIMMS, and Field Force Automation were examples of manual allocations where the company replied in its questionnaire response that "determination was based on the project manager's estimate of the benefit that the project would provide." The company could not provide any written documentation to support how the different cost directions were derived (i.e. the basis for the manager's "estimate").
- LNG-AP-154 - The vendor in this transaction is Bankers Leasing Corporation. The time period of the transaction is June 2009. It was noted that NG USA ServCo maintained a relationship with a leasing company to lease various assets, including but not limited to, equipment, vehicles and telephones. The selected invoice represents the monthly lease payment for this equipment. It

was noted that each leased item is assigned a specific line of accounting, and all charges for this equipment go to the same line of accounting each month. The company stated in its questionnaire response that "No specific documentation was relied upon. Accounting is determined by working with the various project managers departments purchasing the equipment." With no entry-level documentation to rely upon, it is not possible to assess the reasonableness of how each of these leased items was accounted for.

- LNG-AP-157 - The vendor in this transaction is Bankers Leasing Corporation. The time period of the transaction is August 2009. These Bankers Leasing payments were for eight different projects that all required different cost directions. See LNG-AP-111 above for a detailed discussion of the support provided by the company and Overland's conclusions.
- LNG-AP-158 - The vendor in this transaction is HSBC Corporate Card Services. The time period of the transaction is November 2009. This vendor HSBC (Mastercard) was also tested in our targeted testing that tested all invoices one million dollars and over (specifically, LNG-MM-110 and LNG-MM-111). Per review of the P-Card selections in LNG-MM-110 and LNG-MM-111, 25 atypical transactions were identified, and the company was asked to provide support for these selections, including the name of the employee that made the purchase and the business purpose of the purchase. The company did not provide this information, and as such, the cost direction of these selections was deemed unsupported. The level of support provided for this selection is similar to what was provided for LNG-MM-110 and LNG-MM-111.
- LNG-AP-170 - The vendor in this transaction is Bankers Leasing Corporation. The time period of the transaction is February 2010. These Bankers Leasing payments were for eight different projects that all required different cost directions. See LNG-AP-111 above for a more detailed discussion of the support provided by the company and Overland's conclusions.
- LNG-AP-218 - The vendor in this transaction is Verizon. The time period of the transaction is May 2010. The company did not provide any third party support for this item and stated that "detail documentation showing charges by legal entity is not available." Further, the support provided did not include sufficient detail to determine what services were being procured from Verizon. The description merely states that these charges were for "various voice and data applications."
- LNG-AP-223 - The vendor in this transaction is Bankers Leasing Corporation. The time period of the transaction is January 2010. These Bankers Leasing payments were for eight different projects that all required different cost directions. See LNG-AP-111 above for a detailed discussion of the support provided by the company and Overland's conclusions.
- LNG-AP-235 - The vendor in this transaction is Verizon. The time period of the transaction is February 2009. It was noted that the only support the company provided for this item was the invoice, but the invoice did not provide sufficient detail to confirm the accounting utilized by the

company. The company stated that a "billing CD" was provided, and was used as the basis for splitting these costs. However, the company admitted that this CD was not retained.

Results from Legacy Grid Payroll Testing

Overland tested 137 payroll selections. We discovered 16 errors in cost direction.

Table 7-43 – LNG Testing - Payroll Cost Direction Errors (20 Month GL Adjustment)

Legacy Grid Payroll Sample - Cost Direction Errors 20-Month GL Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum of GL Adjustment Amounts
LNG-PR-003	1,871	-	-	-	1,871
LNG-PR-014	58	(1,145)	-	-	(1,087)
LNG-PR-016	(2,335)	(478)	(518)	(1,011)	(4,342)
LNG-PR-026	(12,063)	(3,509)	8,939	17,666	11,033
LNG-PR-035	(2,147)	(440)	730	1,423	(434)
LNG-PR-046	3,634	652	795	1,571	6,652
LNG-PR-050	1,505	-	227	406	2,138
LNG-PR-057	(1,512)	(363)	455	899	(520)
LNG-PR-067	(6)	1	1	2	(2)
LNG-PR-072	(1,462)	(383)	494	964	(387)
LNG-PR-073	(3,521)	(721)	-	-	(4,242)
LNG-PR-083	(5,072)	(371)	(475)	(925)	(6,843)
LNG-PR-091	6,424	1,316	1,426	2,781	11,947
LNG-PR-092	148,652	-	-	-	148,652
LNG-PR-107	(714)	-	-	-	(714)
LNG-PR-132	(217)	(56)	76	146	(51)
TOTAL COST					
DIRECTION ERRORS	133,094	(5,497)	12,150	23,922	163,669

The net error as a result of improper cost allocation to the New York utilities (KEDLI, KEDNY and NIMO) is \$163,669 for the 20-month period in which we sampled transactions, covering the test period of the three entities.

In the 12-month test period that applied to the respective individual utilities, the net error as a result of improper cost allocation to the New York utilities was \$148,509.

Table 7-44 – LNG Testing - Payroll Cost Direction Errors (12-Month GL Adjustment)

Legacy Grid					
Payroll Sample - Cost Direction Errors					
12-Month GL Adjustment to NY Utilities					
Selection	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum of GL Adjustment Amounts
LNG-PR-003	1,871	n/a	-	-	1,871
LNG-PR-014	58	(1,145)	-	-	(1,087)
LNG-PR-016	n/a	(478)	n/a	n/a	(478)
LNG-PR-026	(12,063)	n/a	n/a	n/a	(12,063)
LNG-PR-035	n/a	(440)	730	1,423	1,713
LNG-PR-046	3,634	n/a	n/a	n/a	3,634
LNG-PR-050	1,505	n/a	227	406	2,138
LNG-PR-057	(1,512)	n/a	n/a	n/a	(1,512)
LNG-PR-067	(6)	1	1	2	(2)
LNG-PR-072	n/a	(383)	494	964	1,074
LNG-PR-073	(3,521)	n/a	-	-	(3,521)
LNG-PR-083	n/a	(371)	(475)	(925)	(1,771)
LNG-PR-091	6,424	n/a	1,426	2,781	10,631
LNG-PR-092	148,652	n/a	-	-	148,652
LNG-PR-107	(714)	n/a	-	-	(714)
LNG-PR-132	n/a	(56)	n/a	n/a	(56)
TOTAL COST					
DIRECTION ERRORS	144,327	(2,872)	2,403	4,651	148,509

Finally, Overland calculated the cost of service adjustment that would be estimated to impact the operating entities during their respective test years. See the table below for the estimates.

Table 7-45 – LNG Testing - Payroll Cost Direction Errors (COS Adjustment)

Legacy Grid					
Payroll Sample - Cost Direction Errors					
Cost-of-Service Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum of COS Adjustment Amounts
LNG-PR-003	1,871	n/a	-	-	1,871
LNG-PR-014	58	(1,145)	-	-	(1,087)
LNG-PR-016	n/a	(478)	n/a	n/a	(478)
LNG-PR-026	(12,063)	n/a	n/a	n/a	(12,063)
LNG-PR-035	n/a	(440)	730	1,423	1,713
LNG-PR-046	3,634	n/a	n/a	n/a	3,634
LNG-PR-050	1,505	n/a	227	406	2,138
LNG-PR-057	(1,512)	n/a	n/a	n/a	(1,512)
LNG-PR-067	(6)	1	1	2	(2)
LNG-PR-072	n/a	(383)	494	964	1,074
LNG-PR-073	(3,521)	n/a	n/a	n/a	(3,521)
LNG-PR-083	n/a	(371)	(475)	(925)	(1,771)
LNG-PR-091	6,424	n/a	1,426	2,781	10,631
LNG-PR-092	148,652	n/a	-	-	148,652
LNG-PR-107	(714)	n/a	-	-	(714)
LNG-PR-132	n/a	(56)	n/a	n/a	(56)
TOTAL COST					
DIRECTION ERRORS	144,327	(2,872)	2,403	4,651	148,509

Below is a description of the nature of the error for each of the 16 transactions.

Payroll Cost Direction Errors

- LNG-PR-003 - This transaction covered this employee's payroll costs for the month of March 2009. This employee was a director of project management in the construction delivery department. It was further noted that a portion of this employee's labor was expensed and allocated using bill pool 232, which distributes costs to all New England electric distribution companies. A portion of this employee's labor was charged directly to Narragansett Electric, Granite State Electric, NIMO and Mass Electric. Per follow up with the company, it was noted that bill pool 231-which distributes costs to both New England and New York electric distribution companies would have been more appropriate, given this manager's responsibilities on the mix of projects involved. Overland identified the error and National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-PR-014 - This transaction covered this employee's payroll costs for the month of June 2009. Bill pool 236, which allocates to all NE and NY operating companies, was used to distribute the labor costs of this employee. This was an inappropriate cost direction, given that the selection's position was as a "Load Research Analyst" and that the employee was responsible for developing electric load research studies. A cost direction error was noted. A more appropriate bill pool would have been bill pool 203, which allocates costs to all Grid electric distribution companies and LIPA. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-PR-016 - This transaction covered this employee's payroll costs for the month of February 2010. This selection was a collections analyst who worked with sheriffs and locksmiths to arrange for the removal of electric and gas meters due to non-payment of customers. This employee worked exclusively on the National Grid New England utilities. Labor costs would be expected to have been charged using a New England specific bill pool. This employee charged costs using bill pool 388, which distributes costs to all Grid electric and gas distribution utilities. A more appropriate bill pool would have been bill pool 232, which allocates costs to only New England utilities. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-PR-026 - This transaction covered this employee's payroll costs for the month of October 2008. Per review of the responses and the company support provided, it was noted that the selected employee was a senior US executive. As a senior executive in the Grid USA organization, it was noted that this employee's responsibilities included all US-wide businesses. This employee should have utilized the Grid all company bill pool 382 to distribute labor costs. Instead, the employee used bill pool 282 which only allocates costs to Legacy Grid companies. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-PR-035 - This transaction covered this employee's payroll costs for the month of December 2009. This employee originally charged labor costs using bill pool 375, which charged to only

Legacy Grid companies. However, this employee was an accounts payable clerk who only processed payments on behalf of Legacy KeySpan companies. Bill pool 383 should have been utilized, which charges only Legacy KeySpan companies. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LNG-PR-046 - This transaction covered this employee's payroll costs for the month of November 2008. This employee managed the telephone system (i.e. voicemail) across all of Grid US. Labor costs would be expected to be charged to a bill pool including all Grid US entities. Instead, this employee used bill pool 235, which allocates only to Legacy Grid companies. A more appropriate allocation would have been bill pool 382, which allocates to all Grid New England US companies. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-PR-050 - This transaction covered this employee's payroll costs for the month of February 2009. This employee was a project manager in the information systems department who was working on projects related to the customer service billing systems utilized by the Grid regulated companies (e.g. Customer Service System), except Narragansett Gas. These costs would be expected to be charged to a Grid bill pool that distributes costs to both Legacy KeySpan and Grid regulated companies. Bill pool 241 would have been a more appropriate bill pool to utilize. It was noted that this bill pool became available in May 2011, as such Overland utilized the bill pool as of this date. Additionally, it should be noted that to make our error calculation more precise, Narragansett Gas was excluded from this bill pool (since this employee did not provide services for Narragansett Gas) and redistributed its allocation to the other companies on a pro rata basis. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-PR-057 - This transaction covered this employee's payroll costs for the month of December 2008. This employee was selected twice (LNG-PR-015, LNG-PR-057), but the bill pools utilized were inconsistent. In selection LNG-PR-015, this employee used bill pool 382, which distributes costs to all Grid USA companies; in LNG-PR-057 this employee used bill pool 236, which allocates to all Legacy Grid utility companies. It was further noted that the selected employee was a senior financial analyst in the property services group and provided various kinds of variance analysis of the property services department, O&M capital spending results and budget variances on a monthly basis. This reporting benefitted all Grid companies. This employee would be expected to charge labor costs using bill pool 382, which distributes to all Grid USA companies. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-PR-067 - This transaction covered this employee's payroll costs for the month of June 2009. This employee was an analyst in the credit and collections department. During this time period she was working on several credit collections type projects, which concerned transfers of bad

debt expense. These projects were for the benefit of all Grid electric and gas distribution companies. This employee's labor costs would be expected to be charged to all regulated companies, and the majority of employee costs were charged this way through bill pool 388, which allocates to all Grid electric and gas distribution companies. It was further noted that this employee spent one day (i.e. 8 payroll hours) working on a project benefitting all Grid regulated entities, including generation but excluding transmission. However, this employee inappropriately charged bill pool 239, by allocating some costs to transmission for these eight hours. A more appropriate bill pool for these eight hours would have been bill pool 202, which excludes Grid's transmission entities from the cost allocation. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LNG-PR-072 - This transaction covered this employee's payroll costs for the month of December 2009. This employee was an analyst who worked in the Process and Systems department and was responsible for processing software application requests for all US companies. This employee would have been expected to charge labor costs using a bill pool that included all Grid companies. Instead, this employee charged labor costs using bill pool 236, which allocates costs to only Legacy Grid utility operating companies. As such, a more appropriate bill pool would have been bill pool 382, which allocates costs to all Grid US companies. National Grid agrees that an error was made and Overland determined the alternate bill pool.
- LNG-PR-073 - This transaction covered this employee's payroll costs for the month of January 2009. This employee was a senior US executive. The company confirmed that none of this employee's costs should have been charged to above the line accounts of Grid's utilities. Per review of the accounting string, it was noted that a portion of this employee's costs was incorrectly allocated using bill pool 380, which charges all Legacy Grid companies. Specifically, this was related to an employment benefit provided to senior executives of the company. This portion of this employee's labor costs was incorrectly charged, and should have been charged directly to the parent company. The remaining labor costs of this employee were appropriately charged to the parent company. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-PR-083 - This transaction covered this employee's payroll costs for the month of November 2009. This employee was a senior project manager in the Information Services department. During the time period in question, this employee attended some general training classes not specific to any particular entity, and other work was related to the Massachusetts Smart Grid Pilot Project, which was for the sole benefit of Mass Electric. This employee would be expected to have charged his training time to all electric companies, since this appears to have been the employee's primary focus. Time working on Mass Electric would be expected to be charged directly to Mass Electric. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LNG-PR-091 - This transaction covered this employee's payroll costs for the month of May 2009. This employee was Grid's director of credit and collections, and was responsible for the collection of customer receivables for all operating companies. It would be expected for this employee to utilize a bill pool that allocated costs to all operating companies. Per review of this employee's accounting string, it was noted that bill pool 247 was utilized, which allocates to only Grid New England companies to distribute labor costs. A more appropriate bill pool would have been bill pool 388, which allocates costs to all Grid operating companies. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-PR-092 - This transaction covered this employee's payroll costs for the month of April 2009. These costs were not related to an active employee, but rather they were related to severance costs paid to the VP of Distribution Investment Management. Additionally, it was noted that these costs were allocated using bill pool 232, which distributes costs to all New England electric distribution companies. Upon further review, the company believes that these charges should have been directly charged to Niagara Mohawk because the employee was "in a pre-severance role to serve a lead role for Electric Distribution Operations involvement and response to the Niagara Mohawk PSC management audit." Given that this employee was the "Vice President of Distribution Investment Management," responsibilities during the course of the employee's career likely spanned all Grid electric companies. Because this expense is for a severance payment, and not a cost specifically related to current work, a more appropriate charge of this employee's costs would have been bill pool 231, which distributes costs to all Grid electric distribution companies. A cost direction error was noted and calculated, and it should also be noted that, in regards to NIMO-Distribution, this transaction would not have impacted revenue requirements because severance costs were excluded from the cost of service calculation. National Grid agrees that there was an error in cost direction and proposed an alternative cost direction. Upon review, we did not agree with the company's proposed cost direction revision and developed our own alternative cost direction.
- LNG-PR-107 - This transaction covered this employee's payroll costs for the month of May 2009. This employee was a manager in the New England transmission line department, and during this time period was managing transmission line projects in New England for the benefit of Mass Electric, New England Power and Narragansett Electric. This employee would be expected to charge just those operating companies for labor costs. Per review of his accounting string, it was noted that 13.6 hours during this time period were charged using bill pool 238, which allocates costs to both the New York and New England electric distribution and transmission utilities. A more appropriate basis to distribute these costs to the New England transmission companies this employee was working on would have been to charge the New England transmission companies. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LNG-PR-132 - This transaction covered this employee's payroll costs for the month of April 2010. This employee was an IT Analyst who was a team lead in the Data Center Services department, and was responsible for procedure development as well as being the primary contact in the DCS department for internal and external auditors. It was noted that a portion of this employee's charges were allocated using two information services bill pools: 601, which is the bill pool specifically set up to allocate data center costs; and 605, which is the "mid-range server" bill pool. Given that this employee worked in the IS department during this time period, these bill pools appear reasonable. However, it was also noted that this employee charged bill pool 380, which allocates costs to all Legacy Grid companies, for the portion of labor costs that were for the benefit of all Grid entities. This was incorrect because this bill pool did not incorporate the Legacy KeySpan companies. Overland believes a more appropriate bill pool would have been bill pool 382, which allocates to all Grid companies. National Grid agrees that an error was made but there was no indication whether it also agrees with Overland's revised cost direction.

Payroll Unsupported Transactions

Table 7-46 – LNG Testing - Payroll Unsupported Items (20 Month GL Adjustment)

Legacy Grid Payroll Sample - Unsupported Transactions 20-Month GL Adjustment to NY Utilities					
Selection	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum of GL Adjustment Amounts
LNG-PR-039	(6,072)	(661)	-	-	(6,733)
TOTAL UNUSUPPORTED ITEMS	(6,072)	(661)	-	-	(6,733)

There was one payroll transaction that was classified as unsupported. For the 20-months encompassing our test period, the amount classified as unsupported for NIMO-electric and NIMO-gas are \$6,072 and \$661, respectively.

Table 7-47 – LNG Testing - Payroll Unsupported Items (12-Month GL Adjustment)

Legacy Grid Payroll Sample - Unsupported Transactions 12-Month GL Adjustment to NY Utilities					
Selection	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum of GL Adjustment Amounts
LNG-PR-039	(6,072)	n/a	-	-	(6,072)
TOTAL UNUSUPPORTED ITEMS	(6,072)	-	-	-	(6,072)

However, during the test year of NIMO-electric and NIMO-gas, the amount would be only \$6,072 and \$0, respectively.

Table 7-48 – LNG Testing - Payroll Unsupported Items (COS Adjustment)

Legacy Grid Payroll Unsupported Transactions Cost-of-Service Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum of COS Adjustment Amounts
LNG-PR-039	(6,072)	n/a	-	-	(6,072)
TOTAL UNUSUPPORTED ITEMS	(6,072)	-	-	-	(6,072)

Payroll Unsupported Item

- Selection LNG-PR-039 was deemed unsupported because the company provided two conflicting responses regarding this employee's charges. Specifically, when asked to describe this employee's responsibilities during the payroll period being tested the respondent answered as follows: "Given that my role had Global responsibilities, a portion of the costs should have been charged back to the UK. IS has since addressed this issue." As there was no indication that any of this employee's charges were charged to the UK, Overland asked the company (in a follow-up request) to provide information regarding the percentage of this employee's time that should have been charged to the UK. The company provided a different respondent (not the individual selected) who responded that, "There were no cross charges between the UK and US for [this employee]. His work did not support the UK." The company did not provide any additional information, nor did the company provide an explanation for how the second respondent knew the activities of the individual selected better than he did himself. Since the company's response was ambiguous and conflicting, this selection was deemed unsupported.

Results from Legacy Grid Employee Expense Testing**20-Month GL Adjustment**

Overland tested 61 employee expense selections. Overland discovered 25 errors in cost direction, including 10 involving expatriate selections.

The 20-month GL Adjustment as a result of improper cost allocation to the New York utilities for the 20-month period during which transactions were sampled was (\$39) for non-expatriate expenses.

Table 7-49 – LNG Testing - Non-Expatriate Employee Expense Cost Direction Errors (20 Month GL Adjustment)

Legacy Grid Non Expat EE Expense - Cost Direction Errors 20-Month GL Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum of Misallocated Amounts
LNG-EE-002	(519)	(137)	180	351	(124)
LNG-EE-003	38	-	-	-	38
LNG-EE-006	(825)	(169)	-	-	(994)
LNG-EE-007	(177)	(50)	83	161	17
LNG-EE-009	1,224	-	-	-	1,224
LNG-EE-010	(77)	(19)	24	47	(25)
LNG-EE-017	220	-	-	-	220
LNG-EE-020	(1,180)	(306)	377	735	(373)
LNG-EE-021	(99)	(20)	(22)	(43)	(184)
LNG-EE-027	505	(102)	-	-	403
LNG-EE-034	1,341	-	-	-	1,341
LNG-EE-041	-	(260)	(317)	(626)	(1,202)
LNG-EE-047	(158)	(37)	(47)	(92)	(334)
LNG-EE-058	(5)	(2)	4	8	6
LNG-EE-061	(166)	(40)	51	101	(53)
SubTotal Non-Expat	123	(1,140)	334	644	(39)

The net error as a result of improper cost allocation to the New York utilities for the 20 month period in which we sampled transactions (KEDLI, KEDNY, and NIMO) was (\$12,113) for expatriate expenses as shown below.

Table 7-50 – LNG Testing - Expatriate Employee Expense Cost Direction Errors (20 Month GL Adjustment)

Legacy Grid Expat EE Expense - Cost Direction Errors 20-Month GL Adjustment to NY Utilities					
Selection	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum of Misallocated Amounts
LNG-EE-008	-	(6,411)	-	-	(6,411)
LNG-EE-012	-	-	-	-	-
LNG-EE-014	-	-	-	-	-
LNG-EE-015	-	(1,260)	523	1,034	297
LNG-EE-030	-	(782)	106	204	(472)
LNG-EE-038	-	571	731	1,426	2,728
LNG-EE-039	-	(1,500)	-	-	(1,500)
LNG-EE-044	-	(3,804)	106	206	(3,492)
LNG-EE-048	-	(456)	198	393	135
LNG-EE-053	-	(3,359)	-	-	(3,359)
SubTotal Expat	-	(17,001)	1,665	3,263	(12,074)
Total EE Expense Errors	123	(18,142)	1,998	3,907	(12,113)

As indicated from the figures above, these errors were primarily due to the expatriate selections. Based on discussions with the company as well as the company's responses to Overland's employee expense questionnaires, the company agrees that no "expatriate" expenses should have been charged to the operating accounts of National Grid's subsidiary companies. As such, all expatriate expenses were deemed as cost-direction errors.^{40, 41}

12-Month GL Adjustment

In the 12-month test period that applied to the respective individual utilities, the net error as a result of improper cost allocation to the New York utilities was (\$1,253) for non-expatriate expenses as shown below.

⁴⁰ For classification purposes we have designated the "expat" expense errors as "cost direction" errors, with a presumption that these costs should have remained at the parent company and not allocated to the operating companies. We could have also considered these as "FERC Account" errors with the presumption that these costs should have been charged to below-the-line FERC accounts. Since both cost direction and FERC Account errors have the same impact on our adjustment rate, the designation of these errors was not germane to the ultimate adjustment rate calculated.

⁴¹ Overland has removed the impact of any expatriate employee expense errors from the NIMO-electric segment because, per correspondence with the company, all expenses charged by expatriates were removed from the NIMO-electric cost of service calculation.

Table 7-51 – LNG Testing - Non-Expatriate Employee Expense Cost Direction Errors (12 month GL Adjustment)

Legacy Grid Non Expat EE Expense - Cost Direction Errors 12-Month GL Adjustment to NY Utilities					
Selection	NIMO-electric	NIMO-gas	KEDLI	KEDNY	Sum of GL Adjustment Amounts
LNG-EE-002	n/a	(137)	n/a	n/a	(137)
LNG-EE-003	n/a	-	n/a	n/a	-
LNG-EE-006	(825)	n/a	n/a	n/a	(825)
LNG-EE-007	n/a	(50)	83	161	194
LNG-EE-009	1,224	-	-	-	1,224
LNG-EE-010	(77)	n/a	24	47	(6)
LNG-EE-017	n/a	-	n/a	n/a	-
LNG-EE-020	(1,180)	n/a	377	735	(67)
LNG-EE-021	n/a	(20)	n/a	n/a	(20)
LNG-EE-027	n/a	(102)	-	-	(102)
LNG-EE-034	1,341	n/a	-	-	1,341
LNG-EE-041	-	n/a	n/a	n/a	-
LNG-EE-047	(158)	(37)	(47)	(92)	(334)
LNG-EE-058	n/a	(2)	n/a	n/a	(2)
LNG-EE-061	(166)	n/a	51	101	(13)
SubTotal Non-Expat	159	(348)	488	954	1,253

In the 12-month test period that applied to the respective individual utilities, the net error as a result of improper cost allocation to the New York utilities was (\$12,993) for expatriate expenses as shown below.

Table 7-52 – LNG Testing - Expatriate Employee Expense Cost Direction Errors (12 Month GL Adjustment)

Legacy Grid Expat EE Expense - Cost Direction Errors 12-Month GL Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum of GL Adjustment Amounts
LNG-EE-008	n/a	(6,411)	-	-	(6,411)
LNG-EE-012	-	n/a	-	-	-
LNG-EE-014	n/a	-	n/a	n/a	-
LNG-EE-015	-	n/a	n/a	n/a	-
LNG-EE-030	n/a	(782)	n/a	n/a	(782)
LNG-EE-038	-	571	731	1,426	2,728
LNG-EE-039	n/a	(1,500)	-	-	(1,500)
LNG-EE-044	n/a	(3,804)	n/a	n/a	(3,804)
LNG-EE-048	n/a	(456)	198	393	135
LNG-EE-053	-	(3,359)	-	-	(3,359)
SubTotal Expat	-	(9,330)	929	1,819	(12,993)
Total EE Expense Errors	159	(9,678)	1,417	2,772	(11,740)

Finally, in the table below, the cost of service adjustment is shown for each of the operating entities for each of their respective test year periods.

Table 7-53 – LNG Testing - Non-Expatriate Employee Expense Cost Direction Errors (COS Adjustment)

Legacy Grid Non Expat EE Expense - Cost Direction Errors Cost-of-Service Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum of COS Adjustment Amounts
LNG-EE-002	n/a	(137)	n/a	n/a	(137)
LNG-EE-003	n/a	-	n/a	n/a	-
LNG-EE-006	(825)	n/a	n/a	n/a	(825)
LNG-EE-007	n/a	(50)	83	161	194
LNG-EE-009	1,224	-	-	-	1,224
LNG-EE-010	(77)	n/a	24	47	(6)
LNG-EE-017	n/a	-	n/a	n/a	-
LNG-EE-020	(1,180)	n/a	377	735	(67)
LNG-EE-021	n/a	(20)	n/a	n/a	(20)
LNG-EE-027	n/a	(102)	-	-	(102)
LNG-EE-034	1,341	n/a	-	-	1,341
LNG-EE-041	-	n/a	n/a	n/a	-
LNG-EE-047	(158)	(37)	(47)	(92)	(334)
LNG-EE-058	n/a	(2)	n/a	n/a	(2)
LNG-EE-061	(166)	n/a	51	101	(13)
SubTotal Non-Expat	159	(348)	488	954	1,253

Table 7-54 – LNG Testing - Expatriate Employee Expense Cost Direction Errors (COS Adjustment)

Legacy Grid Expat EE Expense - Cost Direction Errors Cost-of-Service Adjustment to NY Utilities					
Selection	NIMO- electric	NIMO-gas	KEDLI	KEDNY	Sum of COS Adjustment Amounts
LNG-EE-008	n/a	(6,411)	-	-	(6,411)
LNG-EE-012	-	n/a	-	-	-
LNG-EE-014	n/a	-	n/a	n/a	-
LNG-EE-015	-	n/a	n/a	n/a	-
LNG-EE-030	n/a	(782)	n/a	n/a	(782)
LNG-EE-038	-	571	731	1,426	2,728
LNG-EE-039	n/a	(1,500)	-	-	(1,500)
LNG-EE-044	n/a	(3,804)	n/a	n/a	(3,804)
LNG-EE-048	n/a	(456)	198	393	135
LNG-EE-053	-	(3,359)	-	-	(3,359)
SubTotal Expat	-	(15,741)	929	1,819	(12,993)
Total EE Expense Errors	159	(16,089)	1,417	2,772	(11,740)

Below is a description of the nature of the error for each of the 25 transactions.

Non-Expat Cost Direction Errors

- LNG-EE-002 - These costs were originally charged to bill pool 380, which allocated to all Legacy Grid companies. Based on the evidence provided by the company, this employee should have been charging bill pool 382, which charges to all Grid companies, including Legacy KeySpan, because the employee was a VP in Information Services, reporting directly to the CIO, and responsibilities covered all Grid companies. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-EE-003 – This employee originally charged expenses by directly billing a portion of costs to NMPC and allocating the remaining portion to bill pool 253, which charges the New England electric distribution operating companies. Per review of the support and the company response, it was noted that a more appropriate allocation would have been to distribute these charges using a bill pool that allocates to all Grid electric distribution companies in New York and New England; specifically bill pool 231 because this employee was a Manager in the Distribution Engineering Services, department and the selected expenses incurred were related to meetings that were for the benefit of both New York and New England companies. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-EE-006 – This employee originally allocated expenses using bill pool 236, which distributes costs to all New England and New York operating companies. Per review of the support and the

company's response, it was noted that these costs should have been directly charged to Narragansett Electric because the expenses related to this selection were incurred for training specifically related to Rhode Island gas customer collections. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LNG-EE-007 – This employee originally charged expenses to bill pool 605, which allocated to only Legacy Grid companies. Per review of the support provided and the company response, it was noted that these charges should have been allocated to bill pool 239, which allocates to both Legacy Grid and Legacy KeySpan companies because these expenses were incurred by a manager in the electric operations computing department whose responsibilities included Legacy KeySpan companies. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-EE-009 – This employee originally charged expenses using bill pool 233, which charges all Grid transmission segments. Per review of the support provided and the company's response, it was noted that some of these charges should have been directly charged. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-EE-010 – This employee originally charged expenses using bill pool 380, which allocates to all Legacy Grid companies, but does not allocate to Legacy KeySpan companies. However, it was noted that these costs were incurred by a Grid Risk and Assurance Analyst for travel expenses to meet insurance underwriters, and that this insurance benefitted all entities. As such, Legacy KeySpan companies should have been charged some of these costs and, therefore, bill pool 382 should have been utilized. National Grid stated that the company was in the process of transitioning to bill pool 382 from bill pool 380 during this period and currently the company uses bill pool 382 to allocate these costs.
- LNG-EE-017 – This employee originally charged to bill pool 237, which charges only New England T&D companies. However, based on the evidence provided by the company, this employee should have been charging bill pool 238, which charges New England and New York T&D companies because the employee was working as a manager in the in-house construction scheduling department, and his responsibilities were for distribution and transmission projects in both New York and New England. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-EE-020 –Regarding this employee's business expenses, it was noted that these charges were originally charged to bill pool 236 (which charges only Legacy Grid companies). However, based on the evidence provided by the company, this individual should have been charging all costs to company bill pool 382 because this employee was an executive vice president in US Shared Services, and responsibilities included all Grid companies. Bill pool 382 is also the billing

pool used by the employee to charge payroll costs. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LNG-EE-021 – This employee was a manager in the payment processing department and expenses for this period were primarily for travel to and from SAP-related meetings. However, per review of this employee's expense report, it was noted that the expense type descriptions for three line items were specifically related to LIPA, not SAP. As such, the expenses related to these LIPA-specific activities should have been charged directly to KeySpan Electric Services, LLC. Overland identified the error and National Grid did not state whether it agreed or disagreed with Overland's conclusion.
- LNG-EE-027 – This employee was a manager of telecom engineering, responsible for the asset management of National Grid's US telecom network facilities. The expenses related to this selection were for costs related to this employee's duties as a member of the Board of Directors for the Utilities Telecom Council. These expenses were allocated using bill pool 272, which allocates costs to all Legacy Grid companies. However, the employee charged time using bill pool 238, which allocates charges to all Grid electric transmission and distribution utilities. The company stated in its response that these were "similar" bill pools. However, upon review of both of these bill pools Overland noted that bill pool 238 had seven cost objectives while bill pool 272 had twenty cost objectives and included non-utility companies (such as "Metrowest Realty"). The company further stated that these expenses were "in support of [this employee's] job function." As such, we deemed that bill pool 238 (i.e. the bill pool utilized for this employee's time) would have been more appropriate to use for these expenses. Overland identified the error and National Grid did not state whether it agreed or disagreed with Overland's conclusion.
- LNG-EE-034 – These costs were incurred by a Grid arborist who was responsible for supporting the manager of asset strategy forestry regarding the vegetation management of overhead distribution lines. Bill pool 232, which charges only New England electric distribution companies, was originally utilized for all of this employee's expenses. Per review of the support provided and the company's responses, it was noted that bill pool 231, which charges all of Grid's electric distribution companies, should have been utilized for a portion of these costs. This is because some of the expenses were related to this employee's general work duties, which included responsibilities for both New England and New York regions, while a portion of these expenses were related to meetings related to New England specific issues. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-EE-041 – This employee was a manager of Gas Finance, and expenses during this period were originally allocated using bill pool 200, which charges all Grid gas companies. Per review of the expense type description, it was noted that a portion of these costs were for meetings to "discuss NE North and South budget issues." Since these meetings appear to be solely related to

the New England companies, a more appropriate cost allocation for these costs would have been bill pool 389, which distributes to all New England operating companies. National Grid agrees that an error was made and the adjustment described above is reasonable.

- LNG-EE-047 – This employee was the Assistant General Counsel in the Legal Department and was responsible for managing the team of company lawyers who were responsible for evaluating real estate issues affecting the US operating companies. This employee's expenses were originally allocated using bill pool 382, which charges all Grid companies. Based on the evidence provided by the company and the company's responses, some of these expenses were for projects that only benefitted certain operating companies. This portion of these costs should have been directly charged to the benefitting operating companies. A cost direction error was noted. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-EE-058 – This employee was the executive assistant to an executive with broad accountabilities for the US business. These costs would be expected to be charged to bill pool 382, which allocates costs to all Grid companies. These expenses were primarily distributed using bill pool 382; however a portion of these costs were allocated using bill pool 282, which allocates costs to only Legacy Grid companies. National Grid agrees that an error was made and the adjustment described above is reasonable.
- LNG-EE-061 – These costs were originally charged to bill pool 380, which charged to all Legacy Grid companies. Based on the evidence provided by the company, this employee should have been charging all costs to company bill pool 382, which charges to all Grid companies, including Legacy KeySpan. This employee was working as a Team Lead in the Information Services in the Governance, Risk, and Compliance department, and responsibilities included all Grid entities. National Grid agrees that an error was made and the adjustment described above is reasonable.

Expat Cost Direction Errors⁴²

- LNG-EE-008 - This employee was an expat who had global responsibilities. 50% of his expenses were charged to the UK, while 50% were charged to the US. All employee expenses during this period were classified as "expat" expenses.
- LNG-EE-012 – This employee had both expat expenses and other business expenses. Regarding this employee's other business expenses, it was noted that these were expensed and allocated using bill pool 231, which distributes costs to New England and New York electric distribution companies. This cost direction appears reasonable based on this employee's description of this

⁴² Based on discussions with the company, as well as the response to Item '9' of LNG-EE-044, it was noted that all "expat" expenses should have been charged below the line. For testing purposes, all expat expenses allocated to New York utilities are noted as errors in cost direction, and "revised" cost direction assumes that these expat expenses should have been held at the parent company (i.e. company 001).

selection's response, as well as a review of this employee's job description, which lists developing "the process, data requirements, stakeholder list, systems requirements, and key interfaces for a Center of Estimating Excellence for distribution and sub-transmission projects" as one responsibility.

- LNG-EE-014 – This selection was the expense report for the VP of Global Procurement and it included both expat expenses as well as ordinary business expenses related to a business trip to China. The allocations related to this employee's other business expenses were deemed acceptable.
- LNG-EE-015 – It was noted, based on discussions with the company, as well as the response to Item '9' of LNG-EE-044, that all "expat" expenses should have been charged below the line. As such, for testing purposes, all expat expenses allocated to New York utilities are noted as errors in cost direction, and "revised" cost direction assumes that these expat expenses should have been held at the parent company (i.e. company 001). Regarding this employee's other business expenses, it was noted that these charges were originally charged to bill pool 380, which charged to all Legacy Grid companies. Based on the evidence provided by the company, this employee should have been charging all costs to company bill pool 382, which charges to all Grid companies, including Legacy KeySpan, because he was working as a VP in the Treasury Department, and his responsibilities included all Grid entities.
- LNG-EE-030 – It was noted, based on discussions with the company, as well as the response to Item '9' of LNG-EE-044, that all "expat" expenses should have been charged below the line. For testing purposes, all expat expenses allocated to New York utilities are noted as errors in cost direction, and "revised" cost direction assumes that these expat expenses should have been held at the parent company (i.e. company 001). Regarding this employee's other business expenses, it was noted that these charges were originally charged to bill pool 236, which charges only Legacy Grid companies. Based on the evidence provided by the company, this individual should have been charging all company bill pool 382 because this employee was a vice president in the US Property Services division, and responsibilities included all Grid companies.
- LNG-EE-038 – It was noted, based on discussions with the company, as well as the response to Item '9' of LNG-EE-044, that all "expat" expenses should have been charged below the line. For testing purposes, all expat expenses allocated to New York utilities are noted as errors in cost direction, and "revised" cost direction assumes that these expat expenses should have been held at the parent company (i.e. company 001). Regarding this employee's other business expenses, it was noted that bill pool 247, which distributes costs to all New England electric distribution companies was used to allocate this employee's expenses. Per review of the support provided and the company's responses, it was noted that this employee was the head of Marketing for Grid-US and responsibilities included both electric and gas distribution operations. A more appropriate allocation would be the following: 50% to bill pool 203-which

distributes costs to all electric distribution companies and 50% to bill pool 200-which distributes costs to all gas distribution companies. This 50-50 split is also consistent with how this employee billed time.

- LNG-EE-039 – It was noted that this employee was an expat who had global responsibilities. 50% of the expenses were charged to the UK, while 50% were charged to the US. Based on discussions with the company, as well as the response to Item '9' of LNG-EE-044, all "expat" expenses should have been charged below the line. It was further noted that all of this employee's expenses during this period were classified as "expat" expenses. For testing purposes, all expat expenses allocated to New York utilities are noted as errors in cost direction, and our "revised" cost direction assumes that these expat expenses should have been held at the parent company (i.e. company 001).
- LNG-EE-044 – It was noted, based on discussions with the company, as well as the response to Item '9' of LNG-EE-044, that all "expat" expenses should have been charged below the line. For purposes of our testing, all expat expenses allocated to New York utilities are noted as errors in cost direction, and "revised" cost direction assumes that these expat expenses should have been held at the parent company (i.e. company 001). Regarding this employee's other business expenses, it was noted that these charges were originally charged to bill pool 236, which charges only Legacy Grid companies. Based on the evidence provided by the company, this employee should have been charging all company bill pool 382 because this employee was an Executive Vice President of US Shared Services, and responsibilities included all Grid companies. This cost direction is also how this employee charged his time.
- LNG-EE-048 – It was noted, based on discussions with the company, as well as the response to Item '9' of LNG-EE-044, that all "expat" expenses should have been charged below the line. For testing purposes, all expat expenses allocated to New York utilities are noted as errors in cost direction, and "revised" cost direction assumes that these expat expenses should have been held at the parent company (i.e. company 001). Regarding this employee's other business expenses, it was noted that these charges were for an individual working in the HR department and leading the organizational design project, which was to benefit all Grid companies. It was noted that these charges were originally billed to bill pool 353, which charged only Legacy Grid companies. Given that this employee's responsibilities included Legacy KeySpan companies, all company bill pool 354 should have been utilized.
- LNG-EE-053 – It was noted that this employee was an expat who had global responsibilities. 50% of the expenses were charged to the UK, while 50% were charged to the US. It was further noted, based on discussions with the company, as well as the response to Item '9' of LNG-EE-044, that all "expat" expenses should have been charged below the line. It was further noted that all of this employee's expenses during this period were classified as "expat" expenses. For testing purposes, all expat expenses allocated to New York utilities are noted as errors in cost

direction, and our "revised" cost direction assumes that these expat expenses should have been held at the parent company (i.e. company 001).

Consolidated Results and Extrapolation

The previous sections of this Transaction Testing chapter have provided a detailed analysis of the individual errors identified by Overland in the Oracle and PeopleSoft accounting systems. These sections have focused on two different error figures: the 20-month GL Adjustment and the 12-month GL Adjustment.⁴³ In this section, we address the basis for our refinements to the testing results and provide an estimated cost of service adjustment for the four utilities under review.⁴⁴ In Exhibit 7-3, we provide a breakout of the statistical analysis that allowed us to extrapolate our sample results to the total population of service company charges for each operating company.

In order to estimate the cost of service adjustment, we began with the GL Adjustment. This figure, as described earlier in this chapter, represents the total unsupported and/or misallocated charges that we identified during each entity's testing period. However, because our test selections were obtained from the general ledger, we further revised the GL Adjustment figure to estimate the relevant cost of service adjustment for each entity.

Our assumptions regarding the estimated cost of service impact of various items are identified below:

- All selections charged to above-the-line expense accounts (defined as all FERC accounts in the 500 series, 800 series, 900 series and certain accounts in the 400 series) were deemed to impact cost of service dollar for dollar. As such, 100% of the 12-month GL Adjustment associated with these items was carried into the cost of service adjustment.
- Items in the 100 series (except for the 184-clearing accounts) were assumed to be included in the company's rate base and a 15% composite carrying rate was utilized to estimate the impact of the error on the utility's cost of service. For example, if an invoice for \$100 was charged to a 100 series FERC account and deemed to be an error, the resulting GL Adjustment would be \$100, but the resulting cost of service adjustment would be \$15 (i.e. $\$100 \times 15\% = \$15$).
- In addition to the above assumptions, we also noted that there were a small number of items that could not be adequately defined as capital or expense. These items were mainly comprised of unsupported purchase card (P-Card) transactions in which authorized Grid personnel made purchases with company issued credit cards. For purposes of calculating our cost of service adjustment figures, we assumed a 75% composite ratio for these selections. Stated another

⁴³ These different adjustment figures are described in detail in the "Testing Procedures" section earlier in the chapter.

⁴⁴ We recognize that Niagara Mohawk-Electric is the only entity being reviewed on a ratemaking basis. However, we believe the cost of service adjustment also provides a reasonable proxy for the earnings sharing impact for NIMO-Gas; KEDNY and KEDLI.

way, we assumed that the mix of expense and capital items in these selections would have resulted in roughly 75% of the total amount of these selections being expensed during the period.

The first point that 100% of the “above-the-line” expense accounts were presumed to be included in the cost of service must be further clarified. While this is generally true, there were occasions where a topside adjustment was made to remove certain expenses from NIMO-electric’s cost of service calculation.⁴⁵ The extrapolation of our testing results was driven by an error rate of our sampled selections. Therefore, to avoid “double-counting” these errors we removed them from NIMO-electric’s adjustment figures only. To the extent that these selections impacted KEDLI, KEDNY, and/or NIMO-gas, the errors were incorporated into the adjustment figures and error amounts for these entities.

After incorporating the adjustments noted above, Overland utilized the sampling methodology attached as Exhibit 7-1 to extrapolate the misallocated amounts for our three sample results (accounts payable, payroll and employee expense) to the total populations of each of the four entities under review (NIMO-Electric, NIMO-Gas, KEDLI and KEDNY). These extrapolated figures represent the projected misstatements (point estimates) of the dollar amounts inappropriately charged by the Grid service companies to its New York utilities.

As discussed in our sampling plan, the point estimates are derived from the error rates calculated from our sample selections. The error rates are calculated based on the percentage of overcharge (presented as a negative) or undercharge (presented as a positive) to the New York utilities. The error rates calculated for all of our randomly sampled selections is included as Exhibit 7-2.

Since these point estimates are derived from testing samples of the total populations they represent estimates of the total misallocated amounts for the populations. In addition to providing these point estimates, Overland has also calculated confidence intervals around these point estimates, utilizing a 95% level of confidence.⁴⁶ Each confidence interval provides the range of the misallocated amount necessary to provide 95% level of assurance that the “true” population value is encompassed somewhere within this range.

In the following narrative, Overland provides a breakdown of the three sample populations for each of the four entities in order to show how the estimated cost of service adjustments were derived. These tables are organized as follows:

⁴⁵ A notable example of topside adjustment removed from cost of service by National Grid during a rate case filing is the “expatriate” expenses that were removed by National Grid in the Niagara Mohawk Rate Case, 10-E-0050.

⁴⁶ A detailed description of our sampling methodology is included Exhibit 7-1.

- Calculation of Projected Misstatement (Point Estimate)
 - This table provides a breakdown of the components that Overland utilized to calculate a point estimate of the cost of service adjustment for each entity. The total dollar value of the sampled transactions that fell within the review period for the four New York utilities and the error rate associated with these transactions are provided, as well as the product of these two components, the “point estimate”;
- Calculation of Upper and Lower Limit of Error Rates
 - This table provides a range of the possible error rates of the underlying populations. Specifically, this table utilizes the sample standard deviation of each sample to establish an interval around the average adjustment rate reflecting the range of values around our point estimate necessary to provide the desired confidence level about the broader population value. This results in both an upper and lower limit of the true population error rate; and
- Calculation of Sample Confidence Intervals
 - This table utilizes the upper and lower limit of the error rates and applies these error rates to the total dollar value of the population to derive a dollar value confidence range around the point estimate.

In the final section Overland has combined our sampling and targeted testing results to provide a total estimated cost of service adjustment amount by utility.⁴⁷

Accounts payable sample results

See below for the sample results of the accounts payable stratum.

Table 7-55 – Accounts Payable Sample Results

Calculation of AP Sample Projected Misstatement (Point Estimate)				
	NIMO-electric	NIMO-gas	KEDLI	KEDNY
Dollar Value Falling Within Operating Entity Review Period	1,271,537,382.65	1,290,581,546.51	1,251,167,493.98	1,251,167,493.98
Dollar Weighted Average Adjustment Rate	-0.99%	-0.26%	-0.28%	-0.64%
Point Estimate of Inappropriate Accounts Payable Charges	(12,613,953.3)	(3,388,514.1)	(3,476,093.4)	(8,051,945.4)

⁴⁷ As can be seen in this section, the cost of service point estimate for each entity was determined by summing the point estimates from the accounts payable, payroll and employee expense samples.

Calculation of AP Sample Upper and Lower Limit of Error Rates				
	NIMO-electric	NIMO-gas	KEDLI	KEDNY
Sample Standard Deviation	0.45%	0.12%	0.15%	0.53%
Point on Normal Distribution Associated with Desired Level of Confidence	1.96	1.96	1.96	1.96
Addition / Subtraction to Dollar Weighted Average Adjustment Rate Necessary to Derive Relevant Confidence Interval	0.89%	0.24%	0.29%	1.04%
Dollar Weighted Average Adjustment Rate	-0.99%	-0.26%	-0.28%	-0.64%
Lower Limit of Error Rate	-1.88%	-0.50%	-0.57%	-1.69%
Upper Limit of Error Rate	-0.10%	-0.02%	0.01%	0.40%
Note1: This is the value necessary to add and subtract from dollar weighted average adjustment rate in order to derive a confidence range at a 95% level of confidence.				

Calculation of AP Sample Confidence Intervals				
	NIMO-electric	NIMO-gas	KEDLI	KEDNY
Dollar Value Falling Within Operating Entity Review Period	1,271,537,383	1,290,581,547	1,251,167,494	1,251,167,494
Lower Limit of Error Rate	-1.88%	-0.50%	-0.57%	-1.69%
Upper Limit of Error Rate	-0.10%	-0.02%	0.01%	0.40%
Lower Range of Confidence Interval	(23,925,091)	(6,456,543)	(7,093,508)	(21,124,497)
Upper Range of Confidence Interval	(1,302,815)	(320,485)	141,321	5,020,607

Payroll sample results

See below for the sample results of the payroll stratum.

Table 7-56 – Payroll Sample Results

Calculation of Payroll Sample Projected Misstatement (Point Estimate)				
	NIMO-electric	NIMO-gas	KEDLI	KEDNY
Dollar Value Falling Within Operating Entity Review Period	651,535,170	676,564,562	658,679,697	658,679,697
Dollar Weighted Average Adjustment Rate	1.71%	-0.22%	-1.39%	-1.71%
Point Estimate of Inappropriate Payroll Charges	11,145,580.8	(1,522,151.1)	(9,176,853.1)	(11,272,431.5)

Calculation of Payroll Sample Upper and Lower Limit of Error Rates				
	NIMO-electric	NIMO-gas	KEDLI	KEDNY
Sample Standard Deviation	0.84%	0.25%	0.66%	0.92%
Point on Normal Distribution Associated with Desired Level of Confidence	1.96	1.96	1.96	1.96
Addition / Subtraction to Dollar Weighted Average Adjustment Rate Necessary to Derive Relevant Confidence Interval	1.65%	0.49%	1.29%	1.79%
Dollar Weighted Average Adjustment Rate	1.71%	-0.22%	-1.39%	-1.71%
Lower Limit of Error Rate	0.06%	-0.72%	-2.68%	-3.51%
Upper Limit of Error Rate	3.36%	0.27%	-0.11%	0.08%
Note1: This is the value necessary to add and subtract from dollar weighted average adjustment rate in order to derive a confidence range at a 95% level of confidence.				

Calculation of Payroll Sample Confidence Intervals				
	NIMO-electric	NIMO-gas	KEDLI	KEDNY
Dollar Value Falling Within Operating Entity Review Period	651,535,170	676,564,562	658,679,697	658,679,697
Lower Limit of Error Rate	0.06%	-0.72%	-2.68%	-3.51%
Upper Limit of Error Rate	3.36%	0.27%	-0.11%	0.08%
Lower Range of Confidence Interval	379,331	(4,860,674)	(17,656,727)	(23,087,375)
Upper Range of Confidence Interval	21,911,831	1,816,372	(696,979)	542,512

Employee expense results

See below for the sample results of the employee expense stratum.

Table 7-57 – Employee Expense Results

Calculation of Employee Expense Sample Projected Misstatement (Point Estimate)				
	NIMO-electric	NIMO-gas	KEDLI	KEDNY
Dollar Value Falling Within Operating Entity Review Period	17,019,158	16,627,846	14,828,366	14,828,366
Dollar Weighted Average Adjustment Rate	0.27%	-1.82%	-0.95%	-0.95%
Point Estimate of Inappropriate Employee Expense Charges	45,792.7	(303,001.4)	(141,608.0)	(140,246.6)

Calculation of Employee Expense Sample Upper and Lower Limit of Error Rates				
	NIMO-electric	NIMO-gas	KEDLI	KEDNY
Sample Standard Deviation	1.41%	0.77%	0.90%	1.37%
Point on Normal Distribution Associated with Desired Level of Confidence	2.00	2.00	2.00	2.00
Addition / Subtraction to Dollar Weighted Average Adjustment Rate Necessary to Derive Relevant Confidence Interval	2.83%	1.53%	1.80%	2.75%
Dollar Weighted Average Adjustment Rate	0.27%	-1.82%	-0.95%	-0.95%
Lower Limit of Error Rate	-2.56%	-3.36%	-2.75%	-3.69%
Upper Limit of Error Rate	3.10%	-0.29%	0.84%	1.80%
Note1: This is the value necessary to add and subtract from dollar weighted average adjustment rate in order to derive a confidence range at a 95% level of confidence.				

Calculation of Employee Expense Sample Confidence Intervals				
	NIMO-electric	NIMO-gas	KEDLI	KEDNY
Dollar Value Falling Within Operating Entity Review Period	17,019,158	16,627,846	14,828,366	14,828,366
Lower Limit of Error Rate	-2.56%	-3.36%	-2.75%	-3.69%
Upper Limit of Error Rate	3.10%	-0.29%	0.84%	1.80%
Lower Range of Confidence Interval	(435,479)	(557,916)	(408,158)	(547,330)
Upper Range of Confidence Interval	527,064	(48,086)	124,942	266,837

Cost of service adjustment amounts by utility

See below for an overall estimate of the cost of service adjustment by utility. This table consolidates the sampling results for the three different sampling types (the “Sample Results” line item) to provide an overall confidence range for each utility of the level of misallocation across the three sampled populations. Overland then added the targeted testing results for each entity in order to derive a total cost of service adjustment amount. The targeted testing results are identical for the lower limit, point estimate, and higher limit as our targeted testing was not performed on a sample basis, and therefore, was not subject to sampling error.

Table 7-58 – Cost of Service Adjustment

Cost-of-service adjustment (sample testing and targeted testing results)			
Utility	Lower Limit	Point Estimate	Higher Limit
NIMO-electric			
NIMO-electric Sample Results	(17,045,525)	(1,422,580)	14,200,366
NIMO-electric Targeted Testing	(1,607,080)	(1,607,080)	(1,607,080)
Total	(18,652,605)	(3,029,659)	12,593,286
NIMO-gas			
NIMO-gas Sample Results	(9,754,696)	(5,213,667)	(672,637)
NIMO-gas Targeted Testing	(271,251)	(271,251)	(271,251)
Total	(10,025,947)	(5,484,918)	(943,889)
KEDLI			
KEDLI Sample Results	(22,017,471)	(12,794,555)	(3,571,638)
KEDLI Targeted Testing	(548,205)	(548,205)	(548,205)
Total	(22,565,676)	(13,342,760)	(4,119,843)
KEDNY			
KEDNY Sample Results	(37,089,710)	(19,464,624)	(1,839,537)
KEDNY Targeted Testing	(2,725,581)	(2,725,581)	(2,725,581)
Total	(39,815,291)	(22,190,205)	(4,565,119)
Total for all NY Utilities	(69,745,853)	(44,047,542)	(18,349,230)
Note: The higher and lower limits shown above in the "Total for all NY Utilities" line are not the sum of the limits for the four NY utilities. Rather, the combined upper and lower limit for the four utilities is a function of the standard deviation of the combined estimate (calculated as the square root of the sum of the individual variances for the four companies).			

Sampling Methodology

Objective and Overview of Approach

The overall objective for the engagement was to estimate the extent to which four National Grid Operating Entities – NIMO-Electric; NIMO-Gas; KEDNY; and KEDLI - were charged inappropriately (either, in any instance, too much or too little) for services provided by National Grid Service Companies throughout a continuous 20-month Timeframe (October '08 through May '10) encompassing the four distinct rate review periods for the four operating entities.

Because the accounting entries representing charges to the Operating Entities for Service Company services number in the hundreds of thousands over a 20 month period - beyond what can be comprehensively audited within the scope of this engagement - sampling was employed to develop: (i) statistically valid (i.e., unbiased) Point Estimates of the amounts that the four operating entities were inappropriately charged during their rate review periods; and (ii) statistically valid Confidence Intervals around the point estimates (i.e., ranges of values around the Point Estimates that are expected, with specified degrees of 'confidence,' to contain the 'true' amounts of inappropriate charges).

This Sampling Methodology: (i) defines the Populations from which sampling was conducted and specifies the unit of analysis (the Sampling Unit); (ii) specifies the Parameter to be computed (for each Operating Entity) from each Sampled Unit; (iii) identifies ways in which the Populations were stratified to improve sampling efficiency (i.e., target), for a given amount of auditing applied to analyzing Sampling Units, the greatest possible precision (i.e. for specified levels of confidence, the narrowest possible Confidence Intervals around the Point Estimates); (iv) describes our approach to selecting the Sample (i.e. identifying a specified number of Sampling Unit from the defined Populations); describes our approach to extrapolating the Sampling Results (i.e., computed values of the Sampling Parameter for each of the Sampling Units) to establish Point Estimates for the Populations and Confidence Intervals around the Point Estimates; and (v) provides our recommendation for overall Sample Size across the Populations, and the logic and analysis supporting the recommendation.

Sampling Populations and Sampling Unit

Each charge imposed on an Operating Entity throughout the time period reflects required payment for the provision of a service by a Service Company to an Operating Entity. The basic unit of analysis – for sampling purposes, the Sampling Unit – is a charge associated with a service, referred to as an Auditing Unit ("AU"). Because different types of services are charged to the Operating Entities in different ways (sometimes, for example, through submission of an invoice, sometimes through an allocation of Service Company employee payroll expenses), we needed to define distinct Populations of charges, each reflecting a common (homogeneous) method of charging, and identify, for each such Population of charges, the Auditing Unit to be sampled for auditor review.

We examined Service Company charges to Operating Entities falling within three categories – Accounts Payable; Employee Payroll; and Employee Expense Reimbursement. In the Accounts Payable category, the AUs are invoiced Transactions; and, in the Employee Payroll and Employee Expense Reimbursement categories, the AUs are Employee-Months (i.e., respectively, all payroll or expenses associated with a given employee for a given month). Because the Sampling Units are different across the three categories, we treated each as distinct Universes of AUs.

Within the universe of Accounts Payable AUs, we identified a set of AUs that were not subject to sampling – i.e., were not included within the Population definition - but rather examined in total. Within Accounts Payable, all Transactions with dollar amounts greater than or equal to \$1,000,000 were audited (i.e., not subject to sampling).

Our three Sampling Populations were therefore defined as follows:

1. Accounts Payable: transactions occurring within the Timeframe with dollar amounts less than \$1,000,000;
2. Employee Payroll: employee-Months occurring within the Timeframe.
3. Employee Expense reimbursements: Employee-Months occurring within the Timeframe.

Sampling Parameter

For each sampled AU, for each Operating Entity whose rate review period included the month within which the AU occurred, the Parameter to be computed was the Adjustment Rate, equal to the portion of the AU Value that had been either inappropriately charged to the Operating Entity (resulting in a negative Parameter value) or inappropriately not charged to the Operating Entity (resulting in a positive Parameter value).

For any Sampled AU, denoted by a , and any Operating Entity, denoted by i , define as follows:

$TV(a)$ = dollar Value for sampled AU a

$Al(a)_i$ = amount of $TV(a)$ that National Grid allocated to Operating Entity i as recorded in the associated database

$AAI(a)_i$ = adjusted allocation, equal to the amount of $TV(a)$ that the Auditor examining the Sampled AU determined should have been allocated to Operating Entity i

$AR(a)_i$ = Adjustment Rate computed for AU a as applied to Operating Entity i

For each Operating Entity i (for $i=1,...,4$) whose rate review period includes the month within which AU a occurred:

$$AR(a)_i = (AAI(a)_i - Al(a)_i) / TV(a)$$

For each Operating Entity i whose rate-review period does not include the month within which AU a occurred, the Sampling Parameter is not computed.

Stratification

Each of the three Populations included AUs recorded on two distinct database systems – PeopleSoft and Oracle. To improve sampling efficiency each of the three Populations was stratified into two strata reflecting AUs recorded on the PeopleSoft database and AUs recorded on the Oracle database.

Sample Selection

Our approach to selecting samples from the three Populations was Probability Proportional to Size (“PPS”), where the probability of selecting each AU was weighted by its size. Within each Population, the number of sample AUs was distributed across the two defined stratum in proportion to the dollar value of AUs within the stratum. The alternative approach – so-called Optimal or Disproportionate Allocation, whereby allocations across the stratum are in proportion to the standard deviations of the Sampling Parameter within the stratum – is not feasible in this case because we have no valid estimates of the relative values of standard deviations across the stratum.

With this approach, the sampling results for each Population was, as discussed further in the next section, aggregated to produce an estimate of the dollar weighted average Adjustment Rate for each Operating Entity.

There were three basic steps to we used to generate the sample for each Population. The first step was to establish a range of values for each AU equal to its dollar value and constructed a cumulative range for each stratum by aggregating the individual ranges of each AU within the stratum. The second step was to distribute the total number of AUs to be sampled across the two stratum in accordance with the dollar-based proportionality approach described above. The final step was to select specific AUs within each stratum. This could have been done in one of two ways: (i) employ a random number generator to select each AU; or (ii) employ a random number to select only the first AU (and a specific point within the range for the first selected AU) and then select all additional AUs employing a systematic sampling approach (i.e., use of a fixed, periodic interval) applied to dollar values. The latter is administratively simpler, but raises some concern that can provide a basis for challenging the validity of the sample. Therefore, employed a random number generator provided by the EZ-Quant software package to select our samples.

Extrapolation of Sampling Results to Population

For each Population, we extrapolated the sample results to establish, for each of the four Operating Entities, a point estimate of the dollar amount that was inappropriately charged or not charged for Service Company Transactions; and a series of confidence intervals around the point estimate.

For each Population p (for $p=1,...,3$), to compute the point estimate for each Operating Entity i (for $i=1,...,4$), define as follows:

$n_{p,i}$ = number of sample Adjustment Rates computed in for Operating Entity i in Population p , equal to the number of sampled AUs falling within the months encompassing the Operating Entity’s rate review period

$n_{p,i,j}$ = number of sample Adjustment Rates computed for Operating Entity i within Stratum j (for $j=1,2$) of Population p

$AR(a)_{p,i,j}$ = Adjustment Rate for AU a computed for Operating Entity i within Stratum j of Population P

$SM_{p,i,j}$ = the set of $n_{p,i,j}$ Adjustment Rates sampled in Population p for Operating Entity i in Stratum j , taking the following form: $[AR(1)_{p,i,j}, AR(2)_{p,i,j}, \dots, AR(n_{p,i,j})_{p,i,j}]$

$Avg_{p,i,j}$ = average of the values comprising $SM_{p,i,j}$ (see formula below)

- $AR_{p,i}$ = point estimate of the dollar-weighted average Adjustment Rate in Population p for Operating Entity i (see formula below)
- $DV_{p,i}$ = total dollar value of all AUs within Population p falling within the months encompassing Operating Entity i's rate review period
- $DI_{p,i}$ = point estimate of the dollar amount in Population p that was inappropriately charged or not charged to Operating Entity i within the months encompassing its rate review period (see formula below)

The required computations are as follows:

$$Avg_{p,i,j} = \frac{\sum_{a=1}^{n_{p,i,j}} AR(a)_{p,i,j}}{n_{p,i,j}}$$

$$AR_{p,i} = \frac{\sum_{j=1}^2 (n_{p,i,j} * Avg_{p,i,j})}{n_{p,i}}$$

$$DI_{p,i} = DV_{p,i} * AR_{p,i}$$

To compute confidence intervals around the point estimate for each Operating Entity i within each Population p, define as follows:

- $Var_{p,i,j}$ = variance of $Avg_{p,i,j}$ (see formula below)
- $SD_{p,i}$ = standard deviation of $AR_{p,i}$ (see formula below)
- CL = desired level of confidence around the point estimate $DI_{p,i}$
- $t(df)_{(1-CL)/2}$ = point on the Student's t distribution with df degrees of freedom associated with a one-sided tail area of (1-CL)/2 percent
- $Z_{(1-CL)/2}$ = point on the normal distribution associated with a one-sided tail area of (1-CL)/2 percent
- $CIAR_{p,i,CL}$ = Confidence Interval such that, if the sampling routine were to be repeated multiple times, the percentage of times that the 'true' dollar-weighted Adjustment Rate for Operating Entity i within Population p throughout its rate review period would be contained within a similarly constructed range is equal to CL (see formula below)
- $CIDI_{p,i,CL}$ = Confidence Interval such that, if the sampling routine were to be repeated multiple times, the percentage of times that the 'true' dollar amount that was inappropriately charged or not charged to Operating Entity i within Population p throughout its rate review period would be contained within a similarly constructed range is equal to CL (see formula below)

The required computations are as follows:¹

$$\text{Var}_{p,i,j} = \frac{\sum_{a=1}^{n_{p,i,j}} (\text{AR}(a)_{p,i,j} - \text{Avg}_{p,i,j})^2}{n_{p,i,j} - 1}$$

$$\text{SD}_{p,i} = \frac{\left(\sum_{j=1}^2 (n_{p,i,j} * \text{Var}_{p,i,j}) \right)^{0.5}}{n_{p,i}}$$

$$\text{CIAR}_{p,i,\text{CL}} = \begin{cases} \text{AR}_{p,i} \pm (t(df)_{(1-\text{CL})/2} * \text{SD}_{p,i}) & \text{for } n_{p,i} \leq 120 \\ \text{AR}_{p,i} \pm (z_{(1-\text{CL})/2} * \text{SD}_{p,i}) & \text{for } n_{p,i} > 120 \end{cases}$$

$$\text{CIDI}_{p,i,\text{CL}} = \begin{cases} \text{DI}_{p,i} \pm (\text{DV}_{p,i} * (t(df)_{(1-\text{CL})/2} * \text{SD}_{p,i})) & \text{for } n_{p,i} \leq 120 \\ \text{DI}_{p,i} \pm (\text{DV}_{p,i} * (z_{(1-\text{CL})/2} * \text{SD}_{p,i})) & \text{for } n_{p,i} > 120 \end{cases}$$

To compute a dollar-based point estimate and confidence range for each of the Operating Entities across the three Populations, define as follows:

- DI_i = point estimate of the dollar amount that was inappropriately charged or not charged to Operating Entity i across the three Populations within the months encompassing its rate review period (see formula below)
- SD_i = standard deviation of DI_i (see formula below, which assumes that, for each Operating Entity, the three Population point estimates are uncorrelated)
- $\text{CIDI}_{i,\text{CL}}$ = Confidence Interval such that, if the sampling routine were to be repeated multiple times, the percentage of times that the 'true' dollar amount that was inappropriately charged or not charged to Operating Entity i across the three Populations throughout its rate review period would be contained within a similarly constructed range is equal to CL (see formula below)

The required computations are as follows:

¹ The confidence intervals presented in this Sampling Plan are computed under the presumption that the $\text{AR}_{p,i}$ variables are distributed with $n_{p,i} - 1$ degrees of freedom in accordance with the Student's t distribution. This is a standard presumption for this sort of sampling exercise, justified by the random nature of the sampling process and the Central Limit Theorem. For purposes of developing a sample size for each of the three populations, we posited the mean and standard deviation of the Sampling Parameter under the assumption of 60% zero values, twice as many negative as positive values, and linear decline in moving from (in absolute terms) smaller to larger values..

$$DI_i = \sum_{p=1}^3 DI_{p,i}$$

$$SD_i = \left(\sum_{p=1}^3 (DV_{p,i} * SD_{p,i})^2 \right)^{0.5}$$

$$CIDI_{i,CL} = DI_i \pm (z_{(1-CL)/2} * SD_i)$$

Sample Size and Empirical Characteristics

We utilized a sample size of 800 AUs across the three Populations, allocated across the three populations in proportion to the square root of the dollar values of all AUs within the Population, subject to the constraint that there be a minimum of 100 samples from each population.

The number of AUs within each the three Populations, and the dollar values associated with all of the AUs, are as follows:

Population	Auditing Units	Dollar Value
Accounts Payable	357,542	\$2,173,515,551
Employee Payroll	150,058	\$1,083,638,208
Expense Reimbursement	28,559	\$28,919,291

Applying the approach described above yields the following allocation of samples across the three populations and the two stratum within each population:

Population	Sample Size (AUs)	PeopleSoft Stratum	Oracle Stratum
Accounts Payable	410	244	166
Employee Payroll	290	137	153
Expense Reimbursement	100	61	39

Because the sampling in each Population will be applied across a twenty-month timeframe and the rate review period for each of the four Operating Entities encompasses twelve of the twenty months, the expected number of samples for each Operating Entity within each Population is as follows:

Population	Samples per Operating Entity
Accounts Payable	246
Employee Payroll	174
Expense Reimbursement	60

Adjustment Rate for Employee Expense Auditing Units - Legacy KeySpan Employee Expense Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LKS-EE-001	March-10	NIMO-gas	\$3,822.48		3%		
LKS-EE-002	March-09	NIMO-electric; KEDNY & KEDLI	\$405.48	0%		0%	0%
LKS-EE-003	October-09	NIMO-gas; KEDNY & KEDLI	\$1,817.49		0%	0%	0%
LKS-EE-004	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$729.72	0%	0%	0%	0%
LKS-EE-005	December-08	NIMO-electric	\$723.44	0%			
LKS-EE-006	February-09	NIMO-electric; KEDNY & KEDLI	\$1,449.78	0%		0%	0%
LKS-EE-007	March-10	NIMO-gas	\$6,291.91		0%		
LKS-EE-008	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$51,618.66	0%	0%	0%	0%
LKS-EE-009	January-09	NIMO-electric; KEDNY & KEDLI	\$348.97	0%		0%	0%
LKS-EE-010	February-09	NIMO-electric; KEDNY & KEDLI	\$863.51	0%		-19%	-30%
LKS-EE-011	February-10	NIMO-gas	\$494.54		0%		
LKS-EE-012	October-08	NIMO-electric	\$13,180.64	0%			
LKS-EE-013	April-10	NIMO-gas	\$56.00		0%		
LKS-EE-014	March-09	NIMO-electric; KEDNY & KEDLI	\$9,923.21	0%		0%	0%
LKS-EE-015	February-10	NIMO-gas	\$1,966.17		0%		
LKS-EE-016	January-09	NIMO-electric; KEDNY & KEDLI	\$1,622.43	11%		-1%	-2%
LKS-EE-017	November-08	NIMO-electric	\$1,441.04	0%			
LKS-EE-018	October-09	NIMO-gas; KEDNY & KEDLI	\$2,749.97		0%	0%	0%
LKS-EE-019	November-08	NIMO-electric	\$622.78	0%			
LKS-EE-020	May-09	NIMO-electric; KEDNY & KEDLI	\$268.44	0%		0%	0%
LKS-EE-021	March-09	NIMO-electric; KEDNY & KEDLI	\$1,564.65	0%		2%	3%
LKS-EE-022	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$676.44	0%	0%	0%	-7%
LKS-EE-023	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$7,691.98	24%	6%	-10%	-16%
LKS-EE-024	November-08	NIMO-electric	\$1,873.77	0%			
LKS-EE-025	May-10	NIMO-gas	\$3,354.56		0%		
LKS-EE-026	January-09	NIMO-electric; KEDNY & KEDLI	\$1,813.97	0%		-6%	-10%
LKS-EE-027	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$233.75	0%	0%	0%	0%
LKS-EE-028	May-09	NIMO-electric; KEDNY & KEDLI	\$299.20	0%		0%	0%
LKS-EE-029	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$2,297.94	0%	0%	0%	0%
LKS-EE-030	October-08	NIMO-electric	\$4,171.47	0%			
LKS-EE-031	November-09	NIMO-gas; KEDNY & KEDLI	\$1,068.64		0%	0%	0%
LKS-EE-032	March-09	NIMO-electric; KEDNY & KEDLI	\$7,470.66	0%		0%	0%
LKS-EE-034	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$2,609.96	0%	0%	0%	0%
LKS-EE-035	October-08	NIMO-electric	\$1,818.63	0%			
LKS-EE-036	March-09	NIMO-electric; KEDNY & KEDLI	\$4,529.66	7%		0%	-1%
LKS-EE-037	May-09	NIMO-electric; KEDNY & KEDLI	\$3,218.56	0%		-41%	-59%
LKS-EE-038	January-10	NIMO-gas	\$1,232.22		0%		
LKS-EE-039	February-09	NIMO-electric; KEDNY & KEDLI	\$1,935.25	0%		-9%	9%
LKS-EE-040	February-09	NIMO-electric; KEDNY & KEDLI	\$2,119.39	24%		8%	13%
Note: Audit ID number LKS-EE-033 was not used.							

Adjustment Rate for Payroll Auditing Units - Legacy KeySpan Payroll Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LKS-PR-001	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$7,453.78	29%	10%	-7%	-14%
LKS-PR-002	March-10	NIMO-gas	\$8,447.48		0%		
LKS-PR-003	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$3,903.80	0%	0%	0%	0%
LKS-PR-004	March-09	NIMO-electric; KEDNY & KEDLI	\$19,119.30	0%		0%	0%
LKS-PR-005	January-10	NIMO-gas	\$5,751.14		0%		
LKS-PR-006	January-09	NIMO-electric; KEDNY & KEDLI	\$4,692.80	0%		0%	0%
LKS-PR-007	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$9,370.24	0%	0%	0%	0%
LKS-PR-008	March-09	NIMO-electric; KEDNY & KEDLI	\$3,622.85	0%		0%	0%
LKS-PR-009	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$6,125.77	0%	0%	0%	0%
LKS-PR-010	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$3,979.35	0%	0%	0%	0%
LKS-PR-011	March-10	NIMO-gas	\$8,637.90		-12%		
LKS-PR-012	March-09	NIMO-electric; KEDNY & KEDLI	\$16,749.40	0%		0%	0%
LKS-PR-013	October-08	NIMO-electric	\$22,634.60	0%			
LKS-PR-014	November-08	NIMO-electric	\$5,373.00	0%			
LKS-PR-015	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$5,178.44	0%	0%	0%	0%
LKS-PR-016	November-08	NIMO-electric	\$7,803.81	0%			
LKS-PR-017	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$11,383.50	0%	0%	0%	0%
LKS-PR-018	December-08	NIMO-electric	\$9,366.21	0%			
LKS-PR-019	March-10	NIMO-gas	\$9,500.00		0%		
LKS-PR-020	November-09	NIMO-gas; KEDNY & KEDLI	\$13,123.00		0%	0%	0%
LKS-PR-021	March-09	NIMO-electric; KEDNY & KEDLI	\$10,893.15	0%		0%	0%
LKS-PR-022	November-09	NIMO-gas; KEDNY & KEDLI	\$9,942.40		0%	0%	0%
LKS-PR-023	October-08	NIMO-electric	\$10,293.31	0%			
LKS-PR-024	March-10	NIMO-gas	\$10,961.49		0%		
LKS-PR-025	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$28,378.15	0%	13%	-5%	-8%
LKS-PR-027	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$12,184.50	0%	0%	0%	0%
LKS-PR-028	December-08	NIMO-electric	\$10,560.56	0%			
LKS-PR-029	November-08	NIMO-electric	\$8,115.31	0%			
LKS-PR-030	December-09	NIMO-gas; KEDNY & KEDLI	\$10,042.74		0%	0%	0%
LKS-PR-031	December-08	NIMO-electric	\$10,809.89	0%			
LKS-PR-032	March-10	NIMO-gas	\$3,691.12		0%		
LKS-PR-033	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$6,091.85	0%	0%	0%	0%
LKS-PR-034	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$5,357.50	0%	0%	0%	0%
LKS-PR-035	February-10	NIMO-gas	\$8,147.40		0%		
LKS-PR-036	November-09	NIMO-gas; KEDNY & KEDLI	\$9,438.40		0%	0%	0%
LKS-PR-037	December-08	NIMO-electric	\$10,025.75	0%			
LKS-PR-038	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$11,933.40	0%	0%	0%	0%
LKS-PR-039	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$7,990.48	0%	0%	0%	0%
LKS-PR-040	March-10	NIMO-gas	\$14,419.13		0%		
LKS-PR-041	May-09	NIMO-electric; KEDNY & KEDLI	\$8,253.80	0%		0%	0%
LKS-PR-042	April-10	NIMO-gas	\$12,269.19		0%		
LKS-PR-043	October-08	NIMO-electric	\$3,964.79	0%			
LKS-PR-044	November-09	NIMO-gas; KEDNY & KEDLI	\$4,562.09		0%	0%	0%
LKS-PR-045	February-09	NIMO-electric; KEDNY & KEDLI	\$9,165.40	0%		-3%	-3%
LKS-PR-046	December-08	NIMO-electric	\$15,062.50	0%			
LKS-PR-047	November-09	NIMO-gas; KEDNY & KEDLI	\$6,553.80		0%	0%	0%
LKS-PR-048	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$15,918.25	0%	0%	0%	0%

Adjustment Rate for Payroll Auditing Units - Legacy KeySpan Payroll Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LKS-PR-049	October-08	NIMO-electric	\$4,809.47	0%			
LKS-PR-050	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$10,384.60	0%	0%	0%	0%
LKS-PR-051	December-08	NIMO-electric	\$12,476.00	0%			
LKS-PR-052	March-09	NIMO-electric; KEDNY & KEDLI	\$2,064.00	0%		0%	0%
LKS-PR-053	March-10	NIMO-gas	\$9,120.00		0%		
LKS-PR-054	January-09	NIMO-electric; KEDNY & KEDLI	\$33,365.41	0%		0%	0%
LKS-PR-055	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$3,845.17	0%	0%	0%	0%
LKS-PR-056	March-09	NIMO-electric; KEDNY & KEDLI	\$6,436.00	0%		0%	0%
LKS-PR-057	November-08	NIMO-electric	\$4,560.84	0%			
LKS-PR-058	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$9,649.06	0%	0%	0%	0%
LKS-PR-059	January-09	NIMO-electric; KEDNY & KEDLI	\$5,493.28	0%		0%	0%
LKS-PR-060	March-09	NIMO-electric; KEDNY & KEDLI	\$6,709.50	0%		0%	0%
LKS-PR-061	November-09	NIMO-gas; KEDNY & KEDLI	\$5,023.01		0%	0%	0%
LKS-PR-062	March-10	NIMO-gas	\$20,759.76		0%		
LKS-PR-063	March-10	NIMO-gas	\$20,366.49		9%		
LKS-PR-064	January-09	NIMO-electric; KEDNY & KEDLI	\$6,196.22	0%		0%	0%
LKS-PR-065	March-09	NIMO-electric; KEDNY & KEDLI	\$10,765.50	0%		0%	0%
LKS-PR-066	April-10	NIMO-gas	\$9,641.26		0%		
LKS-PR-067	November-09	NIMO-gas; KEDNY & KEDLI	\$3,065.07		0%	0%	0%
LKS-PR-068	December-09	NIMO-gas; KEDNY & KEDLI	\$10,585.71		0%	0%	0%
LKS-PR-069	November-08	NIMO-electric	\$5,769.20	0%			
LKS-PR-070	May-10	NIMO-gas	\$9,308.11		0%		
LKS-PR-071	November-08	NIMO-electric	\$5,012.55	0%			
LKS-PR-072	February-09	NIMO-electric; KEDNY & KEDLI	\$7,153.80	0%		-27%	-48%
LKS-PR-073	March-09	NIMO-electric; KEDNY & KEDLI	\$16,338.60	0%		0%	0%
LKS-PR-074	February-09	NIMO-electric; KEDNY & KEDLI	\$7,863.55	0%		0%	0%
LKS-PR-075	December-08	NIMO-electric	\$8,379.76	0%			
LKS-PR-076	February-09	NIMO-electric; KEDNY & KEDLI	\$7,291.26	0%		0%	0%
LKS-PR-077	November-09	NIMO-gas; KEDNY & KEDLI	\$2,475.06		0%	0%	0%
LKS-PR-078	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$4,807.74	0%	0%	-3%	-3%
LKS-PR-079	December-08	NIMO-electric	\$2,905.29	0%			
LKS-PR-080	November-09	NIMO-gas; KEDNY & KEDLI	\$5,384.61		0%	0%	0%
LKS-PR-081	May-09	NIMO-electric; KEDNY & KEDLI	\$3,846.20	21%		-38%	-16%
LKS-PR-082	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$6,248.85	0%	0%	0%	0%
LKS-PR-083	February-10	NIMO-gas	\$9,623.00		0%		
LKS-PR-084	April-09	NIMO-electric; KEDNY & KEDLI	\$13,329.67	0%		0%	-100%
LKS-PR-085	March-09	NIMO-electric; KEDNY & KEDLI	\$2,768.40	0%		0%	0%
LKS-PR-086	May-09	NIMO-electric; KEDNY & KEDLI	\$8,080.80	0%		0%	0%
LKS-PR-087	October-09	NIMO-gas; KEDNY & KEDLI	\$8,231.11		0%	0%	0%
LKS-PR-088	March-10	NIMO-gas	\$13,379.63		0%		
LKS-PR-089	April-10	NIMO-gas	\$8,036.53		0%		
LKS-PR-090	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$6,873.01	0%	0%	0%	0%
LKS-PR-091	March-10	NIMO-gas	\$8,009.24		0%		
LKS-PR-092	April-10	NIMO-gas	\$48,935.92		0%		
LKS-PR-093	February-09	NIMO-electric; KEDNY & KEDLI	\$10,392.40	0%		0%	0%
LKS-PR-094	October-08	NIMO-electric	\$5,742.60	0%			
LKS-PR-095	December-09	NIMO-gas; KEDNY & KEDLI	\$13,009.52		0%	0%	0%

Adjustment Rate for Payroll Auditing Units - Legacy KeySpan Payroll Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LKS-PR-096	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$11,338.30	0%	0%	0%	0%
LKS-PR-097	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$7,846.22	0%	0%	-19%	-31%
LKS-PR-098	April-09	NIMO-electric; KEDNY & KEDLI	\$7,489.77	0%		0%	0%
LKS-PR-099	November-08	NIMO-electric	\$8,092.40	0%			
LKS-PR-100	January-09	NIMO-electric; KEDNY & KEDLI	\$5,821.22	0%		0%	0%
LKS-PR-101	March-09	NIMO-electric; KEDNY & KEDLI	\$6,057.60	0%		-44%	-69%
LKS-PR-102	February-10	NIMO-gas	\$8,970.38		0%		
LKS-PR-103	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$5,107.14	0%	0%	0%	0%
LKS-PR-104	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$4,717.77	0%	0%	-37%	-59%
LKS-PR-105	November-08	NIMO-electric	\$2,983.51	0%			
LKS-PR-106	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$7,307.61	0%	0%	0%	0%
LKS-PR-107	April-10	NIMO-gas	\$8,635.91		12%		
LKS-PR-108	November-08	NIMO-electric	\$4,296.20	0%			
LKS-PR-109	October-09	NIMO-gas; KEDNY & KEDLI	\$5,438.69		0%	0%	0%
LKS-PR-110	January-10	NIMO-gas	\$10,084.66		0%		
LKS-PR-111	October-09	NIMO-gas; KEDNY & KEDLI	\$4,844.80		0%	-83%	0%
LKS-PR-112	April-09	NIMO-electric; KEDNY & KEDLI	\$2,817.47	0%		0%	0%
LKS-PR-113	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$4,072.14	0%	0%	0%	0%
LKS-PR-114	March-09	NIMO-electric; KEDNY & KEDLI	\$11,325.00	57%		-23%	-36%
LKS-PR-115	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$8,456.00	0%	0%	0%	0%
LKS-PR-116	March-10	NIMO-gas	\$15,758.37		0%		
LKS-PR-117	December-09	NIMO-gas; KEDNY & KEDLI	\$7,937.50		0%	0%	0%
LKS-PR-118	November-08	NIMO-electric	\$8,157.60	44%			
LKS-PR-119	March-09	NIMO-electric; KEDNY & KEDLI	\$12,525.00	0%		0%	0%
LKS-PR-120	January-09	NIMO-electric; KEDNY & KEDLI	\$6,640.34	35%		-13%	-19%
LKS-PR-121	March-09	NIMO-electric; KEDNY & KEDLI	\$7,993.63	0%		0%	0%
LKS-PR-122	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$3,991.06	0%	0%	0%	0%
LKS-PR-123	May-10	NIMO-gas	\$5,068.96		-25%		
LKS-PR-124	December-09	NIMO-gas; KEDNY & KEDLI	\$7,952.12		0%	0%	0%
LKS-PR-125	May-09	NIMO-electric; KEDNY & KEDLI	\$6,253.82	0%		0%	0%
LKS-PR-126	March-09	NIMO-electric; KEDNY & KEDLI	\$6,696.88	0%		0%	0%
LKS-PR-127	November-09	NIMO-gas; KEDNY & KEDLI	\$5,749.00		0%	0%	0%
LKS-PR-128	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$6,530.78	0%	0%	0%	0%
LKS-PR-129	March-10	NIMO-gas	\$26,183.69		0%		
LKS-PR-130	March-10	NIMO-gas	\$9,450.30		0%		
LKS-PR-131	February-09	NIMO-electric; KEDNY & KEDLI	\$7,922.89	0%		0%	0%
LKS-PR-132	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$6,010.69	0%	0%	0%	0%
LKS-PR-133	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$6,914.21	0%	0%	0%	0%
LKS-PR-134	May-09	NIMO-electric; KEDNY & KEDLI	\$6,550.00	0%		0%	0%
LKS-PR-135	March-09	NIMO-electric; KEDNY & KEDLI	\$9,709.50	0%		0%	0%
LKS-PR-136	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$6,056.00	0%	0%	0%	0%
LKS-PR-137	November-09	NIMO-gas; KEDNY & KEDLI	\$4,904.40		0%	0%	0%
LKS-PR-138	February-09	NIMO-electric; KEDNY & KEDLI	\$17,153.80	0%		0%	0%
LKS-PR-139	May-10	NIMO-gas	\$4,213.54		0%		
LKS-PR-140	November-08	NIMO-electric	\$5,023.00	27%			
LKS-PR-141	April-10	NIMO-gas	\$6,963.27		0%		
LKS-PR-142	April-10	NIMO-gas	\$6,268.00		0%		

Adjustment Rate for Payroll Auditing Units - Legacy KeySpan Payroll Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LKS-PR-143	January-10	NIMO-gas	\$6,138.77		0%		
LKS-PR-144	March-10	NIMO-gas	\$15,385.08		0%		
LKS-PR-145	October-08	NIMO-electric	\$9,049.77	0%			
LKS-PR-146	November-08	NIMO-electric	\$8,530.80	50%			
LKS-PR-147	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$7,802.33	0%	0%	0%	0%
LKS-PR-148	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$7,201.98	0%	0%	0%	0%
LKS-PR-149	October-08	NIMO-electric	\$7,742.40	0%			
LKS-PR-150	May-09	NIMO-electric; KEDNY & KEDLI	\$8,065.40	0%		0%	0%
LKS-PR-151	November-09	NIMO-gas; KEDNY & KEDLI	\$8,234.62		0%	0%	0%
LKS-PR-152	October-09	NIMO-gas; KEDNY & KEDLI	\$5,370.01		0%	0%	0%
LKS-PR-153	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$9,875.00	0%	0%	0%	0%
LKS-PR-154	April-09	NIMO-electric; KEDNY & KEDLI	\$6,559.17	0%		0%	0%

Note: Audit ID number LKS-PR-026 was not used.

Adjustment Rate for Accounts Payable Auditing Units - Legacy KeySpan Random Accounts Payable Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LKS-AP-001	April-10	NIMO-gas	\$371,200.00		0%		
LKS-AP-002	October-08	NIMO-electric	\$250,867.00	0%			
LKS-AP-003	December-08	NIMO-electric	\$871,707.33	0%			
LKS-AP-004	April-10	NIMO-gas	\$1,439.28		0%		
LKS-AP-005	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$6,069.00	0%	0%	0%	0%
LKS-AP-006	March-09	NIMO-electric; KEDNY & KEDLI	\$2,155.40	0%		0%	0%
LKS-AP-007	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$21,430.69	0%	0%	0%	0%
LKS-AP-008	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$40,000.00	0%	0%	0%	0%
LKS-AP-009	January-09	NIMO-electric; KEDNY & KEDLI	\$12,288.72	0%		0%	0%
LKS-AP-010	April-10	NIMO-gas	\$670.76		-4%		
LKS-AP-011	January-10	NIMO-gas	\$397,000.00		0%		
LKS-AP-012	November-08	NIMO-electric	\$2,516.62	0%			
LKS-AP-013	December-08	NIMO-electric	\$3,868.49	0%			
LKS-AP-014	May-10	NIMO-gas	\$90,186.86		0%		
LKS-AP-015	December-09	NIMO-gas; KEDNY & KEDLI	\$439,212.32		0%	0%	0%
LKS-AP-016	April-10	NIMO-gas	\$12,950.31		0%		
LKS-AP-017	December-08	NIMO-electric	\$170,144.03	0%			
LKS-AP-018	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$479,285.73	0%	0%	0%	0%
LKS-AP-019	April-10	NIMO-gas	\$135,249.68		0%		
LKS-AP-020	February-09	NIMO-electric; KEDNY & KEDLI	\$7,847.42	0%		0%	0%
LKS-AP-021	March-09	NIMO-electric; KEDNY & KEDLI	\$3,583.92	0%		0%	0%
LKS-AP-022	February-10	NIMO-gas	\$126,815.96		0%		
LKS-AP-023	April-09	NIMO-electric; KEDNY & KEDLI	\$834,019.83	0%		0%	0%
LKS-AP-024	March-09	NIMO-electric; KEDNY & KEDLI	\$625,546.82	0%		0%	0%
LKS-AP-025	December-08	NIMO-electric	\$10,000.00	0%			
LKS-AP-026	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$140,800.97	0%	0%	0%	0%
LKS-AP-027	April-09	NIMO-electric; KEDNY & KEDLI	\$145,693.60	0%		0%	0%
LKS-AP-028	October-09	NIMO-gas; KEDNY & KEDLI	\$112,571.00		0%	0%	0%
LKS-AP-029	February-10	NIMO-gas	\$28,114.00		0%		
LKS-AP-030	April-09	NIMO-electric; KEDNY & KEDLI	\$774,383.11	0%		0%	0%
LKS-AP-031	May-09	NIMO-electric; KEDNY & KEDLI	\$359,302.05	0%		0%	0%
LKS-AP-032	May-10	NIMO-gas	\$201,636.52		0%		
LKS-AP-033	January-10	NIMO-gas	\$414,529.51		-4%		
LKS-AP-034	December-08	NIMO-electric	\$171,313.00	0%			
LKS-AP-035	December-09	NIMO-gas; KEDNY & KEDLI	\$422,701.74		0%	0%	0%
LKS-AP-036	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$271,557.29	0%	0%	0%	0%
LKS-AP-037	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$834,019.83	0%	0%	0%	0%
LKS-AP-038	October-09	NIMO-gas; KEDNY & KEDLI	\$204,800.00		0%	0%	0%
LKS-AP-039	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$120,182.39	0%	0%	0%	0%
LKS-AP-040	March-10	NIMO-gas	\$298,220.35		0%		
LKS-AP-041	October-08	NIMO-electric	\$1,130.00	0%			
LKS-AP-042	November-08	NIMO-electric	\$47,507.40	0%			
LKS-AP-043	February-10	NIMO-gas	\$111,987.03		0%		
LKS-AP-044	May-10	NIMO-gas	\$121,512.28		0%		
LKS-AP-045	March-09	NIMO-electric; KEDNY & KEDLI	\$24,033.24	0%		0%	0%
LKS-AP-046	January-09	NIMO-electric; KEDNY & KEDLI	\$204,524.06	0%		0%	0%
LKS-AP-047	November-09	NIMO-gas; KEDNY & KEDLI	\$244,275.91		0%	0%	0%

Adjustment Rate for Accounts Payable Auditing Units - Legacy KeySpan Random Accounts Payable Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LKS-AP-048	February-09	NIMO-electric; KEDNY & KEDLI	-\$74,720.88	0%		0%	0%
LKS-AP-049	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$388,656.87	0%	0%	0%	0%
LKS-AP-050	December-08	NIMO-electric	\$371,653.12	0%			
LKS-AP-051	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$48,935.56	0%	0%	0%	0%
LKS-AP-052	October-08	NIMO-electric	\$3,200.00	0%			
LKS-AP-053	April-10	NIMO-gas	\$167.58		0%		
LKS-AP-054	December-09	NIMO-gas; KEDNY & KEDLI	\$679,494.87		0%	0%	0%
LKS-AP-055	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$343.00	0%	0%	0%	0%
LKS-AP-056	February-10	NIMO-gas	\$198,397.20		0%		
LKS-AP-057	May-09	NIMO-electric; KEDNY & KEDLI	\$9,538.80	0%		0%	0%
LKS-AP-058	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$718,727.10	0%	0%	0%	0%
LKS-AP-059	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$143,956.33	0%	0%	0%	0%
LKS-AP-060	May-09	NIMO-electric; KEDNY & KEDLI	\$330,084.02	0%		0%	0%
LKS-AP-061	May-10	NIMO-gas	\$20,119.52		0%		
LKS-AP-062	November-08	NIMO-electric	\$1,679.30	0%			
LKS-AP-063	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$31,188.92	0%	0%	0%	0%
LKS-AP-064	January-10	NIMO-gas	\$95,354.15		0%		
LKS-AP-065	December-08	NIMO-electric	\$620,449.90	0%			
LKS-AP-066	January-10	NIMO-gas	\$275,000.00		0%		
LKS-AP-067	March-10	NIMO-gas	\$98,197.00		0%		
LKS-AP-068	January-10	NIMO-gas	\$139,092.34		0%		
LKS-AP-069	January-10	NIMO-gas	\$902,329.35		0%		
LKS-AP-070	March-10	NIMO-gas	\$103,277.53		0%		
LKS-AP-071	February-09	NIMO-electric; KEDNY & KEDLI	\$772,632.93	0%		0%	0%
LKS-AP-072	October-08	NIMO-electric	\$1,551.61	0%			
LKS-AP-073	October-08	NIMO-electric	\$742,533.80	0%			
LKS-AP-074	April-09	NIMO-electric; KEDNY & KEDLI	\$145,922.00	0%		0%	0%
LKS-AP-075	April-09	NIMO-electric; KEDNY & KEDLI	\$28,471.05	0%		0%	0%
LKS-AP-077	April-10	NIMO-gas	\$250,000.00		-7%		
LKS-AP-079	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$9,990.63	0%	16%	-5%	-12%
LKS-AP-080	March-09	NIMO-electric; KEDNY & KEDLI	\$116,687.36	0%		0%	0%
LKS-AP-081	March-10	NIMO-gas	\$48,195.00		0%		
LKS-AP-082	December-09	NIMO-gas; KEDNY & KEDLI	\$48,894.82		0%	0%	0%
LKS-AP-083	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$90,000.00	0%	0%	0%	0%
LKS-AP-084	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$2,863.00	0%	0%	-6%	0%
LKS-AP-085	January-09	NIMO-electric; KEDNY & KEDLI	\$766,489.65	0%		0%	0%
LKS-AP-086	November-09	NIMO-gas; KEDNY & KEDLI	\$231,140.09		0%	0%	0%
LKS-AP-087	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$181,989.38	0%	0%	0%	0%
LKS-AP-088	January-10	NIMO-gas	\$48,270.03		0%		
LKS-AP-089	December-09	NIMO-gas; KEDNY & KEDLI	\$111,779.46		0%	0%	0%
LKS-AP-090	October-09	NIMO-gas; KEDNY & KEDLI	\$494,679.65		0%	0%	0%
LKS-AP-091	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$190,245.00	24%	6%	-9%	-14%
LKS-AP-092	March-09	NIMO-electric; KEDNY & KEDLI	\$158,931.94	0%		0%	0%
LKS-AP-093	March-09	NIMO-electric; KEDNY & KEDLI	\$173,500.00	0%		0%	0%
LKS-AP-094	January-09	NIMO-electric; KEDNY & KEDLI	\$2,700.00	0%		-25%	-40%
LKS-AP-095	January-10	NIMO-gas	\$936,165.89		0%		
LKS-AP-096	April-09	NIMO-electric; KEDNY & KEDLI	\$51,120.49	0%		0%	0%

Adjustment Rate for Accounts Payable Auditing Units - Legacy KeySpan Random Accounts Payable Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LKS-AP-097	May-09	NIMO-electric; KEDNY & KEDLI	\$56,382.52	0%		0%	0%
LKS-AP-098	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$703,054.98	0%	0%	0%	0%
LKS-AP-099	December-08	NIMO-electric	\$916,657.66	0%			
LKS-AP-100	May-10	NIMO-gas	\$452,660.54		0%		
LKS-AP-101	March-10	NIMO-gas	\$335,000.00		0%		
LKS-AP-102	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$14,343.10	0%	0%	-12%	-23%
LKS-AP-103	March-10	NIMO-gas	\$37,500.00		0%		
LKS-AP-104	January-09	NIMO-electric; KEDNY & KEDLI	\$3,769.29	0%		0%	0%
LKS-AP-105	March-09	NIMO-electric; KEDNY & KEDLI	\$1,301.58	0%		0%	0%
LKS-AP-106	January-09	NIMO-electric; KEDNY & KEDLI	\$81,589.23	0%		0%	0%
LKS-AP-107	November-08	NIMO-electric	\$966,728.00	0%			
LKS-AP-108	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$25,399.47	0%	0%	0%	-15%
LKS-AP-109	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$333,413.30	0%	0%	0%	0%
LKS-AP-110	May-09	NIMO-electric; KEDNY & KEDLI	\$764,213.71	0%		0%	0%
LKS-AP-111	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$8,400.00	0%	0%	0%	0%
LKS-AP-112	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$20,000.00	0%	0%	0%	0%
LKS-AP-113	October-08	NIMO-electric	\$526,466.86	-17%			
LKS-AP-114	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$10,308.28	0%	0%	0%	0%
LKS-AP-116	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$59,155.63	0%	0%	0%	0%
LKS-AP-117	December-08	NIMO-electric	\$5,469.00	0%			
LKS-AP-118	March-10	NIMO-gas	\$63,813.39		-1%		
LKS-AP-119	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$479,658.43	0%	0%	0%	0%
LKS-AP-120	January-10	NIMO-gas	\$267,971.14		0%		
LKS-AP-121	February-10	NIMO-gas	\$294,689.23		0%		
LKS-AP-122	March-09	NIMO-electric; KEDNY & KEDLI	\$13,662.86	0%		0%	0%
LKS-AP-123	April-10	NIMO-gas	\$652,161.25		0%		
LKS-AP-124	October-08	NIMO-electric	\$800,000.00	0%			
LKS-AP-125	April-09	NIMO-electric; KEDNY & KEDLI	\$367,090.32	0%		0%	0%
LKS-AP-126	April-09	NIMO-electric; KEDNY & KEDLI	\$372,499.80	0%		0%	0%
LKS-AP-128	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$375,333.32	0%	0%	0%	0%
LKS-AP-129	February-10	NIMO-gas	\$22,000.00		0%		
LKS-AP-130	November-09	NIMO-gas; KEDNY & KEDLI	\$204,800.00		0%	0%	0%
LKS-AP-131	November-09	NIMO-gas; KEDNY & KEDLI	\$30,000.00		0%	0%	0%
LKS-AP-132	November-08	NIMO-electric	\$11,006.43	0%			
LKS-AP-133	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$3,465.58	0%	0%	0%	-100%
LKS-AP-134	January-10	NIMO-gas	\$767,054.48		0%		
LKS-AP-135	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$208,125.50	0%	0%	0%	0%
LKS-AP-136	January-09	NIMO-electric; KEDNY & KEDLI	\$117,804.74	0%		0%	0%
LKS-AP-137	December-08	NIMO-electric	\$100,000.00	0%			
LKS-AP-138	April-09	NIMO-electric; KEDNY & KEDLI	\$184,365.71	0%		0%	0%
LKS-AP-140	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$188,235.08	0%	0%	0%	0%
LKS-AP-141	March-10	NIMO-gas	\$192,000.00		0%		
LKS-AP-142	March-09	NIMO-electric; KEDNY & KEDLI	\$5,000.00	0%		0%	0%
LKS-AP-143	October-09	NIMO-gas; KEDNY & KEDLI	\$381,102.40		0%	0%	0%
LKS-AP-144	January-09	NIMO-electric; KEDNY & KEDLI	\$834,019.83	0%		0%	0%
LKS-AP-145	November-08	NIMO-electric	\$100,000.00	0%			
LKS-AP-146	January-09	NIMO-electric; KEDNY & KEDLI	\$52,110.00	0%		0%	0%

Adjustment Rate for Accounts Payable Auditing Units - Legacy KeySpan Random Accounts Payable Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LKS-AP-147	May-10	NIMO-gas	\$767,054.47		0%		
LKS-AP-148	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$1,626.69	0%	0%	0%	0%
LKS-AP-149	October-08	NIMO-electric	\$787,326.61	0%			
LKS-AP-150	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$204,376.39	-18%	-4%	-6%	-9%
LKS-AP-151	December-08	NIMO-electric	\$19,315.42	0%			
LKS-AP-152	October-09	NIMO-gas; KEDNY & KEDLI	\$204,800.00		0%	0%	0%
LKS-AP-153	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$16,368.40	0%	0%	0%	0%
LKS-AP-154	October-08	NIMO-electric	\$50,963.59	0%			
LKS-AP-155	April-09	NIMO-electric; KEDNY & KEDLI	\$458,405.90	0%		0%	0%
LKS-AP-156	December-09	NIMO-gas; KEDNY & KEDLI	\$15,000.00		0%	0%	0%
LKS-AP-157	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$400,000.00	0%	0%	0%	0%
LKS-AP-158	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$18,151.40	0%	0%	0%	0%
LKS-AP-159	March-10	NIMO-gas	\$95,502.66		0%		
LKS-AP-160	October-08	NIMO-electric	\$401,336.36	0%			
LKS-AP-161	October-08	NIMO-electric	\$58,381.29	0%			
LKS-AP-162	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$204,800.00	0%	0%	0%	0%
LKS-AP-163	February-10	NIMO-gas	\$332,698.23		-1%		
LKS-AP-164	December-09	NIMO-gas; KEDNY & KEDLI	\$397,000.00		0%	0%	0%
LKS-AP-165	February-10	NIMO-gas	\$2,357.14		0%		
LKS-AP-166	May-10	NIMO-gas	\$231,649.48		0%		
LKS-AP-167	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$25,954.64	0%	0%	0%	0%
LKS-AP-168	January-10	NIMO-gas	\$710,622.24		0%		
LKS-AP-169	April-09	NIMO-electric; KEDNY & KEDLI	\$39,483.98	0%		0%	0%
LKS-AP-170	May-09	NIMO-electric; KEDNY & KEDLI	\$40,339.53	0%		0%	0%
LKS-AP-171	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$9,705.00	-6%	-6%	-11%	-17%

Note: Audit ID numbers LKS-AP-076, 078, 115, 127, and 139 were not used.

Adjustment Rate for Employee Expense Auditing Units - Legacy Grid Employee Expense Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LNG-EE-001	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$2,360.07	0%	0%	0%	0%
LNG-EE-002	January-10	NIMO-gas	\$3,095.05		-4%		
LNG-EE-003	March-10	NIMO-gas	\$1,469.73		0%		
LNG-EE-004	October-08	NIMO-electric	\$584.15	0%			
LNG-EE-005	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$841.41	0%	0%	0%	0%
LNG-EE-006	October-08	NIMO-electric	\$1,851.87	-45%			
LNG-EE-007	October-09	NIMO-gas; KEDNY & KEDLI	\$1,406.82		-4%	6%	11%
LNG-EE-008	November-09	NIMO-gas; KEDNY & KEDLI	\$25,644.23		-25%	0%	0%
LNG-EE-009	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$9,111.13	13%	0%	0%	0%
LNG-EE-010	January-09	NIMO-electric; KEDNY & KEDLI	\$422.65	-18%		6%	11%
LNG-EE-011	March-09	NIMO-electric; KEDNY & KEDLI	\$1,921.27	0%		0%	0%
LNG-EE-012	January-09	NIMO-electric; KEDNY & KEDLI	\$4,945.96	0%		0%	0%
LNG-EE-013	November-09	NIMO-gas; KEDNY & KEDLI	\$321.48		0%	0%	0%
LNG-EE-014	May-10	NIMO-gas	\$11,237.88		0%		
LNG-EE-015	December-08	NIMO-electric	\$18,739.26	0%			
LNG-EE-017	February-10	NIMO-gas	\$402.19		0%		
LNG-EE-018	December-08	NIMO-electric	\$2,528.95	0%			
LNG-EE-019	February-10	NIMO-gas	\$8,232.42		0%		
LNG-EE-020	April-09	NIMO-electric; KEDNY & KEDLI	\$6,629.64	-18%		6%	11%
LNG-EE-021	March-10	NIMO-gas	\$1,487.50		-1%		
LNG-EE-022	March-10	NIMO-gas	\$1,193.10		0%		
LNG-EE-023	December-08	NIMO-electric	\$2,807.29	0%			
LNG-EE-024	October-09	NIMO-gas; KEDNY & KEDLI	\$1,810.96		0%	0%	0%
LNG-EE-025	February-10	NIMO-gas	\$862.21		0%		
LNG-EE-027	December-09	NIMO-gas; KEDNY & KEDLI	\$1,834.56		-6%	0%	0%
LNG-EE-028	March-10	NIMO-gas	\$1,598.78		0%		
LNG-EE-029	February-09	NIMO-electric; KEDNY & KEDLI	\$1,874.20	0%		0%	0%
LNG-EE-030	April-10	NIMO-gas	\$9,887.57		-8%		
LNG-EE-031	October-08	NIMO-electric	\$4,761.60	0%			
LNG-EE-032	January-10	NIMO-gas	\$459.00		0%		
LNG-EE-033	December-09	NIMO-gas; KEDNY & KEDLI	\$3,623.97		0%	0%	0%
LNG-EE-034	March-09	NIMO-electric; KEDNY & KEDLI	\$2,573.34	52%		0%	0%
LNG-EE-035	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$2,307.47	0%	0%	0%	0%
LNG-EE-036	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$1,472.72	0%	0%	0%	0%
LNG-EE-037	May-10	NIMO-gas	\$2,803.12		0%		
LNG-EE-038	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$15,720.23	0%	4%	5%	9%
LNG-EE-039	October-09	NIMO-gas; KEDNY & KEDLI	\$6,000.00		-25%	0%	0%
LNG-EE-040	October-08	NIMO-electric	\$4,086.18	0%			
LNG-EE-041	November-08	NIMO-electric	\$1,938.95	0%			
LNG-EE-042	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$3,888.57	0%	0%	0%	0%
LNG-EE-043	December-08	NIMO-electric	\$14,149.93	0%			
LNG-EE-044	April-10	NIMO-gas	\$44,481.68		-9%		
LNG-EE-045	April-10	NIMO-gas	\$6,899.60		0%		
LNG-EE-046	January-10	NIMO-gas	\$4,229.13		0%		
LNG-EE-047	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$990.80	-16%	-4%	-5%	-9%
LNG-EE-048	December-09	NIMO-gas; KEDNY & KEDLI	\$7,544.65		-6%	3%	5%
LNG-EE-049	January-10	NIMO-gas	\$7,042.80		0%		

Note: Audit ID numbers LNG-EE-016 and LNG-EE-026 were not used.

Adjustment Rate for Payroll Auditing Units - Legacy Grid Payroll Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LNG-PR-001	May-09	NIMO-electric; KEDNY & KEDLI	\$13,034.75	0%		0%	0%
LNG-PR-002	December-09	NIMO-gas; KEDNY & KEDLI	\$135,941.15		0%	0%	0%
LNG-PR-003	March-09	NIMO-electric; KEDNY & KEDLI	\$10,132.63	18%		0%	0%
LNG-PR-004	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$7,317.18	0%	0%	0%	0%
LNG-PR-005	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$15,903.06	0%	0%	0%	0%
LNG-PR-006	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$11,864.77	0%	0%	0%	0%
LNG-PR-007	December-09	NIMO-gas; KEDNY & KEDLI	\$14,102.71		0%	0%	0%
LNG-PR-008	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$18,202.67	0%	0%	0%	0%
LNG-PR-009	October-08	NIMO-electric	\$10,287.80	0%			
LNG-PR-010	March-10	NIMO-gas	\$8,878.80		0%		
LNG-PR-011	May-10	NIMO-gas	\$13,923.60		0%		
LNG-PR-012	February-10	NIMO-gas	\$4,750.00		0%		
LNG-PR-013	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$150,955.89	0%	0%	0%	0%
LNG-PR-014	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$30,091.23	0%	-4%	0%	0%
LNG-PR-015	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$14,750.25	0%	0%	0%	0%
LNG-PR-016	February-10	NIMO-gas	\$4,740.13		-10%		
LNG-PR-017	April-10	NIMO-gas	\$10,074.45		0%		
LNG-PR-018	November-09	NIMO-gas; KEDNY & KEDLI	\$6,668.17		0%	0%	0%
LNG-PR-019	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$49,232.31	0%	0%	0%	0%
LNG-PR-020	December-08	NIMO-electric	\$9,150.94	0%			
LNG-PR-021	May-09	NIMO-electric; KEDNY & KEDLI	\$8,045.52	0%		0%	0%
LNG-PR-022	April-10	NIMO-gas	\$7,157.41		0%		
LNG-PR-023	December-08	NIMO-electric	\$4,978.46	0%			
LNG-PR-024	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$7,020.05	0%	0%	0%	0%
LNG-PR-025	December-08	NIMO-electric	\$4,101,022.33	0%			
LNG-PR-026	October-08	NIMO-electric	\$87,500.00	-14%			
LNG-PR-027	January-10	NIMO-gas	\$3,077.52		0%		
LNG-PR-028	April-09	NIMO-electric; KEDNY & KEDLI	\$7,461.42	0%		0%	0%
LNG-PR-029	May-10	NIMO-gas	\$6,250.00		0%		
LNG-PR-030	December-08	NIMO-electric	\$8,357.31	0%			
LNG-PR-031	October-09	NIMO-gas; KEDNY & KEDLI	\$5,950.00		0%	0%	0%
LNG-PR-032	February-09	NIMO-electric; KEDNY & KEDLI	\$9,056.23	0%		0%	0%
LNG-PR-033	April-09	NIMO-electric; KEDNY & KEDLI	\$5,986.56	0%		0%	0%
LNG-PR-034	December-08	NIMO-electric	\$4,787.07	0%			
LNG-PR-035	December-09	NIMO-gas; KEDNY & KEDLI	\$2,310.00		-19%	32%	62%
LNG-PR-036	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$5,416.67	0%	0%	0%	0%
LNG-PR-037	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$5,691.83	0%	0%	0%	0%
LNG-PR-038	May-09	NIMO-electric; KEDNY & KEDLI	\$8,582.49	0%		0%	0%
LNG-PR-039	May-09	NIMO-electric; KEDNY & KEDLI	\$7,833.33	-78%		0%	0%
LNG-PR-040	February-09	NIMO-electric; KEDNY & KEDLI	\$6,840.68	0%		0%	0%
LNG-PR-041	May-09	NIMO-electric; KEDNY & KEDLI	\$10,238.03	0%		0%	0%
LNG-PR-042	April-10	NIMO-gas	\$6,673.03		0%		
LNG-PR-043	January-09	NIMO-electric; KEDNY & KEDLI	\$11,506.56	0%		0%	0%
LNG-PR-044	November-08	NIMO-electric	\$3,449.76	0%			
LNG-PR-045	November-09	NIMO-gas; KEDNY & KEDLI	\$9,399.87		0%	0%	0%
LNG-PR-046	November-08	NIMO-electric	\$9,054.95	40%			
LNG-PR-047	May-09	NIMO-electric; KEDNY & KEDLI	\$9,720.33	0%		0%	0%

Adjustment Rate for Payroll Auditing Units - Legacy Grid Payroll Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LNG-PR-048	January-10	NIMO-gas	\$32,874.42		0%		
LNG-PR-049	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$4,341.12	0%	0%	0%	0%
LNG-PR-050	February-09	NIMO-electric; KEDNY & KEDLI	\$7,232.87	21%		3%	6%
LNG-PR-051	January-10	NIMO-gas	\$80,948.87		0%		
LNG-PR-052	February-10	NIMO-gas	\$6,727.13		0%		
LNG-PR-053	January-09	NIMO-electric; KEDNY & KEDLI	\$71,092.44	0%		0%	0%
LNG-PR-054	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$30,513.99	0%	0%	0%	0%
LNG-PR-055	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$5,828.29	0%	0%	0%	0%
LNG-PR-056	February-09	NIMO-electric; KEDNY & KEDLI	\$8,652.02	0%		0%	0%
LNG-PR-057	December-08	NIMO-electric	\$6,162.25	-25%			
LNG-PR-058	February-09	NIMO-electric; KEDNY & KEDLI	\$7,152.91	0%		0%	0%
LNG-PR-059	April-10	NIMO-gas	\$6,455.84		0%		
LNG-PR-060	January-09	NIMO-electric; KEDNY & KEDLI	\$8,007.67	0%		0%	0%
LNG-PR-061	May-10	NIMO-gas	\$6,980.67		0%		
LNG-PR-062	December-09	NIMO-gas; KEDNY & KEDLI	\$8,148.43		0%	0%	0%
LNG-PR-063	November-09	NIMO-gas; KEDNY & KEDLI	\$6,207.00		0%	0%	0%
LNG-PR-064	October-09	NIMO-gas; KEDNY & KEDLI	\$9,850.58		0%	0%	0%
LNG-PR-065	May-10	NIMO-gas	\$9,670.84		0%		
LNG-PR-066	November-09	NIMO-gas; KEDNY & KEDLI	\$9,437.57		0%	0%	0%
LNG-PR-067	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$6,319.00	0%	0%	0%	0%
LNG-PR-068	May-09	NIMO-electric; KEDNY & KEDLI	\$9,989.90	0%		0%	0%
LNG-PR-069	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$177,220.00	0%	0%	0%	0%
LNG-PR-070	November-08	NIMO-electric	\$8,005.73	0%			
LNG-PR-071	April-09	NIMO-electric; KEDNY & KEDLI	\$489,120.44	0%		0%	0%
LNG-PR-072	December-09	NIMO-gas; KEDNY & KEDLI	\$5,000.00		-8%	10%	19%
LNG-PR-073	January-09	NIMO-electric; KEDNY & KEDLI	\$896,519.19	0%		0%	0%
LNG-PR-074	May-09	NIMO-electric; KEDNY & KEDLI	\$16,033.33	0%		0%	0%
LNG-PR-075	April-09	NIMO-electric; KEDNY & KEDLI	\$7,252.74	0%		0%	0%
LNG-PR-076	March-10	NIMO-gas	\$7,591.05		0%		
LNG-PR-077	February-10	NIMO-gas	\$10,928.33		0%		
LNG-PR-078	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$11,178.09	0%	0%	0%	0%
LNG-PR-079	March-09	NIMO-electric; KEDNY & KEDLI	\$6,789.89	0%		0%	0%
LNG-PR-080	April-10	NIMO-gas	\$10,183.33		0%		
LNG-PR-081	February-10	NIMO-gas	\$5,425.00		0%		
LNG-PR-082	January-09	NIMO-electric; KEDNY & KEDLI	\$377,327.63	0%		0%	0%
LNG-PR-083	November-09	NIMO-gas; KEDNY & KEDLI	\$8,657.17		-4%	-5%	-11%
LNG-PR-084	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$60,952.32	0%	0%	0%	0%
LNG-PR-085	February-10	NIMO-gas	\$7,078.28		0%		
LNG-PR-086	January-09	NIMO-electric; KEDNY & KEDLI	\$7,788.99	0%		0%	0%
LNG-PR-087	November-08	NIMO-electric	\$7,395.27	0%			
LNG-PR-088	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$9,452.53	0%	0%	0%	0%
LNG-PR-089	January-10	NIMO-gas	\$171,588.73		0%		
LNG-PR-090	February-09	NIMO-electric; KEDNY & KEDLI	\$87,500.00	0%		0%	0%
LNG-PR-091	May-09	NIMO-electric; KEDNY & KEDLI	\$12,238.18	52%		12%	23%
LNG-PR-092	April-09	NIMO-electric; KEDNY & KEDLI	\$302,433.22	49%		0%	0%
LNG-PR-093	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$43,293.98	0%	0%	0%	0%
LNG-PR-094	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$10,149.08	0%	0%	0%	0%

Adjustment Rate for Payroll Auditing Units - Legacy Grid Payroll Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LNG-PR-095	January-09	NIMO-electric; KEDNY & KEDLI	\$11,419.47	0%		0%	0%
LNG-PR-096	February-10	NIMO-gas	\$6,592.96		0%		
LNG-PR-097	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$14,659.05	0%	0%	0%	0%
LNG-PR-098	May-09	NIMO-electric; KEDNY & KEDLI	\$2,026.08	0%		0%	0%
LNG-PR-099	April-10	NIMO-gas	\$38,253.94		0%		
LNG-PR-100	February-09	NIMO-electric; KEDNY & KEDLI	\$10,054.13	0%		0%	0%
LNG-PR-101	April-09	NIMO-electric; KEDNY & KEDLI	\$10,188.15	0%		0%	0%
LNG-PR-102	February-10	NIMO-gas	\$7,244.89		0%		
LNG-PR-103	March-09	NIMO-electric; KEDNY & KEDLI	\$4,626.86	0%		0%	0%
LNG-PR-104	February-10	NIMO-gas	\$17,469.79		0%		
LNG-PR-105	October-08	NIMO-electric	\$6,762.99	0%			
LNG-PR-106	February-09	NIMO-electric; KEDNY & KEDLI	\$6,443.30	0%		0%	0%
LNG-PR-107	May-09	NIMO-electric; KEDNY & KEDLI	\$9,066.67	-8%		0%	0%
LNG-PR-108	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$5,522.64	0%	0%	0%	0%
LNG-PR-109	March-10	NIMO-gas	\$6,292.53		0%		
LNG-PR-110	March-10	NIMO-gas	\$7,278.94		0%		
LNG-PR-111	April-10	NIMO-gas	\$5,596.17		0%		
LNG-PR-112	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$171,656.00	0%	0%	0%	0%
LNG-PR-113	December-09	NIMO-gas; KEDNY & KEDLI	\$8,982.46		0%	0%	0%
LNG-PR-114	February-10	NIMO-gas	\$8,808.00		0%		
LNG-PR-115	May-10	NIMO-gas	\$3,804.42		0%		
LNG-PR-116	April-09	NIMO-electric; KEDNY & KEDLI	\$8,186.47	0%		0%	0%
LNG-PR-117	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$5,333.96	0%	0%	0%	0%
LNG-PR-118	February-10	NIMO-gas	\$9,066.67		0%		
LNG-PR-119	May-09	NIMO-electric; KEDNY & KEDLI	\$10,697.95	0%		0%	0%
LNG-PR-120	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$4,506.67	0%	0%	0%	0%
LNG-PR-121	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$50,600.63	0%	0%	0%	0%
LNG-PR-122	February-09	NIMO-electric; KEDNY & KEDLI	\$8,753.33	0%		0%	0%
LNG-PR-123	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$14,198.93	0%	0%	0%	0%
LNG-PR-124	December-09	NIMO-gas; KEDNY & KEDLI	\$8,123.96		0%	0%	0%
LNG-PR-126	February-10	NIMO-gas	\$6,063.97		0%		
LNG-PR-127	January-10	NIMO-gas	\$674,193.61		0%		
LNG-PR-128	January-09	NIMO-electric; KEDNY & KEDLI	\$104,984.21	0%		0%	0%
LNG-PR-129	December-08	NIMO-electric	\$7,499.60	0%			
LNG-PR-130	November-08	NIMO-electric	\$5,835.86	0%			
LNG-PR-131	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$6,815.24	0%	0%	0%	0%
LNG-PR-132	April-10	NIMO-gas	\$4,968.75		-1%		
LNG-PR-133	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$9,627.32	0%	0%	0%	0%
LNG-PR-134	May-10	NIMO-gas	\$6,402.32		0%		
LNG-PR-135	February-10	NIMO-gas	\$657,301.31		0%		
LNG-PR-136	March-10	NIMO-gas	\$4,571.25		0%		
LNG-PR-137	November-08	NIMO-electric	\$9,716.67	0%			
LNG-PR-138	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$31,466.96	0%	0%	0%	0%

Note: Audit ID number LNG-PR-125 was not used.

Adjustment Rate for Accounts Payable Auditing Units - Legacy Grid Random Accounts Payable Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LNG-AP-001	January-09	NIMO-electric; KEDNY & KEDLI	\$14,063.55	0%		0%	0%
LNG-AP-002	January-09	NIMO-electric; KEDNY & KEDLI	\$325,025.40	0%		0%	0%
LNG-AP-003	November-09	NIMO-gas; KEDNY & KEDLI	\$107,070.25		0%	0%	0%
LNG-AP-004	November-09	NIMO-gas; KEDNY & KEDLI	\$30,581.48		0%	0%	0%
LNG-AP-005	November-09	NIMO-gas; KEDNY & KEDLI	\$563,959.81		0%	0%	0%
LNG-AP-006	November-08	NIMO-electric	\$1,707.46	0%			
LNG-AP-007	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$197,410.48	0%	0%	0%	0%
LNG-AP-008	April-09	NIMO-electric; KEDNY & KEDLI	\$1,912.08	0%		0%	0%
LNG-AP-009	February-10	NIMO-gas	\$121,140.27		0%		
LNG-AP-010	March-09	NIMO-electric; KEDNY & KEDLI	\$3,284.70	0%		0%	0%
LNG-AP-011	March-10	NIMO-gas	\$17,935.93		0%		
LNG-AP-012	February-10	NIMO-gas	\$146,932.95		0%		
LNG-AP-013	February-10	NIMO-gas	\$144,644.00		-6%		
LNG-AP-014	March-09	NIMO-electric; KEDNY & KEDLI	\$37,490.24	0%		0%	0%
LNG-AP-015	October-09	NIMO-gas; KEDNY & KEDLI	\$29,070.77		0%	0%	0%
LNG-AP-016	March-10	NIMO-gas	\$12,687.50		0%		
LNG-AP-017	December-08	NIMO-electric	\$142,485.00	0%			
LNG-AP-018	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$245,061.00	0%	0%	0%	0%
LNG-AP-019	March-10	NIMO-gas	\$27,833.17		0%		
LNG-AP-020	November-08	NIMO-electric	\$585,759.30	0%			
LNG-AP-021	October-08	NIMO-electric	\$10,000.00	0%			
LNG-AP-022	February-09	NIMO-electric; KEDNY & KEDLI	\$500,000.00	0%		0%	0%
LNG-AP-023	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$164,280.42	0%	0%	0%	0%
LNG-AP-024	October-09	NIMO-gas; KEDNY & KEDLI	\$48,688.92		-12%	0%	0%
LNG-AP-025	March-10	NIMO-gas	\$3,579.84		0%		
LNG-AP-026	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$242,949.29	0%	0%	0%	0%
LNG-AP-027	April-10	NIMO-gas	\$21,281.00		0%		
LNG-AP-028	October-08	NIMO-electric	\$1,549.44	0%			
LNG-AP-029	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$387,371.97	0%	0%	0%	0%
LNG-AP-030	March-10	NIMO-gas	\$24,850.85		0%		
LNG-AP-031	December-08	NIMO-electric	\$39,591.56	0%			
LNG-AP-032	February-09	NIMO-electric; KEDNY & KEDLI	\$51,467.50	0%		0%	0%
LNG-AP-033	March-10	NIMO-gas	\$46,302.55		0%		
LNG-AP-034	February-10	NIMO-gas	\$4,953.15		0%		
LNG-AP-035	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$4,875.00	0%	0%	0%	0%
LNG-AP-036	February-10	NIMO-gas	\$356,664.77		0%		
LNG-AP-037	March-09	NIMO-electric; KEDNY & KEDLI	\$18,953.03	-42%		0%	0%
LNG-AP-038	December-08	NIMO-electric	\$14,070.79	0%			
LNG-AP-039	February-09	NIMO-electric; KEDNY & KEDLI	\$749.15	0%		0%	0%
LNG-AP-040	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$22,005.32	0%	0%	0%	0%
LNG-AP-041	November-08	NIMO-electric	\$475,224.25	0%			
LNG-AP-042	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$5,708.50	0%	0%	0%	0%
LNG-AP-043	December-09	NIMO-gas; KEDNY & KEDLI	\$29,808.01		0%	0%	0%
LNG-AP-044	November-09	NIMO-gas; KEDNY & KEDLI	\$287,616.55		0%	0%	0%
LNG-AP-045	October-08	NIMO-electric	\$94,681.14	0%			
LNG-AP-046	February-10	NIMO-gas	\$44,801.28		0%		
LNG-AP-047	March-09	NIMO-electric; KEDNY & KEDLI	\$217,033.91	0%		0%	0%

Adjustment Rate for Accounts Payable Auditing Units - Legacy Grid Random Accounts Payable Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LNG-AP-048	February-10	NIMO-gas	\$15,293.31		0%		
LNG-AP-049	March-09	NIMO-electric; KEDNY & KEDLI	\$67,780.59	0%		0%	0%
LNG-AP-050	January-09	NIMO-electric; KEDNY & KEDLI	\$3,108.75	0%		0%	0%
LNG-AP-051	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$39,608.07	0%	0%	0%	0%
LNG-AP-052	January-09	NIMO-electric; KEDNY & KEDLI	\$320.00	0%		0%	0%
LNG-AP-053	November-08	NIMO-electric	\$14,710.71	0%			
LNG-AP-054	February-09	NIMO-electric; KEDNY & KEDLI	\$170,240.13	0%		0%	0%
LNG-AP-055	January-10	NIMO-gas	\$53,884.01		0%		
LNG-AP-056	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$1,049.95	0%	0%	0%	0%
LNG-AP-057	April-09	NIMO-electric; KEDNY & KEDLI	\$47,996.91	0%		0%	0%
LNG-AP-058	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$436,241.84	0%	0%	0%	0%
LNG-AP-059	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$950,000.00	0%	0%	0%	0%
LNG-AP-060	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$6,715.28	0%	0%	0%	0%
LNG-AP-061	January-10	NIMO-gas	\$136.32		-5%		
LNG-AP-062	December-09	NIMO-gas; KEDNY & KEDLI	\$800,000.00		0%	0%	0%
LNG-AP-063	December-08	NIMO-electric	\$120,968.64	0%			
LNG-AP-064	February-09	NIMO-electric; KEDNY & KEDLI	\$96,975.45	0%		0%	0%
LNG-AP-065	January-10	NIMO-gas	\$1,915.44		0%		
LNG-AP-066	November-08	NIMO-electric	\$110,000.00	-8%			
LNG-AP-067	January-09	NIMO-electric; KEDNY & KEDLI	\$4,600.00	0%		0%	0%
LNG-AP-068	March-09	NIMO-electric; KEDNY & KEDLI	\$168,657.83	-1%		0%	1%
LNG-AP-069	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$12,556.74	0%	0%	0%	0%
LNG-AP-070	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$9,716.89	0%	0%	0%	0%
LNG-AP-071	January-09	NIMO-electric; KEDNY & KEDLI	\$79,882.00	0%		0%	0%
LNG-AP-072	October-08	NIMO-electric	\$3,593.86	0%			
LNG-AP-073	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$44,355.17	0%	0%	0%	0%
LNG-AP-074	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$380,000.00	0%	0%	0%	0%
LNG-AP-075	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$823,393.79	0%	0%	0%	0%
LNG-AP-076	February-10	NIMO-gas	\$35,832.61		0%		
LNG-AP-077	December-09	NIMO-gas; KEDNY & KEDLI	\$224,001.41		0%	0%	0%
LNG-AP-078	December-09	NIMO-gas; KEDNY & KEDLI	\$12,422.36		0%	0%	0%
LNG-AP-079	December-09	NIMO-gas; KEDNY & KEDLI	\$54,000.00		0%	0%	54%
LNG-AP-080	February-09	NIMO-electric; KEDNY & KEDLI	\$51,116.14	0%		0%	0%
LNG-AP-081	May-10	NIMO-gas	\$12,728.63		-6%		
LNG-AP-082	February-10	NIMO-gas	\$484,634.60		0%		
LNG-AP-083	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$500,000.00	0%	0%	0%	0%
LNG-AP-084	February-10	NIMO-gas	\$109,650.00		0%		
LNG-AP-085	December-08	NIMO-electric	\$2,128.00	0%			
LNG-AP-086	January-09	NIMO-electric; KEDNY & KEDLI	\$455,464.93	0%		0%	0%
LNG-AP-087	December-09	NIMO-gas; KEDNY & KEDLI	\$38,028.18		0%	0%	0%
LNG-AP-088	November-08	NIMO-electric	\$18,255.96	-12%			
LNG-AP-089	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$19,393.28	0%	0%	0%	0%
LNG-AP-090	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$461,159.16	0%	0%	0%	0%
LNG-AP-091	March-09	NIMO-electric; KEDNY & KEDLI	\$13,860.00	-17%		0%	0%
LNG-AP-092	March-10	NIMO-gas	\$22,562.12		0%		
LNG-AP-093	March-09	NIMO-electric; KEDNY & KEDLI	\$3,255.60	0%		0%	0%
LNG-AP-094	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$99,851.18	0%	0%	0%	-1%

Adjustment Rate for Accounts Payable Auditing Units - Legacy Grid Random Accounts Payable Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LNG-AP-095	November-08	NIMO-electric	\$25,914.43	0%			
LNG-AP-096	October-08	NIMO-electric	\$1,676.24	0%			
LNG-AP-097	April-10	NIMO-gas	\$87,850.68		0%		
LNG-AP-098	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$4,326.25	0%	0%	0%	0%
LNG-AP-099	October-09	NIMO-gas; KEDNY & KEDLI	\$527,888.06		0%	0%	0%
LNG-AP-100	May-10	NIMO-gas	\$8,386.50		0%		
LNG-AP-101	May-09	NIMO-electric; KEDNY & KEDLI	\$29,292.00	0%		0%	0%
LNG-AP-102	December-08	NIMO-electric	\$132,903.00	0%			
LNG-AP-103	January-10	NIMO-gas	\$9,049.47		0%		
LNG-AP-104	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$1,387.68	0%	0%	0%	0%
LNG-AP-105	December-09	NIMO-gas; KEDNY & KEDLI	\$592,225.08		0%	0%	0%
LNG-AP-106	March-10	NIMO-gas	\$23,436.00		0%		
LNG-AP-107	February-10	NIMO-gas	\$96,798.24		0%		
LNG-AP-108	February-09	NIMO-electric; KEDNY & KEDLI	\$149,983.59	0%		0%	0%
LNG-AP-109	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$274,704.15	0%	0%	0%	0%
LNG-AP-110	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$1,272.24	0%	0%	0%	0%
LNG-AP-111	March-10	NIMO-gas	\$816,911.46		-1%		
LNG-AP-112	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$4,178.79	0%	0%	0%	0%
LNG-AP-113	November-09	NIMO-gas; KEDNY & KEDLI	\$319,848.96		0%	0%	0%
LNG-AP-114	March-09	NIMO-electric; KEDNY & KEDLI	\$99,737.66	0%		0%	0%
LNG-AP-115	May-09	NIMO-electric; KEDNY & KEDLI	\$188,163.65	-83%		13%	32%
LNG-AP-116	February-10	NIMO-gas	\$8,264.83		6%		
LNG-AP-117	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$11,751.76	0%	0%	0%	0%
LNG-AP-118	October-09	NIMO-gas; KEDNY & KEDLI	\$52,712.30		0%	0%	0%
LNG-AP-119	May-09	NIMO-electric; KEDNY & KEDLI	\$143,645.00	23%		0%	0%
LNG-AP-120	May-10	NIMO-gas	\$28,400.60		0%		
LNG-AP-121	May-09	NIMO-electric; KEDNY & KEDLI	\$38,340.86	0%		0%	0%
LNG-AP-122	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$397,088.94	0%	0%	0%	0%
LNG-AP-123	February-10	NIMO-gas	\$8,675.70		0%		
LNG-AP-124	April-10	NIMO-gas	\$61,610.06		0%		
LNG-AP-125	December-09	NIMO-gas; KEDNY & KEDLI	\$39,619.85		0%	0%	0%
LNG-AP-126	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$167,528.10	-1%	0%	0%	0%
LNG-AP-127	May-09	NIMO-electric; KEDNY & KEDLI	\$9,766.80	0%		0%	0%
LNG-AP-128	May-10	NIMO-gas	\$711,883.63		0%		
LNG-AP-129	February-10	NIMO-gas	\$1,393.03		0%		
LNG-AP-130	February-09	NIMO-electric; KEDNY & KEDLI	\$8,329.50	0%		0%	0%
LNG-AP-131	March-10	NIMO-gas	\$792,546.93		0%		
LNG-AP-132	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$857,494.39	0%	0%	0%	0%
LNG-AP-133	April-09	NIMO-electric; KEDNY & KEDLI	\$8,034.31	0%		0%	0%
LNG-AP-134	March-10	NIMO-gas	\$470,944.00		0%		
LNG-AP-135	March-10	NIMO-gas	\$35,004.00		0%		
LNG-AP-136	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$808,316.12	0%	0%	0%	0%
LNG-AP-137	March-09	NIMO-electric; KEDNY & KEDLI	\$9,300.00	0%		0%	0%
LNG-AP-138	January-09	NIMO-electric; KEDNY & KEDLI	\$413,816.81	-17%		0%	0%
LNG-AP-139	April-10	NIMO-gas	\$142,390.00		-4%		
LNG-AP-140	February-10	NIMO-gas	\$22,710.00		0%		
LNG-AP-141	October-08	NIMO-electric	\$5,281.80	0%			

Adjustment Rate for Accounts Payable Auditing Units - Legacy Grid Random Accounts Payable Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LNG-AP-142	February-10	NIMO-gas	\$418,731.99		0%		
LNG-AP-143	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$131,747.46	0%	0%	0%	0%
LNG-AP-144	December-09	NIMO-gas; KEDNY & KEDLI	\$1,578.28		0%	0%	0%
LNG-AP-145	November-09	NIMO-gas; KEDNY & KEDLI	\$32,500.00		-5%	-6%	-11%
LNG-AP-146	October-09	NIMO-gas; KEDNY & KEDLI	\$337,763.11		0%	0%	0%
LNG-AP-147	October-08	NIMO-electric	\$148,707.00	0%			
LNG-AP-148	November-09	NIMO-gas; KEDNY & KEDLI	\$8,523.88		0%	0%	0%
LNG-AP-149	March-10	NIMO-gas	\$484,780.22		0%		
LNG-AP-150	March-10	NIMO-gas	\$60,227.70		0%		
LNG-AP-151	December-08	NIMO-electric	\$15,951.05	0%			
LNG-AP-152	November-09	NIMO-gas; KEDNY & KEDLI	\$57,193.42		0%	0%	0%
LNG-AP-153	December-08	NIMO-electric	\$19,681.57	2%			
LNG-AP-154	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$211,647.07	-33%	-7%	0%	0%
LNG-AP-155	February-10	NIMO-gas	\$13,557.53		0%		
LNG-AP-156	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$10,493.46	0%	0%	0%	0%
LNG-AP-157	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$864,069.65	-7%	-1%	0%	0%
LNG-AP-158	November-09	NIMO-gas; KEDNY & KEDLI	\$779,441.70		-3%	-4%	-9%
LNG-AP-159	December-09	NIMO-gas; KEDNY & KEDLI	\$254,151.96		0%	0%	0%
LNG-AP-160	April-10	NIMO-gas	\$22,935.43		0%		
LNG-AP-161	January-09	NIMO-electric; KEDNY & KEDLI	\$3,816.00	0%		0%	0%
LNG-AP-162	May-10	NIMO-gas	\$422,770.80		0%		
LNG-AP-163	December-09	NIMO-gas; KEDNY & KEDLI	\$299,720.00		0%	0%	0%
LNG-AP-164	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$2,072.39	0%	0%	0%	0%
LNG-AP-165	February-09	NIMO-electric; KEDNY & KEDLI	\$129,779.02	0%		0%	0%
LNG-AP-166	January-09	NIMO-electric; KEDNY & KEDLI	\$1,849.75	0%		0%	0%
LNG-AP-167	April-09	NIMO-electric; KEDNY & KEDLI	\$190,176.75	0%		0%	0%
LNG-AP-168	November-08	NIMO-electric	\$11,520.00	0%			
LNG-AP-169	March-10	NIMO-gas	\$150,679.57		0%		
LNG-AP-170	February-10	NIMO-gas	\$816,348.60		-1%		
LNG-AP-171	October-09	NIMO-gas; KEDNY & KEDLI	\$4,049.83		-4%	6%	11%
LNG-AP-172	March-09	NIMO-electric; KEDNY & KEDLI	\$2,849.84	0%		0%	0%
LNG-AP-173	February-09	NIMO-electric; KEDNY & KEDLI	\$720,256.46	0%		0%	0%
LNG-AP-174	April-10	NIMO-gas	\$543.95		0%		
LNG-AP-175	July-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$15,126.23	0%	0%	0%	0%
LNG-AP-176	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$380,174.50	0%	0%	0%	0%
LNG-AP-177	April-09	NIMO-electric; KEDNY & KEDLI	\$126,954.50	0%		0%	0%
LNG-AP-178	January-10	NIMO-gas	\$45,000.00		0%		
LNG-AP-179	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$2,125.00	0%	0%	0%	0%
LNG-AP-180	February-09	NIMO-electric; KEDNY & KEDLI	\$40,766.30	0%		0%	0%
LNG-AP-181	December-09	NIMO-gas; KEDNY & KEDLI	\$5,154.38		-2%	-2%	-4%
LNG-AP-182	October-09	NIMO-gas; KEDNY & KEDLI	\$454,601.47		0%	0%	0%
LNG-AP-183	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$1,443.00	0%	0%	0%	0%
LNG-AP-184	December-08	NIMO-electric	\$227,551.41	0%			
LNG-AP-185	October-08	NIMO-electric	\$253,792.21	0%			
LNG-AP-186	March-09	NIMO-electric; KEDNY & KEDLI	\$348,338.79	0%		0%	0%
LNG-AP-187	October-08	NIMO-electric	\$20,137.50	0%			
LNG-AP-188	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$48,472.22	0%	0%	0%	0%

Adjustment Rate for Accounts Payable Auditing Units - Legacy Grid Random Accounts Payable Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LNG-AP-189	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$126,850.00	0%	0%	0%	0%
LNG-AP-190	April-09	NIMO-electric; KEDNY & KEDLI	\$87,120.00	0%		0%	0%
LNG-AP-191	December-08	NIMO-electric	\$19,440.00	0%			
LNG-AP-192	April-09	NIMO-electric; KEDNY & KEDLI	\$88,651.26	0%		0%	0%
LNG-AP-193	May-09	NIMO-electric; KEDNY & KEDLI	\$461,826.59	0%		0%	0%
LNG-AP-194	May-09	NIMO-electric; KEDNY & KEDLI	\$86,543.68	0%		0%	0%
LNG-AP-195	October-08	NIMO-electric	\$74,572.20	0%			
LNG-AP-197	May-10	NIMO-gas	\$2,782.99		0%		
LNG-AP-198	March-09	NIMO-electric; KEDNY & KEDLI	\$350,348.32	0%		0%	0%
LNG-AP-199	November-09	NIMO-gas; KEDNY & KEDLI	\$2,950.00		0%	0%	0%
LNG-AP-200	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$5,944.40	0%	0%	0%	0%
LNG-AP-201	December-08	NIMO-electric	\$319,374.80	0%			
LNG-AP-202	January-09	NIMO-electric; KEDNY & KEDLI	\$97,622.21	0%		0%	0%
LNG-AP-203	December-08	NIMO-electric	\$3,412.50	0%			
LNG-AP-204	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$270,463.94	0%	0%	0%	0%
LNG-AP-206	February-09	NIMO-electric; KEDNY & KEDLI	\$462,015.46	0%		0%	0%
LNG-AP-207	March-10	NIMO-gas	\$91,249.16		0%		
LNG-AP-208	January-09	NIMO-electric; KEDNY & KEDLI	\$1,015.17	0%		0%	0%
LNG-AP-209	December-08	NIMO-electric	\$667,190.00	0%			
LNG-AP-210	May-09	NIMO-electric; KEDNY & KEDLI	\$7,572.50	0%		0%	0%
LNG-AP-211	December-08	NIMO-electric	\$233,853.98	0%			
LNG-AP-212	November-08	NIMO-electric	\$81,676.14	0%			
LNG-AP-213	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$223,286.01	0%	0%	0%	0%
LNG-AP-214	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$5,160.00	0%	0%	0%	0%
LNG-AP-215	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$87,489.47	0%	0%	0%	0%
LNG-AP-216	October-08	NIMO-electric	\$52,341.48	0%			
LNG-AP-217	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$950,000.00	0%	0%	0%	0%
LNG-AP-218	May-10	NIMO-gas	\$206,108.71		0%		
LNG-AP-219	November-08	NIMO-electric	\$273,850.00	0%			
LNG-AP-220	March-10	NIMO-gas	\$68,755.00		0%		
LNG-AP-221	February-09	NIMO-electric; KEDNY & KEDLI	\$685,920.94	0%		0%	0%
LNG-AP-222	October-08	NIMO-electric	\$1,834.80	0%			
LNG-AP-223	January-10	NIMO-gas	\$818,894.19		-1%		
LNG-AP-224	April-09	NIMO-electric; KEDNY & KEDLI	\$384,807.96	0%		0%	0%
LNG-AP-225	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$219,456.54	0%	0%	0%	0%
LNG-AP-226	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$916,690.98	0%	0%	0%	0%
LNG-AP-227	May-09	NIMO-electric; KEDNY & KEDLI	\$11,867.04	0%		0%	0%
LNG-AP-228	June-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$20,094.06	0%	0%	0%	0%
LNG-AP-229	October-09	NIMO-gas; KEDNY & KEDLI	\$7,931.76		0%	0%	0%
LNG-AP-230	November-09	NIMO-gas; KEDNY & KEDLI	\$30,095.70		0%	0%	0%
LNG-AP-231	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$8,891.75	0%	0%	0%	0%
LNG-AP-232	September-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$77,449.38	0%	0%	0%	0%
LNG-AP-233	March-10	NIMO-gas	\$15,820.00		-9%		
LNG-AP-234	August-09	NIMO-electric; NIMO-gas; KEDNY & KEDLI	\$7,543.00	0%	0%	0%	0%
LNG-AP-235	February-09	NIMO-electric; KEDNY & KEDLI	\$216,086.10	-42%		0%	0%
LNG-AP-236	February-10	NIMO-gas	\$4,300.00		0%		
LNG-AP-237	January-09	NIMO-electric; KEDNY & KEDLI	\$112,741.20	0%		0%	0%

Adjustment Rate for Accounts Payable Auditing Units - Legacy Grid Random Accounts Payable Testing							
Sample ID#	Calendar Month and Year of Selection	Entities' testing period	Dollar Value for Sampled Auditing Unit	NIMO-Electric	NIMO-Gas	KEDLI	KEDNY
LNG-AP-238	January-10	NIMO-gas	\$444,072.00		0%		
LNG-AP-239	April-10	NIMO-gas	\$28,338.86		0%		
LNG-AP-240	November-08	NIMO-electric	\$7,842.97	0%			
LNG-AP-241	October-09	NIMO-gas; KEDNY & KEDLI	\$72,444.12		0%	0%	0%
LNG-AP-242	April-09	NIMO-electric; KEDNY & KEDLI	\$3,635.28	0%		0%	0%
LNG-AP-243	October-09	NIMO-gas; KEDNY & KEDLI	\$1,239.10		0%	0%	0%
LNG-AP-244	April-09	NIMO-electric; KEDNY & KEDLI	\$396,710.14	0%		0%	0%
LNG-AP-245	November-09	NIMO-gas; KEDNY & KEDLI	\$801,282.51		0%	0%	0%
LNG-AP-246	January-09	NIMO-electric; KEDNY & KEDLI	\$83,227.84	0%		0%	0%
Note: Audit ID numbers LNG-AP-196 and LNG-AP-205 were not used.							

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