nationalgrid

Peter A. Luvera
Manager of Regulatory Analysis

01-M-0075
A+F
OGC
OE+E
OIHPOR
Reports

June 28, 2007

Honorable Jaclyn A. Brilling , Secretary
State of New York Public Service Commission
Office of the Secretary
Three Empire State Plaza
Albany, NY 12223

Re: Niagara Mohawk
PSC Case 01-M-0075
Report of Earnings

Dear Secretary Brilling:

Pursuant to Commission Opinion 01-6 issued December 3, 2001, which approved Niagara Mohawk's merger with National Grid Group, PLC, the Company hereby submits, in accordance with Parts 1.2.3.6 and 1.2.5 of the Joint Proposal, its report of earnings for Electric Operations for both the two year and four year periods ended December 31, 2006.

The annualized cumulative return on equity from electric operations for the four years ended December 2006, amounted to 8.54 % as shown on page 1 of this report. This is below the threshold of 11.75% and therefore demonstrates there is no need for a "Rate Re-opener Credit" as described in section 1.2.3.6 of the Joint Proposal.

The annualized average return on equity from electric operations for the two years ended December 2006, amounted to 9.50 % as shown on page 1A of this report. This is below the threshold of 11.92% (11.75% + earned incentive basis points) and therefore demonstrates there is no need for "Earnings Sharing" as described in section 1.2.5 of the Joint Proposal.

For informational purposes only, the annualized return on equity from electric operations for the twelve months ended December 31, 2006, amounted to 8.83 % as shown on pages 1, 1A, 3 and 4.

This report has been provided to the Commission Staff and other parties as shown on the attached service list. Any questions regarding the report can be addressed to the undersigned at (315) 428-5768.

Kindly acknowledge receipt of the enclosures by date-stamping the enclosed copy of this letter and returning it to the Company.

Very truly yours,

Peter A. Luvera

Attachments
PAL/sep
cc: Active Parties List
Denise Gerbsch – DPS Staff

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Case 01-M-0075
Proposed merger Niagara Mohawk & National Grid

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April 17, 2007

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Niagara Mohawk, a National Grid Company
Regulatory Earnings Electric Compliance Filing (per Joint Proposal Rate Agreement)
For the Rate Year Ended December 31, 2006

Includes Electric Rate Re-opener Re-evaluation and 2 Year Cumulative Earnings Report

Table of Contents

Niagara Mohawk, a National Grid Company

Re-evaluation for Electric Rate Re-opener Credit - 4 Year Cumulative ROE 2003 - 2006

(Million Dollars)

Joint Proposal 1.2.3.6.3: Re-evaluation in the event the Re-opener credit has not been implemented. Comparison of most recent 4 year cumulative ROE to 11.75% ROE to evaluate need to re-open delivery rates prospectively. Same as Earnings Review, Stipulation section 6.1 to exclude Goodwill from Equity is not in effect until approved by the PSC

	Individual Years		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	Current Year = 5	Cal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1	Per Books Common Equity (CE)		$ 2,490.6	$ 2,532.2	$ 2,838.3	$ 3,062.6	$ 3,274.0					
2	Adj to reflect excess TCI		$ -	$ -	$ -	$ -	$ (2.4)					
3	Adj to reflect equity cap		$ -	$ -	$ -	$ (93.1)	$ (436.4)					
4	Adj to exclude Goodwill		N/A	N/A	N/A	N/A	N/A					
5	**Actual Common Equity (revised)**		**$ 2,490.6**	**$ 2,532.2**	**$ 2,838.3**	$ 2,969.5	$ 2,835.2					
6												
7	Original ROE's filed in each resp. year		9.53%	5.37%	9.53%	10.15%						
8	Subsequent minor revisions (see Pg 1A)		-0.04%	0.26%	-0.35%	0.00%						
9	Adj to exclude Goodwill		N/A	N/A	N/A	N/A						
10	Actual ROE in this filing		9.49%	5.63%	9.18%	10.15%	8.83%					
11												
12	Actual (calculated) Net Income for CE		$ 236.4	$ 142.6	$ 260.6	$ 301.4	$ 250.3					
13												
14												

		Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
15	**Cumulative ROE and Deferral Calculation**							
16		**Years 1-4**	**Years 2-5**	Years 3-6	Years 4-7	Years 5-8	Years 6-9	Years 7-10
17	**report due**	07/01/06	07/01/07	07/01/08	07/01/09	07/01/10	07/01/11	07/01/12
18	**Actual Net Income**	$ 941.0	$ 954.9					
19	Actual Common Equity (after adj for equity cap and exclusion of Goodwill)	$10,830.6	$11,175.2					
20	**Actual ROE** (Net Income / Equity)	8.69%	**8.54%**					
21	**ROE CAP specific to Rate Re-opener**	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%
22	**Difference**	-3.06%	-3.21%					
23	**Is Rate Re-opener required ?**	No	**No**					
24								
25	Calculation of Rate Re-opener Credit (per JP 1.2.3.6.2							
26	After-tax earnings avail for CE in Excess of 11.75% ROE	$ -	$ -					
27	Combined Federal & State Income Tax Rate	39.875%	39.875%					
28	Pre-tax earnings in Excess of 11.75% ROE	$ -	$ -					
29	Number of years in period	3.875	4.000	4.000	4.000	4.000	4.000	4.000
30	Annualized excess earnings	$ -	$ -					
31	Re-opener Credit (50% of annualized excess earnings)	$ -	$ -					

1 **Avg CE bal including Goodwill, before any equity ad**
2 **JP Att 17 C, Temp Cash Investment (TCI) in excess of $20.0m should reduce CE**
3 **JP Att 17 D, caps CE, modified by MOA re: pension & OPEB funding**
4 **Reduction to equity to exclude Goodwill (per Stipulation, section 6.1**
5 Line 1 less lines 2, 3 and 4
7 Original ROE's filed in Electric Earnings Reports in each of the respective cal yr
8 ROE impacts shown on Pg 1A of this filing, revisions discovered after original filing
9 ROE impact of excluding Goodwill from equity
10 **Actual ROE used in the earnings sharing calculation**
12 **Line 10 * Line 5 (ROE * CE)**
17 **4 year period for which ROE is cumulative**
18 **Sum line 12 for appropriate 4 years**
19 Sum line 5 for appropriate 4 years
20 Line 18 / Line 19 (Net Income / Equity)
21 JP 1.2.3.6 Re-Opener threshold is 11.75% ROE, no adj for performance re: Att 8
22 Line 20 - Line 21
23 "Yes" if Line 22 is greater than zero (i.e. Actual cum ROE exceeds 11.75%
26 If Line 22 > 0, then Line 22 * Line 19 (Excess ROE * CE
27 Federal income tax rate 35.0% and NYS 7.5% (after fed deduction = 4.875%)
28 Line 26 * (1+ Line 27)
29 first period yrs 1-4 = 3.875 (Feb 15, 2002 - 12/31/05), all other periods = 4 yrs
30 Line 28 / Line 29
31 Line 30 * 50% ratepayer share

Niagara Mohawk, a National Grid Company

Electric Earnings Sharing Review - 2 Year Cumulative ROE 2005 - 2006

(Million Dollars)

Joint Proposal 1.2.5.1: 2005 - 2006 two year cumulative earnings comparison to 11.75% ROE plus earned incentive basis pts set forth in JP 1.2.5.4 and Att. 8. Stipulation section 6.1, excludion of Goodwill from Equity, will only apply prospectively after PSC approval (which was pending at the time of this filing).

	Individual Years Current Year = 5 Cal Year	Year 1 2002	Year 2 2003	Year 3 2004	Year 4 2005	Year 5 2006	Year 6 2007	Year 7 2008	Year 8 2009	Year 9 2010	Year 10 2011
1	Per Books Common Equity (CE)	$ 2,490.6	$ 2,532.2	$ 2,838.3	$ 3,062.6	$ 3,274.0					
2	Adj to reflect excess TCI	$ -	$ -	$ -	$ -	$ (2.4)					
3	Adj to reflect equity cap	$ -	$ -	$ -	$ (93.1)	$ (436.4)					
4	Adj to exclude Goodwill	N/A	N/A	N/A	N/A	N/A					
5	Actual Common Equity (revised)	$ 2,490.6	$ 2,532.2	$ 2,838.3	$ 2,969.5	$ 2,835.2					
6											
7	Original ROE's filed in each resp year	9.53%	5.37%	9.53%	10.15%						
8	Subsequent minor revisions (see Pg 1A)	-0.04%	0.26%	-0.35%	0.00%						
9	Adj to exclude Goodwill	N/A	N/A	N/A	N/A	N/A					
10	Actual ROE in this filing	9.49%	5.63%	9.18%	10.15%	8.83%					
11											
12	Actual (calculated) Net Income for CE	$ 236.4	$ 142.6	$ 260.6	$ 301.4	$ 250.3					
13											
14	ROE CAP (per JP 1.2.5.1 & 1.2.5.4)	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%	11.75%
15	Earned Low Income Prog. Incentive	0.05%	0.05%	0.05%	0.05%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%
16	Earned Competition Incentives	0.00%	0.04%	0.17%	0.06%	0.12%	0.00%	0.00%	0.00%	0.00%	0.00%
17	ROE CAP including earned incentives	11.80%	11.84%	11.97%	11.86%	11.92%	11.75%	11.75%	11.75%	11.75%	11.75%
18	Was a Rate re-opener required ? (see previous page)				No	No					
19											

	Cumulative ROE and Deferral Calculation	Cumulative Years 1-4	Average Years 4-5	Average Years 5-6	Average Years 6-7	Average Years 7-8	Average Years 8-9	Average Years 9-10
22	report due	07/01/06	07/01/07	07/01/08	07/01/09	07/01/10	07/01/11	07/01/12
23	Actual Net Income	$ 941.0	$ 275.9					
24	Actual Common Equity (after adj for equity cap and exclusion of Goodwill)	$ 10,830.6	$ 2,902.4					
25	Actual ROE (Net Income / Equity)	8.69%	9.50%					
26	ROE CAP including earned incentives (weighted avg)	11.87%	11.89%					
27	Difference	-3.18%	-2.38%					
28	After-tax Earnings Between Cap and 14%	$ -	$ -					
29	After-tax Earnings Between 14% and 16%	$ -	$ -					
30	After-tax Earnings Over 16%	$ -	$ -					
31	Deferral Between Cap and 14%	$ -	$ -					
32	Deferral Between 14% and 16%	$ -	$ -					
33	Deferral Over 16%	$ -	$ -					
34	Total Deferral (after-tax $)	$ -	$ -					
35	Combined Federal & State Income Tax Rate	39.875%	39.875%					
36	Total Deferral grossed up for income taxes (pre-tax $)	$ -	$ -					

1 Avg bal including Goodwill, before any equity ad
2 JP Att 17 C, Temp Cash Investment (TCI) in excess of $20.0m should reduce CE
3 JP Att 17 D, caps CE, modified by MOA re: pension & OPEB funding
4 Only applicable prospectively AFTER PSC approves March 22, 2007 Stipulation, 6
5 Line 1 less lines 2 & 3
7 Original ROE's annual Electric earnings filings for respective calendar year
8 ROE impacts shown on Pg 1A of this filing, revisions discovered after original filin
9 Only applicable prospectively AFTER PSC approves March 22, 2007 Stipulation, 6
10 Actual ROE used in the earnings sharing calculation
12 Line 10 * Line 5 (ROE * CE)
14 JP Att. 17
15 Potential add'l pts (per Joint proposal 1.2.5.1 and 1.2.5.4 & Att. 8, sec 4.1)
16 Potential add'l pts (per Joint proposal 1.2.5.1 and 1.2.5.4 & Att. 8, sec 4.2)
17 Sum of lines 14 thru 16
18 If any year is "yes", then modified sharing %'s are used (see JP 1.2.5.3

23 (Years 1-4) Sum Line 12, (all other columns) Average Line 12 -Except Years 4-5
where the amount for Year 4 will be theminimum of Line 17 * Line 5 or Line 12
24 (Years 1-4) Sum Line 5, (all other columns) Average Line :
25 Line 23 / Line 24
26 Weighted Average of Line 17 (Weighted by Line 5
27 Line 25 - Line 26
28 Line 25 Between Cap and 14% * Line 24
29 Line 25 Between 14% and 16% * Line 24
30 Line 25 Greater than 16% * Line 24
31 Line 28 * 50%
32 Line 29 * 75% (50% if no Rate Re-opener and before Jan 1, 2009)
33 Line 30 * 90% (50% if no Rate Re-opener and before Jan 1, 2009)
34 Line 31 + Line 32 + Line 33
35 Federal rate 35.0% and NYS 7.5% (after fed deduction = 4.875%)
36 Line 34 * (1+ Line 35)

Niagara Mohawk, a National Grid Company

Adjustments to prior years within the Cumulative Electric Earnings Sharing Perioc

		Electric			
		CY02	**CY03**	**CY04**	**CY05**
1	Filing date	7/1/03	6/30/04	6/30/05	
2	**ROE filed**	9.53%	5.37%	9.53%	
3					
4	**Revisions & Approximate ROE impacts**				
5	LTD avg rate	0.89%			
6	*Description: Bluebook rate overstated due to use of maximum NYSERDA rate.*				
7	*This was discussed w/ & letter sent to PSC Staff (RAV) on 2/25/04.*				
8					
9	Gas Supplier Refund rate		0.00%	0.00%	
10	*Description: CY03 & 04 incorrectly used the Cust Deposit rate. However, due to the very*				
11	*small balances in both years, this revision has no impact on ROE.*				
12					
13	Capitalization Adjustments & Ratebase	-0.93%	-0.66%	-0.35%	
14	*Description: A Jan'06 review with Accounting of the balance sheet resulted in some changes in the treatment*				
15	*of certain accounts. The above impacts include related deferred tax impacts. See pgs 26 thru 36 for detailed revisions.*				
16					
17	Income Tax corrections				
18	Correct tax depreciation		0.92%		
19					
20					
21	**subtotal ROE change**	-0.04%	0.26%	-0.35%	
22					
23	**ROE revised**	9.49%	5.63%	9.18%	

Niagara Mohawk, a National Grid Company
Return on Equity Calculation / Capital Structure
For the Rate Year Ended December 31, 2006

Capital Structure (Total)

		($000's) Adjusted for CAP (1) Avg Amount	Weighting Percent	Cost	Weighted Cost
	[redacted]				
Long Term Debt	amt pg 14, cost pg 11	$ 3,097,229	41.75%	5.97%	2.49%
Notes Payable	amt pg 14, cost pg 11	729,476	9.83%	4.95%	0.49%
Gas Supplier Refunds	amt pg 14, cost pg 12	2,315	0.03%	4.72%	0.00%
Customer Deposits	amt pg 14, cost pg 12	41,564	0.56%	3.00%	0.02%
Preferred Stock	amt pg 14, cost pg 13	46,335	0.62%	3.95%	0.02%
Common Equity	amt pg 14, cost is calc	3,501,489	47.20%	**8.01%**	3.78%
Total		$ 7,418,408	100.00%		6.80%
					ROR (pg. 4 ln 43)

Capital Structure (Electric)
83.08% Allocation pg.8 ln 6 [redacted]

	Allocated Amount	Weighting Percent	Cost	Weighted Cost
Long Term Debt	$2,573,178	41.75%	5.97%	2.49%
Notes Payable	606,049	9.83%	4.95%	0.49%
Gas Supplier Refunds	1,923	0.03%	4.72%	0.00%
Customer Deposits	34,531	0.56%	3.00%	0.02%
Preferred Stock	38,495	0.62%	3.95%	0.02%
Common Equity	2,909,037	47.20%	**8.83%**	4.17%
Total	$6,163,213	100.00%		7.19%
				ROR (pg. 4 ln 43)

Capital Structure (Gas)
16.92% Allocation pg.[redacted]

	Allocated Amount	Weighting Percent	Cost	Weighted Cost
Long Term Debt	$ 524,051	41.75%	5.97%	2.49%
Notes Payable	123,427	9.83%	4.95%	0.49%
Gas Supplier Refunds	392	0.03%	4.72%	0.00%
Customer Deposits	7,033	0.56%	3.00%	0.02%
Preferred Stock	7,840	0.62%	3.95%	0.02%
Common Equity	592,452	47.20%	**3.96%**	1.87%
Total	$1,255,195	100.00%		4.89%
				ROR (pg. 4 ln 43)

Note: (1) components of book capital have been adjusted based on % to total, to comply with Equity Cap set forth in JP att. 17 & the MOA

Niagara Mohawk, a National Grid Company
Regulatory Earnings Electric Compliance Filing (per Joint Proposal Rate Agreement)
Income Statement per Books, and Adjusted (before Interest)
For the Rate Year Ended December 31, 2006
($000's)

	Per Books			Adjustments			As Adjusted		
	Total	Electric	Gas	Total	Electric	Gas	Total	Electric	Gas
Operating Revenues									
Revenue	$ 4,184,542	$ 3,245,585	$ 938,957	$ (227)	$ -	$ (227)	$ 4,184,315	$ 3,245,585	$ 938,730
Operating Revenue Deductions									
Purchased Power Costs	1,340,381	1,340,381	0	0	0		1,340,381	1,340,381	0
Purchased Gas Costs	647,530	0	647,530	0		0	647,530	0	647,530
Revenue Taxes	26,625	18,952	7,674	0			26,625	18,952	7,674
Total Deductions	2,014,537	1,359,333	655,204	0	0	0	2,014,537	1,359,333	655,204
Total Gross Margin	2,170,005	1,886,252	283,753	(227)	0	(227)	2,169,778	1,886,252	283,526
Operating Expenses									
Departmental Expenses	668,164	566,733	101,432	57,729	35,759	21,970	725,893	602,491	123,402
Bad Debts	36,242	25,221	11,022	0			36,242	25,221	11,022
Systems Benefits & RPS charges	50,620	50,620	0	0			50,620	50,620	0
Nuclear Fuel Disp Liab Interest	0	0	0	7,131	7,131	n/a	7,131	7,131	0
Other	0	0	0	0			0	0	0
Total Operating Expense	755,026	642,573	112,453	64,860	42,890	21,970	819,886	685,463	134,423
Depreciation	200,172	161,940	38,232				200,172	161,940	38,232
Amortization of Stranded cost	361,584	361,584	0				361,584	361,584	0
Amortization other	8,921	7,981	940				8,921	7,981	940
(Gain) or Loss on Dispostiion of Facilities	(23)	(20)	(4)				(23)	(20)	(4)
Property Taxes	163,174	130,512	32,662				163,174	130,512	32,662
Payroll Taxes	22,218	19,764	2,454				22,218	19,764	2,454
Other	0	0	0				0	0	0
Total Operating Revenue Deductions	1,511,072	1,324,335	186,737	64,860	42,890	21,970	1,575,932	1,367,224	208,707
Net Operating Revenues	658,934	561,918	97,016	(65,087)	(42,890)	(22,197)	593,847	519,028	74,819
Other Income	0	0	0				0	0	0
Other adjustments	-	0	0				0	0	0
Oper Income Before Interest & Income Taxes	$ 658,934	$ 561,918	$ 97,016	$ (65,087)	$ (42,890)	$ (22,197)	$ 593,847	$ 519,028	$ 74,819
Income Taxes									
Federal Income Tax					see pg 25		136,219	116,966	19,253
State Income Tax					see pg 25		30,282	27,076	3,206
Total Income Tax							166,501	144,042	22,459
Oper Income After Income Taxes							$ 427,346	$ 374,986	$ 52,360

		Total	Electric	Gas
Rate Base	see pg 9	$ 6,283,126	$ 5,213,336	$ 1,069,790
Rate of Return (ROR)		6.80%	7.19%	4.89%

	Total	Electric	Gas
Return on Equity (ROE)	**8.01%**	**8.83%**	**3.96%**

Base Threshold Earnings Level [1]	n/a	see pg 1	n/a
Incentive pts earned - Low Inc Cr & Competition Crs		see pg 1	n/a
Threshold Earnings Level	n/a	see pg 1	n/a

[1] *base ROE threshold for Electric 11.75% reflects JP 1.2.5.1, and Gas 10.60% JP 1.6.2.6*

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Niagara Mohawk, a National Grid Company
Income Statement Adjustments
For the Rate Year Ended December 31, 2006

By Inc Stmt line item		Adjustments to be Recognized ($000's) Electric	Gas
Operating Revenue Adjustments:			
JP 1.2.5.2.6	To exclude 50% of incremental revenue to customers' equipment at a customer's explicit request provided for in Rule 28 of PSC 207 [2]		n/a
JP 1.2.5.2.6	To exclude 50% of royalities related to commercialization of R&D technology (pursuant to Sec 4.4.1 of Att 23) [2]	-	n/a
Adj due to acctg.	Reclass MRA Interest Savings deferral, from Int, back to reduce Rev	-	n/a
99-G-0336 Sec V, D	To exclude Gas capacity incentive gain / (loss)	n/a	-
99-G-0336 Sec V, D	To exclude Co's (gain) / loss on non-core Gas shared revenues	n/a	(306)
99-G-0336 Sec V, D	To exclude Co's (gain) / loss on Gas SC-4, SC-6 and Special Contracts	n/a	79
	Total	-	(227)
Operating Revenue Deductions Adjustments:			
		n/a	-
	Total		-
Departmental Expense Adjustments:			
JP 1.2.5.2.3	To exclude executive incentives (ICP I & II) [1]		
JP 1.2.5.2.3	To exclude emp Incentive compensation accrual (50% Elec / 100% Gas)	(5,018)	(2,055)
JP 1.2.5.2.3	To exclude add'l 50% Elec Inc comp if Serv Quality Penalties >$7.5m	(5,017)	n/a
JP 1.2.5.2.3	To exclude add'l Elec Inc comp - to extent Dept exp Exceeds JP target	-	n/a
JP 1.2.5.2.3 & Trad.	To exclude Supp Exec Retire Plan exp [1]		
JP 1.2.3.5 (e) 6	To allocate Expenses as oulined in the Joint Proposal	(12,156)	12,156
JP 1.2.5.2.7 & 1.6.8	To addback to exp 50% synergy savings, efficiency gains & costs to achieve (JP Att 18: Gas started in Sept'03)	57,950	11,869
	Total	35,759	21,970
Non-Departmental Expense Adjustments:			
Adj due to acctg.	To include Nuclear Fuel Disposal Liability Interest (booked to Interest)	7,131	n/a
JP 1.2.5.2.3	To exclude employee incentive compensation accrual expense	-	-
	Total	7,131	-
Other Income:			
JP 1.2.5.2.4	To exclude Constellation interest income [1]		
Income BEFORE tax Impact		$ (42,890)	$ (22,197)

[1] No adjustment is necessary for Constellaton interest income (a/c#910.40.008) or for executive incentive, since these items are booked in Other Income & Income Deductions, which based on traditional methodology are not included in regulatory income.

[2] No adjustment is necessary for Rule 28.4 work or R&D royalties, since 50% of the incremental revenue is deferred (removed from income)

Niagara Mohawk, a National Grid Company
Support to Income Statement Adjustments
For the Rate Year Ended December 31, 2006

		Electric	Gas	
		($000's)		
Revenue in the P&L related to specific Sharing Incentives:				
a) Non-Core Gas Revenues				
	Shareholder portion of Off-Sys Sales or non-core revenue (from M Collier RYE margin)	n/a	306	
	Misc revenue booked to reflect ratepayer's share (if applicable)	n/a	-	
	Net Amount of shareholder impact as booked		**306**	
b) Gas SC4, SC6 and Special Contracts:				
	Total amount Over (Under) SC4, SC6 and Spec Contract targets - subject to sharing	n/a	(6,370)	
	Misc revenue booked reflect ratepayer's share (per M Collier RYE 12/31/06 margin)	n/a	6,291	
	Net Amount of shareholder impact as booked (note: to exclude from income, sign must reverse)		**(79)**	
Non-Departmental Expenses		Electric	Gas	
Nuclear Fuel Disposal Liability Interest (per books)				
	ML184 Subsidiary Ledger (offset is still interest exp)			
	a/c#21310000 thru Feb'02, then reclassed to #24205138	($000's)		
	RYE 12/31/06	7,131	n/a	
NM Incentive Compensation Adj (Elec JP 1.2.5.2.3 / Gas 100%)				
JP 1.2.5.2.3	Addback 100% Executive - SARS (below-the-line #417110, not in Reg O&M)	-	-	
JP 1.2.5.2.3	Addback 100% Executive - ICP I & II (below-the-line #417100, not in Reg O&M)	-	-	
	Total Executive Incentive exp to Addback	-	-	
				Total
	Total Non-Exec Incentive exp booked (ICP III & ARB, All Goals & Spot)	$ 10,035	$ 2,055	$ 12,090
		83%	17%	
		Elec Addback 50%	Gas Addback 100%	
JP 1.2.5.2.3	Addback of Non-Exec Incentive (50% Elec / 100% Gas)	5,018	2,055	
JP 1.2.5.2.3	Addback remaining 50% Elec if Service Penalties exceed $7.5m	5,017	n/a	
JP 1.2.5.2.3	Additional Elec Addback adj if Dept Exp are GREATER THAN Dept Forecast	0	n/a	
	Total Adj to Addback Exec & Non-Exec Incentive Comp	**$ 10,035.0**	**$ 2,055.0**	
JP 1.2.5.2.3	**Electric "tests" to determine degree of Addback, diff from 50% above, of Non-Executive incentive**			
	Elec Adj (Gas already @ 100% addback): May have to Addback more than the 50% of non-executive incentive comp to earnings,			
	Test A) 100% Addback if Svc Quality Penalties are greater than $7.5m, OR			
	Test B) to the extent actual (adjusted) Dept exp EXCEEDS the Joint Proposal forecast (Att 12).			
		($000's)		> $7.5m
	Test A: Svc Penalties were ABOVE the threshold. (act# 426300)	$ 10,833	= Penalties	YES
		Electric		
	Test B: Dept Exp Forecast (Joint Proposal Att 12, pg2 ln 10)	$ 450,214 *		
	Actual after Reg. Adjustments note: some costs estimated for test			
	Total Adjusted Oper Exp (YE Dec'06) as shown on Income Stmt	$ 685,463		
	Reverse reg adj that added back 50% synergy savings (above)	(57,950)		
	less: incentive comp. still embedded in Adj. Oper Exp.	-		
	less: net Pension (assumes actual = JP Att 16 allowance "Rev Avg")	(16,714)		
	less: Pen Settle adj (if any during the period)	-		
	less: net OPEB (assumes actual = JP Att 16 allowance "Rev Avg")	(29,928)		
	less: VERP I amort (if any during the period)			
	less: VERO II exp (if any during the period)			
	less: net SIR (assumes actual = JP Att 1, pg 6 allowance)	(10,200)		
	less: NYSERDA SBC & RPS exp	(50,620)		
	less: Nuclear Fuel Disp liab Interest (added to O&M in reg adj)	(7,131)		
	less: 53rd labor wk	-		
	less: Strand amort			
	less: MRA amort			
	less: RS1 ISO chgs			
	Total subject to test	512,920		
	Amt Over / (Under) **JP Att 12** Dept exp Forecast	$ 62,706		
		Elec	**Gas**	
	IF Adj Actual Dept is OVER target, the adj to elim Elec non-exec Inc Comp may increase			
	Answer: Dept OVER target, but 100% Elec Addback due to Svc Penalties	0	n/a	
	Att 12, Pg 2 Ln10 Dept exp excludes Pen & Opeb and includes 100% net synergy savings			

Niagara Mohawk, a National Grid Company
Regulatory Earnings Electric Compliance Filing (per Joint Proposal Rate Agreement)
For the Rate Year Ended December 31, 2006
Monthly Income Statement (before Reg Adjustments and before Interest & Income Taxes)
($000's)

		Total	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
	ELECTRIC													
1	Operating Revenues - Electric													
2	Operating Revenue	$ 3,245,585	$ 270,531	$ 280,354	$ 276,218	$ 229,691	$ 245,041	$ 256,931	$ 319,599	$ 334,303	$ 235,081	$ 253,048	$ 251,153	$ 293,636
3	Purchased Power Expense	1,340,381	110,018	106,063	117,227	92,718	93,658	118,419	146,077	140,201	91,305	97,963	101,424	125,308
4	GRT	18,952	888	1,871	1,751	1,737	1,383	1,630	1,669	1,716	1,663	1,556	1,464	1,624
5	Electric Gross Margin	1,886,252	159,625	172,421	157,241	135,235	150,000	136,882	171,853	192,386	142,114	153,529	148,264	166,704
6														
7	Operating Expenses Electric													
8	Departmental Expenses	566,733	41,761	49,676	55,731	35,411	46,547	38,451	42,679	43,825	43,004	59,449	58,411	51,789
9	Uncollectible Accounts	25,221	7,557	1,020	(6,777)	5,891	3,348	268	3,940	3,528	(4,700)	4,789	3,131	3,227
10	SBC / RPS expense	50,620	3,890	3,890	3,890	3,883	3,883	3,883	3,883	4,750	4,320	4,320	5,245	4,782
11	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Subtotal Operating Expense - Electric	642,573	53,208	54,586	52,844	45,184	53,778	42,602	50,502	52,102	42,625	68,559	66,786	59,798
13														
14	Depreciation	161,940	13,285	13,307	13,348	13,448	13,504	13,496	13,610	13,487	13,540	13,607	13,646	13,662
15	Amortization - Stranded cost	361,584	21,799	21,799	21,799	32,910	32,910	32,910	32,910	32,910	32,910	32,910	32,910	32,910
16	Amortization - other	7,981	665	665	665	665	665	665	665	665	665	665	665	665
17	(Gain) or Loss on Dispostion of Facilities	(20)	-	-	-	-	-	-	(20)	-	-	-	-	-
18														
19	Property Taxes	130,512	11,478	11,482	10,254	11,829	11,831	11,829	11,569	11,757	11,835	10,065	10,060	6,524
20	Payroll Taxes	19,764	2,282	1,955	1,922	1,407	1,525	2,101	1,651	1,506	1,017	1,730	1,599	1,071
21	Other Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Total Oper. Rev. Deductions - Electric	1,324,335	102,717	103,794	100,831	105,442	114,212	103,602	110,887	112,427	102,591	127,536	125,666	114,630
23														
24	Net Operating Revenues - Electric	561,918	56,908	68,627	56,409	29,793	35,788	33,279	60,966	79,959	39,523	25,993	22,598	52,075
25	Other Income Electric	-	-	-	-	-	-	-	-	-	-	-	-	-
26	Other Adjustments Electric	-	-	-	-	-	-	-	-	-	-	-	-	-
27														
28	Net Income Before Int & Taxes - Electric	$ 561,918	$ 56,908	$ 68,627	$ 56,409	$ 29,793	$ 35,788	$ 33,279	$ 60,966	$ 79,959	$ 39,523	$ 25,993	$ 22,598	$ 52,075
	GAS													
29	Operating Revenues - Gas													
30	Revenue	$ 938,957	$ 161,900	$ 145,698	$ 151,325	$ 88,798	$ 55,961	$ 38,761	$ 32,057	$ 29,980	$ 28,846	$ 35,516	$ 71,745	$ 98,371
31	Purchased Gas Costs	647,530	125,771	113,424	117,463	60,574	33,975	19,980	15,654	14,691	13,334	16,840	46,410	69,414
32	Revenue Taxes	7,674	1,147	1,025	1,035	780	540	412	331	300	318	399	615	772
33	Gas Gross Margin	283,753	34,981	31,249	32,827	27,444	21,447	18,370	16,071	14,989	15,194	18,277	24,719	28,185
34														
35	Operating Expenses Gas													
36	Departmental Expenses	101,432	7,798	7,835	10,215	6,681	7,999	8,468	7,728	8,083	6,805	8,645	12,218	8,955
37	Bad Debt expense	11,022	2,917	372	(2,671)	2,261	1,274	884	1,569	1,685	(1,790)	1,894	1,276	1,351
38	SBC / RPS expense	-	-	-	-	-	-	-	-	-	-	-	-	-
39	Other													
40	Subtotal Operating Expense - Gas	112,453	10,716	8,207	7,544	8,941	9,274	9,352	9,297	9,768	5,015	10,539	13,493	10,307
41														
42	Depreciation	38,232	3,140	3,145	3,181	3,177	3,187	3,195	3,190	3,189	3,197	3,205	3,211	3,215
43	Amortization - Stranded cost	-	-	-	-	-	-	-	-	-	-	-	-	-
44	Amortization - other	940	78	78	78	78	78	78	78	78	78	78	78	78
45	(Gain) or Loss on Dispostion of Facilities	(4)	-	-	-	-	-	-	(4)	-	-	-	-	-
46														
47	Property Taxes	32,662	2,870	2,868	2,564	2,957	2,970	2,979	2,899	2,942	2,957	2,515	2,515	1,627
48	Payroll Taxes	2,454	239	239	267	188	207	283	195	189	119	209	189	129
49	Other Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
50	Total Oper. Rev. Deductions - Gas	186,737	17,043	14,537	13,635	15,342	15,716	15,887	15,656	16,166	11,367	16,546	19,487	15,356
51														
52	Net Operating Revenues - Gas	97,016	17,939	16,712	19,192	12,102	5,730	2,483	415	(1,176)	3,827	1,731	5,232	12,829
53	Other Income Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
54	Other Adjustments Gas													-
55														
56	Net Income Before Int & Taxes - Gas	$ 97,016	$ 17,939	$ 16,712	$ 19,192	$ 12,102	$ 5,730	$ 2,483	$ 415	$ (1,176)	$ 3,827	$ 1,731	$ 5,232	$ 12,829
57														
58	Net Income Before Int & Taxes - E &G	$ 658,934	$ 74,846	$ 85,339	$ 75,602	$ 41,894	$ 41,518	$ 35,763	$ 61,382	$ 78,782	$ 43,350	$ 27,724	$ 27,830	$ 64,904

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Niagara Mohawk, a National Grid Company
Comparison of Average Historic Rate Base and Capitalization
For the Rate Year Ended December 31, 2006
($000's)

Ln			Reference	TOTAL	ELECTRIC	GAS
1	(A)	AVERAGE RATE BASE - PER BOOKS	pg.9 ln 11	$ 6,279,010	$ 5,209,807	$ 1,069,203
2	(B)	ADD: Average interest-bearing				
3		CWIP	pg.10 ln 15	68,311	63,438	4,873
4	(C)	TOTAL EARNINGS BASE (A+B)		$ 6,347,321	$ 5,273,245	$ 1,074,076
6		Percent		100.00%	83.08%	16.92%
7	(D)	AVERAGE CAPITALIZATION (CE adj for TCI if needed, and includes Goodwill):				
8		Long Term Debt	pg.11 ln 18	$ 2,752,127		
9		Notes Payable	pg.11 ln 18	648,196		
10		Gas Supplier Refunds	pg.12 ln 17	2,057		
11		Customer Deposits	pg.12 ln 41	36,933		
12		Preferred Stock	pg.13 ln 17	41,172		
13		Common Equity (excl GW; incl TCI adj)	pg.13 ln 54	3,937,923		
14						
15				$ 7,418,408	$ 6,163,213	$ 1,255,195
16	(E)	Add dividends declared but unpaid				
17		representing the timing difference				
18		between declaration and payment	pg.15 ln 16 +45	272	226	46
19	(F)	SUBTOTAL (D+E)		$ 7,418,680	$ 6,163,439	$ 1,255,241
20						
21		LESS Average Investments in:				
22		Detailed balance sheet accounts	pg.16 ln 58	$ (138,776)		
23		Accumulated Def Inc Tax Adjustment	pg.26 ln 17 + 42	(8,557)		
24		Goodwill	Activity 114102	1,214,576		
25	(G)	Total Deductions		$ 1,067,243	$ 886,665	$ 180,577
26						
27	(H)	Capitalization Dedicated to Public				
28		Service (F-G)		$ 6,351,437	$ 5,276,774	$ 1,074,663
29	(J)	Excess Earnings Base (Total Earnings Base)				
30		less Average Capitalization Devoted to				
31		Service Current Customers) (C-H)		$ (4,116)	$ (3,529)	$ (587)

Niagara Mohawk, a National Grid Company
Rate Base Summary
For the Rate Year Ended December 31, 2006
($000's)

Line		Reference	Total	Electric	Gas
1	Net Utility Plant	pg. 17 ln 15	$ 4,896,068	$ 3,804,005	$ 1,092,063
2					
3	Regulatory Assets / Liabilities	pg. 20 ln 80	2,565,563	2,537,128	28,435
4					
5	Accumulated Deferred Income Taxes - Federal	pg. 26 ln 17	(1,294,082)	(1,158,909)	(135,173)
6					
7	Accumulated Deferred Income Taxes - State	pg. 26 ln 42	(86,470)	(76,804)	(9,666)
8					
9	Working Capital	pg. 21 ln 12	197,931	104,387	93,545
10					
11	subtotal avg. before EBCAP adj.		6,279,010	5,209,807	1,069,203
12					
13	Excess Earnings Base	pg. 8 ln 31	4,116	3,529	587
14					
15	Total Rate Base		$ 6,283,126	$ 5,213,336	$ 1,069,790

Niagara Mohawk, a National Grid Company
Adjustment to Earnings Base - Interest Bearing CWIP
For the Rate Year Ended December 31, 2006

	($000's) Total	Electric	Gas
Total avg. CWIP (see below)	$ 111,514	$ 100,383	$ 11,131
PS&I			
	111,514	100,383	11,131
Less:			
Orders without Allowance (see below)	(43,203)	(36,945)	(6,258)
CWIP included in Rate Base	-	-	-
Total CWIP	68,311	63,438	4,873
Plus:			
Nuclear Fuel CWIP (a/c# 10401000)			
Average Interest Bearing CWIP	$ 68,311	$ 63,438	$ 4,873

(Whole $)

	Total CWIP (1)			Orders without Allowance (1)		
	Elec	Gas	Common	Elec	Gas	Common
Account #s:	101.02	102.12	103.22			
Dec-05	$ 93,553,041	$ 14,020,683	$ 7,874,634	$ 32,724,854	$ 7,810,923	$ 4,735,018
Jan-06	104,810,472	16,607,798	7,349,148	36,662,703	9,252,204	4,419,043
Feb-06	104,905,061	14,986,818	8,076,196	36,695,790	8,349,156	4,856,217
Mar-06	78,724,093	8,130,257	9,055,622	27,537,688	4,529,366	5,445,146
Apr-06	63,759,768	6,854,497	8,812,841	22,303,167	3,818,640	5,299,161
May-06	62,726,609	6,591,688	10,009,187	21,941,768	3,672,229	6,018,524
Jun-06	105,613,184	8,107,069	11,484,991	36,943,492	4,516,448	6,905,925
Jul-06	109,910,792	9,574,132	10,802,939	38,446,795	5,333,749	6,495,807
Aug-06	107,574,863	6,409,856	10,918,469	37,629,687	3,570,931	6,565,276
Sep-06	101,038,111	9,372,485	6,969,523	35,343,131	5,221,412	4,190,774
Oct-06	91,249,640	9,392,281	5,609,809	31,919,124	5,232,440	3,373,178
Nov-06	94,623,985	9,975,082	6,698,640	33,099,470	5,557,118	4,027,892
Dec-06	91,022,938	10,290,556	6,116,645	31,839,824	5,732,869	3,677,939
12 month average	93,102,047	9,846,465	8,565,250	32,567,096	5,485,466	5,150,285
	85.0%	15.0%		85.0%	15.0%	
Alloc of Common	7,280,463	1,284,788	(8,565,250)	4,377,742	772,543	(5,150,285)
Total	$ 100,382,510	$ 11,131,253	$ -	$ 36,944,839	$ 6,258,009	$ -

(1) excludes PSI costs

Niagara Mohawk, a National Grid Company
Long Term Debt and Notes Payable
For the Rate Year Ended December 31, 2006

#		**Long Term Debt (LTD) (Whole $)**							**Notes Payable (NP) (Whole $)**						
		[redacted]							[redacted]	Acctg	[redacted] NY	Acctg			
		Total LTD *	Less Nuc Fuel Disp	Less Unreg Gen **	Adjusted LTD Balances	Mthly Avg LTD Int Rate	Weighted Avg LTD Int Rate		Nat Grid USA Svc Co. Notes Payable	Int Rate	NM Holdings Notes Payable	Int Rate	Total N/P Balance	Avg N/P Int Rate	Weighted Avg N/P Int Rate
1	Dec-05	2,923,862,536	-	-	2,923,862,536	6.00%	0.27%	1/2	696,000,000	4.28%	44,000,000	4.23%	740,000,000	4.28%	0.20%
2	Jan-06	2,923,885,794		-	2,923,885,794	5.95%	0.53%		706,500,000	4.40%	49,500,000	4.39%	756,000,000	4.40%	0.43%
3	Feb-06	2,923,909,052	-	-	2,923,909,052	5.95%	0.53%		729,500,000	4.52%	49,500,000	4.53%	779,000,000	4.52%	0.45%
4	Mar-06	2,923,932,310	-	-	2,923,932,310	5.99%	0.53%		567,000,000	4.70%	11,900,000	4.65%	578,900,000	4.70%	0.35%
5	Apr-06	2,923,955,568	-	-	2,923,955,568	5.99%	0.53%		494,500,000	4.86%	11,900,000	4.65%	506,400,000	4.86%	0.32%
6	May-06	2,648,978,826	-	-	2,648,978,826	6.31%	0.51%		700,500,000	5.01%	26,900,000	4.99%	727,400,000	5.01%	0.47%
7	Jun-06	2,649,002,064	-	-	2,649,002,064	5.88%	0.47%		629,000,000	5.19%	35,900,000	5.15%	664,900,000	5.19%	0.44%
8	Jul-06	2,649,025,342	-	-	2,649,025,342	5.94%	0.48%		541,000,000	5.32%	41,000,000	5.32%	582,000,000	5.32%	0.40%
9	Aug-06	2,649,048,600	-	-	2,649,048,600	5.91%	0.47%		496,000,000	5.28%	41,000,000	5.27%	537,000,000	5.28%	0.36%
10	Sep-06	2,649,071,858	-	-	2,649,071,858	5.88%	0.47%		637,000,000	5.27%	39,500,000	5.26%	676,500,000	5.27%	0.46%
11	Oct-06	2,649,095,116	-	-	2,649,095,116	5.91%	0.47%		654,000,000	5.26%	17,500,000	5.27%	671,500,000	5.26%	0.45%
12	Nov-06	2,649,118,375	-	-	2,649,118,375	5.87%	0.47%		552,000,000	5.26%	32,100,000	5.27%	584,100,000	5.26%	0.39%
13	Dec-06	2,649,141,633	-	-	2,649,141,633	5.93%	0.24%	1/2	652,000,000	5.27%	37,300,000	5.25%	689,300,000	5.27%	0.23%
14															
15		$ 33,025,524,990		Total (Dec @ 1/2)	$ 33,025,524,990				$ 7,381,000,000		Total (Dec @ 1/2)		$ 7,778,350,000		
16															
17		$ 2,752,127,082		Divided by 12 =	$ 2,752,127,082				$ 615,083,333		Divided by 12 =		$ 648,195,833		
18				Rounded ($000's)=	$ 2,752,127		5.97%	12 month %			Rounded ($000's)=		$ 648,196		4.95%
19															
20															

21 **Calculation of LTD Interest Expense (Whole $)**

#		Total Int Exp * (excl AFDC)	Less Other Int Exp *	Less UnReg Int Exp	Act# 430002 Less STD Int Exp	Adjusted LTD Int Exp
24	Dec-05	18,059,311	1,065,446	-	2,373,676	$ 14,620,189
25	Jan-06	19,235,095	2,049,467	-	2,510,017	$ 14,675,611
26	Feb-06	17,704,316	814,524	-	2,395,851	14,493,941
27	Mar-06	17,933,581	844,315	-	2,493,285	14,595,981
28	Apr-06	18,151,075	1,545,351	-	2,022,300	14,583,424
29	May-06	18,407,823	1,994,253	-	2,486,978	13,926,592
30	Jun-06	17,283,975	1,618,725	-	2,683,158	12,982,092
31	Jul-06	17,772,474	2,018,104	-	2,641,602	13,112,768
32	Aug-06	16,807,881	1,607,069	-	2,158,640	13,042,172
33	Sep-06	17,075,074	1,647,525	-	2,452,420	12,975,129
34	Oct-06	20,099,194	4,332,497	-	2,726,867	13,039,830
35	Nov-06	17,368,424	1,879,622	-	2,537,073	12,951,729
36	Dec-06	17,276,176	1,618,578	-	2,577,103	13,080,495
37						
38	Total Int Exp	$ 233,174,399	$ 23,035,476	$ -	$ 32,058,970	$ 178,079,953
39						

40 Source 12 Month Rolling Regulatory Income Stmt #6886 : Jan'06 - Dec '06

41

Niagara Mohawk, a National Grid Company
Gas Supplier Refunds and Customer Deposits
For the Rate Year Ended December 31, 2006

Gas Supplier Refunds	(Whole $) Act# 242305 ($0 if Debit Bal) Gas Refunds Bal	Updated Jan 1 by PSC Sup Refund Avg Rate	Weighted Avg Rate	
Dec-05	$ 2,983,495	4.35%	0.26%	(1/2 month)
Jan-06	3,063,512	4.75%	0.59%	
Feb-06	2,619,835	4.75%	0.50%	
Mar-06	2,095,563	4.75%	0.40%	
Apr-06	1,771,873	4.75%	0.34%	
May-06	1,611,594	4.75%	0.31%	
Jun-06	1,515,478	4.75%	0.29%	
Jul-06	1,449,855	4.75%	0.28%	
Aug-06	1,398,371	4.75%	0.27%	
Sep-06	1,339,789	4.75%	0.26%	
Oct-06	1,255,521	4.75%	0.24%	
Nov-06	1,031,608	4.75%	0.20%	
Dec-06	8,075,724	4.75%	0.78%	(1/2 month)
12 Month Total (Dec @ 1/2)	$ 24,682,610			
		($000's)		
12 Month Avg Bal.	$ 2,056,884	$ 2,057	*4.72%*	12 month %

Customer Deposits	(Whole $) Act# 235000 & 252000 Deposit Bal	Updated Jan 1 by PSC Cust Deposit Avg Rate	Weighted Avg Rate	
Dec-05	29,932,379	2.60%	0.09%	(1/2 month)
Jan-06	32,204,260	3.00%	0.22%	
Feb-06	34,170,976	3.00%	0.23%	
Mar-06	35,203,651	3.00%	0.24%	
Apr-06	35,629,916	3.00%	0.24%	
May-06	36,959,279	3.00%	0.25%	
Jun-06	38,053,865	3.00%	0.26%	
Jul-06	37,800,268	3.00%	0.26%	
Aug-06	39,497,378	3.00%	0.27%	
Sep-06	39,654,181	3.00%	0.27%	
Oct-06	39,956,028	3.00%	0.27%	
Nov-06	39,304,816	3.00%	0.27%	
Dec-06	39,584,044	3.00%	0.13%	(1/2 month)
12 Month Total (Dec @ 1/2)	$ 443,192,829			
		($000's)		
12 Month Avg Bal.	$ 36,932,736	$ 36,933	*3.00%*	12 month %

Niagara Mohawk, a National Grid Company
Preferred Stock and Common Equity
For the Rate Year Ended December 31, 2006

Preferred Stock		Activities # 204xxx) (Whole $) New Balance	NY Acctg Avg Dividend Rate	Weighted Avg	
Dec-05		41,171,500	3.95%	0.16%	(i/2 month)
Jan-06		41,171,500	3.95%	0.33%	
Feb-06		41,171,500	3.95%	0.33%	
Mar-06		41,171,500	3.95%	0.33%	
Apr-06		41,171,500	3.95%	0.33%	
May-06		41,171,500	3.95%	0.33%	
Jun-06		41,171,500	3.95%	0.33%	
Jul-06		41,171,500	3.95%	0.33%	
Aug-06		41,171,500	3.95%	0.33%	
Sep-06		41,171,500	3.95%	0.33%	
Oct-06		41,171,500	3.95%	0.33%	
Nov-06		41,171,500	3.95%	0.33%	
Dec-06		41,171,500	3.95%	0.16%	(i/2 month)
12 Mo Tot (Dec @ 1/2)		$ 494,058,000			
12 Month Avg Bal.	(Whole $) =	$ 41,171,500			
Rounded Avg	($000's) =	$ 41,172		3.95%	12 month %

Source: Reg Bal Sht # 6891

Common Equity

	Activity # 201100 Par Value & Premium	Activities # 210100, 211100 Paid in Surplus	Activities #215100, #219xxx Retained Earnings	Chk to Total CE (Whole $) subtotal CE	Activities #219 01,6,8,10,12 Less: OCI RE	Per Books (Whole $) Total	[redacted] REMOVAL OF GW PD IN SURP	REVISED TOTAL
Dec-05	187,364,863	2,929,499,520	677,396,992	$ 3,794,261,375	8,425,320	$ 3,785,836,055	$ -	$ 3,785,836,055
Jan-06	187,364,863	2,929,499,520	704,319,698	3,821,184,081	1,276,035	3,819,908,048	-	$ 3,819,908,046
Feb-06	187,364,863	2,929,499,520	740,129,622	3,856,994,005	(8,990,170)	3,865,984,175	-	$ 3,865,984,175
Mar-06	187,364,863	2,929,499,520	777,711,481	3,894,575,864	(4,815,283)	3,899,391,147	-	$ 3,899,391,147
Apr-06	187,364,863	2,929,499,520	793,173,221	3,910,037,604	(2,860,557)	3,912,898,161	-	$ 3,912,898,161
May-06	187,364,863	2,929,499,520	800,638,725	3,917,503,108	(7,833,583)	3,925,336,692	-	$ 3,925,336,692
Jun-06	187,364,863	2,929,499,520	808,465,304	3,925,329,687	(8,834,963)	3,934,164,650	-	$ 3,934,164,650
Jul-06	187,364,863	2,929,499,520	848,658,297	3,965,522,680	2,160,673	3,963,362,007	-	$ 3,963,362,007
Aug-06	187,364,863	2,929,499,520	874,170,111	3,991,034,494	(8,077,538)	3,999,112,032	-	$ 3,999,112,032
Sep-06	187,364,863	2,929,499,520	872,708,459	3,989,572,842	(26,409,433)	4,015,982,274	-	$ 4,015,982,274
Oct-06	187,364,863	2,929,499,520	880,036,388	3,996,900,771	(17,527,686)	4,014,428,457	-	$ 4,014,428,457
Nov-06	187,364,863	2,929,499,520	893,955,672	4,010,820,055	(8,705,392)	4,019,525,447	-	$ 4,019,525,447
Dec-06	187,364,863	2,929,499,520	917,716,317	4,034,580,700	(18,271,600)	4,052,852,300	-	$ 4,052,852,300
12 Mo Tot (Dec @ 1/2)	$ 2,248,378,356	$ 35,153,994,240	$ 9,791,523,633	$47,193,896,229	$ (95,541,037)	$ 47,289,437,266	$ -	$ 47,289,437,266
12 Month Avg Bal.	$ 187,364,863	$ 2,929,499,520	$ 815,960,303	$ 3,932,824,686	$ (7,961,753)	$ 3,940,786,439	$ -	$ 3,940,786,439

Source: Reg Bal Sht # 6891

	Per Books		REVISED TOTAL
Excess TCI Investment over $20.0 million (see next pg) (a reduction to equity, per Joint Proposal Att 17, Pg 1)	$ 2,863,533		$ 2,863,533
Goodwill timing Adjustment created by Merger *	-	-	-
Adjusted Common Equity (Whole $)	$ 3,937,922,906	$ -	$ 3,937,922,906
Adjusted Total Common Equity (rounded $000's)	**$ 3,937,923**	**$ -**	**$ 3,937,923**

	83.08%	Electric CE (000's)
	Per Books	$ 3,274,005
	TCI adj	$ (2,379)
If Approved by PSC	GW Adj	$ -
	Revised Before Cap	$ 3,271,626

Niagara Mohawk, a National Grid Company
Excess Temporary Cash Investment - A Reduction to Common Equity
For the Rate Year Ended December 31, 2006

Temporary Cash Investment (Whole $)

	Act# 131xxx, 135000, 136000	(Whole $) Total
Dec-05	7,783,828	$ 7,783,828
Jan-06	42,280,585	42,280,585
Feb-06	34,552,377	34,552,377
Mar-06	10,847,232	10,847,232
Apr-06	11,511,480	11,511,480
May-06	29,735,068	29,735,068
Jun-06	9,508,573	9,508,573
Jul-06	12,106,968	12,106,968
Aug-06	11,824,437	11,824,437
Sep-06	47,360,816	47,360,816
Oct-06	21,897,586	21,897,586
Nov-06	30,033,921	30,033,921
Dec-06	17,622,884	17,622,884
12 Mo Tot (Dec @ 1/2)	$ 274,362,398	$ 274,362,398
12 Month Avg Bal.	$ 22,863,533	$ 22,863,533
Limit of Cap adjustment *		$ 20,000,000
Excess to reduce Equity (Whole $, posted to previous Equity page)		**$ 2,863,533**

* Joint Proposal (Att.17 pg1) calls for TCI investments to be capped at $20 million on average throughout the year. Any excess is to be subtracted from average common equity (electric filings only).

Niagara Mohawk, a National Grid Company
Excess Equity % of Total Capitalization - A Reduction to Common Equity
For the Rate Year Ended December 31, 2006
($000's)

Calculation of Common Equity Limit and Adjustment (if required)

JP Att. 17 Equity Caps	%	Add'l Ref: JP 1.2.5.2.2 Capital Structure
2002	41.0%	pro-rated JP cap
2003	42.0%	
2004	42.5%	
2005-2011	43.0%	

[redacted]h in the Pension & OPEB Memorandum of Agreement (MOA)

	Sources		
Add'l Pen & Opeb funding	MOA Att 1, pg 1	$	309,446
Total Capitalization adjusted to incl TCI cap & excl Goodwil		$	**7,418,408**
Additional % due to Pen & OPEB funding			**4.2%**
Adjusted Equity Cap			**47.2%**

Capital Structure per books (Total) **($000's)**

	Before CAP adj Avg Amount	non-equity % to Total	Required Adjustment	Adjusted for CAP (1) Avg Capital Excl Funding
Long Term Debt	$ 2,752,127	79.1%	$ 345,102	$ 3,097,229
Notes Payable	648,196	18.6%	81,280	729,476
Gas Supplier Refunds	2,057	0.1%	258	2,315
Customer Deposits	36,933	1.1%	4,631	41,564
Preferred Stock	41,172	1.2%	5,163	46,335
Common Equity (includes GW; includes TCI adj if applicable)	3,937,923		(436,434)	3,501,489
		100.0%		
Total Capitalization	$ 7,418,408		$ -	$ 7,418,408
Equity % of total capitalization	53.1%			47.2%
% Over (Under) Adjusted Equity Cap	5.9%			

Note: (1) components of book capital have been adjusted based on % to total, to comply with Equity Cap set forth in JP att. 17 & the MOA.

Niagara Mohawk, a National Grid Company
Timing Difference between Dividends Declared vs. Paid
For the Rate Year Ended December 31, 2006

Preferred Dividends
source : "Stmt of RE" in Blue Book

Month Declared (1)		($ Whole) Amount (2)	Date Declared (3)	Date Paid (4)	Number of Days Between Declaration and Payment (5)	Number of Units (col 2 x 5) (6)
January-06	(Pref)	$ 406,443	01/26/06	03/31/06	64	$ 26,012,352
April-06	(Pref)	406,443	04/27/06	06/30/06	64	26,012,352
July-06	(Pref)	406,443	08/10/06	09/30/06	51	20,728,593
October-06	(Pref)	406,443	10/27/06	12/31/06	65	26,418,795
		$ 1,625,772			244	$ 99,172,092
				Weighted Average Days		61.0

COMPUTATION OF AMOUNT REPRESENTED BY TIMING DIFFERENCE

				(Whole $)		($000's)
61.0	DAYS / 365 DAYS x	$ 1,625,772	=	$ 271,704	=	$ 272

Common Dividends
Not applicable since merger

MONTH Declared (1)		AMOUNT (2)	DATE DECLARED (3)	DATE PAID (4)	NUMBER OF DAYS BETWEEN DECLARATION AND PAYMENT (5)	NUMBER OF UNITS COL 2x5 (6)
January-06	(Com)	$ -			0	$
April-06	(Com)	$ -			0	
July-06	(Com)	$ -			0	
October-06	(Com)	$ -			0	
		$ -			0	$
				Weighted Average Days		0.0

COMPUTATION OF AMOUNT REPRESENTED BY TIMING DIFFERENCE

				(Whole $)		($000's)
0.0	DAYS / 365 DAYS x	$ -		$ -	=	$ -

Niagara Mohawk, a National Grid Company
Capitalization Adjustments
For the Rate Year Ended December 31, 2006

	Activities	Descr	($000's) 12 Mos Ended Dec'06 Avg Bal
1	105000	Plant Held for Future Use	$ -
2	121000	Non Utility Property	10,999
3	122000	Accum Prov for Depreciation-NU	(848)
4	123130	Inv In Sub Company	4,992
5	124000	Oth Inv-Cash Surr Val-Life Ins	1,837
6	124002	Oth Inv-Miscellaneous	24
7	124900	Oth Invest Rollforward-Contra	2,208
8	124902	Oth Invest - Additions	(2,208)
9	128000	Rabbi Trust Investment	9,659
10	128003	NIMO-SERP Trust Account	20,783
11	128900	Oth Invest-Rollforward Contra	(545)
12	128902	Oth Invest-Additions	545
13	182305	Environmental Response Fund	407,679
14	182326	AML Reg Asset	103,134
15	182328	Pension Settlement Loss FY2003	14,485
16	182505	NIMO-Commodity Adj Clause	4,547
17	182510	NIMO-Oth Postretire Benef-Elec	22,680
18	182511	NIMO-Oth Postretire Benef-Gas	3,279
19	182531	NIMO-West Seneca Mall Costs	-
20	182550	NY-Unrecog Pens/FAS 106 Compon	242,123
21	182553	Pension Exp Deferred-Electric	106,971
22	182554	OPEB Exp Deferred-Electric	108,222
23	182561	OPEB Expense Deferred-Gas	23,145
24	182562	Pension Exp Deferred-Gas	17,376
25	183000	Prelim Survey & Investigation	531
26	183100	PrelimSurvey&Investigation-Gas	17
27	186110	Intangible Pension Asset	37,305
28	242000	Curr&Accr Liab-Miscellaneous	(32,063)
29	242006	Co-Tenant Advances	(2,059)
30	242211	Stock Apprec Rights (SARS)	(5,088)
31	253000	Def Cr-Miscellaneous	(10,991)
32	253003	Def Incentive Comp	(5,904)
33	253006	Def Cr-Hazardous Waste	1
34	253014	NY-CapReim-Sterling Pwr-Oneida	(16,164)
35	253015	NY-Cap Reim-City of Salamanca	(715)
36	253021	NY-Energy Serv Company Dep	(5,129)
37	253023	NY-Def Gain UMICO Demutualzatn	(1,128)
38	253024	NY-VERP	(27,126)
39	253026	Nucl Empl Settlement Liability	(586)
40	253027	Pension Costs	(127,601)
41	253031	Def Incentive Comp-Pensions	(7,711)
42	253106	FAS 106 Recovery	(386,333)
43	253112	FAS 112	(35,162)
44	253117	Additional Minimum Pens Liab	(142,377)
45	253941	Hazwaste Prov - Beg Bal	(408,775)
46	253942	Hazwaste Prov - Chrg to P&L	(7,090)
47	253944	Hazwaste Prov - Utilization	8,186
48	253948	Hazwaste Prov - Reclass	-
49	254500	NIMO-Proc-Sale of Allow-Albany	(1,663)
50	254501	NIMO-ClnAirAct Auct Proc-Rsetn	(156)
51	254514	NIMO-Gas Contingency Reserve	(31,468)
52	254531	NIMO-Diana-Dolgeville Settlmnt	(4,922)
53	254537	NIMO-SIR Expenditure Def-Gas	
54	254543	NIMO-Commodity Adj Clause	(16,869)
55	254550	GRT Cust Refund 2000-Electric	(3,176)
56	254551	GRT Cust Refund 2000-Gas	(5,648)
57			
58	Grand Total		$ (138,776)

Niagara Mohawk, a National Grid Company
Summary of Net Utility Plant
For the Rate Year Ended December 31, 2006
($000)

			Average Monthly Balance Per Books		
	Description	[redacted]	Total	Electric	Gas
1	Gross Utility Plant	pg. 18 ln 22	$ 7,472,591	$ 5,831,774	$ 1,640,817
2					
3	Non-Interest Bearing CWIP	pg. 18 ln 51	43,751	37,475	6,275
4					
5	Total Utility Plant		7,516,342	5,869,249	1,647,092
6					
7					
8	Accum. Depreciation Reserve	pg. 19 ln 24	(2,638,662)	(2,080,950)	(557,712)
9					
10	Retirement WIP	pg. 19 ln 52	18,389	15,706	2,683
11					
12	Net Accumulated Provision for				
13	Depreciation		(2,620,274)	(2,065,244)	(555,029)
14					
15	**Total Net Utility Plant**		**$ 4,896,068**	**$ 3,804,005**	**$ 1,092,063**

Niagara Mohawk, a National Grid Company
Monthly Balances of Gross Utility Plant
For the Rate Year Ended December 31, 2006
($000)

Line	Balance at Month End		Electric Plant in Service(1)	Gas Plant in Service	Common Plant in Service
1	Dec-05	(1/2 month)	$ 2,732,340	$ 783,683	$ 148,290
2	Jan-06		5,469,512	1,568,853	297,690
3	Feb-06		5,485,458	1,573,670	297,751
4	Mar-06		5,524,588	1,583,996	298,748
5	Apr-06		5,552,817	1,589,045	299,972
6	May-06		5,566,333	1,594,058	300,564
7	Jun-06		5,580,204	1,597,414	300,592
8	Jul-06		5,592,175	1,599,783	301,198
9	Aug-06		5,612,861	1,607,872	292,224
10	Sep-06		5,636,886	1,609,870	296,184
11	Oct-06		5,664,158	1,615,259	301,492
12	Nov-06		5,678,436	1,618,935	292,089
13	Dec-06	(1/2 month)	2,848,217	811,376	146,506
15	Total		66,943,985	19,153,814	3,573,300
18	Allocation of Common (2)		3,037,305	535,995	(3,573,300)
20	Total		69,981,290	19,689,809	
22	**Average (12) Monthly Balance**		**$ 5,831,774**	**$ 1,640,817**	**$ -**

25 Note: (1) Excludes New York Power Pool

27 (2) Electric - 85.0%
28 Gas - 15.0%

Niagara Mohawk, a National Grid Company
Monthly Balances of Non-Interest Bearing CWIP
For the Rate Year Ended December 31, 2006
($000)

Line	Balance at Month End		Electric (1)	Gas	Common
29	Dec-05	(1/2 month)	$ 16,537	$ 3,919	$ 2,368
30	Jan-06		36,912	9,279	4,419
31	Feb-06		36,982	8,376	4,856
32	Mar-06		27,766	4,556	5,445
33	Apr-06		22,204	3,832	5,299
34	May-06		22,414	3,685	6,019
35	Jun-06		37,446	4,530	6,906
36	Jul-06		39,092	5,347	6,496
37	Aug-06		38,504	3,584	6,565
38	Sep-06		36,259	5,235	4,191
39	Oct-06		32,742	5,246	3,373
40	Nov-06		33,918	5,570	4,028
41	Dec-06	(1/2 month)	16,396	2,873	1,839
43	Total (including PSI)		397,172	66,032	61,804
45	Allocation of Common (Note 2):		52,533	9,271	(61,804)
48	**Total (including PSI)**		449,705	75,303	
51	**Average (12) Monthly Balances**		**$ 37,475**	**$ 6,275**	**$**

54 Note: (1) Excludes New York Power Pool

56 (2) Electric - 85.0%
57 Gas - 15.0%

Niagara Mohawk, a National Grid Company
Monthly Balances of Depreciation Reserve
For the Rate Year Ended December 31, 2006
($000)

Balance at Month End		Electric Plant in Service (1)	Gas Plant in Service	Common Plant in Service
Dec-05	(1/2 month)	$ 976,469	$ 265,152	$ 41,569
Jan-06		1,961,123	532,646	84,263
Feb-06		1,970,840	535,204	85,389
Mar-06		1,976,856	538,046	86,516
Apr-06		1,988,402	541,228	87,646
May-06		2,000,488	543,001	88,779
Jun-06		2,007,398	545,226	89,913
Jul-06		2,014,214	547,848	91,050
Aug-06		2,020,859	549,445	84,522
Sep-06		2,040,724	551,703	85,521
Oct-06		2,047,761	553,433	86,540
Nov-06		2,056,243	555,862	78,852
Dec-06	(1/2 month)	1,034,233	279,200	39,784
Total		24,095,610	6,537,994	1,030,344
Allocation of Common (2)		875,792	154,552	(1,030,344)
Total		24,971,402	6,692,546	-
Average (12) Monthly Balance		$ 2,080,950	$ 557,712	$ -

Note: (1) Excludes New York Power Pool

(2) Electric - 85.0%
Gas - 15.0%

Niagara Mohawk, a National Grid Company
Monthly Balances of Retirement Work in Progress
For the Rate Year Ended December 31, 2006
($000)

Balance at Month End		Electric	Gas	Common
Dec-05	(1/2 month)	$ 6,132	$ 1,154	$ 743
Jan-06		11,709	2,547	1,498
Feb-06		13,443	2,580	1,604
Mar-06		11,387	2,781	1,906
Apr-06		11,260	2,745	1,956
May-06		11,357	2,415	1,987
Jun-06		10,333	2,453	2,070
Jul-06		9,093	2,445	2,151
Aug-06		8,443	1,913	2,217
Sep-06		20,714	2,006	2,284
Oct-06		20,083	2,048	2,382
Nov-06		20,751	2,279	2,094
Dec-06	(1/2 month)	13,336	1,222	1,141
Total		168,041	28,588	24,033
Allocation of Common (Note 1):		20,428	3,605	(24,033)
Total		188,469	32,193	-
Average (12) Monthly Balance		$ 15,706	$ 2,683	$ -

Note (1): Electric - 85.0%
Gas - 15.0%

Niagara Mohawk, a National Grid Company
Rate Base - Regulatory Assets and Liabilities
For the Rate Year Ended December 31, 2006

	Psoft Activity	Description	Avg Bal ($000's) Total	Electric	Gas
1	134000	NYMEX Gas Contracts & Electric Swap Hedge	$ 80,329	$ 52,917	$ 27,412
2	173000	Unbilled Revenue-Electric	132,014	132,014	-
3	173001	Unbilled Revenue-Gas	6,808	0	6,808
4	182306	Storm Costs	44,764	44,764	-
5	182324	Enhanced Severance Plan	281	233	48
6	182329	NIMO Acctg Change Capital Item	10,390	9,385	1,005
7	182343	Asset Ret Oblig Reg Asset	6,256	2,963	3,293
8	182346	Economic Development Fund	1,041	1,041	-
9	182347	NYPA Res Hydropwr Ben Recon	3,425	3,425	-
10	182503	NIMO-RPS prog cost defeeral	93	93	-
11	182504	NIMO-Excs AFDC Elec Plt in Srv	291	247	44
12	182514	NYAFUDC-Elec Plnt in Sv(91-96)	626	532	94
13	182515	PFJ Tax Credit	5,642	5,642	-
14	182518	NY Sls Tx Audt Assmt(88-98)Gas	185	(0)	185
15	182520	NIMO-SBC Program Cost Deferred	-	-	-
16	182521	NIMO-Customer Serv Backout Cr	10,310	10,310	-
17	182522	NIMO- ndexed Swap Contracts	469,684	469,684	-
18	182525	NY-NYPA Tran Access Chrg(NTAC)	13,051	13,051	-
19	182526	NIMO-NYISO Tariff Sched 1 Cost	86,390	86,390	-
20	182527	NIMO-NYISO Tariff Sched 2 Cost	13,287	13,287	-
21	182529	NY-Fssl/Hyd Auctn Incent(Dist)	18,556	18,556	-
22	182533	80/20 Rev Sharing Mechanism	6,440	0	6,440
23	182545	Elevated Voltage Deferral	5,237	5,237	-
24	182546	Low Income Allow Disc Prog	1,087	1,087	-
25	182547	NY-Cust Sv Bckout Cr 9/01-8/03	70,892	70,892	-
26	182549	NY-Electr Data Interchnge Cost	3,849	3,849	-
27	182551	NY Merger Empl Separation Cost	10,932	9,074	1,858
28	182552	NY Merger Rate Plan Strnd Cost	2,369,889	2,369,889	-
29	182555	Religious Rate Revenue	-	-	-
30	182556	NIMO City of Buffalo Settlemnt	684	684	-
31	182557	NY Cust Outreach&Education Prg	76	76	-
32	182558	SC7 Standby Service Lost Rev	1,053	1,053	-
33	182559	SIR Expenditures Deferred Elec	45,984	45,984	-
34	182560	Generation Stranded Cost Adj	52,097	52,097	-
35	182562	Pension Exp Deferred-Gas	-	-	-
36	182563	Incent Return on Ret Funding	39,743	32,987	6,756
37	182564	NIMO Oth Disputed Stat on Srvc	59,735	59,735	-
38	253016	NY-NYS GRT Audit Refund(91-94)	(3,976)	(3,300)	(676)
39	253025	NY-Nucl Fuel Disposal Costs	(152,505)	(152,505)	-
40	253030	Indexed Swap Contracts	(469,684)	(469,684)	-
41	254050	Amort of Deferra Recoveries	(37,500)	(37,500)	-
42	254095	RPS Program Cost Deferred	(20)	(20)	-
43	254325	Medicare Act tax benefit defer	(24,771)	(20,560)	(4,211)
44	254350	Electric R&D Ventures Deferral	(12)	(12)	-
45	254351	Gas R&D Ventures Deferral	(150)	(0)	(150)
46	254502	NIMO-Purch ERC S-Economic Dev	(951)	(808)	(143)
47	254503	NIMO-Gain-Redmpt-10.2% Bonds	(7)	(7)	-
48	254504	NIMO-Gain-Redmpt-8.35% Bonds	(573)	(573)	-
49	254509	NIMO-Gas Net Rev Share Mech	(1,084)	(0)	(1,084)
50	254510	NIMO-IRS Audit Refund (83-84)	(307)	(307)	-
51	254511	NIMO-Accr Unbilled Rev Def-Gas	(6,160)	(0)	(6,160)
52	254512	NIMO-Gas Non-Core Rev Sharing	(2,789)	0	(2,789)
53	254513	NIMO-Electric Cust Svc Penalty	(18,310)	(18,310)	-
54	254515	NIMO-IBM Cust Sys Stlmnt Agree	(1,090)	0	(1,090)
55	254516	NIMO-Environ Ins Recovery-Net	(12,816)	(12,816)	-
56	254518	NIMO-Pwrchoice Appx E Net Prop	(79,599)	(79,599)	-
57	254520	NIMO-Loss on Sale of Building	(1,130)	(1,130)	-
58	254521	NIMO-SBC deferral	(3,683)	(3,683)	-
59	254522	NIMO-MRA Debt Int Rate Savings	(92,534)	(92,534)	-
60	254524	NIMO-Petr BusTax Aud Ref 90-96	(5,753)	(5,753)	-
61	254525	NIMO-Exit Fees Deferred	(5,610)	(5,610)	-
62	254526	NIMO-Affil Rule EmployTrnsf CR	(167)	(167)	-
63	254527	NIMO-Oswego 6 Trans Svc Cntrct	(871)	(871)	-
64	254528	NIMO-Pension/OPEB Curtail Gain	(23,635)	(19,617)	(4,018)
65	254529	NIMO-IRS Audit Ref Liab 89-90	(48)	(48)	-
66	254532	NIMO-Elec Serv Re-Estab Charge	(464)	(464)	-
67	254541	NIMO-Transm Revenue Adj Clause	(2,480)	(2,480)	-
68	254544	NIMO-Merger Rate Plan Delay	(12,555)	(12,555)	-
69	254547	NYS Sales Tax Refund 92-98	(1,477)	(1,196)	(281)
70	254548	Economic Development Fund	(4,967)	(4,967)	-
71	254549	Curr Prov Incidental Svc Revs	(201)	(201)	-
72	254552	Meter Read Cnct/Discnt Svc Chg	(106)	(106)	-
73	254553	Gas Millenium Fund Deferral	(281)	(0)	(281)
74	254554	NYPA Res HydroPwr Beneft Recon	(2,048)	(2,048)	-
75	254556	Low Income Allow Discount Prog	-	-	-
76	254557	NYPA ISO Memo of Understanding	(16,627)	(16,627)	-
77	254558	CTC Reset Reserve	0	0	-
78	254559	Bonus Depreciation Adjustment	(18,616)	(13,991)	(4,625)
79					
80	Grand Total		$ 2,565,563	$ 2,537,128	$ 28,435

Niagara Mohawk, a National Grid Company
Rate Base - Summary of Working Capital
For the Rate Year Ended December 31, 2006
($000's)

	Description	Reference	Total	Electric	Gas
1	Cash Allowance	pg. 22 ln 16	$ 83,521	$ 69,322	$ 14,199
2					
3	Material and Supplies in Stock - General	pg. 22 ln 20	21,800	18,094	3,706
4					
5	Gas Underground Storage	pg. 22 ln 27	72,353	-	72,353
6					
7	Deferred Fuel Costs	pg. 22 ln 29	924	924	-
8					
9	Prepayments	pg. 23 ln 16	19,333	16,047	3,287
10					
11					
12	**Total Working Capital**		**$ 197,931**	**$ 104,387**	**$ 93,545**

Niagara Mohawk, a National Grid Company
Working Capital - Cash Allowance
For the Rate Year Ended December 31, 2006
($000's)

	Description	Reference	Total	Electric	Gas
1	Departmental Expense (1)	Total Dept pg. 4 ln 12	$ 668,164	$ 554,576	$ 113,588
2	Joint Proposal Allocation		100%	83%	17%
3					
4	Remove major non-cash items included Dept expense :				
5	Other		-	none	none
6	Subtotal		-	-	-
7					
8	Add major cash items not included in Dept expense:				
9	Other		-	-	-
10	Subtotal		-	-	-
11					
12	Total Adjustments		-	-	-
13					
14	Adjusted Amounts		668,164	554,576	113,588
15					
16	**Departmental Cash Allowance - 1/8 (45 days)**		**$ 83,521**	**$ 69,322**	**$ 14,199**
17					

18 *(1) The Departmental expenses used for cash allowance calc. are before adjustments except that they are reallcoated*
19 *between electric & gas based on the Joint Proposal. Bad debts and SBC expenses are excluded.*

Niagara Mohawk, a National Grid Company
Working Capital - Materials & Supplies and Gas Storage
For the Rate Year Ended December 31, 2006
($000's)

	Description	Activity #	Average Balances Total	Average Balances Electric	Average Balances Gas
20	**Materials & Supplies (1)**	154000, 163000 163010, 163100	**$ 21,800**	**$ 18,094**	**$ 3,706**
21					
22	*(1) Elec / gas allocation of M&S is based on total O&M shown on*				
23	*Cash Allowance page.*		*100%*	*83%*	*17%*
24					
25					
26					
27	**Gas Stored Underground - Current**	164000	**$ 72,353**	**$ -**	**$ 72,353**
28					
29	**Fuel Costs Deferred**	182501	**$ 924**	**$ 924**	**$ -**

Niagara Mohawk, a National Grid Company
Working Capital - Prepayments
For the Rate Year Ended December 31, 2006
($000's)

	Description	Activity # 165xxx	Total	Electric	Gas
			Average Balances ($000's)		
1	Dec-05	1/2 month	4,087	$ 3,392	$ 695
2	Jan-06		11,422	9,480	1,942
3	Feb-06		16,142	13,398	2,744
4	Mar-06		13,026	10,812	2,214
5	Apr-06		14,820	12,301	2,519
6	May-06		11,730	9,736	1,994
7	Jun-06		11,213	9,307	1,906
8	Jul-06		12,434	10,320	2,114
9	Aug-06		17,255	14,322	2,933
10	Sep-06		49,953	41,461	8,492
11	Oct-06		38,698	32,119	6,579
12	Nov-06		25,332	21,026	4,306
13	Dec-06	1/2 month	5,889	4,888	1,001
14		12 mo total	232,000	192,561	39,439
15					
16	**Total Prepayments avg bal.**		**$ 19,333**	**$ 16,047**	**$ 3,287**
17	*(1) Elec / gas allocation based on total O&M*	pg. 22 ln 2	*100%*	*83%*	*17%*

Niagara Mohawk, a National Grid Company
Tax Deduction for Interest Expense
For the Rate Year Ended December 31, 2006
($000's)

		Reference	Total	Electric	Gas
1	Avg Rate Base Per Books	pg. 8 ln 1	$ 6,279,010	$ 5,209,807	$ 1,069,203
2	Less: Excess Earnings Adj (EBCAP)	pg. 8 ln 31	(4,116)	(3,529)	(587)
3	Rate Base		6,283,126	5,213,336	1,069,790
4					
5	Weighted Cost of LTD Debt	pg. 3 lns 19 & 33		2.49%	2.49%
6	Weighted Cost of Notes payable	pg. 3 lns 20 & 34		0.49%	0.49%
	Weighted Cost of Gas Supplier Ref	pg. 3 lns 21 & 35		0.00%	0.00%
7	Weighted Cost of Cust Deposits	pg. 3 lns 22 & 36		0.02%	0.02%
8	subtotal weighted cost of debt			3.00%	3.00%
9					
10	**Income Tax Interest Deduction**		**$ 188,494**	**$ 156,400**	**$ 32,094**
11					
12					
13	*Provided to Tax Dept. for income statement Federal & State interest expense deductions.*				

Electric

Federal Income Taxes - Electric
For the Rate Year Ended December 31, 2006

Electric - As Adjusted

Electric	FEDERAL TAXABLE INCOME	DEFERRABLE BASIS	BOOK TAXABLE INCOME	@ THE STATUTORY RATE	DFIT REVERSALS	NET FIT
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	519,028,000		519,028,000	181,660,000		181,660,000
						0
ADDITIONS						0
MERGER RATE PLAN STRANDED COSTS-AMORTIZATION	261,583,787		261,583,787	91,554,000	(56,507,000)	35,047,000
PROVISION FOR DEPRECIATION	161,940,300		161,940,300	56,679,000		56,679,000
REAL ESTATE TAXES PER BOOKS	130,511,900		130,511,900	45,679,000		45,679,000
BUSINESS MEALS 50% DISALLOWANCE	219,997		219,997	77,000		77,000
DEDUCTIONS						
GAIN ON REDEMPTION BONDS	(78,547)		(78,547)	(27,000)		(27,000)
INTEREST	(156,400,000)		(156,400,000)	(54,740,000)		(54,740,000)
V-M BOOK GAIN AMORTIZATION	0		0	0	375,000	375,000
OSWEGO 6 TRANSMISSION SERVICE CONTRACT EXIT AGREEMENT	(1,741,704)		(1,741,704)	(610,000)	528,733	(81,267)
NEW YORK STATE INCOME TAXES - CURRENT PROVISION	(27,076,000)		(27,076,000)	(9,477,000)		(9,477,000)
OTHER STATE INCOME TAXES	6,065		6,065	2,000		2,000
COST OF REMOVAL	(7,616,234)	6,092,987	(1,523,247)	(533,000)	(5,574,250)	(6,107,250)
TAX DEPRECIATION	(187,952,018)	41,121,699	(146,830,319)	(51,391,000)		(51,391,000)
REAL ESTATE TAXES FOR TAX	(130,511,900)		(130,511,900)	(45,679,000)		(45,679,000)
AMORTIZATION PASNY CONTRACT	(8,546)		(8,546)	(3,000)		(3,000)
CLASS B CONTRACTS AMORTIZATION	(100,135,644)		(100,135,644)	(35,047,000)	0	(35,047,000)
TOTAL FIT EXPENSE	461,769,456	47,214,686	508,984,142	178,144,000	(61,177,517)	116,966,483

State Income Taxes - Electric
For the Rate Year Ended December 31, 2006

Electric - As Adjusted

	STATE TAXABLE INCOME	DEFERRABLE BASIS	BOOK TAXABLE INCOME	@ THE STATUTORY RATE	DSIT REVERSALS	NET SIT
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	519,028,000		519,028,000	38,927,000		38,927,000
ADDITIONS						
REAL ESTATE TAXES PER BOOKS	130,511,900		130,511,900	9,788,000		9,788,000
BUSINESS MEALS 50% DISALLOWANCE	219,997		219,997	16,000		16,000
DEDUCTIONS						
GAIN ON REDEMPTION BONDS	(78,547)		(78,547)	(6,000)		(6,000)
INTEREST	(156,400,000)		(156,400,000)	(11,730,000)		(11,730,000)
V-M BOOK GAIN AMORTIZATION	0		0	0		0
OSWEGO 6 TRANSMISSION SERVICE CONTRACT EXIT AGREEMENT	(1,741,704)		(1,741,704)	(131,000)		(131,000)
REAL ESTATE TAXES FOR TAX	(130,511,900)		(130,511,900)	(9,788,000)		(9,788,000)
TOTAL SIT EXPENSE	361,027,746	0	361,027,746	27,076,000	0	27,076,000

Gas

Federal Income Taxes - Gas
For the Rate Year Ended December 31, 2006

Gas - As Adjusted

	FEDERAL TAXABLE INCOME	DEFERRABLE BASIS	BOOK TAXABLE INCOME	@ THE STATUTORY RATE	DFIT REVERSALS	NET FIT
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	74,819,000		74,819,000	26,187,000		26,187,000
ADDITIONS						
PROVISION FOR DEPRECIATION	38,232,000		38,232,000	13,381,000		13,381,000
REAL ESTATE TAXES PER BOOKS	32,661,700		32,661,700	11,432,000		11,432,000
BUSINESS MEALS 50% DISALLOWANCE	37,399		37,399	13,000		13,000
DEDUCTIONS						
GAIN ON REDEMPTION BONDS	(6,959)		(6,959)	(2,000)		(2,000)
INTEREST	(32,094,000)		(32,094,000)	(11,233,000)		(11,233,000)
NEW YORK STATE INCOME TAXES - CURRENT PROVISION	(3,206,000)		(3,206,000)	(1,122,000)		(1,122,000)
OTHER STATE INCOME TAXES	1,031		1,031	0		0
COST OF REMOVAL	(806,559)	645,247	(161,312)	(56,000)	(582,250)	(638,250)
TAX DEPRECIATION	(57,525,104)	36,573,477	(20,951,627)	(7,333,000)		(7,333,000)
REAL ESTATE TAXES FOR TAX	(32,661,700)		(32,661,700)	(11,432,000)		(11,432,000)
TOTAL FIT EXPENSE	19,450,808	37,218,724	56,669,532	19,835,000	(582,250)	19,252,750

State Income Taxes - Gas
For the Rate Year Ended December 31, 2006

Gas - As Adjusted

	STATE TAXABLE INCOME	DEFERRABLE BASIS	BOOK TAXABLE INCOME	@ THE STATUTORY RATE	DSIT REVERSALS	NET SIT
NET INCOME BEFORE FEDERAL & STATE INCOME TAXES	74,819,000		74,819,000	5,611,000		5,611,000
ADDITIONS						
REAL ESTATE TAXES PER BOOKS	32,661,700		32,661,700	2,450,000		2,450,000
BUSINESS MEALS 50% DISALLOWANCE	37,399		37,399	3,000		3,000
DEDUCTIONS						
GAIN ON REDEMPTION BONDS	(6,959)		(6,959)	(1,000)		(1,000)
INTEREST	(32,094,000)		(32,094,000)	(2,407,000)		(2,407,000)
REAL ESTATE TAXES FOR TAX	(32,661,700)		(32,661,700)	(2,450,000)		(2,450,000)
TOTAL SIT EXPENSE	42,755,440	0	42,755,440	3,206,000	0	3,206,000

Source: NY Acctg, with review edits

Niagara Mohawk, a National Grid Company
Accum. Deferred Income Taxes - Rate Base and Capitalization Adjustments
For the Rate Year Ended December 31, 2006

FEDERAL

ACCUMULATED DEFERRED FEDERAL INCOME TAXES FOR THE YEAR ENDED December 31, 2006 | ACCUMULATED DEFERRED FEDERAL INCOME TAXES FOR THE YEAR ENDED December 31, 2006

	ACTUAL *			ACTUAL WITHOUT FAS 109 BALANCES			RATE CASE ADJUSTMENTS			RATE CASE		
	TOTAL	ELEC	GAS	TOTAL	ELEC	GAS	TOTAL	ELEC	GAS	TOTAL	ELEC	GAS
12/31/05	709,911	621,559	88,352	668,865	598,305	70,560	(31,060)	(27,109)	(3,951)	637,805	571,196	66,609
01/31/06	1,426,053	1,249,404	176,649	1,343,961	1,202,896	141,065	(37,816)	(32,335)	(5,481)	1,306,144	1,170,560	135,584
02/28/06	1,389,586	1,213,042	176,544	1,307,494	1,166,534	140,960	(2,161)	7,536	(9,697)	1,305,333	1,174,070	131,262
03/31/06	1,509,779	1,296,257	213,522	1,346,054	1,205,190	140,864	(35,282)	(30,021)	(5,261)	1,310,772	1,175,170	135,602
04/30/06	1,501,411	1,287,962	213,449	1,337,686	1,196,895	140,791	(31,925)	(26,925)	(5,000)	1,305,761	1,169,970	135,791
05/31/06	1,496,403	1,283,022	213,381	1,332,678	1,191,955	140,723	(35,241)	(30,848)	(4,393)	1,297,437	1,161,108	136,330
06/30/06	1,489,137	1,275,817	213,320	1,325,412	1,184,750	140,662	(32,593)	(28,856)	(3,737)	1,292,819	1,155,894	136,925
07/31/06	1,482,528	1,269,298	213,230	1,318,803	1,178,231	140,572	(19,410)	(17,767)	(1,643)	1,299,394	1,160,464	138,929
08/31/06	1,470,190	1,257,059	213,131	1,306,465	1,165,992	140,473	(25,288)	(24,781)	(507)	1,281,177	1,141,211	139,966
09/30/06	1,542,841	1,329,770	213,071	1,379,116	1,238,703	140,413	(35,692)	(29,071)	(6,621)	1,343,424	1,209,631	133,792
10/31/06	1,464,044	1,251,158	212,886	1,300,319	1,160,091	140,228	(39,386)	(30,621)	(8,765)	1,260,932	1,129,470	131,463
11/30/06	1,460,053	1,247,227	212,826	1,296,328	1,156,160	140,168	(34,940)	(29,933)	(5,006)	1,261,389	1,126,226	135,162
12/31/06	729,886	623,493	106,392	648,023	577,960	70,063	(21,428)	(16,028)	(5,400)	626,595	561,932	64,664
TOTAL	17,671,821	15,205,068	2,466,753	15,911,204	14,223,661	1,687,542	(382,221)	(316,759)	(65,463)	15,528,983	13,906,903	1,622,080
AVERAGE	1,472,652	1,267,089	205,563	1,325,934	1,185,305	140,629	(31,852)	(26,397)	(5,455)	1,294,082	1,158,909	135,173

* Includes FAS 109 DFIT balances.

STATE

Accum. Deferred Income Taxes - Rate Base and Capitalization Adjustments

ACCUMULATED DEFERRED STATE INCOME TAXES FOR THE YEAR ENDED December 31, 2006 | ACCUMULATED DEFERRED STATE INCOME TAXES FOR THE YEAR ENDED December 31, 2006

WITH MRA

	ACTUAL *			ACTUAL WITHOUT FAS 109 BALANCES			RATE CASE ADJUSTMENTS			RATE CASE		
	TOTAL	ELEC	GAS	TOTAL	ELEC	GAS	TOTAL	ELEC	GAS	TOTAL	ELEC	GAS
12/31/05	29,098	26,170	2,928	33,198	30,150	3,048	7,180	6,203	977	40,379	36,354	4,025
01/31/06	56,066	50,205	5,861	64,387	58,289	6,098	13,386	12,047	1,339	77,773	70,336	7,437
02/28/06	58,919	53,054	5,865	67,384	61,284	6,100	15,989	13,783	2,206	83,373	75,067	8,306
03/31/06	2,082	(18,167)	20,250	65,223	59,121	6,102	25,761	21,456	4,305	90,984	80,577	10,407
04/30/06	1,401	(18,852)	20,254	64,039	57,935	6,104	24,900	20,632	4,268	88,939	78,567	10,372
05/31/06	1,202	(19,055)	20,258	63,973	57,867	6,106	26,037	21,914	4,123	90,010	79,781	10,229
06/30/06	175	(20,087)	20,262	62,748	56,640	6,108	25,488	21,537	3,951	88,237	78,178	10,059
07/31/06	683	(19,582)	20,266	63,013	56,903	6,110	22,706	19,151	3,555	85,719	76,053	9,665
08/31/06	147	(20,123)	20,270	62,178	56,066	6,112	24,476	21,086	3,390	86,654	77,151	9,502
09/30/06	(2,247)	(22,521)	20,274	59,138	53,024	6,114	26,257	22,655	3,602	85,395	75,679	9,716
10/31/06	444	(19,834)	20,278	61,742	55,626	6,116	26,615	22,616	3,999	88,357	78,242	10,115
11/30/06	(320)	(20,602)	20,282	60,723	54,605	6,118	26,801	22,470	4,331	87,524	77,075	10,449
12/31/06	(160)	(10,303)	10,143	30,362	27,302	3,060	13,945	11,293	2,652	44,307	38,594	5,712
TOTAL	147,490	(59,695)	207,186	758,108	684,812	73,296	279,542	236,842	42,699	1,037,649	921,654	115,995
AVERAGE	12,291	(4,975)	17,265	63,176	57,068	6,108	23,295	19,737	3,558	86,471	76,804	9,666

* Includes FAS 109 DFIT balances.

Source: NY Acctg