

October 5, 2016

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 4323 – Gas Earnings Sharing Mechanism
Final Earnings Report – Twelve Months Ended March 31, 2013**

Dear Ms. Massaro:

In accordance with the Amended Settlement Agreement approved by the Rhode Island Public Utilities Commission (the PUC) in Order No. 21011 (April 11, 2013) in Docket No. 4323 (the Settlement) as reflected in National Grid's¹ gas tariff, RIPUC NG-Gas No. 101, Section 3, Schedule A, Sheet 13, subpart 5.0, enclosed are ten (10) copies of the final earnings report for the twelve-month period ended March 31, 2013 for the gas operations of the Company.

Thank you for your attention to this filing. If you have any questions, please contact me directly at 781-907-2153.

Very truly yours,



Celia B. O'Brien

Enclosures

cc: Docket 4323 Service List
Steve Scialabba, Division
David Effron, Division
Sharon Colby-Camara

¹ The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

Joanne M. Scanlon

October 5, 2016
Date

**National Grid (NGrid) – Request for Change in Electric & Gas Distribution Rates
Docket No. 4323 – Service List updated on 9/15/15**

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National Grid - RI Gas
For the Twelve Months ended March 31, 2013

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**National Grid
Gas Earnings Sharing Mechanism
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**National Grid - RI Gas
Earnings Sharing Calculation
For the Twelve Months ended March 31, 2013**

1	Average Rate Base	\$361,679,538
2	Equity Component of Rate Base	47.95%
3	Average Common Equity	<u>\$173,419,311</u>
4		
5	Net Income Available for Common Stock	\$13,985,155
6	Return on Common Equity	<u>8.06%</u>
7		
8	<u>Return on Equity > 10.33% and < 11.33%</u>	0.00%
9	Earnings to be Shared	<u>\$0</u>
10	Earnings to Customers - 50%	<u>\$0</u>
11		
12	Return on Equity > 11.33 %	0.00%
13	Earnings to be Shared	<u>\$0</u>
14	Earnings to Customers - 75%	<u>\$0</u>
15		
16	Total After tax Earnings Credited to Customers	<u><u>\$0</u></u>
17		
18	Total Earnings Credited to DAC	<u><u>\$0</u></u>

Notes:

- 1 From Page 5 of 13 line 23(f)
- 2 From Page 4 of 13 line 8
- 3 Line 1 times line 2
- 5 From Page 2 of 13 line 48
- 6 Line 5 divided by line 3
- 8 Smaller of 11.33% or Line 6 minus 10.33%
- 9 Line 3 times line 8
- 10 Line 9 times 50%
- 12 If Line 6 is greater than 11.33%, line 6 minus 11.33%, if not, 0%
- 13 Line 3 times line 12
- 14 Line 13 times 75%
- 16 Line 10 plus line 14
- 18 Line 16 divided by 65%

**National Grid - RI Gas
Income Statement
For the Twelve Months ended March 31, 2013**

		<u>2013</u>
1	<u>Operating Revenues</u>	
2	Total Firm Gas	\$365,958,964
3	Transportation	\$27,612,431
4	Other Revenues	\$478,976
5	FY13 Customer Portion of On System Non-Firm Margin not booked in FY13	(\$665,646)
6	FY12 Customer Portion of On System Non-Firm Margin booked in FY13	\$673,147
7	Total Operating Revenues	<u>\$394,057,872</u>
8		
9	<i>Adjustment to Operating Revenue:</i>	
10	ISR Revenue Requirement Increase due to NOL (recorded in FY16)	\$1,058,362
11	Inventory Financing	(\$2,219,707)
12	Total Adjusted Operating Revenues	<u>\$392,896,527</u>
13		
14	<u>Operating Expenses</u>	
15	Production (Gas Costs)	\$202,776,709
16	Storage	\$892,837
17	Transmission	\$247,942
18	Distribution	\$25,928,751
19	Customer Accounts	\$32,709,852
20	Sales	\$0
21	Administrative and General	\$42,519,958
22	Total Operating Expenses	<u>\$305,076,049</u>
23		
24	<i>Adjustments to Operating Expense:</i>	
25	Savings Imputed in Base Rates	\$2,450,000
26	Total Adjusted Operating Expenses	<u>\$307,526,049</u>
27		
28	<u>Other Expenses</u>	
29	Depreciation and Amortization	\$28,898,391
30	Local and Other Taxes	\$16,282,835
31	Revenue Related Taxes (Gross Earnings Tax - GET)	\$11,223,937
32	Federal Income Taxes @ 35%	\$7,532,659
33	Total Other Expenses	<u>\$63,937,823</u>
34		
35	Income Before Interest Expense	<u>\$21,432,656</u>
36		
37	<u>Interest Expense</u>	
38	Short-Term Debt	\$153,086
39	Long-Term Debt	\$8,238,698
40	Other Interest Expense	\$0
41	AFUDC	(\$948,352)
42	Total Interest Expense	<u>\$7,443,432</u>
43		
44	Net Income / (Loss)	<u>\$13,989,224</u>
45		
46	Preferred Dividends	<u>\$4,069</u>
47		
48	Net Income / (Loss) Applicable to Common Equity	<u>\$13,985,155</u>

Notes:

- 4 From Page 7 of 13 line 10
- 25 Docket No. 3943 (4/4/2008) Attachment NG-MDL-4 Page 1 of 6 Line 7
- 30 From Page 6 of 13 sum of line 3 through line 5
- 32 From Page 3 of 13 line 20
- 38 From Page 4 of 13 line 25(d)
- 39 From Page 4 of 13 line 17(d)
- 40 From Page 8 of 13 line 3
- 46 From Page 4 of 13 line 34(d)

**National Grid
Gas Earnings Sharing Mechanism
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**National Grid - RI Gas
Federal Income Tax Calculation
For the Twelve Months ended March 31, 2013**

1	Operating Revenues	\$392,896,527
2		
3	Less:	
4		
5	Operating Expenses	\$307,526,049
6	Depreciation and Amortization	\$28,898,391
7	Local and Other Taxes	\$16,282,835
8	Revenue Related Taxes (GET)	\$11,223,937
9	Interest - Short-Term Debt	\$153,086
10	Interest - Long-Term Debt	\$8,238,698
11	Other Interest	\$0
12	AFUDC	<u>(\$948,352)</u>
13		
14	Total Deductions	<u>\$371,374,645</u>
15		
16	Taxable Income	\$21,521,882
17		
18	Federal Income Tax Rate	<u>35%</u>
19		
20	Federal Income Tax Expense	<u><u>\$7,532,659</u></u>

Notes:

- 1 From Page 2 of 13 line 12
- 5 From Page 2 of 13 line 26
- 6 From Page 2 of 13 line 29
- 7 From Page 2 of 13 line 30
- 8 From Page 2 of 13 line 31
- 9 From Page 2 of 13 line 38
- 10 From Page 2 of 13 line 39
- 11 From Page 2 of 13 line 40
- 12 From Page 2 of 13 line 41
- 14 Sum of Line 5 through Line 12
- 16 Line 1 minus Line 14
- 20 Line 16 times Line 18

National Grid - RI Gas
Applicable Capital Structure, Interest Expense and Preferred Dividends
For the Twelve Months ended March 31, 2013

		%	%	%	\$
		(a)	(b)	(c)	(d)
1	Rate Base				<u>\$361,679,538</u>
2					
3	Capital Structure				
4		<u>Docket 3943</u>	<u>Docket 4323</u>	<u>Blended Rate</u>	
5	Short-Term Debt	11.66%	0.76%	9.84%	\$35,601,323
6	Long-Term Debt	40.63%	49.95%	42.18%	\$152,568,485
7	Preferred Stock	0.00%	0.15%	0.03%	\$90,420
8	Common Equity	<u>47.71%</u>	<u>49.14%</u>	<u>47.95%</u>	<u>\$173,419,311</u>
9		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>\$361,679,539</u>
10	Interest Expense				
11					
12					
13	Long-Term Debt Portion			42.18%	\$152,568,485
14					
15	Cost of Long-Term Debt March 2013				5.40%
16					
17	Proforma Long-Term Debt Interest For the Twelve Months ended March 31, 2013				<u>\$8,238,698</u>
18					
19					
20					
21	Short-Term Debt Portion			9.84%	\$35,601,323
22					
23	Cost of Short-Term Debt March 2013				0.43%
24					
25	Proforma Short-Term Debt Interest For the Twelve Months ended March 31, 2013				<u>\$153,086</u>
26					
27	Preferred Dividends				
28					
29					
30	Preferred Stock Portion			0.03%	\$90,420
31					
32	Cost of Preferred Stock				4.50%
33					
34	Proforma Preferred Stock For the Twelve Months ended March 31, 2013				<u>\$4,069</u>

Notes:

- 1(d) From Page 5 of 13 line 23(f)
- 5(a)-8(a) Imputed capital structure per Docket No. 3943, Attachment NG-MDL-1, Page 32 of 33
- 5(b)-8(b) Imputed capital structure per Docket No. 4323, Attachment 6, Schedule MDL-3-GAS-S, Page 56 of 65
- 5(c)-8(c) $5(a)-8(a)/12*10 + 5(b)-8(b)/12*2$
- 5(d)-8(d) Line 1(d) times Line 5(c) through Line 8(c)
- 13 Line 1(d) times Line 13(c)
- 15 From Page 10 of 13 line 11(e)
- 17 Line 13(d) times Line 15(d)
- 21 Line 1(d) times Line 21(c)
- 23 From Page 11 of 13 line 14(b)
- 25 Line 21(d) times Line 23(d)
- 30 Line 1(d) times Line 30(c)
- 32 Cost rate per Docket No. 4323, Attachment 6, Schedule MDL-3-GAS, Page 56 of 65
- 34 Line 30(d) times Line 32(d)

**National Grid - RI Gas
Rate Base
For the Twelve Months ended March 31, 2013**

	March 2012 (a)	June 2012 (b)	September 2012 (c)	December 2012 (d)	March 2013 (e)	Average March 2013 (f)
1 Gas Plant In Service	\$698,916,387	\$710,787,522	\$741,522,529	\$749,807,521	\$755,625,958	\$731,331,983
2 CWIP	\$50,920,884	\$55,909,131	\$37,071,871	\$46,875,869	\$58,020,581	\$49,759,667
3 Less: Accumulated Depreciation	\$308,505,930	\$313,391,340	\$316,503,064	\$322,028,216	\$326,007,433	\$317,287,197
4 Less: Contribution in Aid of Construction	\$5,587,250	\$5,586,650	\$5,356,673	\$5,356,673	\$5,356,673	\$5,448,784
5						
6 Net Plant	<u>\$435,744,091</u>	<u>\$447,718,663</u>	<u>\$456,734,663</u>	<u>\$469,298,501</u>	<u>\$482,282,433</u>	<u>\$458,355,670</u>
7						
8 Materials and Supplies	\$2,957,600	\$2,716,989	\$2,906,593	\$3,411,005	\$3,351,237	\$3,068,685
9 Prepaid Expenses, Excluding Taxes	\$440,375	\$0	\$102,098	\$0	\$380,418	\$184,578
10 Deferred Debits	\$4,483,685	\$4,247,262	\$4,010,839	\$3,774,417	\$3,537,994	\$4,010,839
11 Unamortized debt expense and Interest Rate Lock	\$2,741,231	\$2,684,310	\$2,627,391	\$2,888,047	\$2,828,465	\$2,753,889
12 Cash Working Capital	<u>\$22,551,215</u>	<u>\$21,795,565</u>	<u>\$21,795,565</u>	<u>\$21,795,565</u>	<u>\$21,795,565</u>	<u>\$21,946,695</u>
13						
14 Subtotal	<u>\$33,174,106</u>	<u>\$31,444,126</u>	<u>\$31,442,486</u>	<u>\$31,869,033</u>	<u>\$31,893,678</u>	<u>\$31,964,686</u>
15						
16 Accumulated Deferred FIT	\$96,440,213	\$100,961,060	\$97,028,479	\$95,009,640	\$96,704,769	\$97,228,832
17 Hold Harmless	\$26,374,450	\$26,190,670	\$26,006,891	\$25,823,111	\$25,674,670	\$26,013,958
18 Customer Deposits	\$4,718,154	\$4,718,154	\$4,718,154	\$4,718,154	\$4,718,048	\$4,718,132
19 Injuries and Damages Reserve	<u>\$685,387</u>	<u>\$850,387</u>	<u>\$651,887</u>	<u>\$620,516</u>	<u>\$591,297</u>	<u>\$679,895</u>
20						
21 Subtotal	<u>\$128,218,203</u>	<u>\$132,720,271</u>	<u>\$128,405,410</u>	<u>\$126,171,421</u>	<u>\$127,688,784</u>	<u>\$128,640,818</u>
22						
23 Rate Base	<u><u>\$340,699,994</u></u>	<u><u>\$346,442,518</u></u>	<u><u>\$359,771,738</u></u>	<u><u>\$374,996,113</u></u>	<u><u>\$386,487,328</u></u>	<u><u>\$361,679,538</u></u>

Notes:

- 1(a)-4(e) From Company Financial Statements
- 1(f)-4(f) Average of Column (a) through Column (e)
- 6(a)-6(e) Line 1 plus line 2 minus line 3 minus line 4
- 6(f) Average of Column (a) through Column (e)
- 8(a)-11(e) From Company Financial Statements
- 8(f)-11(f) Average of Column (a) through Column (e)
 - 10 Reflects the amortization of Y2K related costs per Docket No. 3401 and Advantage System amortization
 - 12 From Page 6 of 13 Line 13
 - 14 Sum of Line 8 through Line 12
- 16(a)-19(e) From Company Financial Statements
- 16(f)-19(f) Average of Column (a) through Column (e)
 - 17 Hold Harmless rate base credit per Docket No. 3859
 - 21 Sum of Line 16 through Line 19
 - 23 Line 6 + Line 14 - Line 21

**National Grid
Gas Earnings Sharing Mechanism
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**National Grid - RI Gas
Cash Working Capital Calculation
For the Twelve Months ended March 31, 2013**

1	Gas Costs	\$202,776,709
2	Operating Expenses	\$102,299,339
3	Payroll Taxes	\$2,589,508
4	Property Taxes	\$13,055,028
5	State Taxes Other	\$638,299
6	Revenue Related Taxes (GET)	<u>\$11,223,937</u>
7	Total	<u>\$332,582,821</u>
8		
9	Daily Cash Requirement	\$911,186
10		
11	Net Lag Days	23.92
12		
13	Total Working Capital	<u><u>\$21,795,565</u></u>

Notes:

- 1 From Page 2 of 13 Line 15
- 2 From Page 2 of 13 Lines 16 - 21
- 3-5 From Company Financial Statements
- 6 From Page 2 of 13 Line 31
- 7 Sum of Lines 1 through Line 6
- 9 Line 7 divided by 365 days
- 11 10 months Per Docket No. 3943 and 2 months Per Docket No. 4323
- 13 Line 9 times Line 11

National Grid
Gas Earnings Sharing Mechanism
Docket No. 4323
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National Grid - RI Gas
Detail Other Revenue/(Expense)
For the Twelve Months ended March 31, 2013

1	Rent from Gas Property	\$306,561
2	Displacement Revenue	(\$0)
3	Recovery of Supervision & Administrative Costs	\$80,840
4	Other Revenue	\$511,314
5	RDM Revenue	(\$1,038,625)
6	LIEAP Revenue	(\$37,374)
7	Misc Revenue	\$0
8	Interest on Customer Arrears	<u>\$656,260</u>
9		
10	Total Other Revenue	<u><u>\$478,976</u></u>

Notes:

- 1-8 From Company Financial Statements
- 10 Sum of line 1 through line 8

**National Grid
Gas Earnings Sharing Mechanism
Docket No. 4323
Page 8 of 13**

**National Grid - RI Gas
Detail Other Interest Expense
For the Twelve Months ended March 31, 2013**

1	Interest on Customer Deposits	\$0
2		
3	Total Other Interest Expense	<u><u>\$0</u></u>

Notes:

- 1 From Company Financial Statements
- 3 Line 1

National Grid - RI Gas
Detail Non-Operating Income / (Expense)
For the Twelve Months ended March 31, 2013

1	Service Contract Revenue	\$4,197
2	Share Awards	(\$593,000)
3	Interest on Over / (Under) Collections, primarily Deferred Gas Costs	(\$2,150,274)
4	Deferred Compensation - Life Insurance	(\$7,159)
5	Federal Income Taxes on Non-Operating Income	(\$44,745)
6	NGPMP per Docket 4038	(\$1,000,000)
7	Lobbying / Legal and Political Expense	(\$122,199)
8	Penalties	(\$210,625)
9	Other	<u>\$423,703</u>
10	Total Non-Operating Income/(Expense)	<u><u>(\$3,700,103)</u></u>

Notes:

- 1-9 From Company Financial Statements
- 10 Sum of line 1 through line 9

National Grid
Calculation of Average Long-Term Debt Interest Rate
For the Twelve Months ended March 31, 2013

<u>Description</u>	(a) Average Long-Term <u>Debt Balance</u>	(b) Rate	(c) Long-Term <u>Interest Expense</u>	(d) Annual Amortization <u>of DD&E</u>	(e) Total <u>Expense</u>
1 Providence Gas FMB S	\$14,464,000	6.82%	\$986,445	\$7,000	\$993,445
2 Providence Gas FMB N	\$10,000,000	9.63%	\$963,000	\$4,100	\$967,100
3 Providence Gas FMB O	\$12,500,000	8.46%	\$1,057,500	\$4,300	\$1,061,800
4 Providence Gas FMB P (Annual sinking fund 9/30 \$625,000)	\$6,562,500	8.09%	\$530,906	\$3,500	\$534,406
5 Providence Gas FMB R (Annual sinking fund 12/15 \$750,000)	\$10,281,250	7.50%	\$771,094	\$4,100	\$775,194
6 Narragansett Senior Note \$250M due 3-15-2020	\$250,000,000	4.53%	\$11,325,000	\$664,600	\$11,989,600
7 Narragansett Senior Note \$300M due 3-15-2040	\$300,000,000	5.64%	\$16,920,000	\$279,300	\$17,199,300
8 Narragansett Senior Note \$250M due 12-10-2042 (issued 12-10-2012)	\$76,388,889	4.17%	\$3,185,417	\$22,917	\$3,208,334
9 Totals	\$680,196,639		\$35,739,362	\$989,817	\$36,729,179
10					
11			Cost of Debt = (Total Expense / Average Long-Term Debt Balance)		5.40%

Notes:

- 1-8 From Financial Statements
11(e) 9(e) divided by 9(a)

1(a)-8(a) *Average amounts represent Narragansett Electric Company consolidated amounts as the Gas division is not a legal entity.

National Grid - RI Gas
Calculation of Average Short-Term Debt Interest Rate
For the Twelve Months ended March 31, 2013

		(a)	(b)	(c)
	<u>Month</u>	<u>Average Short-Term Debt Balance</u>	<u>Weighted Cost Rate</u>	<u>Short-Term Interest Expense</u>
1	Apr-15	\$175,497,500	0.19%	\$27,787
2	May-15	\$183,440,323	0.17%	\$25,987
3	Jun-15	\$190,861,667	0.16%	\$25,448
4	Jul-15	\$227,976,613	0.17%	\$32,297
5	Aug-15	\$243,981,452	0.16%	\$32,531
6	Sep-15	\$232,138,333	0.15%	\$29,017
7	Oct-15	\$236,370,161	0.14%	\$27,577
8	Nov-15	\$256,214,781	1.14%	\$244,040
9	Dec-15	\$112,079,403	1.50%	\$139,856
10	Jan-16	\$26,071,506	0.83%	\$18,018
11	Feb-16	\$60,279,051	0.97%	\$48,927
12	Mar-16	\$78,763,827	1.15%	\$75,414
13				
14	Average	\$168,639,551	0.43%	\$726,899

Notes:

1(a)-12(a) Average amounts represent Narragansett Electric Company consolidated amounts as the Gas division is not a legal entity and participates in the National Grid money pool as a division of Narragansett Electric

14(b) Average of Line 1 through Line 12

**National Grid - RI Gas
 Merger Hold Harmless Rate Base Credit**

Attachment NG-MDL-1
 Docket No. _____
 April 1, 2008
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**National Grid - RI Gas
 Rate Base Adjustments
 Merger Hold Harmless Rate Base Credit**

Line No.			
1	Balance as of September 30, 2007		\$34,139,677 1/
2			
3	Increase / (Decrease) 12 Months Ended 9/30/08		<u>(2,624,545)</u>
4			
5	Balance as of:	9/30/08	\$31,515,132 1/
6			
7			
8		10/31/08	31,283,677
9		11/30/08	31,052,222
10		12/31/08	30,820,767 1/
11		1/31/09	30,647,907
12		2/28/09	30,475,046
13		3/31/09	30,302,186 1/
14		4/30/09	30,129,326
15		5/31/09	29,956,466
16		6/30/09	29,783,606 1/
17		7/31/09	29,610,746
18		8/31/09	29,437,886
19		9/30/09	<u>29,265,026 1/</u>
20			
21	Rate Year Merger Hold Harmless - Five Quarter Average		<u><u>\$30,337,343</u></u>

1/ Hold Harmless Rate Base Credit Per DJE-2 (Revised) from Docket No. 3859.

@ 12/31/06 per DJE-2 Revised	35,764,025
Imputed 3/31/07	35,222,576
Imputed 6/30/07	34,681,127
Imputed 9/30/07	34,139,677
@ 12/31/07 per DJE-2 Revised	33,598,228
Imputed 3/31/08	32,903,863
Imputed 6/30/08	32,209,497
Imputed 9/30/08	31,515,132
@ 12/31/08 per DJE-2 Revised	30,820,767
Imputed 3/31/09	30,302,186
Imputed 6/30/09	29,783,606
Imputed 9/30/09	29,265,026
@ 12/31/09 per DJE-2 Revised	28,746,445

**National Grid
Gas Earnings Sharing Mechanism
Docket No. 4323
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Schedule DJE-2
Revised

NATIONAL GRID
MERGER ADJUSTMENT TO ADIT
Projected Deferred Tax Schedule
(\$000)

<u>As of</u> <u>31-Dec</u>	<u>Southern</u> <u>Union</u> <u>ADIT</u>	<u>National</u> <u>Grid</u> <u>ADIT</u>	<u>Difference</u>	<u>Southern</u> <u>Union</u> <u>ADITC</u>	<u>ADIT</u> <u>Merger</u> <u>Adjustment</u>
2006	\$ 34,845	\$ 214	\$ 34,631	\$ 1,133	\$ 35,764
2007	\$ 33,908	\$ 1,238	\$ 32,670	\$ 928	\$ 33,598
2008	\$ 32,170	\$ 2,073	\$ 30,097	\$ 724	\$ 30,821
2009	\$ 30,086	\$ 1,859	\$ 28,227	\$ 519	\$ 28,746
2010	\$ 29,473	\$ 2,238	\$ 27,235	\$ 315	\$ 27,549
2011	\$ 29,632	\$ 3,184	\$ 26,448	\$ 110	\$ 26,558
2012	\$ 29,583	\$ 3,760	\$ 25,823		\$ 25,823
2013	\$ 29,515	\$ 4,286	\$ 25,229		\$ 25,229
2014	\$ 29,199	\$ 4,628	\$ 24,572		\$ 24,572
2015	\$ 29,095	\$ 5,530	\$ 23,566		\$ 23,566
2016	\$ 28,823	\$ 6,531	\$ 22,292		\$ 22,292
2017	\$ 28,342	\$ 7,568	\$ 20,774		\$ 20,774
2018	\$ 27,627	\$ 8,606	\$ 19,020		\$ 19,020
2019	\$ 26,847	\$ 9,842	\$ 17,005		\$ 17,005
2020	\$ 25,922	\$ 11,305	\$ 14,617		\$ 14,617
2021	\$ 24,732	\$ 12,797	\$ 11,934		\$ 11,934
2022	\$ 23,374	\$ 14,311	\$ 9,064		\$ 9,064